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Contribution of M&E to Sound Governance

M&E can provide unique information about the performance of government policies, programs, and projects. It can identify what works, what does not, and the reasons why. M&E also provides information about the performance of a government, of individual ministries and agencies, and of managers and their staff. And it provides information on the performance of donors that support the work of governments.

It is tempting—but dangerous—to view M&E as having inherent value. The value of M&E does not come simply from conducting M&E or from having such information available; rather, the value comes from using the information to help improve government performance. As we shall see, there are many governments that systematically use M&E information to improve their performance. Ways M&E information can be highly useful to governments and to others include the following:

- To support **policy making—especially budget decision making—performance budgeting, and national planning**. These processes focus on government priorities among competing demands from citizens and groups in society. M&E information can support government’s deliberations by providing evidence about the most cost-effective types of government activity, such as different types of employment programs, health interventions, or conditional cash transfer payments. Terms that describe the use of M&E information in this manner include evidence-based policy making, results-based budgeting, and performance-informed budgeting (box 3.1).
- To help government ministries in their **policy development** and policy analysis work and in program development.
- To help government ministries and agencies **manage activities** at the sector, program, and project levels. This includes government service delivery and the management of staff. M&E identifies the most efficient use of available resources; it can be used to identify implementation difficulties, for example. Performance indicators can be used to make cost and performance comparisons—performance benchmarking—among different administrative units, regions, and districts. Comparisons can also be made over time that help identify good, bad, and promising practices, and this can prompt a search for the reasons for this performance. Evaluations or reviews are used to identify these reasons (see, for example,

Box 3.1: What Is Performance Budgeting?

The majority of countries in the OECD undertake some form of performance budgeting (Curristine 2005). Some other countries, such as Chile, have created a government M&E system to support performance budgeting, and a growing number of developing countries are following suit. M&E is widely viewed as a useful tool to help governments under fiscal stress reduce their total spending by identifying programs and activities that have relatively low cost-effectiveness. Performance budgeting also helps governments prioritize among competing spending proposals. In this way, it is a vehicle to help them achieve greater value for money from their spending.

Performance budgeting involves the use of monitoring information and evaluation findings. There are three main approaches to performance budgeting. The first is known as **direct performance budgeting**—where there is a direct, often formula-driven relationship so that the budget allocation for a program is based on its performance as measured by its results (that is, its outputs or outcomes). An example is university funding based on the number of students who graduate in each discipline, such as medicine or the arts.

The second approach is **indirect performance budgeting**. This is the most common form of performance budgeting. M&E infor-

mation on program results is an input, but only one input, into decisions on the budget allocation for the program. Other information, as well as the government's policy priorities (including equity considerations), also influences budget allocations.

The third approach is **presentational performance budgeting**. The government uses M&E information to report the actual (past) or expected (future) performance in the budget documents it sends to the Parliament or Congress. This information may have no influence on budget decision making and is the weakest form of performance budgeting.

A common misconception is that evidence of poor performance should lead to a program either having its appropriations reduced or being abolished entirely. Although this might happen with a low-priority government activity, often more money will need to be spent on the program to fix it, at least in the short run. For example, an evaluation finding that primary education or public hospital spending is highly inefficient would not lead to these programs being abolished; they are too important. Instead, it would be necessary to identify the reasons for poor performance—which an evaluation should reveal—and to address them.

Wholey, Hatry, and Newcomer 2004). This is the learning function of M&E, and it is often termed results-based or results-oriented management.

- To **enhance transparency and support accountability relationships** by revealing the extent to which government has attained its desired objectives. M&E provides the essential evidence necessary to underpin strong accountability relationships, such as of government to the Parliament or Congress, to civil society, and to donors. M&E also supports the accountability relationships within government, such as between sector ministries and central ministries, among agencies and sector ministries, and among ministers, managers, and staff. Strong accountability, in turn, can provide the incentives necessary to improve performance.

These uses of M&E place it at the center of sound governance arrangements as a necessary condition for the effective management of public expenditures for poverty reduction. Thus M&E is

necessary to achieve evidence-based policy making, evidence-based management, and evidence-based accountability. An emphasis on M&E is one means to achieve a results-oriented and accountable public sector, including a performance culture in the civil service. For this reason M&E should not be viewed as a narrow, technocratic activity.

