



RE-252

***Evaluation Capacity
Building: Elements of an
Approach to the Region***

Office of Evaluation and Oversight, OVE

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I. INTRODUCTION

- 1.1 The original purpose of this report was to inform the Board of Executive Directors and Management about OVE's evaluation capacity-building (ECB) activities carried out as an ongoing program of the Office since 1994. At their 83rd meeting, held July 2-3, 2001, the Board of Governors asked the Board of Executive Directors to continue providing them with information and analysis on "mechanisms to improve dialogue with and monitoring of borrowing countries, and evaluation of the effectiveness of lending instruments", among other tasks. In response to this request and to the increased interest among Executive Directors and Governors in ECB, the scope of the report has been expanded to include a broader discussion of evaluation as a tool for improving public sector management in Latin America.
- 1.2 The Eighth General Replenishment of Resources (IDB-8) established the strategic relevance of the Bank's ECB activities and directed the Bank to "promote and support in-country capacity building and facilitate cooperation in evaluation activities with other development agencies."¹ IDB-8 also recognized the important link between borrower evaluative capacity and the Bank's portfolio performance.
- 1.3 In accordance with IDB-8's emphasis on evaluation, the Bank's Evaluation Office (OVE) has been helping Borrowers strengthen their national evaluation capacity by offering evaluation-related technical support upon request. It organizes and sponsors seminars and conferences on evaluation, disseminates lessons learned and best practices in evaluation, provides training in evaluation in the conduct of project management, and participates in donor coordination activities designed to strengthen evaluation at the country level. In addition, Management is supporting evaluation capacity building activities in the region as a part of loan and technical cooperation activities oriented toward modernization of the state.
- 1.4 This report describes the role of evaluation as an integral part of improving public sector management by providing regular feedback on the results of public action. It lays out some of the present challenges for the Bank in this area, as well as some considerations for the future directions in evaluation capacity building, based on a conceptual framework for introducing evaluation and accountability into public administration.
- 1.5 The report recommends that the Bank undertake a more integrated approach to ECB by: (i) working more actively with borrowers to undertake evaluation work related to the Bank's own projects; (ii) including ECB explicitly as one of the key elements in its modernization of the state strategy, and (iii) incorporating the concept of evaluation as a tool for improving public sector performance in the Bank's lending and non-lending instruments that aim at strengthening public sector institutions.

¹ Report on the Eighth General Increase in Resources of the Inter-American Development Bank, AB-1704; page 48 sec. 2.1000. Washington, D.C., August 1994.

- 1.6 Section II describes the state of evaluation activities and institutions in the region and highlights the Bank's activities in support of such activities and institutions. Section III distills lessons from this phase of the Bank's and Borrowers' ECB experience, which are important for the Bank to consider in the development of its future ECB strategy. Section IV puts forward some key features of a model for introducing evaluation and accountability into public administration. Section V provides a program for introducing evaluation as a tool for public administration throughout the different branches of government. Section VI provides some concluding reflections, along with some possible changes in the Bank's own procedures which could facilitate the use of evaluation in the region.

II. A SUMMARY OF THE STATE OF EVALUATION IN THE REGION AND THE BANK'S RESPONSE

A. The State of Evaluation in the Region

- 2.1 In the past decade, the drive to make Latin American and Caribbean economies more competitive has led almost every country in the region to redefine the role of the state in its economy. The growing trend toward democratization in the region has also heightened public interest and scrutiny of government's actions, leading governments to identify new approaches and tools for achieving greater transparency and accountability.
- 2.2 Accountability, however, requires major and difficult changes in institutions, attitudes and practices, many of which have been slow in coming to the region. Effective accountability has both a horizontal and a vertical dimension. (See Box 2.1) Vertical accountability requires both effective hierarchical mechanisms within the executive branch (to hold Ministries accountable to the agenda set by the President, Departments accountable to the agenda of the Minister, etc.), and effective communication between the state and citizens so that they may hold the regime accountable to electoral promises.

Box 2.1 Forms of Accountability

In a well functioning State, therefore, the government is subjected to accountability that is both *imposed upon it* from outside by citizens, and accountability that it imposes *upon itself* through public institutions empowered to restrain the political executive. Theorists refer to this important distinction as "vertical" accountability (by the State to citizens) versus "horizontal" accountability (by the State to its own public institutions of accountability).

Mark Schacter "When Accountability Fails: A Framework for Diagnosis and Action"
<http://www.isuma.net/v02n02/schacter/schacter.htm#notena01>

- 2.3 Horizontal accountability also requires the creation of a network of organizations capable of providing information on, and oversight of, other public sector entities.

These include legislative and judicial institutions, as well as special purpose organs of accountability such as Auditors, Controllers and independent evaluation units.

- 2.4 In the context of accountability, evaluation activities can be seen as the mechanisms for generating information regarding the performance of government agencies, information that is essential for making both horizontal and vertical accountability effective. If evaluation systems function well, both the hierarchical chain-of-command, and the public at large, are provided with timely and accurate information on how effective agencies are being in achieving the goals they have set for themselves.
- 2.5 Despite the theoretical attractiveness of evaluation as an essential tool of democratic government, the actual practice of evaluation in the region falls well short of its potential. Most agencies do not articulate their mission in concrete and evaluable terms. Most agencies do not manage themselves to produce results. Most personnel in the public service do not have incentives to improve the performance of their organization, nor is their own performance judged in relationship to the performance of their organization. Formal institutions of horizontal accountability are few in number, and often confine themselves to the narrow focus of verifying the financial accounts of public sector entities. The public does not have ready access to information on the performance of public institutions, and there are few formalized channels of communication between government and the public.

B. The Bank's Experience in Evaluation Capacity-Building

- 2.6 In light of both the potential and the shortcomings of evaluation systems in the region, The Bank has, for a number of years, had an active program working to promote "evaluation capacity building" in the region. This work has been focused on: (i) improving the evaluation of the Bank's own projects, (ii) strengthening self-evaluation, (iii) introducing ECB as a component of modernization of the state programs; and (iv) dedicated ECB work by the Bank's independent evaluation unit. The Bank's activities in these four areas are described below.

1. Evaluation of the Bank's Investment Projects

- 2.7 From its inception, the Bank has recognized the importance of evaluation as a means to ensure the attainment of its institutional goals and objectives. At first, the Bank's evaluation and ECB activities were essentially project focused. Bank Management believed that ex ante, concurrent and ex post evaluations could increase the efficiency of the resource allocation process, the effectiveness of the project implementation activities, and the assessment of whether development goals embedded in the projects had been attained. This close link between the different types of evaluations and portfolio management activities was expected to increase the overall quality and impact of the Bank's program and induce a joint

sense of ownership by the Bank and the borrowing countries of the activities being financed.

- 2.8 To this end, the Bank developed a series of project monitoring and evaluation mechanisms, to provide information on project implementation, attainment of project goals, and portfolio management. The establishment of Country Offices was an integral part of this exercise, since field staff were fundamentally tasked with assuring that Bank funds were expended as planned and that anticipated outputs were actually produced. These mechanisms were also designed to provide information about the performance of the executing agencies, including the quality of their management systems and the effectiveness of the incentives provided to public sector actors in the context of the operations.
- 2.9 The Bank's internal evaluation systems, however, have tended to focus on the process of project execution more than on the results achieved. Regular tracking reports provided timely feedback on the execution of projects, and contributed to increased attention on slow-disbursing projects, but ex-post assessment of project accomplishments were generally seen as the responsibility of the borrower. Until 1994, Management's Operations Evaluation Office (CON/OEO) carried out ex-post evaluations of Bank projects. This was done on a sample basis usually as part of sector evaluation efforts. In addition to the strategically-focused OEO ex-post evaluations, since 1967 all Bank projects have had the option of requesting a borrower-conducted ex-post evaluation. In 1978, Bank requirements for "Borrower Ex-Post Evaluations (BEP)" were standardized, but the actual experience in most loans was disappointing. Initially, the Bank imposed burdensome requirements on the borrower, which were a source of tension with the Bank. Countries, in turn, generally did not use performance management in their internal processes for budgeting and investment planning.² With neither the Bank nor the country having a strong practical interest in results-oriented evaluation, borrower-ex-post evaluations either were not conducted or were done in a perfunctory and superficial way. Reflecting this poor experience, the requirement for borrower ex-post evaluation was dropped by the Bank in 1993.
- 2.10 Today, as performance information is becoming a more important part of public sector management in the region, there is increased interest in again trying to integrate evaluation into the borrower's side of the relationship with the Bank.

