



Leading
from the Center

Pernambuco's Management Model

Martín Alessandro
Mariano Lafuente
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**Inter-American
Development Bank**

Institutions
for Development

Institutional Capacity
of the State Division

TECHNICAL NOTE

No. IDB-TN-638

April 2014

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Inter-American Development Bank

2014

Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library

Alessandro, Martín.

Leading from the center : Pernambuco's management model / Martín Alessandro, Ray Shostak, Mariano Lafuente

p. cm. — (IDB Technical Note ; 638)

Includes bibliographic references.

1. Public administration—Pernambuco (Brazil). 2. Strategic planning—Pernambuco (Brazil). I. Shostak, Ray. II. Lafuente, Mariano. III. Inter-American Development Bank. Institutional Capacity of State Division. IV. Title. V. Series.

IDB-TN-638

<http://www.iadb.org>

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ABSTRACT*

This Technical Note describes and analyzes the management model implemented in 2007 by the State of Pernambuco, Brazil. It discusses the model's main features, as well as how and why it was implemented, and suggests opportunities for improvement and institutionalization. It also presents lessons learned for other subnational governments seeking to improve their performance and achieve results for the citizens. The key innovation of the Pernambuco case is the integration of planning, budgeting, monitoring, and intervention through a management model endorsed by the Governor and steered by the Secretariat of Planning and Management (SEPLAG) as the key player within the Center of Government (CoG). The CoG has set clear priorities and developed approaches and capacities to make adjustments and corrections when obstacles are harming performance. It has also implemented routines and technical tools, which appear to be in the process of becoming institutionalized. At the same time, there is room for improvement, mainly in terms of strengthening the model's focus on outcomes and refreshing some of its key components.

JEL Codes: H10, H11

Keywords: Performance management, Management for results, Strategic planning, Monitoring, Center of Government, Brazil, Pernambuco

* The authors of this publication, Martín Alessandro, Mariano Lafuente, and Ray Shostak, are grateful for the valuable contributions from Caio Marini, Humberto Falcão Martins, and Marina Lemos, as well as from the peer reviewers Nick Manning (former Head of Public Sector Management and Governance Practice, World Bank), Fernando Rojas (Senior Consultant on Public Sector Management), and Tarsila Velloso (Public Sector Management Specialist).

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ACRONYMS

| | |
|---------------|--|
| CoG | Center of Government |
| EGP | Project Management Office |
| LOA | Annual Budget Law |
| PDCA | Planning-Doing-Checking-Acting/Adjusting |
| PPA | Multi-Annual Plan |
| SEDMG | Executive (Under) Secretariat for Management Model Development (<i>Secretaria Executiva do Desenvolvimento do Modelo de Gestão</i>) |
| SEGES | Executive (Under) Secretariat for Strategic Management (<i>Secretaria Executiva de Gestão Estratégica</i>) |
| SEGPR | Executive (Under) Secretariat of Results Management (<i>Secretaria Executiva de Gestão por Resultados</i>) |
| SEPLAG | Secretariat of Planning and Management (<i>Secretaria de Planejamento e Gestão</i>) |
| SEPOC | Executive (Under) Secretariat of Planning, Budgeting and Fundraising (<i>Secretaria Executiva de Planejamento, Orçamento e Captação</i>) |

EXECUTIVE SUMMARY

The management model implemented in the state of Pernambuco since 2007 is characterized by the integration of the activities of planning, budgeting, monitoring, and intervention, with strong leadership from the Center of Government (CoG). It was developed as a response to three main challenges: (i) how to achieve results for the citizens; (ii) how to ensure cohesion across the administration; and (iii) how to stimulate the accountability of managers for the results of the government.

The “strategy map” for the Governor’s term is defined with inputs from the program presented in the electoral campaign, from citizen’s proposals in regional seminars, and from the Secretariats of the Executive Branch. For the 2012–2015 term, the map has 12 strategic objectives, each of which includes a number of priority goals. These goals refer mostly to processes and outputs of the government’s work, such as the completion of infrastructure projects. In three policy areas (security, health, and education), the model also incorporates outcomes.

Each of the priority goals in the strategy maps has a direct correspondence in the annual budget law; therefore, the strategy tightly guides the allocation of resources. This integration is led by the Secretariat of Planning and Management (SEPLAG) both in the formulation of the priority goals and in the definition of the budget. As of late 2013, the existing 382 priority goals represented 12 percent of the state’s budget (not including recurring expenditures, such as staff wages).

These priority goals are intensively monitored by the respective Secretariats and by SEPLAG. Each week, the Governor chairs monitoring meetings with the relevant Secretariats for two strategic objectives, covering all 12 of them in a six-week period. At these data-driven meetings, the achievement of the priority goals is analyzed, explanations are provided by the responsible managers, potential options for resolving barriers to performance are discussed, and adjustments are decided and documented. Between the meetings, the Governor and SEPLAG can access an online control panel to track progress in real time.

In addition, certain policy areas and special projects receive additional monitoring. For three policy areas (security, health, and education), performance pacts have been established, defining outcome goals to be achieved by the service-delivery institutions that are part of the state government (i.e., excluding municipal schools or health centers). More frequent monitoring meetings exist for the pacts, in order to produce the necessary adjustments when performance is lagging behind. In parallel, within the priority goals, the most important infrastructure projects in the state (approximately 100 as of late 2013) are tracked through the Project Management Office (EGP), which also establishes more intensive monitoring.

The innovative model developed by Pernambuco presents a number of strong aspects. Its overall approach effectively brings



together planning, budgeting, monitoring, and intervention in a highly integrated way. It has set clear objectives and goals for all priority sectors, with a system of continuous monitoring of progress towards them. This has enhanced the government's ability to complete projects and generate outputs. It has also begun to embed and institutionalize a number of valuable tools and routines in the management and the culture of the state government.

A favorable context and key decisions have contributed to the implementation of the model. Leaders with expertise in management for results and with the political capacity to apply those principles, and a healthy economic and fiscal situation, have favored the smooth enactment of the model. Critical factors for its success included the Governor's decision to own performance by being personally responsible for it and the creation and strengthening of SEPLAG to develop and operate the model.

Through its management model, Pernambuco is ready to develop a greater focus on outcomes and impacts for the citizens. Establishing a better linkage between improvements in the internal management of government and results for society would contribute to clearly identifying what works and what does not. This, in turn, requires a stronger linkage with municipal governments, whose actions influence the outcomes of interest. Engagement with the citizens, who are

coproducers of many of the priority outcomes, could also be intensified.

Refreshing the dynamics of the monitoring meetings and enhancing the capacities for planning and monitoring at the sectoral Secretariats are additional opportunities for improvement. Reinforcing the collective problem-solving approach of the meetings would boost their impact on performance. In addition, by strengthening the capacities of the line Secretariats to plan, monitor, and unblock obstacles, SEPLAG could embed the good practices developed in the early stages of the model with a better balance of roles and responsibilities between the center and the sectors.

A key question remains regarding the institutionalization and sustainability of the model. Given that a law and other legal instruments make it mandatory, and most stakeholders in Pernambuco have a favorable view of the model, it is more likely that future administrations will continue it or develop a similar data-driven approach. That being said, only then will it become clear whether the organizational culture has actually changed, or if the current leadership is the key actor sustaining the innovations. By exploring the opportunities for improvement outlined in the previous paragraphs, it will be possible to strengthen the model's institutionalization throughout the public administration of the State.

INTRODUCTION AND CONTEXT

This Technical Note describes and analyzes the management model implemented in the Government of the State of Pernambuco, Brazil, since 2007.

Pernambuco is the seventh most populous state in the country, with over nine million people as of 2013.¹ State governments are key actors in the Brazilian federal system, especially since the processes of democratization and decentralization in the 1980s granted them extensive authority and resources (Falleti, 2010). Approximately 30 percent of all government expenditures in Brazil are executed by state governments, including over 80 percent of all security expenditures and over 35 percent of education and health expenditures (Afonso et al., 2012). Each state has its own Governor and unicameral Legislative Assembly, elected every four years concurrently with the federal authorities. Finally, the municipal level of government is also very important in Brazil, as it accounts for approximately 20 percent of overall public sector expenditures. There are 185 municipalities in Pernambuco, with their own elected authorities.

The innovations in Pernambuco took place in a context that, a priori, would seem less favorable for such reforms. Unlike

Pernambuco, most of the states that have been leading the management innovations in Brazil (such as Minas Gerais, Rio de Janeiro, and Espírito Santo) are located in the Southeast, the most developed region. Pernambuco is located in the Northeast, the poorest of Brazil's regions. Per capita income of households in Pernambuco is half that of Rio de Janeiro and 30 percent lower than that of Minas Gerais.² Pernambuco ranks nineteenth across Brazilian states on the Human Development Index, while Rio de Janeiro is fourth and Minas Gerais is ninth.³ Northeastern states have approximately 27 percent of the country's population, but only 13 percent of its gross domestic product (GDP) and 59 percent of its extreme poor.⁴ In addition, states in the Northeast traditionally had lower capacities than their southern neighbors: "Like state governments in many chronically underdeveloped regions, the nine Northeast states are legendary for their clientelistic ways of governing and for the resulting poor quality of public administration" (Tendler, 1997: 10). International organizations have pointed to the need to provide greater support to Northeastern states to enhance their capacities in their latest country partnership strategies (IDB, 2012; World Bank, 2011).

¹ Data from the Brazilian Institute of Geography and Statistics, IBGE (<http://www.ibge.gov.br/estadosat/perfil.php?sigla=pe>, consulted on February 25, 2014).

² Data from the latest census conducted by IBGE (<http://www.ibge.gov.br/estadosat/>, consulted on January 28, 2014)

³ Data from the Atlas do Desenvolvimento Humano no Brasil 2013 (<http://atlasbrasil.org.br/2013/pt/ranking>, consulted on February 25, 2014).

⁴ Population data from IBGE's latest census. GDP data from IBGE's Contas Regionais do Brasil (<http://www.ibge.gov.br/home/estatistica/economia/contasregionais/2010/default.shtm>). Extreme poverty data from Plano Brasil sem Miséria data (<http://www.brasilsemmiseria.gov.br/dados-e-estatisticas>). All websites consulted on February 27, 2014.



The model adopted in Pernambuco has introduced several innovations in the management of state government at the same time, including enhancing the integration between the definition of the strategic priorities, the allocation of budgetary resources to achieve them, the monitoring of delivery, and intervention when performance is off track to produce adjustments and corrections. This Technical Note describes the model's main features, discusses how and why it was implemented, and suggests opportunities for improvement and institutionalization, as well as lessons learned

that could be useful to other subnational governments seeking to improve their performance and achieve results for the citizens. The first section focuses on a description of the model, including a brief history of its background and its evolution, and subsections on specific aspects of the model (planning and formulation of the strategy; alignment of the budget; monitoring of progress towards achieving the goals; and the interventions and adjustments when needed). The second section analyzes the strengths and opportunities for improvement in each of these aspects, and discusses potential paths for the institutionalization of the model.

1 PERNAMBUCO'S MANAGEMENT MODEL

1.1 Background and Evolution of the Model

Eduardo Campos took office as Governor of Pernambuco on January 1, 2007. He faced the complex managerial challenge of leading a government with more than 60 senior officials (30 cabinet secretaries and 36 directors of state companies) who reported directly to him. The Governor's team conducted initial consultations with the Secretariats to define short- and medium-term priority actions that required small investments and could improve the population's quality of life. A large number of proposals were gathered. The diversity of views in these proposals (responding to what may have been overly vague instructions) led to the realization that the government's strategic direction had to be strengthened, providing a more cohesive and unified orientation for the whole-of-government.

In addition, the new leadership team came into office with the perception that the state government was not doing enough to deliver services on time and on budget, and that in certain key policy areas (such as economic development, security, health, and education) results were lagging behind. Recife was, at that time, the capital city with the highest crime

rates in all of Brazil, and the state was not excelling in its socioeconomic indicators (Box 3 in Section 2 covers these indicators in greater detail). In sum, three main concerns led to the development of a new managerial approach with greater support from the Center of Government (CoG):⁵ (i) to hold managers accountable; (ii) to ensure cohesion across the administration; and (iii) to achieve results for the citizens.

There had been earlier managerial reforms in Pernambuco, following the federal government reforms of the mid-1990s (Cruz, 2006), but none took a whole-of-government approach. A Management Modernization and Institutional Reform Plan (1998) and a Pernambucan Public Administration Modernization Program (PROGESTÃO, 2000–2006) were developed. The first plan focused on institutional reform (a reduction and restructuring of the administration), the adoption of information technology, reforms in human resource management, and fiscal adjustments; the second led to the formulation of sectoral plans and to the modernization of certain management tools (including performance monitoring and evaluation and the use of management contracts).