Within the four broad categories of use of M&E information, there are many specific activities where it can be used. At the same time, M&E is closely related to other aspects of public sector management:

- Budgetary tracking systems and financial reporting
- Intergovernmental fiscal relations, including government decentralization, and the extent to which they encompass a focus on government performance¹
- Accountability institutions such as national audit offices

- Commercialization and private sector (profit and nonprofit) delivery of public services, for example, by contracting out government functions.² Success in these activities requires a clear understanding of objectives and actual performance.
- Clarification and public reporting of program goals, objectives, and the strategies necessary for achieving them
- The setting of explicit customer service standards by service delivery agencies, and monitoring and publicizing the extent to which these are achieved
- Civil service reform that focuses on personnel performance, management, and appraisal, including merit-based hiring, promotion, and firing—recognizing the links between individual performance and project or program performance
- The quality of the civil service’s policy advice and the extent to which this advice is evidence based (using M&E)
- Anticorruption efforts—M&E can be used to identify the “leakage” of government funds via, for example, public expenditure tracking surveys (PETS). Community monitoring of donor (or government) projects can also be an effective way to help curb corruption in the implementation of projects.
- Participation in civil society—M&E provides a vehicle to magnify the voice of civil society and to put additional pressure on government to achieve higher levels of performance.

Country Experiences

Most OECD governments place considerable emphasis on the four uses of M&E information—to support evidence-based policy making (especially performance budgeting), policy development, management, and accountability. OECD governments collectively possess a great deal of experience in this topic: there is a general understanding that for a government to improve its own performance it needs to devote substantial effort to measuring its performance. The OECD secretariat and others have published numerous surveys and analyses of the work of member countries to strengthen their performance orientation (for example, OECD 1995, 1997a, 2005; Curristine 2005; Shand 2006). These include an extensive re-

view of governments’ evaluation practices and lessons on both capacity building and utilization of evaluation (OECD 1997a) and a review of performance budgeting practices and lessons:

The performance orientation of public managements is here to stay. It is essential for successful government. Societies are now too complex to be managed only by rules for input and process and a public-spirited culture. The performance movement has increased formalized planning, reporting, and control across many governments. This has improved the information available to managers and policy makers (OECD 2005, p. 81).

Over the past 15 years, the majority of OECD governments have sought to shift the emphasis of budgeting and management away from inputs towards a focus on results, measured in the form of outputs and/or outcomes. While the content, pace, and method of implementation of these reforms varies across countries and over time, they share a renewed focus on measurable results. . . . In the majority of OECD countries, efforts to assess the performance of programmes and ministries are now an accepted normal part of government. Countries follow a variety of different methods to assess performance, including performance measures, evaluations, and benchmarking (Curristine 2005, pp. 88–89).

The diversity of country approaches to M&E, and especially the ways M&E information is used, is striking. Examples from five countries whose M&E systems have been well documented and analyzed are shown in box 3.2.

These five country examples contain some common features, such as a whole-of-government approach to measuring government performance, a leading role by a powerful central ministry (such as the finance or planning ministry), and an emphasis on using M&E information to support the budget process. But the diversity of approaches is also evident. Some countries stress the budget

Box 3.2: Governments with Intensive Utilization of M&E Information

Australia

In the late 1980s, the government created a whole-of-government evaluation system, managed by the Department of Finance (DoF). All ministries were required to evaluate each of their programs every three to five years. They were also required to prepare *portfolio evaluation plans*. These detailed the evaluations planned over the following three years and indicated the programs to be evaluated, the issues to be addressed in each evaluation, and the evaluation methods to be used.

The evaluations were conducted by the line ministries themselves, but they were overviewed by the DoF and other central departments. As a result, the number of evaluations being conducted grew rapidly, and by the mid-1990s about 160 of these evaluations were under way. A main use of these evaluations was in the annual budget process. Each new spending proposal by line ministers was required to clearly specify the objectives of the proposal and to present any available evaluation findings on the actual or likely performance of the government activity. Similarly, *savings options*, which were proposals to cut government spending and which were prepared either by the DoF or by line ministries, were also required to report any available evaluation findings.

The DoF estimated that by 1994, almost 80 percent of new spending proposals relied on evaluation findings, usually to a significant degree. About two-thirds of savings options also relied on evaluation findings. DoF officials, who attended the Cabinet meetings that considered these budget proposals, judged that this information was highly influential on the Cabinet's budget decision making. The Australian National Audit Office found that line departments also used this information intensively, particularly to help themselves improve their operational efficiency (see chapter 8 for more about Australia.).

Chile

The Ministry of Finance (MoF) progressively developed a whole-of-government M&E system starting in 1994. It includes about 1,550 performance indicators, rapid evaluations (about 10–12 are completed each year), and rigorous impact evaluations (about four per year). The MoF commissions the evaluations externally to academics and consulting firms, and it uses standardized ToRs and methodologies for each type of evaluation. MoF officials use the monitoring information and evaluation findings intensively in their budget analysis of the performance of each ministry and agency as an input to the government's budget decision making. The ministry also uses the information to set performance targets for each agency and to impose management improvements on both min-

istries and agencies. The MoF carefully oversees the extent to which each ministry implements these management improvements (see chapter 6 for more about Chile).