2. Strengthening Self-Evaluation

- 2.11 As defined in the Eighth Replenishment document, the Bank Evaluation System (BES) aims at "using evaluation as a tool for institutional learning and as an instrument for systematic assessment of the effectiveness of Bank development policies, the result of Bank-financed activities, and related processes. The BES will distill lessons from the evaluation experience of Borrowers, non-borrowing

2 A 1980 Report by the Bank's Independent External Review and Evaluation Office (RE-99-A) noted the poor quality of BEP reports and the "burdensome requirements" imposed by the Bank prior to reforms introduced in 1977. It also noted that the use of evaluation results by the borrowers was "minimal".

member countries, and the Bank's own operations for use in the design of new operations, as well as in the improvement of ongoing activities." In addition, the Board has defined the most critical activities to be developed under the operational oversight function, and the areas in which there will be a systematic and periodic examination, such as strategic papers, operational policies and procedures, program performance and programming papers, performance assessments of the Bank's portfolio, budget proposals and execution reports.

- 2.12 While in theory virtually any activity or process can be the appropriate subject for evaluation work, the Governors' instruction to concentrate on issues of development effectiveness means that the principal focus of the BES must be on the instruments and activities used by the Bank to support the economic and social development of member countries in the region. Document R-231 charges OVE with the responsibility for the oversight of the Bank's evaluation system.³
- 2.13 The current evaluation system encourages shared responsibility for evaluation among the Board of Executive Directors, Bank Management, and Borrowers. To achieve this, specific responsibilities are assigned to the different actors. The Board of Governors and the Offices of the Executive Directors perform a continuous oversight function. Management is charged with the responsibility of improving the evaluability of its policies, strategies, programs and projects. To do this, it created a Regional Operations Support Office (ROS) to monitor the performance of its portfolio and provide technical assistance in monitoring and evaluation to the Country Offices. It also named a Special Advisor for Evaluation in the Office of the Executive Vice President. For its part, the Bank has also broadened the terms of reference of its evaluation office (OVE) to include evaluation capacity building as one of its principal activities. All of these measures should enable the Bank to better connect its own evaluation systems and activities to those of Borrowers.

3. ECB as a Component of Modernization and Reform of the State Operations

- 2.14 Borrowers have sought the Bank's assistance in their efforts to restructure and improve the performance of their public sectors. An essential element in improving public sector performance is developing the ability to generate the qualitative and quantitative information about the delivery of public goods and services in accordance with agreed upon strategic objectives, user expectations and resource availabilities.

³ The Bank's evaluation function has evolved over time. Initially, there was a group of three controllers, followed by a dual system comprising the Office of External Review and Evaluation and the Operations Evaluation Office. These functions were consolidated into a single Office of Evaluation (EVO) as part of the IDB-8 negotiations, with reporting responsibilities to both the President and the Board of Executive Directors. Following the work of the Board/Management Task Force, the office was renamed Office of Evaluation and Oversight (OVE) in 1999, which reported directly to the Board of Executive Directors.

- 2.15 Such information is generally lacking in the region, and very few of the region's governments have had either sufficient institutional capacity or the financial resources necessary to implement adequate evaluation systems. Recognizing this situation, an increasing number of the Bank's projects have begun including components on developing domestic capacity in evaluation, control and auditing of public-sector investments and expenditures.
- 2.16 At present, the Bank's reform and modernization of the state active portfolio consists of over 100 operations totaling some US\$10 billion and includes operations dealing with civil society, financial management, fiscal management, judicial reform, legislative administration, planning, privatization and public administration.
- 2.17 Of these operations, 13 loans, totaling US\$1,869,506,000, have explicit components whose purpose is to strengthen Borrowers' evaluation and control mechanisms.⁴ Table 2.1 below presents a summary of the evaluation capacity building components in these loans. It is important to note, however, that while this number of loans and volume of lending is evidence of considerable interest in ECB activities, less than half of the approved funds have been disbursed. Clearly, there is much that remains to be done even to execute the operations already approved.

⁴ The criteria for selection of the projects were a) all projects that explicitly included an evaluation capacity building component; b) these components were stated among the project's objectives and had measurable outcomes; c) loans approved before July 2001.

Table 2.1 Projects that Include ECB as a Project Component

Project Title	Project Development Objective	Evaluation Component -Expected Output	Approved (000)	Disbursed (000)	%
Fiscal Management of Municipalities BR0286	Improve transparency in public municipal management	Evaluation and review of public municipal actions.	300,000	0	0.00
Public Finance Sector Loan PE 0201	Support for implementing a program of institutional and administrative reforms that seek to improve resolution of tax appeals; allocation and productivity of public resources; and performance of decentralized firms	Design and establishment of multi-annual programming, follow-up and evaluation systems for public expenditure.	200,000	199,500	99.7
RTC Admin. Finance. Reform Public Sector AR0149	Improve the effectiveness, efficiency and economy in the use of human, financial and physical resources of the National Public Sector (SPN) and Decentralized Organizations (OD)	Improvement of internal control management, to be carried out by the State's General Personnel Management Office.	47,000	46,680	99.3
State Modernization Córdoba Province AR0257	Enable the Government of the Province of Córdoba to improve its financial and administrative management abilities in order to consolidate a basis for sustainable fiscal balance in the short and long term, and be able to respond to the needs of the public.	Public Management Control System	215,000	0	0
Loan TC: Financial Sector Reform NI0106	Support Nicaragua's Central Bank and the Banking Regulatory Commission in the implementation of the III Financial Sector Reform Program.	Establish a standard methodology for the evaluation of bank portfolio quality	765	229.3	29.9
Fiscal Balance & Social Mgmt. AR0271	Social Security	Social Development (Evaluation methodology for the Solidarity Program)	400,000	201,332	50.3
Provincial Support Program Buenos Aires AR0164	Improve the quality of allocation of social resources by strengthening the Family and Human Development Council.	Social promotion (Mid-year and annual evaluation reports)	350,000	335,159	95.7
Loan TC: Strengthening Foreign Trade AR0256	Strengthen the Department of Industry, Commerce and Mining (SCYM)'s capacity to improve its foreign trade policy instruments.	Evaluation methodologies: Indicators for the follow-up and evaluation of the effectiveness of trade policy's measures and instruments every 12 months.	5,000	8	0.16
Fort. Instituc. Sost. Serv. Nac. Impuesto BO0186	Improve the efficiency and effectiveness of administrative management of the National Internal Revenue Service (SNII).	Strengthening of the central capacity for planning, coordinating and evaluating fiscal activities.	3,200	313	9.77
TC Loan: Support to the Budget Process VE0050	Strengthen the government's ability to define, administer and evaluate its macroeconomic policy in order to produce and implement a prudent fiscal policy consistent with macroeconomic goals.	Creation of a macroeconomic programming and analysis office within the Ministry of Finance, as well as a macroeconomic policy programming and evaluation commission.	6,391	3,065	47.9
Loan TC: Structural Reform CR0112	Support the adoption of measures that promote efficiency and transparency in Costa Rica, focusing on areas under government jurisdiction and offering a greater role to the private sector in the supply of goods and services.	National Evaluation System consolidated as a mechanism for accountability.	12,650	4,516	35.7
Strengthening of the Republic's General Controller CO0244	Support institutional and technological modernization of the Republic's General Audit Office as the body responsible for the evaluation and oversight of the Republic's General Controller	Develop performance indicators and the information mechanisms needed to monitor, control and oversee them.	23,000	1,184	5.15
Efficiency and Management Regional Investment CH0161	Improve the efficiency of regional investment by improving distribution, prioritization of investments within the regions and evaluation of their impact. Improve the quality of financed projects and their focus, developing the evaluation capacity within municipalities and technical units, execute	Addition of an ex-post acquisitions review process to the Program's Operational code.	300,000	0	0.00
		TOTAL LOANS IN EXECUTION	1,054,506	794,336	46.3
		TOTAL	1,869,506	794,336	