⁵ The Center of Government (CoG) refers to the institution or group of institutions that provide direct support to the Chief Executive (in this case, the Governor) for certain key whole-of-government functions, including strategic management, policy coordination, and performance monitoring and improvement (Alessandro, Lafuente, and Santiso, 2013). These institutions can combine the overall government perspective and the political empowerment to provide coherence to government action, and to focus it towards achieving its priority goals. For this, they also require strong technical skills and capacities in order to implement advanced processes and routines that enable performance across the government. CoG institutions have been mostly studied at the national level of government, but subnational governments (especially at the state level) are often faced with complex challenges that also demand this whole-of-government approach and central steering.

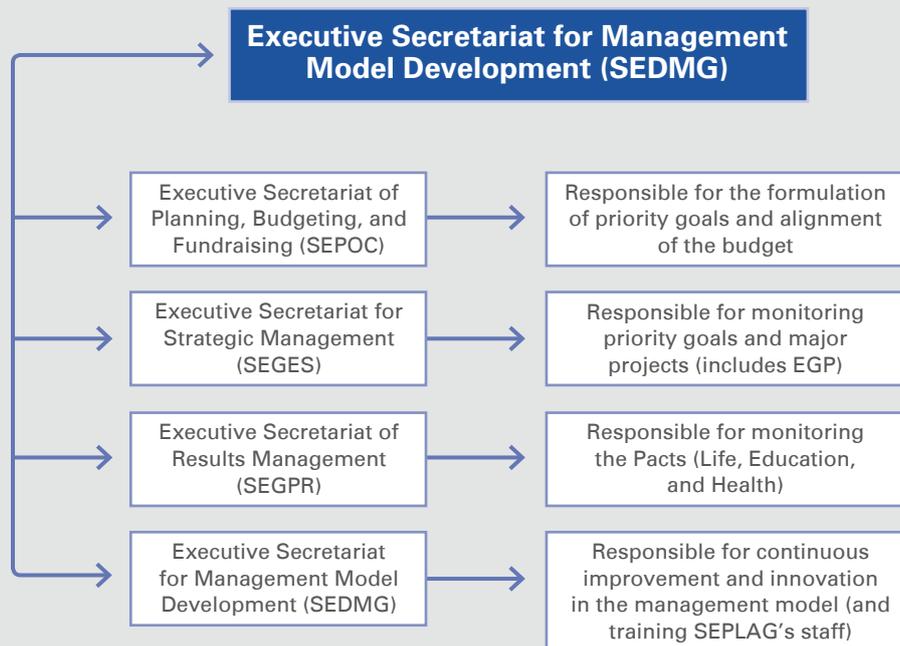


Detecting the need for a stronger CoG, one of the first innovations was the creation of a new Secretariat of Planning and Management, or SEPLAG (see Box 1). This reform separated key public management responsibilities (mainly the design and implementation of the new model) from more routine tasks of public administration, such as human resource management and procurement, which were placed in the new Secretariat of Administration (*Secretaria de Administração*, or SAD). The objective of this separation was to

allow SEPLAG managers to concentrate on the development and execution of the new model, without the burden of the fundamental but less innovative tasks left to SAD. At the same time, placing planning and budgeting under the same “roof” (a connection that exists at the Federal level and in several Brazilian states) would facilitate the alignment of these functions. In this revised institutional design, the Secretariat of Finance deals with the cash flow (and mainly revenues), but medium-term budgetary planning and allocation are part of SEPLAG’s mission.

Box 1. SEPLAG’s Institutional Structure

The Secretariat of Planning and Management is a key actor in Pernambuco’s management model. It is responsible for planning, budgeting, and the management of the model, and it is formed by four Executive Secretariats, three of which are responsible for different aspects of the model, and the fourth one (the Executive Secretariat for Management Model Development, or SEDMG) works on improving the model itself and on training SEPLAG’s staff through its Management Institute



Until 2010, SEPLAG’s staff had been on contract. In that year, SEPLAG created a new cadre (or career as per the term used in Brazil) for planning, management and budget analysts to institutionally strengthen the Secretariat. Today, there are approximately 100 permanent analysts working at SEPLAG, all of whom have been recruited through a competitive process.^a These analysts also receive continuous training through a core curriculum developed by SEDMG that has been tailored to each individual’s existing knowledge and to his or her specific needs for the position. The courses total 60 hours a year.

^a At the time this study was published, SEPLAG was taking steps to double its staff. This expansion was expected to extend the Pact model to additional policy areas, and to increase the focus on monitoring outcomes (a critical next step for the model, as discussed in Section 2).

Source: Authors’ elaboration from SEPLAG website.

Box 2. Data-Driven Management Models

Pernambuco's management model presents many of the key characteristics of data-driven management models, which some refer to as "PerformanceStat" programs. At the state level of government, two examples in the United States are particularly salient: StateStat (Maryland) and Results Washington (see <http://www.statestat.maryland.gov/> and <http://www.results.wa.gov>). These models "employ regular meetings between the chief executive (chief, principal, mayor, or governor) and agency directors where performance data is used to analyze each agency's performance, establish performance objectives and accountability for those objectives, and schedule follow-up to ensure these objectives are met" (Thornburgh, Kingsley, and Rando, 2010). Although performance reviews are a frequent tool used by managers, these models are "distinguished by the frequency and regularity of its meetings, the focus on the latest performance indicators, and the somewhat structured format" (Hatry and Davies, 2011). These attributes are present in the Pernambuco model.

Source: Authors' elaboration.

The Governor commissioned the development of the model to a trusted group of eight advisors that would join SEPLAG. These advisors, with backgrounds in other government agencies of Pernambuco (such as the Secretariat of Finance and the Court of Auditors), state-run companies (such as Petrobras), and private consulting worked for four months to develop what would become Pernambuco's "Integrated Management Model".⁶ They had experience with data-driven management models (see Box 2), and carefully studied the innovations of the most advanced states in Brazil. They formulated a proposal to the Governor with the characteristics of a new management model. He accepted their proposal and instructed his chief of staff that, from then on, he would organize his agenda following this model: no more bilateral meetings with 66 separate officials.

The integration of functions that often span a number of Secretariats or sectors was a key innovation in the approach taken in Pernambuco. SEPLAG would play a key role in the integration of the different steps of the policy cycle, as defined by the new model. These involve planning of the government's priorities (including the participation of society); alignment of budgetary resources to these priorities; monitoring of the implementation and delivery of the priority goals; and intervention

when adjustments were needed. This concept is adapted from the PDCA (planning-doing-checking-acting/adjusting) cycle (Government of the State of Pernambuco, 2013a), in which the last phase provides the foundation for a new round of the cycle. SEPLAG's role has been critical in each of these steps.

Following from the program presented in the electoral campaign, the cycle begins with society's input regarding the definition of priorities gathered in regional participatory seminars. From these broad ideas, SEPLAG works with the Secretariats to develop a proposal of strategic objectives and priority goals to recommend to the Governor. The Governor then makes the final decisions. There is, thus, a double movement: an "outside-in" reception of ideas from society, and a "top-down" definition of priorities by the Governor (with technical assistance from SEPLAG) in consultation with the Secretariats. The 2008–2011 "strategy map" included 10 strategic objectives and 446 priority goals, while the 2012–2015 map includes 12 objectives and 750 priority goals.⁷ For each goal, the implementation trajectories (including milestones, deadlines, and responsible agencies and managers) are defined, in order to then monitor any deviations to these trajectories that would raise concern and prompt adjustments.

⁶ The model would be later formalized by Law 141 of the state's Legislative Assembly, in 2009 (Government of the State of Pernambuco, 2009).

⁷ The 2012–2015 strategy map was developed for the Governor's second term in office, after he was reelected with 82 percent of the vote (the largest majority in any state of the country) in October 2010. The number of goals varies each year, as some are achieved, others modified, and others cancelled. As of late 2013, 382 priority goals remained.



The selection of the priorities is accompanied by the allocation of budget for each of them. Pernambuco uses a program budgeting framework, with allocations reflecting product lines rather than input categories. SEPLAG iterates, with the Governor, priorities and budget based on an analysis of likely fiscal scenarios for the following years (mainly, the availability of resources), and on data from previous years regarding the expected costs of different projects. This work was facilitated in 2008 with the full adoption of eFisco, an integrated financial management system, internally developed, that feeds all the relevant data into Qlikview, a low-cost business intelligence application that allows for the extraction and combination of budgetary information in a quick and accessible way (fiscal scenarios, current budget executions and completion of the goals, among others). The 382 priorities being monitored as of late 2013 represented approximately 12 percent of the state's overall budget (this value does not include personnel costs—in other words, wages of the teachers and police officers who work towards achieving the goals—but rather investment and direct transfers).

SEPLAG and the institutions responsible for the strategic objectives then intensively monitor the progress towards results on the priorities. SEPLAG tracks two types of indicators. For most of the priorities, which focus on the completion of public works, the indicators are internal to the government activity. These are either process (i.e., completing the bidding process) or output indicators (i.e., completion of road construction). But for a few policy areas, outcome indicators, which reflect variations at the societal level, are also monitored.⁸ Originally, these types of indicators were only tracked for security (i.e., lethal and

violent crime rates), but since 2011, tracking was extended to health (i.e., avoidable mortality rates) and education (i.e., student performance). Other outcome indicators (such as employment, poverty, and inequality rates) are included in the "Annual Report on the Actions of Government" (Instituto Gestão PE-SEPLAG, 2014), but they are not tracked in the monitoring meetings.⁹

In addition to the monitoring being conducted by the sectors and by SEPLAG, the indicators are reviewed in data-driven monitoring meetings, generally chaired by the Governor. Each meeting focuses on one of the prioritized policy areas or "strategic objectives," with the presence of the relevant secretaries and other officials. Each week, two of the 12 strategic objectives are analyzed, so that every six weeks each of them is covered in a meeting. At these meetings, achievement of the individual goals within the strategic objective is analyzed, explanations are provided, potential options for resolving barriers to performance are discussed, and adjustments are decided. The adjustments decided in the meetings may initiate a new round of monitoring, as new goals or deadlines are defined. Three sectors receive additional monitoring: the security area is covered in weekly meetings, chaired by SEPLAG, and health and education are covered in monthly meetings, chaired by the respective sectoral secretaries. Specifically for these strategic objectives, the execution of priority goals is monitored, and process, product, and outcome indicators are tracked at the state and regional levels.

In addition to the meetings, the Governor has access to a control panel, managed by SEPLAG, which allows him to monitor the priorities in real time. (This tool is not available for the outcome indicators in the areas of security, health, and education.) In

⁸ Process indicators are those that measure the completion of certain government activities, while output indicators measure the direct products of those activities. Outcome indicators measure the changes that those outputs generate at the societal level.

⁹ A group of 77 process, output, and outcome indicators are also published annually by SEPLAG (Instituto Gestão PE-SEPLAG, 2014). These indicators are used as a brief summary of the situation in each of the strategic objectives. As an even more synthetic piece of information, the publication includes a "Pernambuco Indicator", combining outcome indicators in six policy areas (security, education, health, the economy, infrastructure, and inequality) to assess the evolution of the state's relative position compared to other states.

2013, this online tool replaced the previous monitoring tool, which was a basic spreadsheet regularly updated by SEPLAG's analysts. The control panel provides not only more complete information (the status of each priority, combined with information on the technical person responsible for them, descriptions of the projects, the corrective actions adopted at the monitoring sessions, budget execution, and pictures of the completion of the work), but it also enables the Governor to monitor progress on the priorities in real time, a powerful incentive to keep the sectors focused on meeting them.

When milestones are not being met and goals are not being achieved, SEPLAG intervenes to analyze what is hampering progress and make adjustments to unblock obstacles. These interventions may include the provision of management tools to the sectors, with SEPLAG's analysts collaborating with the

1.2 Formulating the Strategy

In the new model, the formulation of the government's strategy is based on the government program, societal input from regional seminars, the proposals from the Secretariats, and SEPLAG's identification of priority goals. The government program provides a general orientation of the policies to be pursued during the Governor's term in office, defining strategic areas and lines of action from an assessment of the existing situation.

A key feature of the model is the initial consultation with civil society. In June of 2007, 12 regional seminars were conducted, one in each of the state's regions. Participants presented what they considered to be the main problems in their region, and proposed actions to address them. Moreover, booklets were distributed asking the citizens about their perception of and satisfaction with the services provided by the state.

The regional seminars have, like many aspects of the model, improved in their implementation over time. In their 2007

Secretariats' teams. In security, health, and education, SEPLAG has established teams at the Secretariats to provide continuous support. Nonetheless, the adjustments tend to involve the allocation of additional resources or the extension of the deadlines for project completion.