Colombia

The government's M&E system, SINERGIA, is managed by the Department of National Planning (DNP). One of the system's main components is a performance information database containing about 500 performance indicators to track the government's performance against all of the 320 presidential goals.

For each performance indicator, the publicly available database records the objective, the strategy to achieve the objective, baseline performance, annual targets, and the amount spent by the government. Where performance targets are not met, the manager responsible for meeting the target is required to prepare a statement explaining this underperformance. The president uses this information, in his monthly management control meetings with each minister and in his weekly town hall meetings in municipalities around the country (see chapter 7 for more about Colombia).

United Kingdom

In 1998, the government created a system of performance targets, contained in Public Sector Agreements between the Treasury and each of the 18 main departments. The Public Sector Agreements state the department's overall goal, the priority objectives, and key performance targets.

There are currently 110 targets for the government as a whole, and they are heavily focused in the priority areas of education, health, transport, and criminal justice. The targets are mainly expressed in terms of the outcomes (rather than outputs) to be achieved. Twice a year departments report publicly on the number of evaluations, as an input to budget decision making. Spending priorities, expenditure ceilings, and the related performance targets are established in a system of three-year spending reviews. The U.K. National Audit Office reports that departments also use the performance information from the Public Sector Agreements for their internal planning and accountability; less use is made of this information for ongoing management, however.

United States

In 2002, the government created the Program Assessment Rating Tool (PART), building on earlier efforts to measure government performance. All 1,000 government programs are being rated using the PART methodology, which focuses on four aspects of program performance: (1) the clarity of program objectives and design;

Box 3.2: Governments with Intensive Utilization of M&E Information *(continued)*

(2) quality of the strategic planning and extent of focus on program targets; (3) effectiveness of program management; and (4) actual program results achieved. This last criterion accounts for 50 percent of the PART rating for each program.

All four criteria place heavy emphasis on having solid evidence of program performance, based on monitoring information and evaluation findings. The ratings are prepared jointly by the Office of Management and Budget (OMB), which is the finance ministry in the U.S. government, and by departments and agencies; however, OMB has the final say in deciding the ratings.

In fiscal 2005, 44 percent of programs were rated as effective or moderately effective; 24 percent were rated as results not demonstrated because of insufficient M&E information (this was a significant decline from fiscal 2002, when 50 percent of programs were rated results not demonstrated).

PART ratings are required to be used by departments in their annual budget funding requests to OMB. The requests must highlight the PART ratings, the recommendations for improvements in program performance, and performance targets. OMB, in turn, also uses the PART ratings as one input when it prepares the administration's funding requests to the Congress. And OMB uses the PART ratings to agree or to impose performance improvement requirements on departments.

The U.S. Government Accountability Office (GAO) has concluded that PART has helped OMB analyze M&E information on program performance as part of its budget analysis work. And it has also stimulated departments' interest in budget performance information. However, GAO concludes that the Congress continues to take a traditional approach to its budget deliberations, with relatively little emphasis on M&E information.

Sources: Australia—Mackay 1998a, 2004; Chile—Rojas and others 2005; Guzmán 2003, 2005, 2006; Colombia—Castro 2006a, 2006b; May and others 2006; United Kingdom—United Kingdom Treasury (undated); United Kingdom National Audit Office 2006; United States—OMB 2003; GAO 2004; Sandoli 2005.

process, and others stress planning. Some stress accountability, while others stress learning to support ongoing management. And some emphasize both monitoring and evaluation, while others stress only monitoring or only evaluation.

It is tempting to conclude that the differences between countries are greater than the similarities. But what is common among a growing number of countries is a systemic approach to M&E, usually involving a whole-of-government system, although sometimes—as with Mexico—involving only one particular agency (the social development agency, SEDESOL) that constitutes an “island” of good practice. A unique feature of Mexico's system is that, following the success of M&E in SEDESOL, a whole-of-government M&E system is now being created, with the support of the finance ministry, the comptroller's office, and the recently created national evaluation council (Hernandez 2007).

Many developing countries look to high-income countries—members of the OECD—to find best practice models of good governance, including M&E, but this can be a misleading and potentially

dangerous concept. The public sector environment of each country is unique, and OECD countries themselves exhibit a wide range of approaches to assessing government performance and making use of this information. So, although there are many common trends influencing governments to create M&E systems, and although there are many common tools for M&E across these countries, there also are wide differences in the emphasis given to each tool and to the types of use made of them.