4. Independent Evaluation Unit's efforts in ECB

- 2.18 For its part, the Bank's independent evaluation unit (called EVO until 1999, OVE thereafter) began its work in evaluation capacity building in November 1993, when the Bank and OECD's Development Assistance Committee co-sponsored the First Regional Seminar on Evaluation in Latin America and the Caribbean in Quito, Ecuador. The objectives of this seminar were to raise Borrowers' awareness of the importance of evaluation as a management and planning tool and to broaden their understanding of the uses of evaluation in government. Most of the participants were senior government officials. Meetings between representatives from the region and participants from the OECD donor community enabled them to exchange experiences and identify opportunities for collaboration.
- 2.19 An Action Plan for strengthening evaluation in the region was drawn up at the conference. The actions recommended by the participants provided the basis for the Bank's strategy and annual work plan. The Bank's activities have focused on the following:
- i. Designing Action Plans: At the request of Borrowers, OVE has provided advice on how to develop conceptual and legal frameworks for establishing evaluation systems. Based on the goals, objectives, and constraints presented by country representatives, OVE identifies relevant experience both internally, within the Bank, and internationally. Action plans and terms of reference usually contemplate some form of cooperation with OVE or other partners.⁵
 - ii. Raising Awareness: OVE has sponsored seminars and workshops for government officials on the uses, methodology and findings of evaluation. Presenting the findings of the Bank's own evaluations increases awareness among potential users of evaluation results and creates support for evaluation within the country.
 - iii. Compiling and Disseminating Documentation: OVE has made available (through the Internet or seminars) its own evaluation materials and documents from other sources, including international development agencies. These materials include evaluation reports, studies, methodologies, and examples of organization and practice in evaluation systems.
 - iv. Providing Training: OVE has held training seminars and workshops on evaluation methods and the role and conduct of evaluations. It has supported the development of graduate programs in evaluation at the University of the West Indies and the University of Costa Rica. It also assisted INDES in organizing and conducting a workshop on

⁵ In most cases OVE identifies resources from other development assistance organizations, OECD member countries (i.e. Great Britain, Spain, the Netherlands, the United States, and Canada) or international consultants.

performance measurement as a tool for improving the management of social sector programs. During missions, OVE staff discusses evaluation issues with host institutions and government officials.

- v. Conducting Parallel (participatory) Evaluations: OVE considers parallel evaluations to be practical tools for building evaluation capacity, for this reason it has provided opportunities for implementing agencies and professional evaluators to conduct evaluation exercises with technical assistance from its own and other professional evaluators in the countries. OVE plans to conduct six parallel evaluations in partnership with the Caribbean Development Bank, the University of the West Indies and the Central American Bank for Economic Integration.

2.20 In addition to the topics identified in the action plan, OVE is also now working in the following areas:

- i. Mainstreaming ECB into the Bank's operations: As the Bank embraces processes that promote results-oriented management, OVE is helping make this approach operational by assisting project teams incorporate evaluation as a component of modernization of the State activities.
- ii. Development of Methodology: OVE is helping Bank Staff develop indicators and benchmarks to be used in programming and project activities. In particular, OVE working with project teams in promoting the use of benchmarks as a source of ideas for improving public sector performance.
- iii. Integrate Bank actions with Borrowers' evaluation processes: Recognizing the importance of evaluation information in the decision making process regarding public sector investments, OVE is encouraging and supporting Bank staff efforts aimed at harmonizing, and to the extent possible, make use of the Borrowers' own evaluation systems in determining the results and impact of Bank-supported programs and projects.

III. LESSONS FROM EXPERIENCE IN ECB

- 3.1 The process of modernization of the state in the region in the past decade has started to give evaluation a central role, which is constantly adjusted and calibrated based on best practices and experience. From its engagement with the countries in this process, and on the basis of observation of Bank initiatives, OVE has come to identify several "lessons learned" regarding the evaluation function in the region. Among these lessons are:

A. Demand orientation

- 3.2 While supply-side constraints have hampered the development of effective evaluation activities, the main problem has been a lack of demand for and ownership of evaluation and feedback as a way of improving the effectiveness of public actions. While some countries have expressed interest in the use of evaluation as a management tool, interest alone is not sufficient. In many countries, the incentive structure in the public sector does not encourage results-based decision-making processes or participation by users and the public at large in the assessment of the effectiveness of government activities. In such cases, it is hard to find or generate demand for broad-based evaluation.

B. Linkage to public sector modernization and reform efforts

- 3.3 The demand for evaluation is optimally generated when the process is recognized—within the country and the Bank—as a tool for improving the performance of the public sector and the effectiveness of public expenditure. This in turn requires that performance enhancement in the public sector is effectively on the political agenda of the country. If the quality of performance of public agencies is not on the agenda, either because of broad satisfaction with current outcomes or resistance to performance management by key stakeholders, ECB efforts are unlikely to bear fruit. For Bank efforts in this area to be successful, the Bank/country dialogue itself must be oriented towards the identification and attainment of results rather than the management of inputs.

C. Integration of evaluation instruments

- 3.4 Establishing the effectiveness of public sector projects and activities requires a stronger emphasis on, and consistency between, program activities and ex-ante, concurrent and ex post evaluation instruments. Results-oriented evaluation, which includes realistic and monitorable indicators, should be embedded into the design of operations, strategy papers and other instruments, and linked to national evaluation systems and activities.
- 3.5 The Bank needs to adopt a case-by-case approach to identify and respond to specific opportunities within individual countries. Bank support for ECB initiatives in a particular country, whether at the project or sector level, should not be conducted in isolation, but rather with a view toward supporting systemic efforts in the country to develop results-based performance management.

D. Other Constraints

- 3.6 Country and Bank experience also show that future ECB work must take into account the need for legal frameworks that underpin ECB activities, since in many countries this issue has been insufficiently addressed. Another common constraint is the disconnect between evaluation and strategic planning, including the aspects of the budgetary process. Likewise, little attention is being given to the organizational structures needed within the public sector for coordinating the

system and maintaining the integrity of the methodologies and processes involved in evaluation. Lastly, the most important and challenging constraint is the continuous absence of effective links with external actors (i.e., users, the public, and interest groups).

IV. EVALUATION AND ACCOUNTABILITY IN PUBLIC ADMINISTRATION: ELEMENTS OF A MODEL

4.1 Experience and lessons learned during recent years have shown that decision making needs to be better linked and synchronized with information about the results of public administration and the evaluation of those results. These conditions are fundamental if public-sector managers are to adopt corrective measures and plan credible alternative policy scenarios.

4.2 This chapter lays out some key features of a model for using evaluation as a tool to help improve the social welfare of the countries of the region. While this model is not intended to be exhaustive or rigidly applied, it attempts to provide a road map for orienting the countries' and the Bank's activities in this area.

A. Evaluation is Part of a Political Process

4.3 Although the methodology of evaluation is technical, its subject matter and use are political. It is political because it generates information regarding the viability and results of the agendas put forth by politicians. In effect, evaluation turns the locus of political debate from one of promises to one of verification of results. Secondly, evaluation is political because, when it is conducted properly and systemically, it is at the center of the resource allocation process. Thirdly, evaluation is political because it reduces the asymmetry of information between the providers of services (government and its agents) and the citizenry (clients, civil society organizations, trade unions, etc).

4.4 Ultimately, the effectiveness of evaluation in the political process depends on the value that society itself places on the degree to which political actors are successful in fulfilling their strategic and operational objectives of improving social welfare. As a political process, evaluation runs into typical political risks: executives are tempted to subvert the process to generate positive results, while political opponents are tempted to use evaluation as a tool for undermining confidence in the current regime. Amid these pressures, the institutionalization and continuity of evaluation institutions must be cultivated and maintained.

B. A Commitment to Results is Required

4.5 For evaluation to fulfill its promise, public sector activities need to be defined from the outset in such a way that the intended results of these activities are clearly understood by both the public and the public servants who are charged with undertaking them. Only by specifying intended results can information be used effectively to re-calibrate future action. Only by specifying intended results

can a public agency develop the tools for assessing internal efficiency (comparable results at lower cost) or external effectiveness (better results for a given resource input).

- 4.6 Generally, governments orient their decision-making process through strategic planning exercises. In defining their policy strategies, governments take into consideration the demands of the “external” environment —often unstable and unpredictable—, the risks, the availability of resources, and institutional capacity. Once that scenario of possibilities is determined, governments can define the nature and the distribution of responsibilities for performance among the various organizational structures that comprise the public sector.
- 4.7 The strategy enables the government to set objectives, which it can then break down into goals. Responsibilities for meeting these goals can then be assigned to the various centers or units that make up the administration’s organizational structure.
- 4.8 The units responsible for the delivery of goods and services to users and citizens are expected to meet certain standards of quantity, cost-effectiveness, quality and timeliness. Governments also expect goods and services to be produced using the limited resources available to them and the most efficient organizational structure possible (i.e. public, private, local, etc.).
- 4.9 A recent Bank-sponsored project in Uruguay has worked with the country to substantially expand and deepen the results-orientation in the strategic planning and budget process (see Box 4.1).

Box 4.1. Uruguay: Public Sector Modernization Program

The program focuses both, on the modernization of public administration for the benefit of the external user, and to strengthen the role of public administration as a complement to markets (reform of regulatory frameworks, public pricing, etc.). It broadens the traditional view to one that is more integrated with the reform of processes and transactions designed to improve client satisfaction. The results agreed to in the Program are meant to facilitate long-term financial self-sustainability.