Overall, despite building on previous reform efforts at the federal and state levels, the management model adopted in 2007 introduced important innovations in how the Government of the State of Pernambuco conducts its work. The model has been updated and enhanced throughout the years since then, but its key components were established in its original formulation. The next subsections provide a deeper description of each of the model's main aspects: (1.2) formulating the strategy; (1.3) aligning the budget; (1.4) monitoring delivery; and (1.5) intervening to achieve the goals.

version, the Governor opened the morning plenary session outlining the government's ideas and proposals for the region, based on the government's program presented during the electoral campaign. In the afternoon, the Lieutenant Governor chaired the seminar, opening the floor to discussion. In 2011, in order to maximize the contributions of the citizens, the seminars (which again had a one-day duration) adopted a different format. In the morning session, participants divided up in different rooms to discuss issues in separate policy areas (education, health, infrastructure, social development, economic development, and security) in meetings chaired by the respective secretaries. In the afternoon, the secretaries presented a summary of the discussions and agreements to a plenary session, chaired by the Governor. New discussions occurred then.

Participation at the seminars increased between 2007 and 2011, as did the number of proposals submitted. Table 1 summarizes the evolution of the seminars.



Table 1. Characteristics of the 2007 and 2011 Regional Seminars

| 2007 | 2011 |
|---|--|
| Conducted in 12 regions | Conducted in 12 regions |
| Proposals discussed in plenary sessions | Thematic committees and plenary sessions |
| 5,207 participants | 13,498 participants |
| 2,600 submitted proposals | 26,147 submitted proposals |

Source: Government of the State of Pernambuco (2013a).

After the seminars, the contributions submitted by the citizens were consolidated in a unified database to inform the priority goals. The database grouped the proposals according to their similarity, excluding repetitions and those that were outside of the state’s purview (for example, issues that fall under the jurisdiction of the federal government or the municipalities). To select the priorities, SEPLAG considered two main variables: their frequency (how often a proposal was submitted) and their alignment with the government’s program. Both factors were taken into account when defining the priority goals.

The government sought to build a comprehensive strategic agenda, with a centralized perspective, that incorporated the expectations of the relevant stakeholders (gathered at the seminars and in consultation with the Secretariats), within a medium-term timeframe, that could provide direction to the entire administration. The new institutional arrangement was led directly by the Governor, with the technical support and coordination of SEPLAG. In each term, four-year “strategy maps” were developed (see Figure 1). Under a general vision for the future that presents the perennial and sustainable level of socioeconomic development that the state intends to achieve,

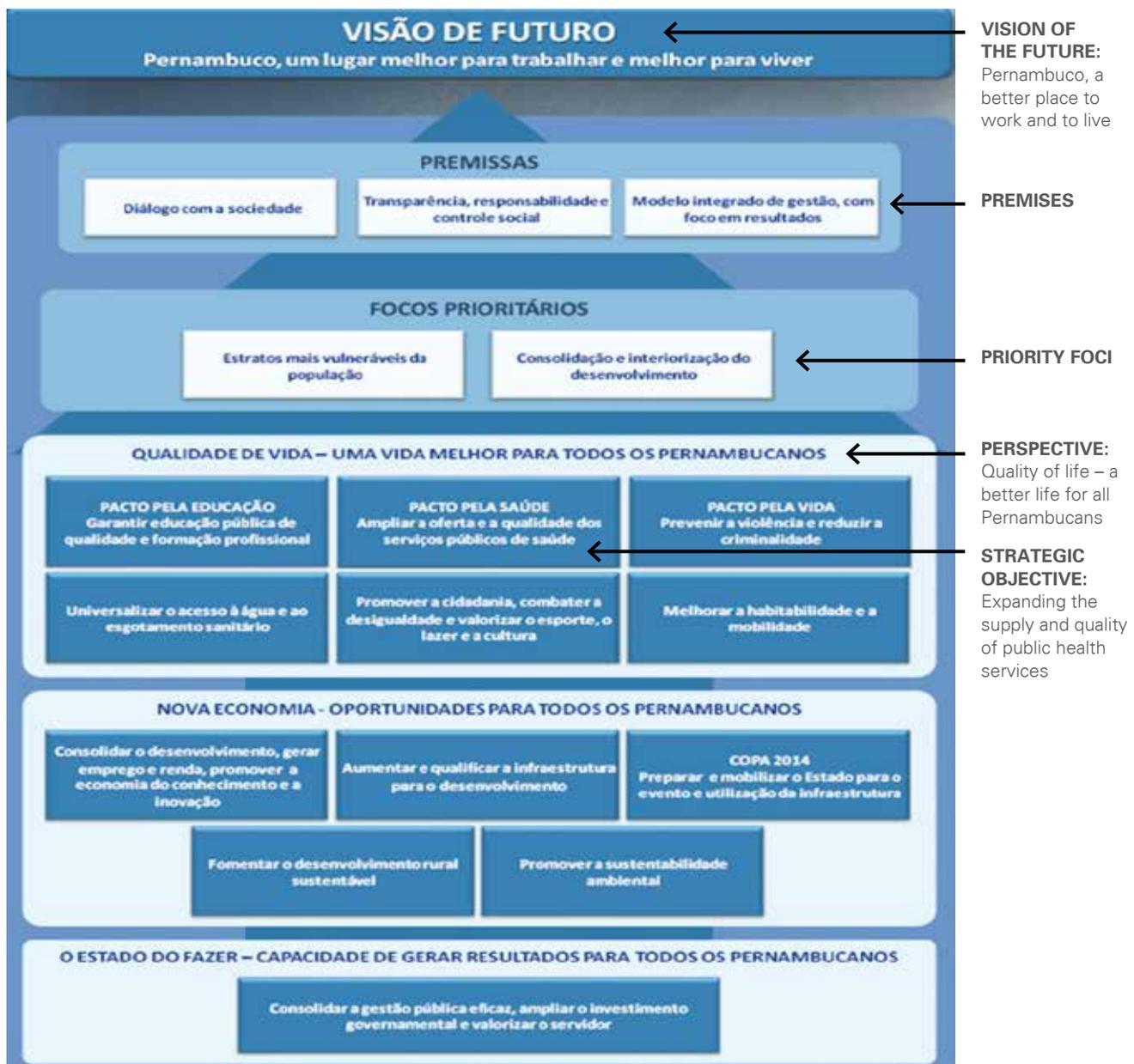
within three broad pillars (called “perspectives”), a number of strategic objectives (10 in 2007; 12 in 2011) were established.¹⁰ These objectives are the result of a double movement: after receiving the “outside-in” input from civil society, a second movement (with a “top-down” approach) defined these objectives as proposed by SEPLAG and validated and agreed by the governor and the secretaries, which indicate results to be achieved in the priority areas.

Each strategic objective has its own strategy map, which disaggregates each into more specific elements: results, products, and activities (see Figure 2). These specific elements follow the architecture of the Multi-Annual Plan (Plano Pluri-Annual, or PPA) and the Annual Budget Law (Lei Orçamentária Annual, or LOA) (program, action, and subaction), enabling programmatic alignment. In Figure 2, the strategy map for the health objective, one of the expected results is “expanding the coverage of health services,” and some of its products are “building health units’ equipment” or “reforming, expanding, and equipping health units.” But the key elements here are the activities, which are the “priority goals” that the model monitors and manages. These are the specific projects (e.g., the construction of a hospital in a certain region) that receive budget allocations and are tracked

¹⁰ The strategy map also includes three “premises” that guide the execution of all the government actions (dialogue with society; transparency, responsibility and social control; and integrated management model, with a focus on results) and two “priority foci”, the main targets of the government action (the most vulnerable strata of the population, and the consolidation of development in the interior of the state). These do not translate into more specific elements in the map. Nonetheless, it should be noted the reference to the management model as a premise for the execution of the strategy.

¹¹ While the strategic objectives involve multiple Secretariats, each of the priority goals within each strategic objective are the responsibility of a single agency. Cross-sectoral work in this regard is therefore limited.

Figure 1. Pernambuco's 2012–2015 Strategy Map



Source: Government of the State of Pernambuco (2013a).

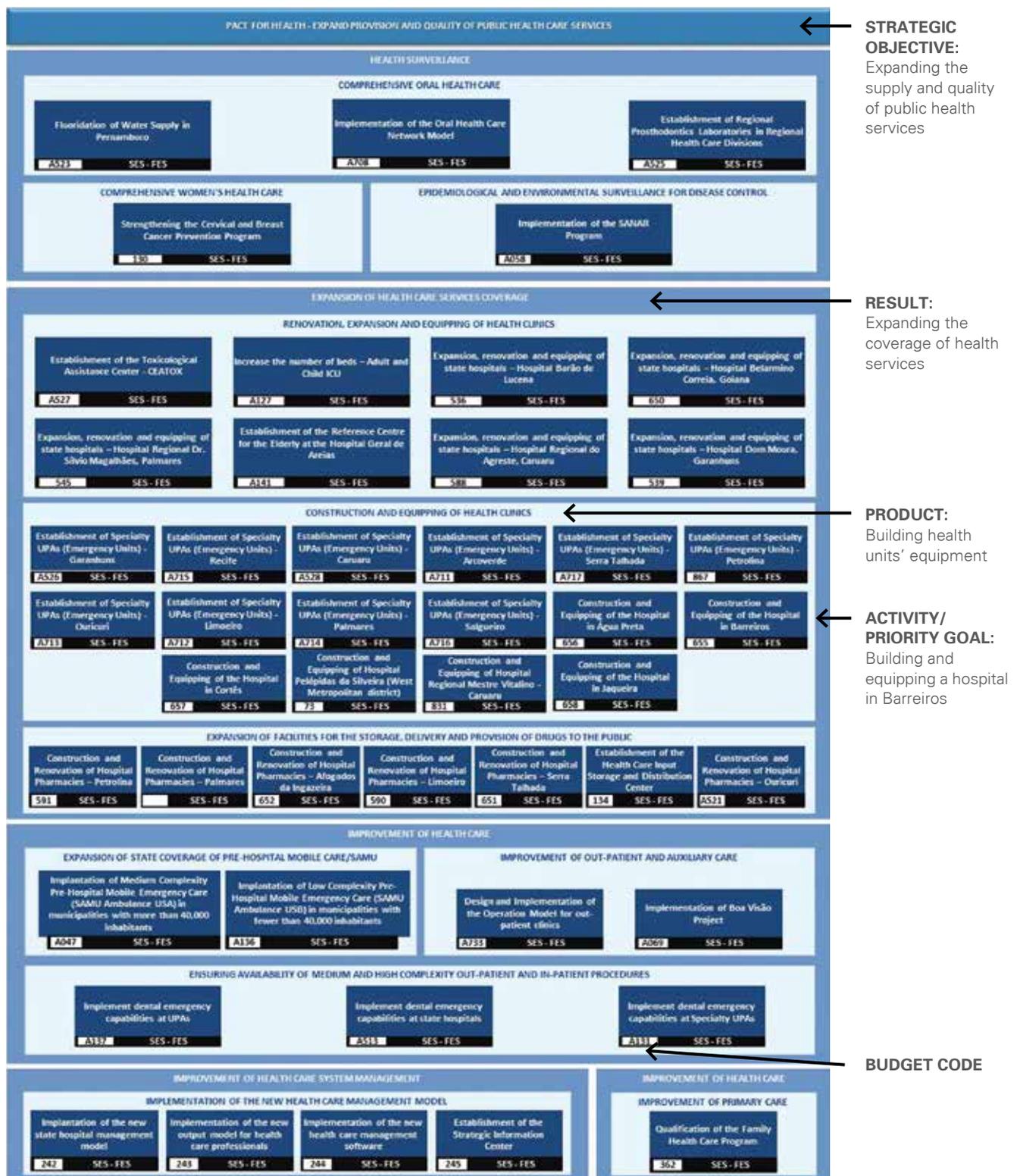
by SEPLAG.¹¹ Therefore, most of the priority goals refer to the government's internal processes and products, and not to societal outcomes or impacts (see subsection 1.4 on monitoring), although in security, health, and education, the model also includes outcomes.

The CoG largely drives the detailed specifications for the definition of priorities. Based on an assessment of the state's situation and of the existing government programs,

SEPLAG drafts initial proposals addressing the priority goals. These are discussed and negotiated with the sectors, but the initial drafting and the final decision on the proposal to be submitted to the Governor is formulated by SEPLAG. With performance and budgetary data from previous years, SEPLAG's analysts work to ensure that the goals are challenging yet feasible, and that they are aligned with the government's overall strategy and fiscal space. When the Governor receives the



Figure 2. Strategy Map for the Health Strategic Objective



Source: Government of the State of Pernambuco (2013a).

proposal, he or she conducts final consultations with the secretaries and makes the decision on the priorities.

As Figure 2 shows, each priority goal is tied to a budget code. Thus, the formulation of the

priorities is immediately integrated with the allocation of resources, as each goal has its clear correspondence in the budget. This alignment between the plan and the budget is the topic of the next subsection.

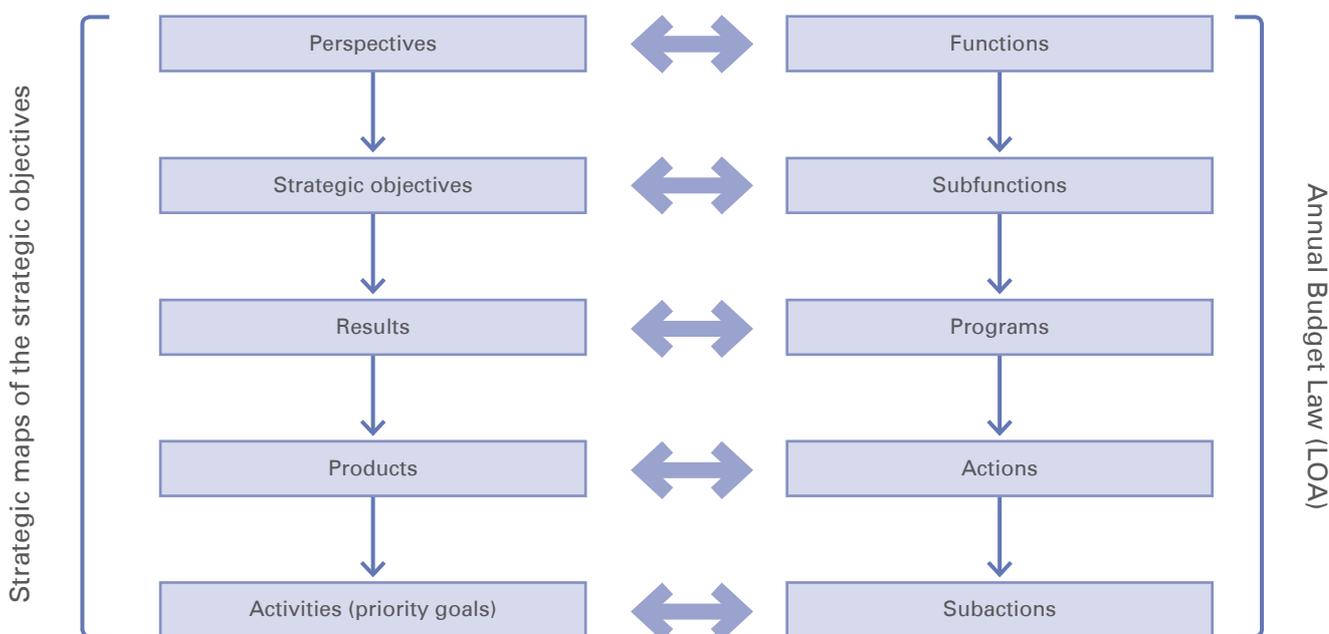
1.3 Aligning the Budget

The alignment of the budget behind the strategy occurs both during the formulation of the strategy and during its execution and monitoring. During the formulation, the development of the strategy map of each strategic objective has a correspondence in the budget structure. Figure 3 shows how each of the categories of the map is tied to a similar category in the LOA. In particular, the activities or priority goals in the map correspond to a “subaction” in the LOA. In the budget, the information of each priority goal with its allocated resources can be found through a “budgetary cell”. This connection is facilitated because SEPLAG has responsibilities for both formulating the priority goals and planning

the budget allocations. The formulation of the budget for the following year begins early in the previous calendar year, or even before that. The budgetary planning for 2015, for example, began in late 2013, following the definition of the priority goals.

The alignment of the budget to the plan during implementation occurs during the performance monitoring meetings.¹² Financial targets (allocated versus executed budget) are assessed for each priority goal, alongside the identification of any obstacles to a timely completion of the project. In addition, combining the physical and the financial monitoring of the projects in these meetings enables the

Figure 3. Correspondence between the Strategy Maps (Planning) and the LOA (Budget)



Source: Authors' elaboration based on inputs from SEPLAG.

¹² There is also an initial moment of realignment at the beginning of the year, in which adjustments are made to the budget as it was prepared and approved the previous year.





detection of dissonance between them: for example, a priority goal with a low physical execution but a high financial execution requires further scrutiny (and the same occurs if a high physical execution is reported but the budgetary execution is low). The budget framework does not contemplate financial incentives for the Secretariats (such as discretionary use of additional resources) for the completion of the goals.

The meetings also provide the opportunity for adjusting the priority goals, for example, by extending their deadline, cancelling them, or, in exceptional cases, proposing new ones. These changes imply reallocations of the budget from its original allocation. In this regard, and as a way to promote more accurate planning, SEPLAG established a structural modification of how the budget can be altered: while previously budget reallocations occurred on a daily basis and with limited connection to the government's strategy, there are currently four ordinary cycles of budgetary changes. This allows SEPLAG to control the process from the CoG, and to ensure that these changes respond to actual needs for

the achievement of the priority goals. This measure produced a reduction in the total number of reallocations, from approximately 2,000 in 2011 to 1,131 in 2013.

The use of technology has also strengthened the ability to make sound budget decisions against both the priorities and the overall fiscal situation. The software Qlikview, a Business Intelligence application that manages the data from the state's Integrated Financial Management System e-Fisco, allows for the analysis of alternative fiscal scenarios for subsequent years, producing simulations and projections that let decision makers consider realistic funding options for the priority goals (which in most cases will require funding for more than one year) and reallocate priorities. More precise cost studies (which would enable, for example, simulations on the cost of project inputs to be conducted) are being developed to improve the quality of the fiscal forecasts. In addition, the software ensures that the budget allocations are effectively assigned to the appropriate priority goal (or subaction), as only SEPLAG (and not the Secretariats) can insert changes in the system.

1.4 Monitoring Delivery

Since 2008, the Government of the State of Pernambuco has conducted weekly monitoring meetings, chaired by the Governor. These meetings are based on the strategic objectives of the strategy map. Each Tuesday, one of the 12 objectives is covered during the morning meeting, and another one in the afternoon, covering all the strategic objectives in a period of six weeks. In the 2008–2011 map there were 10 objectives, so every five weeks, the progress made on all of the objectives was monitored. The weekly meeting format requires that Secretariats and other state institutions which contribute to the achievement of the particular strategic objective to be discussed conduct their own internal monitoring

in order to be prepared for the meetings; in fact, certain Secretariats (such as health) have replicated the monitoring model *within* their own structures, with the Secretary chairing review meetings with the managers of the different units that form the Secretariat.

The agenda for the monitoring meetings with the Governor is based on an analysis of progress on the priority goals. SEPLAG selects the goals that appear to be off track, and invites the specific managers for those areas to attend the meeting. In terms of the dynamics of the meetings, the secretaries and other senior officials present the situation of their respective priority goals.¹³ Participants at the meetings sit

¹³ Although the Secretaries do the presentations, SEPLAG prepares the slides. A few days before the monitoring meeting, SEPLAG's team meets with each Secretariat's team to consolidate the findings and validate the data, reaching an agreement on the contents of the

Image 1. Typical Format of the Monitoring Meetings



Source: SEPLAG.

around a U-shaped table, facing a screen (See Image 1). The screen projects the results achieved for the priority targets, with visual supports (maps, pictures) when needed. When the data show delays in the delivery of the goals, the officials explain why, specifying the problems that are affecting their agency's performance. Deliberations among participants ensue, and when obstacles have been clearly identified, decisions on how to unblock them are taken, including which officials are responsible for the needed actions and a deadline for their completion. These decisions are reflected in the minutes of the meeting, prepared by SEPLAG's staff at that same time and projected on the screen, so that the agreements are clear to all participants.

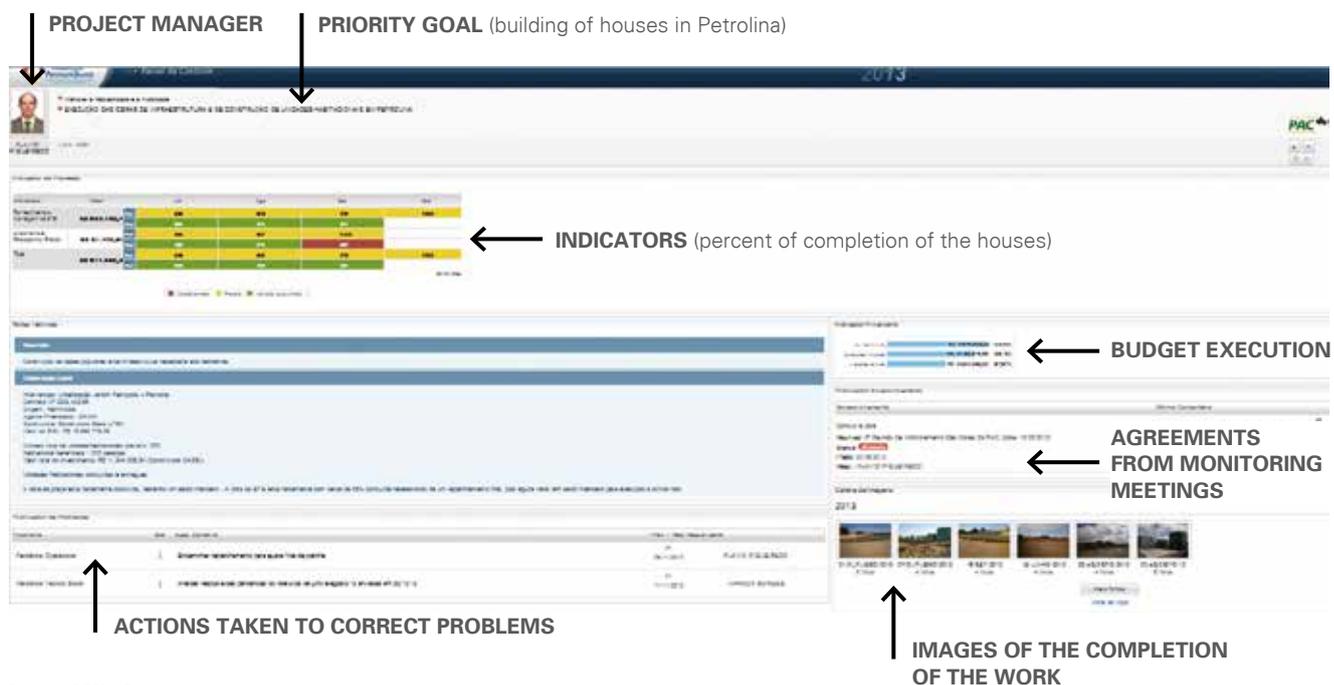
The Governor devotes a significant amount of time to the meetings. According to SEPLAG's calculations, in 2013 he devoted 108 hours (an average of two hours a week) to chairing them. The joint presence of the secretaries and authorities whose agencies have influence over the same strategic objective

seeks to transcend jurisdictional barriers and allow for a deliberative search for solutions. Stakeholders other than the Secretariats (sometimes outside the Executive Branch) also participate in the meetings when their institutions contribute to a particular strategic objective (for example, members of the Judiciary in the case of security). Some frontline employees also attend the meetings and are invited to join the discussions, which can have a motivational effect, as they have a chance to present their views or be congratulated in front of the Governor and other senior officials.

The number of priority goals tracked at the meetings evolves over time, as priorities are re-negotiated, achieved, or cancelled. The 2012–2015 strategy map included 750 priority goals, but by late 2013, only 382 of them were still being monitored. To narrow the focus on the top priorities even further, the Project Management Office (Escritório de Gestão de Projetos, or EGP) was installed in SEPLAG in 2009, providing more intense tracking of the large infrastructure projects. The EGP

presentation. This report is presented two days before the meeting to the Governor, the core management, and the Secretaries involved in the strategic objective and the information is updated in the control panel.

Figure 4. SEPLAG's Control Panel



Source: SEPLAG.

methodology contemplates weekly meetings with the teams in charge of these projects to review the progress made, plan next steps, identify risks, and oversee adjustments at the tactical and strategic levels to achieve the goals. A total of 58 priority goals were initially monitored through EGP, which was being used for approximately 100 goals as of late 2013.

In addition, a control panel was developed in 2013 to allow the Governor and SEPLAG managers to track performance more continuously. Originally, SEPLAG kept a spreadsheet with information from the sectors, but the online control panel provides the opportunity for real-time monitoring. The control panel displays each priority goal and the progress made; the name of the manager responsible for the project; any observations made at the meetings (explaining, for example, reasons for any delays); information about renegotiations of the goal; its budget execution; and pictures showing the work done (see Figure 4). SEPLAG's staff uploads the data onto the control panel, and the Secretariats can only access such data for consultation.

Three policy areas have received special attention for monitoring purposes: security, education, and health. Specific "performance pacts" were developed for these areas, in which the government committed to the achievement of certain outcome goals. The Pact for Life (security) was established in 2007 (with SEPLAG assuming its coordination in 2008), while the Pact for Education and the Pact for Health were established in 2011. In these areas, not only process and output indicators are tracked, but outcome indicators are also monitored, including the evolution in lethal and violent crime rates, student test scores, and different mortality indicators, respectively. In the Pact for Life, for which the lethal and violent crime data are produced daily, the monitoring meetings occur weekly. For education and health, they occur every month due to the frequency of the performance information for these sectors. In addition, for each pact, SEPLAG has assembled teams of analysts that work with the respective Secretariats (and sometimes at these Secretariats) to assist them in improving performance (see subsection 1.5).