The conditions of sector loans are expressed in terms of results having to do with social welfare and economic competitiveness, and includes quantitative goals and methodologies defined *ex ante*. The products are those necessary to achieve the desired results and constitute the specific objectives of the technical cooperation associated with the sector loan.

The operation is designed for a broad range of final beneficiaries: citizens, firms, suppliers, public officials, etc. It incorporates information and communication technology (ICT) into public administration, as a management tool to improve the efficiency and quality of public services for the users.

The budget is linked to a results-oriented system for evaluating the use of public resources, which is incorporated into the annual reporting process through efficiency, efficacy and budgetary impact indicators. The program includes a module for ordering the use of budgetary resources by inputs behind the activities of the centers responsible for the final goods and services. This enables the financial information systems to begin to quantify the efficiency and economy of their production.

Finally the program contains an original inter-institutional coordination mechanism for the design and installation of the products of the Program. It also promotes the establishment of performance agreements (Management Modernization Agreements—MMA).

C. Strategic planning should be linked to performance evaluation.

- 4.10 Adapting information systems to the information needs of decision-makers enables governments to diagnose actual and potential problems, both external and internal, in a timely manner. It should also enable them to quantify and compare, *ex ante*, the different choices open to them and select the most appropriate one. Adapting information systems to the needs of *ex-post* evaluation also enables the government to measure the degree of compliance with the goals set during the strategic planning process.
- 4.11 The monitoring of the strategies chosen by governments to verify that line units responsible for carrying out the strategic objectives are actually doing so, is closely linked to the type of system chosen to evaluate public sector performance.
- 4.12 In the end, evaluation is a basic tool for making the political cycle accountable, since it provides *ex ante*, intermediate, and *ex post* measures of public-sector performance. Since the budget process is the basic tool for making a strategy operational, evaluation must be thoroughly integrated into the budget process.

D. Strategic planning and evaluation should be linked to the budget process.

- 4.13 Annual budgets provide a breakdown of the short-term financial possibilities of carrying out a strategy that has a longer-term horizon. They enable governments to distribute the available resources in accordance with expectations about the

levels of activity required of the centers responsible for delivering the goods and services.

- 4.14 Linking strategic planning to the budget process completes the strategic circle. It ensures that line units responsible for carrying out the strategy can meet their objectives using the resources allocated to them.

E. Evaluation should be linked to the budget process.

- 4.15 Expected outcomes, and the products necessary to achieve them, should be linked to the budget process. For this reason, the budget is a strategic management tool. In order for this to happen, a system must be developed that enables the government to determine the precise cost of the activities carried out by the line units responsible for delivering public services and that permits expenditures to be made at the same level of disaggregation.

- 4.16 In addition to making public expenditure management possible, such a system also enables the government to align expenditures behind strategic objectives and goals. This, in turn enables decision-makers to ascertain where resources are spent and how they are managed, how much is produced and at what cost, and how many users are served.

- 4.17 Using the budget as a management tool legitimizes evaluation in two senses: first, it provides a “legal” basis for expenditures, and second, it links the budget with the evaluation of public management that occurs as part of every annual report of budgetary performance.

- 4.18 When the budget is formulated and executed, associating inputs, activities, projects, products and costs, an information system can be established that generates its own financial management system, from indicators that measure the efficiency and economy of the public services produced.

F. Evaluation Requires Integrated Information Management Systems.

- 4.19 Quantifying objectives and results, which are diverse and heterogeneous, sometimes mutually exclusive among themselves or requiring more resources than are available, poses a difficult set of problems. Measuring them requires indicators that reflect the impact of public management on social welfare (i.e., quality of services rendered, level of market competition, impact of technological innovation on administrative processes, etc.). Consequently, public managers tend to give more weight to measuring products, inputs and macroeconomic results, which are measurable, than to those results that are more relevant for society but less quantifiable.

- 4.20 Furthermore, financial information, even when complemented, as suggested, with product- and user-oriented cost analysis, does not permit measurement of aspects related to the impact and or the effect of public services on social welfare and development. Evaluation that uses this type of information can, however, at best

measure the difference between actual and budgeted levels of activity, measured in terms of cost, units produced, or numbers of clients served. It can only facilitate corrective measures designed to improve internal functioning.

Box 4.2. Uses for Performance Information

- To respond to elected officials and the public's demands for accountability.
- To help formulate and justify budget requests and policy choices.
- To help in resource allocation decisions.
- To raise questions as to why outcomes are not meeting expectations and to trigger in-depth examinations of why performance problems (or successes) exist.
- To help motivate personnel to continuing program improvements.
- To formulate and monitor the performance of contractors and grantees (performance contracting).
- To provide data for ad hoc, in-depth program evaluations.
- To support strategic and other long-term planning efforts (by providing baseline information and subsequent tracking of progress towards long-term goals).
- To help identify best practices.
- To communicate better with the public and to build public trust.
- Above all, to help provide better and more efficient services to the public.

- 4.21 While this is, in itself, important, (since it incorporates efficiency and economic considerations into public sector evaluation), it does not allow the measurement of the results of public administration outside the public sector nor does it permit the integration of strategic planning with evaluation. That is to say, the long term with the short term.
- 4.22 This means that efficacy might be lost, since the impacts on the external environment and on the strategy are not taken into account, thus preventing a more general evaluation of public organization that is more integrated with results. Measuring the impact of public policies, programs or strategies on the target populations or groups requires other types of information systems, indicators and methodologies (see Box 4.2 for the potential uses of performance information).
- 4.23 There are no standard or formal models for allowing the measurement of social impacts, since such models are multi-dimensional and affected by changes in the environment of public management, which itself may be in flux. (Additionally, technological change and the unpredictability of the economic cycle make it impossible easily to isolate the impact of public sector management on society). Because of these limitations ad-hoc, non-formal instruments have been developed to measure the quality of government actions affecting society. Their reliability is based on professional experience, a flexible methodological conception, and the quality of the organizational structures involved. Without the availability and the use of these methods and indicators, evaluation in the public sector will surely remain an internal exercise, reducing the possibilities for accountability to the citizenry.

G. Organizational Structures and Management Capacity

- 4.24 To achieve its objectives, public administration must be organized in a way that enables it to deliver goods and services to the public. Defining organizational structures is also essential for evaluation systems because of the implications of the different organizational modalities. The quality of evaluation depends on the type and degree of formalization of the organizational structures of public administration, as well as their degree of centralization.
- 4.25 As governments move towards accountability for results, centralized decision-making structures can easily become overwhelmed. Information flows increase dramatically, and frequent mid-course corrections are required to achieve optimal results at multiple levels. The organizational structures best adapted to this challenge are those which encourage delegation of decision making to the lowest level at which it can be carried out effectively (the principle of subsidiarity) while integrating the entire public sector complex through performance contracting among different hierarchical levels.
- 4.26 Every agency that provides services to end users requires results-oriented evaluation and organizational structures capable of putting in place an information system that measures performance against standards of quality and production and outcome goals. Compliance should be measured using indicators determined at the beginning of each budget cycle.
- 4.27 Thus, results-oriented evaluation should be embedded in formal organizational structures that are oriented toward production and in which responsibilities are decentralized to centers that support the public sector. This type of organizational structure is the most consistent with a demand for evaluation, but it also requires greater delegation of responsibilities, greater flexibility in the decentralized management of resources, and more managerial autonomy. The use of contract agreements is recommended to monitor the achievement of expected outcomes.
- 4.28 Today, for the most part, the countries of the region do not operate within this kind of organizational structure, or they do not do so efficiently. Changing these organizational structures is a long-term and difficult process, which involves addressing agency problems and the structure of incentives. All of these factors make strong leadership and broad political support essential for implementing the necessary changes in the current organizational arrangements in the region.

H. The Importance of Incentives

- 4.29 The three key elements of public administration are results-oriented performance evaluation, a political strategy to lead an agenda that enjoys broad legitimacy, and budget management reflecting the constraints of the economy on public finances.
- 4.30 A necessary condition for these three elements to occur is that public agencies must focus on performance to achieve results in terms of efficiency, quality, and equity in the delivery of public goods and services to end users. This presupposes

a more competent, mobile and motivated labor force, and a public administration responsible for results, greater transparency in expenditures, and the ability to lead a process of ongoing cultural change, learning, and adaptation.