In summary, the model implements three different types of centralized performance monitoring (see Figure 5):

(i) For the 12 strategic objectives (with their respective priority goals). Of these 12 strategic objectives, process and output indicators are tracked in 9 (the ones with no performance pacts). Monitoring meetings for each of them occur every six weeks.

(ii) Within these strategic objectives, some specific priority goals representing the most important infrastructure projects. The approximately 100 most important infrastructure projects receive the most intensive monitoring by the EGP.

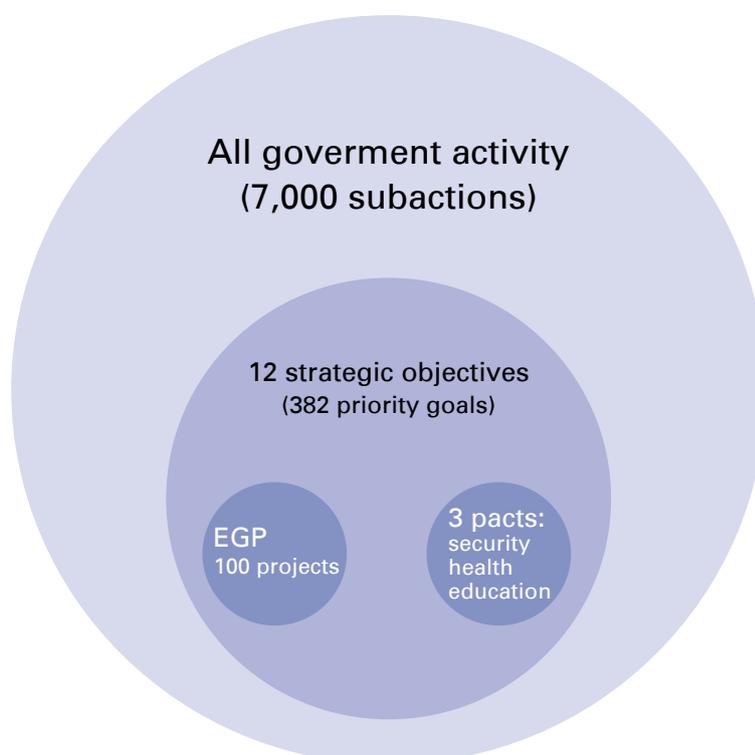
(iii) For the three policy areas that have performance pacts (security, health, and

education). These areas have additional monitoring meetings (weekly in the Pact for Life, and monthly in the Pact for Health and the Pact for Education), and outcome data supplement the process and output indicators (although they are not included in the control panel).¹⁴

Other government activities (approximately 6,600 subactions, which represent 88 percent of the state's budget) do not receive SEPLAG's intensive monitoring. These other areas are represented in a lighter color in Figure 5

Performance monitoring by SEPLAG only covers those outputs and outcomes for which the state government is responsible. There is another domain not monitored by the model: the one that is the responsibility of

Figure 5. Monitoring of Government Activities in Pernambuco



Source: Authors' elaboration.
Note: Figure is not proportional.

¹⁴ In terms of institutional structure (see Box 1), the responsibility for centralized performance monitoring in the pacts lies with SEPLAG's Executive Secretariat for Results Management (SEGPR), while the other nine objectives are covered by the Executive Secretariat for Strategic Management (SEGES). SEGES also manages the EGP for the most important infrastructure projects.



other actors outside the state government, such as municipal governments. In the Pact for Education, for example, SEPLAG only monitors student performance at the schools run by the state government (about 10 percent of the schools at the primary level and 70 percent at the high school level): it does not track performance in municipal schools (which

are the majority in primary education) or in private schools. Thus, when SEPLAG manages by results, it is only considering those activities over which it has jurisdiction. The organization of the Brazilian federal system grants high levels of autonomy to municipalities, a factor that may affect their integration into the management model.

1.5 Intervening to Achieve the Goals

The monitoring meetings are critical not only to review progress towards achieving the goals, but to decide corrective actions when needed. In 2013, a total of 1,150 corrective actions were agreed upon at the meetings. The agreements, reflected in the minutes of each meeting, also include the name of the responsible officials and the deadlines for delivering the actions. Thus, fulfillment of the agreements can be reviewed in future meetings.

Most of the agreements refer to specific, small-scale actions to correct problems presented by the participants at the meetings. In a Pact for Life meeting, for example, these may include updating a previously compiled list of illegal stores or reinforcing police presence in a certain area in subsequent weeks or months. Other agreements seek to link actions with stakeholders outside the state government, such as municipalities or the Judiciary. Sometimes the agreements involve renegotiation of the goals, as discussed in previous sections. Often, the adjustments include budgetary decisions as well (the monitoring meetings track both physical and financial data). This may involve budgetary reallocations (see subsection 1.3) or may require only cash flow changes. For example, when the goal to achieve a certain number of mammograms in the Pact for Health was not being achieved, the Secretariat of Health determined that the resources were not being received on time. By raising the issue at a

monitoring meeting, it got SEPLAG to broker an agreement with the Secretariat of Finance to speed up the process. The goal could then be met.

The recurrence of certain problems has led SEPLAG proactively to seek to address them more generally. For example, two recurring problems for achieving goals related to public works in different sectors were delays in expropriations and delays in granting environmental permits. After identifying these obstacles, SEPLAG set up two committees to work with the state's attorney general and with the state's environmental agency, respectively. These committees hold monthly meetings with these agencies to monitor the timely resolution of problems in these two areas, which impact the achievement of goals throughout the administration. Nonetheless, there are no systematic mechanisms in place to identify broader patterns, potential risks, or cross-cutting, long-term trends, an issue discussed in the analytical section of this report.

For the three pacts, SEPLAG's intervention goes further. Management for Results Centers, formed by approximately 8 to 10 SEPLAG analysts, have been established in each of the Secretariats (defense and public security, education, and health). These analysts collect information, monitor the planned activities, prepare the monitoring meetings, and oversee the delivery of the agreements made at the meetings. They also provide support to the Secretariats in the

implementation of the model, especially in ensuring that it is understood by the regional managers and even by frontline staff in schools or hospitals. They act as advisors to the Secretariats, providing management tools and analytical capabilities. In the Pact for Education, for example, they work with the Secretariat to detect schools with critically low performance, and they assist the regional managers and the school directors in the implementation of management techniques to improve their performance. Although the original intention of

SEPLAG's leaders was to develop these centers in all Secretariats (thus extending the pacts model to the entire administration), budgetary constraints led them to focus on these three major policy areas.

Section 1 has focused on providing a brief description of the main components and evolution of Pernambuco's management model. Section 2 will analyze how the model and each component work, identifying strengths, opportunities for improvement, and lessons learned.

2 ANALYSIS OF PERNAMBUCO'S MANAGEMENT MODEL

This section presents an analysis of the Pernambuco management model based on other experiences at the national and international levels. As noted in the previous section, in 2007, the government found that there was a need for more discipline and structure in the way the government was run, including the need for a greater focus on results. The practical steps to

improve the management of the state, underpinned by a strong conceptual framework derived from the PDCA model, were described in Section 1. This section will analyze these innovations, beginning with a general overview of the model and then focusing on the same functions as in the previous section. Considerations about the institutionalization of the model are also included.

2.1 Summary of the Model's Key Strengths and Opportunities for Improvement

It is possible to identify several strengths and achievements of Pernambuco's management model.

- **The overall approach effectively brings together planning, budgeting, monitoring, and intervention in a highly integrated way.** The government has made great progress in developing and operationalizing the model in a very short period of time. The mandate of SEPLAG has the benefit of having both the political empowerment and the technical expertise to apply advanced tools to define priorities, align resources behind them, track progress, and intervene to collaboratively produce corrections when needed. In Pernambuco, a coherent strategy guides the formulation of policy.
- **The adoption of the management model has set clear objectives and goals for all the prioritized key policy areas,** and it has established a system of continuous monitoring of progress towards them. Managers and, in certain areas (such as security), a range of frontline employees, have an understanding of what the government is seeking to achieve and what it has achieved.
- **The model has enhanced the government's ability to complete projects and generate outputs.** It has contributed to delivering on the government's priority goals. In other words: to *actually doing* what the government said it *planned to do*. Outcomes in the state also present positive trends, although the causal attribution of these results to the government's actions is only possible in certain cases.
- **The engagement of employees from all levels of the civil service, from managers to a range of frontline staff, has begun to change the organizational culture of Pernambuco's public administration.** A "can-do", systematic, and data-driven approach to public management appears to have taken



root, at least in those Secretariats most involved with the model, contributing to its sustainability.

- **A number of innovative tools and routines have been developed to support the government in improving results.** In addition to the application of tools and approaches that have proven to be successful in other national and international cases, SEPLAG has developed innovative methodological solutions to support budget planning, monitoring, and engagement with the services to accelerate improvement.

Of course, as the government's leadership recognizes, there is still more to do to fully develop a culture of managing for results. In the course of this study, the following opportunities for future improvement were identified.

- **Through its management model, Pernambuco is ready to develop a greater focus on outcomes and impacts for the citizens.** Especially for the policy areas that already track the evolution of outcomes, establishing a better linkage between improvements in the internal management of government and results for society would contribute to clearly identifying what works and what does not.
- **Engagement with the citizens, who are coproducers of many of the priority outcomes, could be intensified.** A more systematic approach to engaging and upskilling the frontline workers to work with citizens, more periodic regional seminars, citizen surveys, and online tools would generate valuable feedback on the progress being made by the government and next steps in securing

results. Greater involvement from all stakeholders, including feedback on needs, what works, and new approaches to service provision—from citizens to legislators, from neighborhoods to cities, from frontline workers to senior management, and from the business and voluntary sectors—will enhance the effectiveness of the model.

- **The monitoring process could be strengthened by refreshing the dynamics of the monitoring sessions,** reinforcing its collective problem-solving approach and its emphasis on producing changes in behavior to enable performance. The identification of broader, crosscutting obstacles to performance could also be strengthened.
- **Enhancing capacities for planning and monitoring at the sectoral level** would relieve SEPLAG from certain responsibilities that appropriately belong to the sectoral Secretariats, but which could not be addressed in the early stages of the model due to the lack of expertise in these methodologies.
- **The next phase of the model could include greater linkage with local service providers, including municipalities.** The impact of the government's work will be greater if those at the frontline delivering services understand and have incentives to support its priorities. Local governments are key actors in the delivery system, and the achievement of results for all Pernambucans would require that the basic elements of the management model (planning, budgeting, monitoring, and intervention) are also applied to their work.

2.2 General Analysis of the Model

2.2.1 What have been the model's main innovations?

The model implemented in 2007 has improved the management of the Government of the

State of Pernambuco by integrating the planning, budgeting, monitoring, and

Box 3. Evolution of Outcomes in Pernambuco (2007–2013)

Pernambuco presents impressive results in terms of reduction in lethal crimes. From 2007 to 2011, lethal crimes declined in the state from 42.8 per 100,000 inhabitants to 36.7 (a 14 percent reduction). During the same period, lethal crimes remained unchanged at the national level (from 22.5 to 22.9) and rose in the Northeastern states (from 20.0 to 32.7, a 63 percent increase), the region where Pernambuco is located.

In other policy areas, the evolution of the indicators more closely tracks national variations. In health, infant mortality rates decreased by 26 percent in Pernambuco (from 21.7 to 16.0 per 1,000 live births), but the national reduction was larger (33 percent, from 20.5 to 13.6). In education, according to student performance on the IDEB (Index of Basic Education Development) test, Pernambuco was ranked 19th (out of the 27 states) in 2005, 18th in 2011 for elementary education, and 18th in 2005 and 16th in 2011 for secondary education, showing modest improvements relative to other states.

In terms of economic growth, Pernambuco had the 9th highest growth between 2007 and 2011; it had been 24th between 2002 and 2006.

Sources: Crime data: Forum Brasileiro de Segurança Pública and Ministério da Justiça (2012). Health data: Ministério da Saúde, Departamento de Informática (<http://www2.datasus.gov.br>), consulted on 12/10/2013. Education data: Government of the State of Pernambuco (2013b). Economic growth data: Instituto Brasileiro de Geografia e Estatística (www.ibge.gov), consulted on 12/10/2013.

intervention functions. It has led to clear objectives and goals for all sectors, with a system of continuous monitoring of progress towards them. Therefore, it has allowed SEPLAG to clearly identify the units and individuals responsible for achieving results and to track performance on each of the priority goals. This has created the ability to identify when progress is not sufficient and to develop approaches that lead to timely interventions to produce adjustments. These processes have been integrated with the planning and execution of the budget, contributing to connect management decisions with the allocation of resources.