- 4.31 This is nothing less than a new way of viewing institutions, one that changes the traditional logic of the political and social debate about the role of the public sector. It values greater openness and transparency as the only way for citizens and other entities engaged in horizontal control to really know how resources are spent and how society's needs are being met, based on objective measures of performance.
- 4.32 One of the central elements of the challenge of gradual transformation of public administration is the importance of incentives that recognize and motivate the achievement of positive outcomes. This is critical in any process of instituting new routines and ways of working. Incentives can have different modalities, be aimed at different people or organizations, and be managed in different ways at different levels of the public sector. What is most important is for them to be seen as part of the decision making process, be included in the budget and be part of the performance evaluation process conducted routinely by every administrative unit.
- 4.33 Whatever the modality of the incentive program that recognizes achievement (individual or unit awards, permanent budget resources for the highest productivity, non-monetary institutional recognition, etc.), it should be linked to credible and objective measurement of efficiency, quality and efficacy.

I. The Importance of, and Limits to, Self-Evaluation.

- 4.34 Evaluation sometimes creates resistance and mistrust between the units being evaluated and those responsible for doing the evaluating. There are a number of reasons for this. In part, it is due historically to the limited practical value of evaluation in the countries of the region, either because it has not been timely or because it has had little effect on public management. Evaluation reports have also been used to impose austerity or to justify budget cuts. Whatever the reasons, overcoming resistance and engendering trust require a change in the approach to evaluation that takes into account actual conditions and provides relevant, objective and timely information so that the results of evaluation can actually have an impact on society.

1. The Importance of Self-Evaluation

- 4.35 It is crucial for line unit managers responsible for providing goods and services to participate in this exercise as part of the decision-making process. Evaluation should not be seen exclusively as something outside the purview of management. The incorporation of evaluation as one of the responsibilities of public managers is a necessary condition to bring about a change.

- 4.36 Self-evaluation is essential for creating credible and realistic performance indicators, since the manager closest to the activity being performed has the best insight as to how that activity should be defined and monitored. Integrating self-evaluation with external evaluation will help reduce the tendency of self-evaluations to be uncritical while also providing enough independence to be able to propose deeper changes in the way that services are delivered.

2. The Limits of Self-Evaluation

- 4.37 If results-based evaluation is to be an important tool for informing public decisions, the incorporation of the viewpoints of outside actors must be taken into account. This is normally complex because it involves motivational, cultural and social aspects that vary from one organization to another (other branches of government, citizens, the private sector, labor organizations, international organizations, etc.) This promotes a concept of public sector monitoring that incorporates indicators that these diverse organizations and groups are interested in monitoring.
- 4.38 Often, this type of information does not come out in financial and economic indicators, or it is presented in terms that the public finds difficult to understand. This is because public sector evaluation to date has focused on technical and design aspects rather than on its practical use for measuring the impact of the public sector on public welfare or on improving the functioning of markets. The lack of knowledge about these aspects explains, in large measure, the difficulties that emerge when the time comes to introduce evaluation of the external context of public administration, given the scant involvement of outside organizations and their reluctance to accept the information and the results presented to them.
- 4.39 As long as the environment is stable, these difficulties remain minor. But in an unstable external context such as the one faced by the countries of the region today, characterized by complexity and uncertainty, it will be difficult to quantify the results expected from each supplier of goods and services, and to establish a supervision system that incorporates the perspective of external organizations about public administration.
- 4.40 In times of great change, the public sector should provide information proactively, in the most targeted and user-friendly way possible, about the efficiency and effectiveness of the results of public administration. This information should support the needs of external organizations and citizens in their supervisory capacity.

J. Information Asymmetries Need To Be Addressed

- 4.41 The recent tendency to focus the evaluation of public management exclusively on self-evaluation based on financial and product indicators generated by the line managers themselves, sometimes complemented by ex post, independent evaluations performed by horizontal control bodies, (controllers, accounting

officers, etc.) runs the risk that evaluation becomes a closed, professionalized process, inaccessible to citizens or their elected representatives. This risk is heightened by the fundamental asymmetry of information between public servants and the publics they serve.

- 4.42 External organizations and actors have less knowledge than those responsible for the activities being evaluated. This asymmetry of information limits the quality of the evaluation process and makes it difficult for both sides to interpret the findings and understand the justifications provided for the results obtained. This asymmetry also engenders distrust. It de-legitimizes both the judgments of the outside organizations and those of the public managers, undermining the utility of evaluation activities and results as a basis for decision making.
- 4.43 Addressing the asymmetry of information is thus a crucial step in institutionalizing evaluation in the governance process, and it must involve both improving the technical capacity of external publics, and encouraging the articulation of program goals and results in a language more easily accessible to non-specialists.
- 4.44 Institutional changes are also required to deepen these linkages. Most importantly, legislative branch institutions need increased technical capacity in the evaluation area. Legislators represent the public, and should serve both to articulate unmet needs, and monitor the results of actions taken. The whole structure of results-based management is built upon the assumption that public policies respond to a broadly shared political agreement on objectives, and such an agreement can best be constructed within representative institutions.

K. Evaluation should be linked to the Legislative Process

- 4.45 In democratic societies, legislative bodies provide the institutional framework for reaching agreements among competing interests regarding strategic agendas and the organization and activities of governments.
- 4.46 Legislative bodies must give formal approval to these agendas, define the instruments to be used and the public goods and services to be produced, and authorize the corresponding resources for their implementation. Legislative bodies also provide the framework for reaching agreements how the costs associated with the implementation of the agenda will be distributed and provide the administration the legal basis for modifying the institutional structures of the country so as to permit the implementation of strategic and political agendas. Legislative bodies are also responsible for overseeing the implementation of the strategic agendas and the use of all allocated resources.
- 4.47 But the problems of information asymmetry require that legislatures be both representative and technically capable. Such capacity is important as a contribution to the rationality and efficiency of the legislative process, and also as a way of improving their ability to communicate information regarding the performance of government to their constituents.

- 4.48 The evaluation of the results of government actions should be an essential input for the approval of programs presented to the legislature and for the legislative oversight of programs previously approved. The utilization of the results of performance evaluation of public sector activities should qualitatively improve the work and deliberations of legislative bodies in general and particularly in regard to the review and approval of budgets, financial statements, and other reports on the results of public sector actions. Such use of the results of performance evaluations should enable the legislature to approve programs and monitor compliance with the strategic agenda and put into effect, in a timely basis, corrective measures or legal actions, as may be warranted.
- 4.49 The simultaneous and complementary introduction of the views of the individual citizens or citizen organizations regarding the quality and results of the activities of public service providers into the work and deliberations of legislative bodies completes the information requirements of legislators for the performance of their legislative and oversight functions. The existence of information systems on public sector performance that are open, permanent and user friendly to those outside public administration will increase the quality of legislative and citizen oversight of government actions and improve the quality of legislative and consultative processes.

L. Links with Citizens and Citizens' Organizations

- 4.50 The model also requires involving citizens and users in evaluation by gathering, through a variety of consultative mechanisms, information on their views about the impact of public sector agencies on society. This introduces a new way for the government to work with the public, since it presupposes an approach that allows the public to place a precise value on public sector activities. In this way, it can contribute to reducing the levels of dissatisfaction with the public sector.
- 4.51 This exercise must incorporate prior consultation and analysis of the demand and expectations of users and citizens about public services, their quality and timeliness, so that they can be included as tangible results in the strategic agenda and in the justifications of budgetary requirements. At the same time, it must be able to improve the available information on the use of public resources, in products, on the beneficiary population, on results, and on cost. This information should help orient the levels of implementation required of public institutions. It should also help to reveal the value that outside users place on their achievement or failure.
- 4.52 Introducing political and citizen evaluation into public administration is a major challenge that has not always been accepted. It is often resisted, because historically, public actions have not aimed at achieving established priorities, have not been programmed on a strategic basis and have not always used resources optimally. Moreover, when strategic planning has in fact taken place, results have been diluted or distorted by the faulty analysis or the quality of decision-making process.

- 4.53 In this sense, the key lesson is that being able to demonstrate results is a way to earn the support of public opinion and the political system. The main constraints are generated by the lack of commitment or insufficient evaluative capacity.

M. Evaluation Requires a Guardian

- 4.54 In order for results-oriented evaluation to be effective, an independent unit responsible for ensuring the effectiveness of the evaluation systems and mechanisms must be established. The task of this unit is to evaluate the quality of the information and the uses to which it is put, and to ensure widespread access to the information. This unit should be responsible for controlling asymmetries throughout the process and providing a global and integrated vision of the advances in evaluability of government actions and of progress in meeting the strategic objectives (i.e., the “big picture”).
- 4.55 Because of its specialization and horizontal functionality, the unit responsible for supervising the system is usually located within the realm of the financial and economic authorities of the country. These authorities are usually legally responsible for managing the budget, legitimizing the carrying out of the strategic plan by allocating resources to expenditures and presenting budgetary results in annual reports. There are some limitations to this approach, since the planning and finance ministries themselves may have some incentives to generate asymmetries of information.
- 4.56 However, a well-functioning budget process that allocates resources to the line units on the basis of outputs should, in and of itself, generate information that establishes whether the failure to produce the expected outputs is due to fiscal cutbacks or performance problems.