The model has focused more on optimizing these internal *processes*, in order to enable *outputs* to be produced efficiently and on time, than on connecting these government activities to societal *outcomes*. The model has included the monitoring of outcomes since 2007 for one policy area (security), and has incorporated it since 2011 for two others (education and health). The actual effect of the government's actions on outcomes has generally not been measured through more rigorous instances of impact evaluation. The

model has thus focused on improving how the government is managed, with the expectation that this will lead to improved results for the citizens.¹⁵ The evolution of the outcome indicators in the longest-running of the three pacts, the Pact for Life, suggests that there may actually be a connection between enhanced outputs and improved outcomes: the comparison of lethal and violent crime rates to those of the country as a whole, or to those of other Northeastern states, shows significantly stronger performance in Pernambuco. See Box 3 for an analysis of outcome data in other sectors as well.

The changes introduced by the model have involved not only the top leadership of the state, but also the mid-level (regional) managers and certain frontline employees (like police officers). In the performance pacts, SEPLAG works on improving management at (i) the *strategic* level, with the Governor and other senior officials; (ii) the *tactical* level, with the managers of the state's regions in each policy area; and (iii) the *operational* level, with specific schools, hospitals, or police units. This work at several levels has begun a process of

¹⁵ "Fulfilling the processes almost ensures getting results," as expressed by a senior official at a Pact for Life monitoring meeting on November 14, 2013. This may or may not be a valid assumption, but many other models made similar assumptions in their earlier stages, when outcome data was scarce: Baltimore's Citistat, a pioneer effort of a data-driven management model with periodic monitoring meetings to discuss performance adjustments, closely tracked inputs (such as human resource data) under the assumption that those were critical factors for delivering outputs and achieving outcomes (see Henderson, 2003).



institutionalization of routines in day-to-day management throughout the government. Many stakeholders inside and outside of the government share the view that this has contributed to meeting commitments, completing public works on time, and generally improving the outputs of the government work. It has also helped to focus the sectors on achieving the agreed goals, and not just on their own individual agendas. What is clear is that the innovations collectively addressed both of the elements of a strong change management program: the need for cultural change and the need for new routines and technical tools.

Comparing this model with previous experiences of other Brazilian states, Pernambuco has incorporated some of their features while adding innovative ones. These distinctive elements include the regional participatory planning exercise; the integration of planning and budget with the management of the model (at SEPLAG); the personal leadership of the Governor; performance pacts as a mechanism to define thematic priorities; and the strategy maps to align the budget behind the plan in each area. See Box 4 for a more detailed comparison of the Pernambuco model with other experiences at the Brazilian state level.

Box 4. Pernambuco's Experience in the Context of other Brazilian States

Traditionally, public management reforms in Brazilian states had followed those developed at the federal level, but in the last decade, state-level governments have led the way. This initial general pattern existed since the years of the Estado Novo (1930s and 40s), with the creation of Public Service Administration Departments at the federal level and then at the state level, up until the late 20th century, with the managerial State Reform Plan of the 1990s. However, in recent years new patterns have emerged without direct linkage to federal initiatives, revealing the capabilities and innovative approaches of the state level of government.

In 2003, the Government of Minas Gerais introduced a "management shock", which focused initially on controlling government expenditures, and, in a second stage, on achieving results for the citizens. "Results agreements" are established between the Governor and the line Secretariats, setting the goals they are expected to achieve. Progress is then intensively monitored and financial incentives are provided for meeting the targets. This reform was comprehensive in its coverage of both the public administration (it was implemented in all of its agencies) and of the policy cycle, as it included most of its stages (planning, budgeting, monitoring and evaluation) (Vilhena et al., 2006). Rio de Janeiro also adopted management contracts, although limited to certain policy areas (security, education, transportation, and administration). Pernambuco has not adopted management contracts with financial incentives for the Secretariats, but its model has developed the pacts in security, health, and education, which also set the priorities to be achieved.

Another feature of Pernambuco's experience, the participatory nature of the planning process, can also be identified in other cases. Participatory budgeting has been used extensively at the municipal level, with Porto Alegre being first to adopt it in 1989. Participatory planning also exists at the state level, although Pernambuco has added a regional component (with goals by region) that is less common; Minas Gerais, for example, only introduced it in the third generation of its model, since 2011 (Government of Minas Gerais, 2013). Thus, the regional seminars are a distinctive feature of Pernambuco's experience.

Another innovative feature of the Pernambuco model is the direct, personal involvement of the Governor in the monitoring meetings. In Minas Gerais, the Secretary of Planning initially led these; when he later became Governor, he continued chairing the meetings. But in Pernambuco the involvement of the chief executive has been a defining characteristic since the beginnings of the model. The strategy maps within strategic objectives are another original feature in Pernambuco, and they have been a key element for aligning the budget to the plan for each priority goal. To strengthen the monitoring, in 2013 the state of São Paulo decided to establish a "Delivery Unit" (the Unit for Delivery of Priority Projects, or UEPP), inspired by the experience of the Prime Minister's Delivery Unit in the United Kingdom (Villani et al., 2013).

Regarding the capacities to manage the model, the creation of the planning, management, and budget analyst *career* or *cadre* has been critical to strengthening SEPLAG. In this regard, however, many other states (Rio de Janeiro, Espírito Santo, Minas Gerais, Bahia, Goiás, Mato Grosso, Acre, São Paulo, Sergipe, and the Federal District) have similar careers, although their members work in the different sectors and not only at the Secretariat of Planning. In Pernambuco, only SEPLAG has built such capacities into its workforce.

Source: Authors' elaboration.

2.2.2 What contextual factors have enabled the implementation of the model?

The management model was adopted in a very specific context, described in Section 1, which included a number of favorable conditions that helped enable its implementation.

- a. **Leadership with a commitment to results and an understanding of management for results tools.** The culture of organizations and systems is significantly influenced by the characteristics of their leaders. In 2007, the new senior team in Pernambuco brought with them first-hand experience of the principles and tools of results-based management. They included expertise from the state's Secretariat of Finance and from the Court of Auditors (*Tribunal de Contas*), from the private sector, and from think tanks, which enabled them to conceptualize and lead the adoption of the model.
- b. **In addition, Pernambuco's leadership could focus on results.** Governor Campos came into office with limited support from the larger political structures within the state. He was thus less constrained in his management choices and had the ability to appoint, to key positions within his administration, competent managers whom he trusted, and he could demand results from them. In other contexts, chief executives may be more constrained by political factors.
- c. **A good working relationship with the federal government.** Given the importance of federal approval for loans and key joint projects, it is significant that Pernambuco worked hard to develop the relationship (aided by political rapport between the two administrations) with the federal government. As different interviewees agreed, support from the federal level was important for the timely completion of priority public works for the state.
- d. **A healthy fiscal situation.** Economic growth in the state, combined with improved enforcement in the collection of taxes, has led to major increases in available revenue. Between 2007 and 2012, revenue increased, in real terms, by approximately 65 percent.¹⁶ Thus, the model was implemented in a context of increasing resources, which enabled an expansion in SEPLAG's own capacities (including the creation of its own planning, management and budget analyst career or cadre with 100 new staff) and in the sectors responsible for achieving results (e.g., a 25 percent growth in the police workforce).
- e. **The salaries of public employees were raised significantly.** Expenditures in personnel grew by 29 percent in real terms between 2008 and 2013.¹⁷ Performance pay systems have been established. In the Pact for Life, for example, there are different biannual awards for officers in the units that: (i) achieve the largest reductions in lethal and violent crimes (the outcome indicator for the pact); (ii) achieve the goal established in the pact (for 2013, a 12 percent reduction in these crimes); or (iii) achieve a reduction in these crimes compared to the previous six months (Lei No. 14,889) (Government of the State of Pernambuco, 2012).¹⁸ Performance pay

¹⁶ Authors' calculations from Pernambuco's revenue data (consulted at www.bde.pe.gov.br on 12/12/2013) and from Brazilian inflation data (consulted at www.ibge.gov.br on 12/12/2013).

¹⁷ Authors' calculations from Pernambuco's expenditures data (consulted at www2.transparencia.pe.gov.br on 01/29/2014) and from Brazilian inflation data (consulted at www.ibge.gov.br on 01/29/2014).

¹⁸ The first award consists of approximately US\$1,200 for officers and US\$800 for auxiliary personnel; the second, US\$750 and US\$450, respectively; and the third, US\$580 and US\$330. These bonuses represent roughly between 2 percent and 8 percent of the average annual remuneration of the Secretary of Social Defense personnel, most of whom are members of the police force. (Data on remuneration were obtained from <http://www2.transparencia.pe.gov.br/web/portal-da-transparencia/76>, consulted on January 31, 2014). SEPLAG has also established performance pay mechanisms for its own staff (Government of the State of Pernambuco, 2013c).



has also been established in the education sector: teachers from the schools that achieve their targets (in terms of student performance in standardized tests and other measures, such as dropout rates) receive an “Educational Performance Bonus”.¹⁹ This influx of resources helped reduce potential resistance to the model and contributed to achieving the goals.²⁰

- f. **At the same time, it is likely that the model has also influenced the amount of resources.** Economic activity in the

state and the capacities of the collection agency are not completely exogenous to the model, because it would be expected that better management should have an impact on them. Therefore, this favorable contextual aspect is itself partially a result of the model.

Overall, the implementation of the model benefitted from positive political, economic, and fiscal factors. The coming together of these exogenous factors cannot be discounted, but nor can the government’s strong drive to improve its practice.

2.2.3 What decisions and characteristics were critical for success?

In addition to the favorable external factors, from the interviews and the research undertaken as part of the present study, it is clear that a number of important decisions about the characteristics of the model were critical for its success. The following important lessons can be applied elsewhere.

- a. **The decision to create strong leadership focused on results.** One of the distinctive characteristics of the Pernambuco model is the intense involvement of the Governor and senior staff in making the model work. The Governor personally owns performance, as he takes responsibility for it. In addition to chairing the monitoring meetings, the Governor and his senior staff spend additional time, usually on the road, tracking performance online through the control panel installed on their tablets. Although the Secretary of SEPLAG presides over certain meetings,

the Governor has not delegated this role, assuming it personally most of the time. For most interviewees, this has been critical to ensure that the model is taken seriously: no one wants to appear unprepared in front of the Governor. Although in other cases (such as Minas Gerais) the Governor successfully delegated this role, in Pernambuco there is a perception that the personal involvement of the Governor has been critical for the model’s success.

- b. **In Pernambuco, the Governor is regarded as the “Chief Executive Officer” as well as the “Chairman of the Board”, providing managerial decisions and political leadership.** This has reduced the potential for conflict between both realms. For most stakeholders, this has been a key success factor. Even if the model is time-consuming for the Governor, several interviewees have

¹⁹ In 2012, teachers in 29 percent of the schools were granted a full bonus and in 27 percent received a partial bonus, depending on their levels of achievement (Government of the State of Pernambuco, 2013d). The amount received by each individual teacher also varies according to the percentage of classes actually taught and to the proportion of the syllabus covered in them (Government of the State of Pernambuco, 2008a and 2008b). The average bonus in 2012 was equivalent to approximately US\$1,100, which represented around 6 percent of the average teacher’s salary for that year (data on remunerations was obtained from <http://www2.transparencia.pe.gov.br/web/portal-da-transparencia/76>, consulted on February 27, 2014).

²⁰ It is hard to isolate the specific effect of the model on achieving certain results from the effect of improved economic conditions. Teachers strikes, for example, which had been endemic before 2007 (costing 200 days of classes in 10 years), have not occurred since then. As the implementation of the model coincided with pay increases for teachers, the specific effect of each of these factors on the improved situation cannot be ascertained.

claimed that its overall effect has been to provide order to the management of time and access to the Governor. Instead of dealing with each Secretary separately, the meetings allow him to discuss their issues collectively and more efficiently. His own discipline in sticking to this format has been critical for the effectiveness and success of the model.

- c. **The integration of planning with the budget, and of monitoring of priorities with action when performance is off course.** The strategy maps provide a visually clear representation of the government's priorities, and constitute a key element of the model's architecture. They are a pillar that facilitates the alignment of resources behind the government's strategic objectives and priority goals. This integration, in turn, contributes to a more orderly and rational process of reallocation of resources according to the progress made towards achieving the goals (reviewed in the monitoring meetings). Unlike the previous situation of ongoing reallocations, SEPLAG can provide a general perspective of the government's priorities to ensure that budgetary decisions are made in connection with the objectives set in the government's strategy map.
- d. **The creation and strengthening of SEPLAG.** This, by both international and Brazilian practice, is a significant innovation in itself. By creating a discrete unit with ministerial status, which was free to develop and run the model without being encumbered with the more routine activities of public management (which were placed in

SAD), Pernambuco's experience has given greater emphasis to both conceptualizing the integration of planning, budgeting, monitoring, and performance improvement, and to ensuring the impact of the integration. SEPLAG's managers and analysts can focus entirely on the priority goals.²¹

- e. **In addition to creating SEPLAG, a critical decision was to empower it and ensure it had sufficient resources.** The creation of the planning, management, and budgeting analyst *career* or *cadre*, followed by the incorporation of 100 permanent staff through a merit-based recruitment process, have greatly enhanced SEPLAG's capacities to perform its role. This has been a key factor in the implementation of the model.
- f. **The focus on cultural change.** The management model of Pernambuco has an ambition to engage public employees across the delivery system and at all levels, from senior managers to frontline staff. It imposes a focus on achieving goals and a discipline in monitoring performance. These features establish a different type of public sector culture,²² one that goes beyond the simple fulfillment of bureaucratic procedures. Many stakeholders believe that this will contribute to the sustainability of the model under different administrations.
- g. **The creation of routines and technical tools.** The descriptive section of this paper has outlined a number of processes that define the day-to-day work of the model. Probably the most important of these are the monitoring meetings chaired by the Governor and the Secretary of SEPLAG. For some

²¹ It should be noted that, as SEPLAG has shown the ability to solve problems, the Governor often delegates on SEPLAG the resolution of emerging issues that are formally outside of its scope.

²² It is difficult to assess the extent of the changes in the organizational culture in Pernambuco. As the model has not been tested under a different administration, it is still not clear if the culture has actually changed or if the current leadership is the key actor sustaining the innovations.



secretaries, the model has become a daily managerial tool that they replicate within their jurisdictions; others have not adopted it as eagerly, but even they must face the periodic review of performance with the state's chief executive. Consequently, they must ensure that all efforts have been made to unblock remaining obstacles. Through

the years, this has led to a sedimentation of these routines within the state government's work.

After this overall assessment of the model's work, its specific elements are analyzed next: (i) formulation of the strategy; (ii) alignment of the budget; (iii) monitoring of progress towards achieving the goals; and (iv) interventions and adjustments when needed.

2.3 Formulating the Strategy

2.3.1 How does the model move from ideas to a strategy?

As discussed in the descriptive section, the approach underpinning the management model is to bring together "outside-in" and "top-down" perspectives, recognizing the importance of bringing both to decision making. In terms of bringing in outside perspectives, the regional seminars have played a key role. The results of Table 1 in the descriptive section show a 160 percent increase in participation in the regional seminars between 2007 and 2011 (from 5,207 to 13,498 participants), and a tenfold growth in the number of proposals submitted by citizens (from 2,600 to 26,147). But even more important is the fact that, in these seminars, citizens could debate with senior political leaders from the state (including the Governor and his Cabinet) in an interactive way, formulating ideas and seeking responses and explanations from these officials. Two-way communications are a critical element of "open government" (Cabinet Office, 2013), as they go beyond the simple dissemination of information from the government to the citizens.

The government rightly provides the leadership for the endeavor. In turning a range of disparate views into a comprehensive strategy for governing the state, SEPLAG: (i) obtains input from society through the regional seminars; (ii) works with the Secretariats to identify investment projects in each area; and (iii) from its position at the CoG, ensures that these priorities are challenging and feasible. SEPLAG has developed the technical capacities to discuss and negotiate the goals with the Secretariats, having the information (for example, about completion rates and project costs from previous years) and analytical capabilities to drive and add value to this process. Pernambuco's strategy is not just a collection of different sectoral plans, but an actual comprehensive and coherent direction, managed from the CoG. Overall, the development and implementation of the strategy follows an orderly process, which also receives feedback from the monitoring and analysis of the previous cycle.

2.3.2 What opportunities for improvement exist for defining the strategy?

During the formulation stage, there is no formal response to the proposals between the time they are received during the seminars and the definition of the strategy map. There is no subsequent instance for the government to explain which proposals were incorporated into the strategy and which were not, and why. Such explanations are a key component of

accountability (Bovens, 2005). It is true that many of the proposals had a high level of generality, so the government could in any case argue that they were included. Producing and publishing such responses would clarify to the participants what happened with their proposals, and would enhance the transparency of the strategic planning process after the seminars are held.

More generally, as valuable as the seminars are, their occurrence every four years, in one-off events prior to the definition of the strategy maps, limits their impact for a more continuous engagement with society. There are no institutionalized mechanisms to receive citizens' input on the progress being made on the priority goals. Consequently, it is worth exploring the possibility of holding regional seminars more frequently (perhaps annually) as a participatory opportunity to gather civil society's views on specific projects and introduce corrections if needed. These meetings could provide an alternative source of monitoring information for the Governor and SEPLAG, which incorporates citizens' perceptions and opinions. Additionally, citizen surveys could be adopted to periodically measure the evolution in their views, and participatory online tools (such as crowdsourcing) could also be explored.

Seeking citizens' input is particularly important, as the government and society coproduce many of the relevant outcomes. Reducing lethal crimes, improving students' learning, and decreasing mortality rates all require more than just government actions: they also depend on behaviors by the citizens themselves. Proactively seeking the public's views on these issues would help to achieve the goals. Therefore, it would be useful to establish more regular mechanisms for societal engagement. Stronger engagement with citizens could also help improve implementation of the government's projects. "Citizen journey maps", for example, visually illustrate the interactions of citizens with government agencies, contributing to an understanding (and a redesign) of how these interactions occur (Cabinet Office, 2010).

Another important consideration about the formulation of the strategy is the issue of subsidiarity: where should the line be drawn between the responsibilities of the CoG (SEPLAG, in this case) and those of the line Secretariats? SEPLAG, rather than the sectors, has the leading role in proposing the priority goals, although the Secretariats discuss with the Governor (in a political and not just a technical

process) what the priorities should be. While SEPLAG's leading role was clearly advantageous in the early stages of the model, given that it is the responsibility of the sectors to achieve results and that they have the specific expertise, there would be reasons for them to drive the analytical work and propose future goals, or at least to initiate the process. Similarly, SEPLAG may wish to reconsider its own formal governance arrangements by involving sectors in a steering or reference group, bringing the sectors in to provide feedback in further developing the model, and acting as a think tank for innovation regarding the existing practice.

An additional option to avoid the potential drawback of excessive centralization would be to strengthen the strategic management capacities of the line Secretariats. By strengthening the planning units in each of them, for example, to act as SEPLAG's counterparts in the development of the strategy, the sectors would have greater technical capabilities to work within their own delivery systems and also to feed into the learning across government. Similarly, these units could benefit from the robust and tailored training provided to SEPLAG's staff, ensuring that analysts across the state government "speak the same language", set a baseline, and grow their expertise. SEPLAG would become the head of a profession present throughout the institutions of the government, with planning specialists for the different policy areas.

There are also indications that the process of defining priorities could be improved. Although SEPLAG does not collect data on this, it is estimated that approximately 50 percent of the priority goals have to be renegotiated within each year, for example, by extending the deadlines to meet them. Moreover, almost half of these renegotiations include the provision of additional resources that were not initially contemplated. Although this is not an exact science, the relatively high number of renegotiations raises questions about the accuracy of the original formulation of priorities and/or the quality of the implementation



trajectories defined for them. Furthermore, if the sectors know that renegotiations are likely to occur, they may not have a strong incentive to actually improve performance and change their internal culture towards one focused on results. Thus, *strengthening the formulation of the goals in order to minimize the number of renegotiations should be considered as an avenue for enhancing the model.*

2.4 Aligning the Budget

2.4.1 What have been the model's main contributions in the alignment of the budget to the strategy?

The integration between strategic planning and budgetary allocation is one of the model's key strengths. SEPLAG's Executive Secretariat for Planning, Budget, and Fundraising (SEPOC) is responsible for both proposing the priority goals presented to the Governor and allocating resources for them (as well as for the non-priority ones; working on the overall budget is necessary in order to determine the resources available for the priorities). Each aspect of the strategy map has correspondence in the budget. The priority goals, in particular, are structured as subactions of the budget, with their corresponding appropriation (see Figure 3). Therefore, in Pernambuco's management model, the plan is actually guiding the formulation of policy and the allocation of resources.

This integration is based on the financial management system e-Fisco, which presents data from all phases of the budgetary cycle through a flexible and accessible IT tool (Qlikview). Each goal (or subaction) presents its budget allocation and execution figures, updated in real time. This facilitates the tracking of progress on each of the priorities and the identification of potential problems with their implementation. A project that is not executing its resources according to the operational plan triggers a concern that things may be going off track. Moreover, the performance information

Finally, Pernambuco has not yet developed a long-term planning mechanism. The strategy covers the Governor's four-year term in office, but it does not present a vision of how the state should proceed in the decades ahead. SEPLAG is currently working on developing this long-term strategy ("Pernambuco 2035"), but it has not yet announced which actors will be involved in this definition, or how it will dialogue with the four-year strategy.

reported to the control panel is linked to the execution of resources: budget execution without achieving the goals is a sign of trouble with implementation, and reported results with no budget execution would raise doubts about the performance data. Thus, any disconnect between the two in a specific subaction prompts further inquiry.

The integration of the strategy maps and the budget has other positive consequences as well. First, having a program-based budget ensures that the funds are going to the priorities and are not being diverted by the Secretariats to other activities, which could be the case if the allocation occurred at a more aggregate level than the subactions. Second, the clear identification of priorities allows SEPLAG, working with the Secretariat of Finance, to know which projects may or may not be delayed, essential information for rational management of the budget and the daily cash flow. Finally, the establishment of three annual reallocation cycles (in addition to the one at the beginning of the year) helps to maintain the alignment of the budget to the plan: even though a large number of modifications to the budget still occur every year, this number has declined significantly in recent years (from 2,800 in 2008 to 1,131 in 2013), and the role of SEPLAG in the cycles helps ensure that the changes are made for the purpose of meeting the priority goals.

2.4.2 What opportunities for improvement exist for the alignment of the budget to the strategy?

Despite the remarkable progress made in terms of integrating the plan and the budget, there is room for improvement. SEPLAG has made major improvements in terms of costing the programs of the different Secretariats and the outputs they produce. However, *there is no opportunity to assess the value for money of these programs in terms of either unit costs or societal outcomes.* Therefore, decisions about the expansion, reduction, or elimination of a certain program are not based on complete cost-benefit assessments. This is tied to the model's emphasis on outputs instead of outcomes. However, for areas where outcome information is available, a value-for-money analysis could optimize the allocation of budgetary resources. The 2013 budget, for example, did not shut down any programs from the previous year; it is unlikely that all programs were actually delivering results for the citizens, but currently there is no way to know this with certainty. With all the

progress it has made, SEPLAG is well positioned to initiate a more systematic value-for-money assessment of the government's priority goals.

A second area of potential improvement lies in the still high number of goals that are renegotiated to expand their budgets. This may have been possible at times of fiscal abundance, but the model should be prepared to endure tougher fiscal times as well. SEPLAG has already been reducing the number of reallocations and guiding them in a more coherent way, but, *to ensure that performance is actually improving, budget increases for priority projects should not be as frequent.* If behavior and culture are to be changed, managers should expect the budget to be less susceptible to modifications. This implies either better formulation of the priority goals or a more rigorous process of allocation of resources to them, a task currently led by a team of nine analysts at SEPOC.

2.5 Monitoring Delivery

2.5.1 What have been the model's main contributions to monitoring delivery?

The systematic monitoring process is one of the key drivers of the model. The Governor's personal commitment to the monitoring sessions has persuaded managers throughout the administration that this process is for real, with actual consequences if goals are not being met. Thus, monitoring has led to improvements in how the sectors conduct their work, and to a generalized perception that overall performance of the state government is much stronger than before. Those interviewed for this study, both inside and outside the government, agree on the improvements and on the role of the monitoring process in producing them.

The architecture of performance, a considerable strength of Pernambuco's management model, provides clarity not only about what objectives are being pursued, but also about who is responsible for them. The advantage is that results are "owned" by actual

people who can both be a focus for collaborative work and also secure broader support for the intended results. It also provides clarity for internal accountability purposes.

The structure of the monitoring meetings has some valuable features. First, by having all the Secretariats and managers of a policy area together and prepared to solve problems, the Governor ensures that they have all been included in the deliberations and in the decisions being made to improve performance. There is a clear understanding of who is responsible for which task, which allows the discussion to be grounded in evidence and in the reality of delivery. The sessions also foster a more cross-Secretariat way of conducting the work, especially in terms of coordinating their interventions and articulating solutions when one Secretariat needs action by others to achieve certain goals. Non-Executive Branch institutions



(such as the Judiciary) also participate in the meetings, contributing to expand coordination also outside the government.

The consolidation of the information in a control panel that can be accessed online is another important feature. While previously the sectors knew that they should produce results before the meeting, now they know that the Governor (himself or through SEPLAG) can call them at any time asking why certain goals seem to be off track. The control panel allows for more continuous oversight, and the sectors know that the Governor and senior staff actually take an active interest. As shown in the descriptive section (see subsection 1.5) the control panel also provides a complete set of information about the evolution of the goals and who is responsible for meeting them.

The quality of the data reported by the sectors appears to be solid. The only serious

problem in this regard occurred in the early stages of the model. A number of school directors had presented implausible figures of student absenteeism and, after being pressed by the Governor and SEPLAG, admitted to have doctored the numbers. The Governor immediately fired the 14 school principals, to send a clear signal that no attempts to game the system would be tolerated (monitoring meetings are very rarely so confrontational). Since then, SEPLAG has not faced serious problems with the validity of the data being reported. Most sectors have realized that it is better to provide early warning of potential problems than try to hide them and have them explode later. Because many of the priority goals refer to infrastructure projects, SEPLAG can conduct visual inspections of the work, and it also conducts reliability checks with external actors, such as contractors or auditing firms.