N. Evaluation Capacity Building Takes Time

- 4.57 The creation and legitimization of a results-oriented evaluation system requires a process of institutional reordering that cannot come about all at once. Such a process inevitably engenders conflict. Implementing change takes more than directives, procedures and methodologies; political and technical leadership is required, as are consensus and patience.
- 4.58 The methodologies and, more important, their implementation, require institutional negotiations and dialogue at different levels, both hierarchical and technical. This dialogue should take into account a variety of management and professional viewpoints. It should lead to a reduction in the differences in perception among the different actors: those looking at the issues from a theoretical point of view and those responsible for their implementation. It should also lead to a diminution in the natural distrust and resistance to change on the part of decision makers.
- 4.59 In many cases, evaluation is viewed as a theoretical exercise or something that stirs up the status quo, making public administration more transparent, which is not always welcome. In other cases, people do not see the practical utility or

consequences of evaluation. For these reasons, the responsibility for evaluation is often delegated to technicians without real authority to set results-oriented goals.

- 4.60 In the process of moving from theory to practice, many arguments and conflicts emerge—both from those familiar with the new terminology and from those who aren't. These conflicts appear clearly in the weaknesses observed in the evaluation exercise. There will always be those in favor and those against. To overcome these obstacles, teamwork and practical reflection are required, in which performance agreements or contracts are crucial for implementing the new evaluation-based model. This is the only way to foresee problems, internalize them, and avoid “killing the messenger”.
- 4.61 Results-oriented evaluation cannot be instituted spontaneously. It should be a gradual and systematic process of transformation of the government in which learning from mistakes and successes is clearly accepted, without trying to go either faster or slower than management desires or requires for making decisions. Only by having a healthy respect for the time it takes to learn from successes and failures is it possible to make progress in this area. Finally, evaluation is not a crisis management tool for a contingency plan, it is a medium and long-term development tool. In times of crisis, evaluation allows government to make informed decisions about budgetary allocations, thus reducing the costs of these adjustments.

V. A PROGRAM FOR INTRODUCING EVALUATION AS A TOOL FOR PUBLIC ADMINISTRATION

- 5.1 Based on the experience and results of public sector reform and modernization programs carried out in the region and the growing demand for them, it is clear that the scope of the Bank's ECB program needs to be expanded. Evaluation must be integrated into reform and modernization of the state (MOS) programs as a fundamental element of public administration, not something external to it.
- 5.2 Reform and modernization of the state programs have tended to strengthen management (i.e., the supply side), in the sense that they attempted to define the requirements of the government, incorporating the market and decentralization into the provision of public goods, and to make changes within horizontal management systems (financial, fiscal, public investment, procurement, human resources, management, ICT, social security, etc.).
- 5.3 To be effective, however, these supply side initiatives need to be coupled with demand side innovations which increase the demand for performance information by bureaucratic hierarchies, legislatures, political parties and the public at large. This means that MOS actions should to develop practices that link managers to end users, and to devise means of evaluating the results achieved by the public sector in society.
- 5.4 In this sense, evaluation should become a fundamental tool for validating the actions of government in the eyes of its citizens, making public administration

much more focused on trying to improve the way things are done, not just conceptually, but also in the search for tangible results that improve social welfare.

- 5.5 Evaluation Capacity Building is a long-term, difficult and complex process. In-country demand and ownership are essential prerequisites for effective evaluation to have an impact on public policy and resource allocation decisions and for establishing a results-oriented culture in public administration. The linkage between evaluation systems and the budgetary process is one way of institutionalizing evaluation while establishing ownership among the budget formulators in the executive branch. Likewise, evaluation should involve other important stakeholders in the other branches of government (the legislative and the judiciary) as well as the public and private organizations.

A. Linking Financial Management Systems to Performance Evaluation

- 5.6 Since 1991 the Bank has approved projects for a total of US\$867.7 million for the development of integrated financial management systems (IFMS) in 19 of 26 of the Bank's borrowing member countries (Annex 1). However, as was shown in an evaluation of the implementation of IFMS projects conducted by Management, the problem of timely, reliable, and useful financial information has persisted throughout the decade.⁶ In some countries the reforms required to bring about effective financial management are not yet completed, while in most countries, IFMS do not link the budgetary process to a performance evaluation system.
- 5.7 However, recent Bank IFMS operations have started to support the implementation of specific components that complement financial information systems with economic and performance data. This will allow monitoring of budget execution by product. A recently-approved operation for Peru (See Box 5.1) provides an interesting example of the value of connecting performance data with financial information.

6 For the last 15 years the Bank has supported the establishment of National Public Investment Systems (NPISs) in several countries of the region, either prior to or simultaneously with the development of IFMS. The purpose of the NPISs was to improve the budgetary allocation of capital expenditures in order to increase the impact on economic development and social well-being.

NPISs were vehicles for new methodologies and mechanisms to assign resources to prepare pre-feasibility studies and to establish "banks" of socioeconomically feasible projects to be included in the investment budgets. These methodologies and mechanisms could improve inclusion in the general budget of investments, prior to funding negotiations. Moreover, NPISs have included monitoring of the physical and financial execution of investment expenditures—according to sector, project, source of financing and purpose of the expenditure—to help public sector managers' monitoring the use of allocated funds and eventual re-programming.

These institutionalized mechanisms, usually located in the Ministries of Planning, operate as filters to eliminate, ex ante, proposals for projects which are not reflected in strategic planning exercises, or with acceptable socioeconomic evaluations. Furthermore, the NPISs have endeavored to improve the dialogue among different sectorial Ministries, increasing capacities by providing training in methodologies and information systems.

To the extent that national budgets include information about pre-investment and investment projects which are included in strategic plans and have an agreed upon budgetary allocation, NPISs or their equivalents, have become auxiliary systems to the IFMS which help solve the growing problems related to inconsistencies and institutional, operational and strategic breakdowns of budgetary processes.

Box 5.1. Incorporating Evaluation into the Integrated Financial Management System: The Case of Peru

In addition to providing new modules aimed at improving the quality of financial information in the IFMS, the Bank's technical cooperation loan to Peru (1236/OC-PE) supported the creation of a multi-year public expenditure planning and monitoring system using information provided by the IFMS.

Its objective is to implement a system that facilitates the evaluation of multi-year strategic planning by monitoring it on a yearly basis. This system uses quantitative and qualitative performance indicators that aid the decision-making process. The reports produced by the system enable the government to: (i) evaluate the quality of budgetary expenditures for the main functions of the central government, (ii) develop multi-year resource and expenditure planning methodologies; and (iii) incorporate expenditure planning and evaluating into budget planning and implementation.

The system uses both physical and financial information, classified in a manner consistent with the structure of the national budget. Budget Executing Units enter their own data on these indicators through the IFSM network installed throughout the country.

Additionally, the loan supports the operation of a monitoring and evaluation system of decentralized agencies, in order to help the central government evaluate their expenditures in relation to their results. This system enables greater autonomy of administrative and budgetary management, through a system of management controlled through performance contracts in which performance and budgetary goals and incentives are established.

- 5.8 The budget must produce relevant information required for ex-ante, performance-based evaluation. For this, the budget needs to show how resources are allocated by product as well as by production unit. This enables governments to determine not only what resources are used for inputs, but also how much is produced and how many clients are served. In addition, this information allows for better forecasts of targeted performance efficiency indicators, consistent with the funds marked.
- 5.9 Likewise, ex-post annual accountability reports, in addition to focusing on compliance and accounting of expenditures on inputs, should present information on input costs for production activities and on how user needs were met throughout the budget execution stage. Therefore, linking evaluation and budget processes is essential for budgetary performance measurement as well as for future allocation of resources.
- 5.10 Evaluating the use of budgeted resources provides information about the performance capacity of government agencies and units to produce expected outputs, making future budgetary allocation a much more relevant and precise exercise. Budget allocation based on performance evaluation will also facilitate the identification of appropriate targets and relevant performance indicators consistent with financial constraints.

B. Evaluation As A Tool for Legislative Oversight

- 5.11 Effective legislatures are an essential part of the establishment of horizontal accountability. They contribute to good governance by performing important functions necessary to sustain democracy in complex and diverse societies. In democratic societies, representative assemblies provide an arena for the airing of

societal differences. Countries need institutions capable of drafting good laws in both the political sense of getting agreement from participants, and in the technical sense of achieving their intended purposes. Evaluation can play a role in lawmaking and legislative oversight because it provides factual, reliable and objective information. A recent Bank-supported project in Venezuela demonstrates both the potential and the political difficulty of institutionalizing such a function (see Box 5.2).