2.5.2 What opportunities for improvement exist in monitoring delivery?

Refreshing the monitoring meetings could have them focus more on how to change behaviors to enable performance rather than on budgetary resources. Monitoring meetings are most useful when focused on collective problem solving. There is much international evidence on how to make the most of the review meetings, and the basis of the work in Pernambuco provides the key components: all stakeholders within a certain policy area discuss ideas and adjustments, based on *past* performance data, to improve *future* performance strategies. This approach demands intensive involvement of the participants during the meetings. They should not only engage when their own sector or district is being discussed, but throughout the session, because their experiences can be useful to others with similar problems. It is critical that participants do not attend the sessions with a “defensive” mindset, reciting a list of justifications for the insufficient results; on the contrary, they should be open to debate corrections, ask questions, raise concerns, and engage in seeking solutions. At the earlier stages of the model, the monitoring

sessions in Pernambuco were aimed at enhancing the Governor’s capacity to hold the Secretariats and the managers accountable; now that this goal has been achieved the model is ready to fully emphasize the use of the sessions to improve performance.

Admittedly, certain models have opted for a more adversarial approach to the stat review meetings. Baltimore’s CitiStat sessions, at least in their early years, have been described as “highly confrontational”, with “excruciatingly specific and penetrating probing” of the managers by the chair of the meeting (see Behn, 2006, for a review of these descriptions). But this can create perverse incentives for managers if they only care about avoiding mistakes that could embarrass them at the sessions but not really about enhancing performance and finding solutions. Pernambuco has generally avoided these adversarial sessions. But, at the same time, *the meetings are more productive if they are not simply “show-and-tell” sessions in which the managers present their case with no real challenges from the person running the meeting.*

Thus, a delicate balance needs to be achieved. Pernambuco's authorities have developed considerable expertise on how to manage these sessions, and could assess more systematically what has worked better to achieve this balance.

Other, smaller adjustments to the monitoring system could also lead to improvements. Structuring the sessions on a district-by-district review of results can make it harder to identify general patterns that may be affecting performance everywhere. Thus, devoting a larger part of the session to a broader analysis could be valuable. SEPLAG has identified some recurring obstacles (such as delays in obtaining environmental permits and authorizations for expropriations that delay public

works) that have received specific attention to solve them (see subsection 1.6). But it is not clear that the dynamics of the sessions foster this kind of problem-identification exercise, especially regarding more structural or crosscutting issues affecting performance across the government. Similarly, the display of the control panel does not include enough on outcomes nor allow a global view of all objectives and goals, or specifically those that present problems. It is designed to be read subsection by subsection. *The usefulness of a dashboard is enhanced if the user can identify broader patterns rapidly and be more closely focused on outcomes.* Such small adjustments may prove valuable in terms of monitoring capacities.

2.6 Intervening to Achieve the Goals

2.6.1 What have been the model's main contributions in intervening to achieve the goals?

The participation at the meetings of different Secretariats involved in the same strategic objective has helped transcend jurisdictional barriers. Agreements to unblock obstacles can be made at the meetings, with a clear distribution of responsibilities and deadlines. Several interviewees have indicated that this has helped to better coordinate the daily work of government and to enhance its capacity to achieve results. In this way, SEPLAG's intervention has been more as a facilitator rather than a direct enforcer of reforms.

In certain policy areas, SEPLAG's role has been larger. For the three performance pacts, SEPLAG has addressed a lack of capacity in the

line Secretariats by establishing its own teams (the Management for Results Centers) to assist them. These teams have provided analytical and managerial expertise that was critical for the implementation of the model. Besides the performance pacts, SEPLAG has proactively sought to address cross-cutting problems that hampered the achievement of goals across the government, such as delays in obtaining environmental permits and expropriation authorizations. Thus, monitoring has not just been a way to hold the sectors accountable, but has also been an instrument to detect obstacles and take action to produce corrections.

2.6.2 What opportunities for improvement exist in intervening to achieve the goals?

The adjustments often tend to focus on reallocating resources rather than improving management practices. If managers concentrate on requesting more resources to address insufficient results, then performance will not actually improve. This connects with issues discussed in previous sections, stressing that the adjustments should not only rely on a reallocation or expansion of resources is critical

to ensure a cultural change in the management of the state. The monitoring sessions, as one of the key components of the model, play a major role in this. It is true that SEPLAG works with the sectors to enable performance and unblock obstacles by providing management tools and techniques, but the sectors still seem to be focused on obtaining additional resources when faced with problems.



There is opportunity for more cross-sectoral engagement in problem solving. It is becoming increasingly clear throughout the world that many of the public service outcomes that are of interest to citizens demand a greater degree of cross-sectoral coordination. Such coordination also has the benefit of securing better value for money and of reducing

duplication and gaps. In addition to their joint presence at the meetings, SEPLAG could promote a more continuous cross-Secretariat engagement. This would be particularly critical if the model, as proposed at the beginning of Section 2, were to increase its focus on outcomes, most of which are by definition cross-sectoral.

2.7 The Institutionalization of the Management Model

The Pernambuco management model has been heavily influenced by the contextual factors of its creation and by the leadership of the current senior management. The completion of Governor Campos' second term in office, in 2014 and the election of a new governor raise questions about the sustainability and institutionalization of the model. A number of elements favor its continuation, even if in a modified form: (i) the results achieved and the credit that many political actors give to the management model for this; (ii) the participation of civil servants throughout the state government, from managers to frontline employees, in this data-driven model and the value they assign to it; (iii) the strengthening of SEPLAG, the creation of the planning, management and budget analysts' career and the recruitment of 100 staff, who would object a return to old-style managerial practices; and (iv) the documentation and dissemination of the model led by SEPLAG, which has contributed to raising its profile within and outside the state. These factors make it unlikely that future governors would completely abandon the management model, even if they introduced changes to insert their own style into it.

Nonetheless, to secure the institutionalization of the model and enhance its performance, a number of additional reforms could be considered, such as stronger linkages with the broader delivery system, including municipal governments. This includes not only the development of management models within local administrations (a task which

SEPLAG is already leading), but also linkages with them, as they are critical for achieving many of the state government's own objectives. For example, municipal governments, where the management model has not been applied and whose indicators are not monitored by SEPLAG, run most of Pernambuco's primary schools. This implies that the strategic objective of raising educational performance does not actually cover all the students in the state.

Defining priority goals with local governments and agreeing on how to monitor and improve performance on them involve a complex interjurisdictional, technical, and political process. Focusing on a certain policy area in which the role of the municipalities is critical (such as education) could provide a path for this. If this linkage succeeds, the management model will not only have enhanced its impact, but will also have achieved greater institutionalization throughout the different levels of government within the state. And if the model intensifies its focus on outcomes, it will be necessary to engage with all actors in the delivery system with influence over the outcomes, among which the municipalities are central. To truly manage by results, all relevant actors need to be included.

A second path towards institutionalization of the model would be to complete the strengthening of SEPLAG and, especially, of the sectoral Secretariats. Although impressive capacities have been built within SEPLAG, and steps are being taken to enhance them (such as the expansion of its staff; see Box 1),

opportunities for improvement still remain. Its Executive Secretariat for the Development of the Management Model (SEDMG) has implemented a strong training system for SEPLAG's analysts, tailoring the activities to each employee's expertise and needs for his or her position. These courses have contributed to expand the *knowledge* of the staff, but a next stage could focus on expanding their *skills*. By switching the emphasis from the provision of information to the observable competencies that they would apply in the job, SEPLAG's capacities to lead the management model would increase greatly. In addition, strengthening the line Secretariats' capacities could also further the institutionalization of the model. This would embed the necessary knowledge, skills, and behavior throughout the administration, increasing ownership of the model by managers and employees in all sectors. The sustainability of the model would therefore be enhanced and would become less dependent on the Governor and SEPLAG's leadership.

In addition, SEPLAG could reinforce the system's learning. SEPLAG collects a massive amount of data that could be used to better assess what works and what does not work. Are there differences in the completion times of projects that are considered a priority (and are thus monitored) and those that are not? What proportion of the activities that show delays and receive special attention and adjustments turned from "red" to "green" before the next monitoring session? Could a more rigorous method of connecting the evolution in process and output indicators with the outcome indicators (when available) be applied? By doing this analysis, it would be possible to apply system learning in real time and ensure that all sectors are benefiting for the overall government approach to improvement within services. More rigorous analysis of the

data collected by SEPLAG could also lead to a refinement of the model.

Increasing engagement with citizens would favor the sustainability of the model. This would include the creation of feedback mechanisms between each regional seminar, and slight adjustments in the dissemination of performance data and accountability to the citizens. In this regard, the annual and quarterly reports²³ provide objective data about how things are going. The information is clearly displayed, using graphs, maps, and tables when needed, and sometimes with comparisons to other states or the country as a whole. External actors consider the data published by the government as accurate and reliable; there is no evidence of "doctored" numbers.²⁴ However, the evolution of the indicators is generally presented with no reference to the goal that was expected to be achieved. Thus, it is not clear if the goal was actually met, and the report can focus on delivering "good news". In addition, some outcome indicators (especially for the performance pacts) are compared to the evolution in other states or in the country as a whole, but others are not; it is not clear why this is presented for only some of the indicators, since comparable data are available in all cases. Thus, it should be possible to define certain criteria about how the data are going to be presented in order to ensure consistency across the reports and limit discretion in its presentation, especially if in the future the results are not as good as they have been in recent years. Similarly, providing public access to some parts of the control panel (without affecting its main use as an internal management tool) may improve societal ownership of the model and thus secure its institutionalization. Transparency can be critical to institutionalize the model: if citizens can access and debate performance information, they will reject any attempt to dismantle key elements of the data-driven model.

²³ These are the "Annual Report on the Actions of Government" and the quarterly "Report on Social Management". These reports are published on: <http://www.seplag.pe.gov.br/web/seplag/downloads/relatorio-da-acao-do-governo>

²⁴ In fact, in the critical policy area of security, a leading think tank, the Brazilian Forum on Public Security, places Pernambuco among the states with "high quality" crime data; see Anuário Brasileiro de Segurança Pública, 2012.



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ANNEX 1

LIST OF INTERVIEWEES

- Amâncio, Frederico.** Secretary of Planning and Management, State of Pernambuco
- Andrade, Severino.** Executive Secretary of Management for Results, SEPLAG, former General Manager of Pact for Education
- Araujo, Jorge.** Executive Secretary of General Coordination, Secretariat of Health
- Araujo de Lima, María Teresa.** General Manager of Project Monitoring, Executive Secretariat for Strategic Management, SEPLAG
- Cabral, Danilo.** Secretary of Cities, State of Pernambuco
- Cámara, Paulo.** Secretary of Finance, State of Pernambuco
- Cámara, Vivianne.** General Manager of Pact for Health, SEPLAG
- Campos, Eduardo.** Governor of the State of Pernambuco
- Campos, Héliida.** Executive Secretary of Strategic Management, SEPLAG
- Carvalho, Alessandro.** Executive Secretary of Social Defense, Secretariat of Social Defense
- Chaves, Erasmo.** General Manager of Pact for Life, SEPLAG
- Costa, Inés.** Superintendent of Strategic Information, Secretariat of Health
- Cruz, Mauricio.** Executive Secretary of Management Model Development, SEPLAG
- D’Almeida, Bernardo.** Secretary of Social Defense, State of Pernambuco, former Executive Secretary of Management for Results, SEPLAG
- Danzi de Andrade, Adriano.** General Manager of Finance Control, Executive Secretariat of Planning, Budgeting and Fundraising, SEPLAG
- Figueiras, Antonio.** Secretary of Health, State of Pernambuco
- Gel, Tony.** Member of the Legislative Assembly (Brazilian Democratic Movement Party, PMDB)
- Goersch, Alciomar.** Executive Secretary of Integrated Management, Secretariat of Social Defense
- Lima, Felipe.** Journalist, Jornal do Comercio
- Marinho Silva, Renata.** Manager of Monitoring and Program Evaluation, Executive Secretariat for Strategic Management, SEPLAG
- Miranda, Luiz Carlos.** Professor, Universidade Federal de Pernambuco
- Montrieul Carmona, Charles Ulises.** Professor, Universidade Federal de Pernambuco
- Pontual de Lucena, Patricia Maria.** Project Manager, Executive Secretariat for Strategic Management, SEPLAG
- Rebello, Alexandre.** Secretary of Planning and Management, Municipality of Recife, former Secretary of Planning and Management of Pernambuco
- Siqueira Brandao, José Alberto.** General Manager of Monitoring and Program Evaluation, Executive Secretariat for Strategic Management, SEPLAG
- Xavier, Edilberto.** Executive Secretary of Planning, Budget and Fundraising, SEPLAG



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