Box 5.2. The Venezuelan Congressional Budget and Fiscal Analysis Office (VE-0050)

As a part of supporting Venezuela's process of fiscal adjustment, the Bank developed an operation designed to create a Congressional Budget and Fiscal Analysis Office. The Office was designed to provide sound economic and technical analysis of spending proposals being considered by the Congress, in a form and manner independent of the budget proposals of the Executive. By creating such an institution, the Bank's operation helped expand the country's structures of horizontal accountability. Not only would such an institution provide a source of validation to economic assumptions used by the Executive to create budget proposals, it would also provide in-house technical expertise to prevent excessive optimism in Congress with regard to spending proposals.

The Office was created in 1997, and rapidly built a high-quality technical team which provided the anticipated analytical inputs to the Congress. Predictably, the Office came into conflict with executive-branch institutions involved in the budget process, and the Office was closed when the new government reconfigured the legislature. This confirmed the difficulty of institutionalizing horizontal accountability.

Recently, however, the Office has been re-created within the Congress, and has again begun to perform the role imagined for it in the Bank's loan. Apparently, the value produced by this institution was sufficient to overcome the resistance of executive branch agencies to the control and competition possibilities inherent in such an Office. While the future of the Office is not certain, results to date are cautiously optimistic regarding the capacity of the Bank to support legislative branch institutions of horizontal accountability.

- 5.12 The representative character of legislatures has an additional benefit as a site for evaluation institutions. The richer the informational environment surrounding legislatures—the vitality of the civil society and the vibrancy of member relationships with constituents—the greater the flow of diverse points of view into the consciousness of those who run the government.
- 5.13 Representing the public also involves translating preferences into policy through legislation. In most legislative bodies, committees perform the bulk of this work. Where committee deliberations are important in shaping the behavior of the whole legislature, committee members have powerful incentives to specialize. And when a committee system is comprised of specialized bodies, capable of effectively considering legislation in their own areas, the legislature as a whole develops the capacity to interact with the executive branch across a wide range of topics in sufficient depth to be a serious governing partner.
- 5.14 Legislative oversight involves monitoring the activities of the executive branch for efficiency, integrity, and conformity. Effective oversight requires information about executive branch activities, the capacity to process that information, the will to act, and the power to back up demands for improvement, access, and responsiveness. Oversight puts the legislature in an adversarial relationship with

at least some portion of the executive branch.⁷ However, successful oversight can contribute to better lawmaking, as experience gained in implementing past laws can be incorporated into future laws and translate into better representation.

C. Relating Public Administration to End Users and the Public

- 5.15 Economic sustainability requires responsible budgets and also greater equity. In most Latin American countries, government budgets are generally in deficit even before servicing the national debt. Economic recessions or downturns frequently oblige the government to increase social expenditures. In such situations, the government must improve its own performance to increase the value of the revenue collected, and introduce more competition, productivity and equity in the delivery of public services. These are frequently unpopular with the civil servants whose behavior must change. Achieving the goal of improved service, therefore, requires stronger relationships with the public and with external stakeholders.
- 5.16 Building these relationships can take a number of different forms. At its broadest, the process can move to involve citizens directly in decision-making about what public goods and services are to be produced. The oldest example in the region is “participatory budget” process initiated in the city of Porto Alegre in 1989. In this model, The Municipal Government Planning and Budget Council (MCGPB) is responsible for the coordination and organization of the process of developing the investment plan, and monitoring budget execution. It consists of citizens elected from the city’s 16 regions and non-voting government representatives.
- 5.17 The council reviews the previous year’s investment plan and defines priorities. This is followed by an open process of popular consultation, which ends when the investment plan is approved by the MCGPB and sent by the municipal executive to the municipal council members. Subsequently a negotiation process takes place around the details.
- 5.18 A second approach asks public agencies currently providing services to develop performance standards with citizens they serve. The Bank has experimented with this model in a project in Argentina where three public agencies are negotiating “citizen charters” which will specify performance standards which will be monitored by local groups (see Box 5.3).

⁷ Thus in parliamentary systems with a dominant majority (like the United Kingdom and Canada), oversight tends to be less developed than in presidential systems, especially when competing parties can each control a branch of the government (as in the United States).

Box 5.3. Argentina: Promoting Citizen Participation through Citizen Charters

In Argentina this concept of accountability is being applied through the Bank-funded program (AR-1295) "Support for Fiscal Balance and Social Management," aimed at improving the management of social services and increasing labor markets. Greater efficiency and effectiveness of social programs are expected outcomes of this operation, which will improve resource targeting and avoid overlapping through the development and implementation of performance-based evaluation methodologies.

Another equally important element of this component is the concept of citizen participation in the development of standards for the expected services. The government is expected to develop and sign citizen charters, which will include performance and quality indicators for the three institutions participating in the pilot project: the Social Security Administration (ANSES), the Ministry of Labor and Manpower Training (MTEyFRH), and the Maternal/Child Welfare Program (PROMIN).

- 5.19 Accountability requires a new communication strategy that emphasizes interaction between politicians, beneficiaries, public servants and public opinion. James Madison, the fourth president of the United States, captured the importance of this relationship in his often quoted warning: "A popular government without popular information or the means of acquiring it, is but a prologue to a farce or a tragedy or perhaps both" While a number of participatory methods focus on enhancing citizen participation in the governance process, others focus on enhancing the accountability of elected officials and government agencies to the citizenry. Traditionally, in democratic governance, accountability is assured in a number of ways, e.g. elections, strong and active opposition parties, the media, public meetings and formal grievance procedures.
- 5.20 In Bolivia, legislation empowers local vigilance committees to perform a monitoring and watchdog function. So far, there is little evidence that these committees have developed the capacity and independence to perform effectively, but the idea has great potential. Some local vigilance committees are authorized to sign off on local projects and to inspect them both for quality and for proper use of funds before final payments are made to contractors. An NGO coalition associated with Interaction is beginning to explore how to strengthen these citizen-monitoring committees as a bottom-up device to ensure accountability.
- 5.21 Many governments (central, state and local) have special commissions on which citizens serve. These citizen commissions may include representatives of academia, think tanks, the business sector, other special interest groups, and private citizens who do not have any particular affiliation. The purpose of these commissions has usually been to identify priorities, but advisory groups can also provide state officials with regular input from citizens representing various relevant interests. In Chile, a review panel at the Catholic University evaluates proposed public investment projects at the government's request.
- 5.22 These are just some of the strategies used to strengthen citizen participation in decentralization programs. Their success will depend on the level of monitoring and evaluation capacity and other enabling factors. The Bank supported Bolivia's process of administrative decentralization from its inception through loans and

technical cooperation operations (ATN/ 7164-BO, ATN/ 7197-BO and ATN/ 7198-BO).

- 5.23 Accountability to citizens is the ultimate accountability. Providing regular information to citizens about progress in addressing problems important to them is key. It increases people's confidence in, and support of, their government, especially if the information is balanced. Reports describing less-than-satisfactory results should indicate the corrective actions contemplated by the government. There have been few significant attempts by the region's governments to communicate with their citizens about the outcomes of state government activities.

- 5.24 For these reports to be effective, citizens and citizen interest groups need to be notified of their availability, possibly when they receive tax, vehicle, or voting information. Costa Rica has developed an extensive system for communication with the public based on a "scorecard" approach (see Box 5.4), while other countries (i.e. Bolivia) have opted to place ads in newspapers throughout the country, summarizing highlights of the performance contracts it has signed with Ministers.

Box 5.4. Communicating with the Public: The Case of Costa Rica

Costa Rica has made the most progress in communicating outcomes, and has developed a strong expectation of accountability among its citizens. The following are some of its key features:

- The President presents an annual score card to the public.
- The National Evaluation System (SINE) maintains an Internet portal with regular updates on the progress in implementing annual plans.
- The government sponsors seminars and conferences on the Evaluation System for all government employees, professional groups and academic centers.
- The government has entered into an agreement with the University of Costa Rica to conduct external evaluations of some of the priority programs.

D. Creating Appropriate Legal Accountability Frameworks

- 5.25 Specific legal frameworks are common in countries where performance-based management is more accepted by the bureaucracy, the public, legislatures and in some cases even the judiciary. In the United States, for example, the Government Performance and Results Act of 1993 seeks to shift the focus of government decision making and accountability away from a preoccupation with the activities undertaken—such as grants dispensed or inspections made—toward a focus on the results of those activities, such as real gains in employability, safety, responsiveness, or program quality. In accordance with this act, agencies develop multi-year strategic plans, annual performance plans, and annual performance reports.
- 5.26 In Colombia, the authorities concluded in 1990 that a public evaluation function could only become a reality if required by law. An article making the public sector responsible for results in government programs was written into the revised Constitution of 1991. This article makes performance evaluations mandatory and

confers on the National Planning Department (NPD) the responsibility of establishing a national evaluation system (see Box 5.5).

Box 5.5. The Colombian Experience

In 1990, Colombian authorities concluded that a public evaluation function would only become a reality if a fundamental law required it. With the support of members of the Constitutional Assembly, an article was drafted during the re-writing of the Constitution in 1991. This article makes the public sector responsible for results in government programs thus making performance evaluations mandatory. The article confers on the National Planning Department (NPD) the responsibility of establishing a national evaluation system.

Later that year, the NPD, with the support of the World Bank, established an evaluation function. Sector evaluation plans consistent with the National Development Plan were developed. In order to implement these plans and measure results, the NPD developed a conceptual framework for an evaluation system that could measure the results in public-sector management. The system rests on the principle that evaluation is a public-management tool.

Under the terms of the 1991 Constitution, Colombia's decentralization process was strengthened, and the level and quantity of transfers was set in accordance with pre-determined formulas. Therefore, since sub-national expenditures account for much of the provision of social services in Colombia, *SINERGIA* was not able to connect effectively to the areas (health, education, etc.) where evaluation results would be most likely to be valued by the public, interest groups, and other second-degree associations.

Unfortunately, *SINERGIA* has not reached its potential partly because of the political implications of its annual evaluation report but mostly due to a decline in political support.

VI. CONCLUSION: THE BANK AS AGENT FOR A MORE RESULTS-ORIENTED PUBLIC ADMINISTRATION

- 6.1 To improve the effectiveness with which Bank resources are used in the borrowing member countries, the Bank needs to connect its activities more closely to results-oriented public administration in the region and should subject the results of its activities both to its own as well as the Borrowers' evaluation processes. This can be accomplished directly through projects such as those described in the previous chapter which aim to improve the structures of results-based and publicly accountable management generally. But it can also be promoted indirectly, through small modifications in the way the Bank conducts its programming and project-development work.
- 6.2 **Country Programming:** To encourage results-based and publicly accountable development, the Bank should approach the task of country programming with these goals in mind. The Bank should work with borrowers to determine what sorts of results they would like to accomplish with the help of the Bank, then structure these expectations into Bank-country performance contracts which should form the core of the Bank's Country Paper. This would not only help

improve the strategic focus of Bank actions in the country, it also models the kind of performance contracting which is an essential part of results-based management.

- 6.3 **Investment Lending:** The Bank has a well-developed system for tracking project execution (PPMRs and mid-term reviews), but a recent OVE report showed that the involvement of borrower representatives with this system is limited. Where interaction with borrowers was most intense (mid-term reviews) both Bank staff and borrower staff gave the process very high marks for relevance and quality. This suggests that “Borrower In-Process” (BIP) evaluation may be more relevant to all participants than the old “Borrower Ex-Post (BEP) evaluation. This is likely to be particularly true in countries where budgets are allocated based on performance.⁸
- 6.4 In implementing a formal BIP system, the Bank should be careful not to repeat the errors of the past. Borrowers should not be required to conduct regular in-process reviews, but the Bank should offer assistance in this activity for any component of an investment loan at the borrower’s request. Bank assistance should focus on the development of indicators and information systems which help track results as the project is executing. Wherever possible, these indicators should link directly to an executing agency’s domestic budget justification.
- 6.5 **Policy based lending** has typically relied on holding countries accountable for the taking of policy related action such as promulgation of regulations or passage of legislation, but has not had much of a focus on the results expected from such policy changes. Future policy based lending should supplement traditional conditionality matrices with results frameworks, which allow for the possibility of future actions, not originally contemplated, which might be necessary in order to achieve the results anticipated in the original loan.
- 6.6 **Publication of evaluation results.** The Bank’s Information Disclosure Policy permits the public release of only summaries of OVE evaluation reports. The World Bank has, until very recently, followed a similar policy. During 2001, however, the World Bank amended its disclosure policy to permit public release of a much broader range of evaluation reports. As transparency and accountability become central elements of democratic governance in the region (and form the content of many of the key recommendation of Bank Modernization of the State operations), the Bank should also consider revising its policy to permit greater public disclosure.
- 6.7 **Joint Evaluation Fund.** As noted earlier, the effective use of evaluation as a tool for improved public sector management is strongly facilitated by the existence of institutions of horizontal accountability. The Bank should seek to work with such institutions, either as the focus of dedicated institutional strengthening operations,

⁸ The features of this approach are outlined in a paper on the methodology for the evaluation of country papers, now in its final stages of preparation by OVE.

or as partners in the evaluation of projects supported by the Bank. OVE has initiated pilot programs with both the Caribbean Development Bank and the Central American Development Bank for the joint evaluation of projects financed with IDB funds channeled through these institutions.

- 6.8 It is important, however, that this kind of cooperation be extended to national as well as regional institutions. Because of limited human and financial resource capacity, however, the Bank needs to be able to provide some support to these institutions in the conduct of joint operations. It would therefore be advisable to pursue the possibility of creating a Joint Evaluation Fund for the purposes of partial funding of evaluation work on Bank-financed projects carried out by independent audit and evaluation entities in the region.
- 6.9 These internal activities, combined with an expanded program of evaluation-related work in the context of public sector modernization, should enable the Bank to improve dialogue with borrowing countries, leading to increasingly effective monitoring of the results of Bank-financed programs, and thereby improving the overall effectiveness of lending instruments.

IDB: Integrated Financial Management Systems (IFMS): Components of Projects in Execution

Country	Year	Project Number	Funding ('000)		
			Bank	Others	Total
Argentina	2000	0826/OC-AR	47,000	12,000	59,000
"	1998	1103/OC-AR	2,090	447	2,537
"	1998	1107/OC-AR	6,000	252	6,252
"	1998	1164/OC-AR	100,000	100,000	200,000
"	1994	826/OC-AR	47,000	12,000	59,000
Barbados	1993 **	766/OC-BA	2,128	85	2,213
Bolivia	2001 *	BO-0196	20,000	5000	25,000
Brazil	1999	1194/OC-BR	100,000	100,000	200,000
"	1998	1095/OC-BR	2,600	2,700	5,300
"	1996	980/OC-BR	100,000	100,000	200,000
Colombia	1997	1053/OC-CO	6,000	4,000	10,000
"	1996	977/OC-CO	4,650	2,600	7,250
Costa Rica	1997	1030/OC-CR	3,250	1,040	4,290
Dominican Rep.	2001 *	TC-991 1093	149	25	174
"	2000	ATN/SF-6997-DR	350	25	375
"	2000	1258/OC-DR	2,500		2,500
"	1998	1093/OC-DR	10,000	750	10,750
"	1997 **	ATN/SF-5437-DR	150		150
El Salvador	1999	1204/OC-ES	5,045	1,250	6,295
"	1996	941/OC-ES	9,200	681	9,881
Guatemala	1995 **	ATN/SF-5031	200		200
Guyana	1995 **	ATN/SF-5031-GU	200		200
Haiti	2001 *	HA-0084	2,250	333	2,583
Mexico	1997	ATN/SF-5647-ME	1,200	200	1,400
Nicaragua	1994	ATN/SF-4666-NI	1,370	150	1,520
Panama	1997	1004/OC-PN	1,319	220	1,539
Paraguay	1992	728/OC-PR	800	628	1,428
"	1990 **	ATN/SF-3473-PR	957	87	1,044
"	2000	1253/OC-PR	1,530	685	2,215
Peru	2000	1235/OC-PE	6,500	3,000	9,500
"	1998	1115/OC-PE	1,500	1,250	2,750
"	1997	ATN/SF-5599-PE	500	200	700
"	1992	678/OC-PE	4,500	1,000	5,500
Uruguay	2001 *	UR-0130	1,300	200	1,500
"	1997	996/OC-UR	1,457	300	1,757
Suriname	1995	ATN/SF-5030-SU	1,160	161	1,321
Venezuela	1996	945/OC-VE	6,391	2,109	8,500
"	1998	1110/OC-VE	6,000	6,000	12,000
Reg. Project	2001 *	TC-991 2042	850	100	950
"	1999	ATN/SF-6584-RE	135	25	160
Total:			508,231	359,503	867,734

* In preparation

**Finished

Source: IDB Project Information System and own estimations