Civil Society

In creating systems for monitoring and evaluating government performance, it can be tempting to focus only on government players, such as central ministries, sector ministries and agencies, subnational levels of government, and the Parliament or Congress. But this would ignore the important role civil society can play in the monitoring and evaluation of government performance. Civil society—nongovernment organizations (NGOs), universities, research institutes, think tanks, and the media—can play a role in M&E in several ways, including as both a user and producer of M&E information.³

Box 3.3: Citizen Report Cards—A Powerful Tool for Civil Society

The Bangalore Citizen Report Card (CRC) was pioneered by an independent NGO, the Public Affairs Centre, in 1994. The report cards involve surveys of random samples of households in Bangalore to assess their satisfaction levels with various dimensions of the quality of services provided by the municipal government and other public service agencies. The dimensions covered by these service delivery surveys include behavior of staff who serve them, quality of service, information provided by staff, and extent of corruption (speed money). The agencies that householders are asked to rank include water, power, other municipal services, transport, housing, telephones, banks, and hospitals.

The first report card found several problems: low levels of public satisfaction; public agencies that were not citizen friendly; a lack of customer orientation; corruption; and a high cost for the inefficiency of the public sector. The second CRC survey in 1999 revealed improvements in satisfaction levels but no improvement in the proportion of households paying bribes. The Public Affairs Centre disseminated the report card findings widely through the mass media—where the findings were front-page news—public meetings, and presentations to public service provider agencies.

The IEG commissioned an assessment of the impact of the first two report cards (1994 and 1999) based on interviews with a sample of agency heads, senior state officials, citizen action groups, and the media in Bangalore. The interviewees reported that they were generally appreciative of the report card as a tool to obtain feedback on services. Following the CRC findings, many of the agencies initiated reform measures. The report cards helped increase public awareness of the quality of services and stimulated citizen groups to demand better services. They influenced key officials in understanding the perceptions of ordinary citizens and the role of civil society in city governance. Bangalore has witnessed a number of improvements, particularly following the second report card. The state government and municipal public agencies

launched a number of reforms to improve the city's infrastructure and services—including through property tax reform, the creation of the Bangalore Agenda Task Force, and streamlining of agencies' internal systems and procedures. There is now greater transparency in the operations of government agencies and better responsiveness to citizens' needs. Although a number of other factors have also contributed to this transformation of Bangalore, the report cards acted as a catalyst in the process.

The benefits to be derived from report cards appear to depend to a large extent on several factors. First is the use of such information by the media and by civil society. The media clearly play an important role in publicizing poor agency performance, and this in turn can provide a stimulus to civil society, to the agencies themselves, and to other key stakeholders within government. An active civil society can play an important role in continuing to press for needed reforms to agencies and in monitoring the extent to which reforms actually occur. In this way, report cards also perform a political function (World Bank 2003).

The responsiveness of government agencies, particularly their leadership, is very important. Where senior officials are concerned with the performance of their agencies and with serving ordinary citizens as well as possible, this is likely to provide a much more fertile ground for action on the basis of CRC findings. Of course, to the extent that the civil service culture is not customer oriented or concerned with achieving high levels of performance, there will be important constraints on what can be achieved even when the most senior officials are committed to reform. The Bangalore experience illustrates what can be achieved when a dynamic organization, the Public Affairs Centre, is able to (1) conduct rigorous surveys on citizen satisfaction with government performance, (2) ensure a high level of media coverage of the findings, and (3) both persuade and provide some support to government agencies to help them improve their performance.

Sources: Ravindra 2004; Bamberger, Mackay, and Ooi 2004. See also <http://www.pacindia.org/>.

One of the strongest examples to display both roles is the citizen report cards initiated by an NGO in Bangalore, India, in 1994; this model has since been replicated in many other cities in India and in countries such as Bangladesh, the Philippines, Uganda, Ukraine, and Vietnam. Report cards have been used by the Bangalore NGO to highlight good and bad performance of various departments of the municipal government and to suc-

cessfully press the government to improve its performance (see box 3.3).

A similar example comes from Bogotá, Colombia, where a civil society initiative was developed independently of the national and municipal governments in 1997. Known as Bogotá Cómo Vamos (*Bogota, How Are We Doing?*), this initiative was created by a consortium of a private foundation,

the main daily newspaper in Bogotá, and the Chamber of Commerce; it now appears to be a permanent feature of the social landscape.⁴ Bogotá Cómo Vamos involves the expert analysis and widespread publication of data on municipal government performance, together with data from public opinion surveys on the quality and availability of municipal services. The initiative has successfully put pressure on the municipal government to improve its performance; it has also stimulated the government to collect and publish a broader range of reliable information on its own performance.

Another role of civil society is in the conduct of evaluations. Some governments, such as Chile and Colombia, contract out to academia or consulting firms all the evaluations conducted as part of the government M&E system.⁵ One reason for contracting out these evaluations, rather having them conducted by government officials, is to help achieve a higher level of independence, objectivity, and credibility for the evaluations—and to avoid the potential or perceived conflict of interest that can arise from self-evaluation. Another reason can be the often-limited availability of evaluation expertise within the government itself. Contracting out evaluations can also help expand the pool of available evaluators in a country. And, as most governments disclose the evaluations conducted—both those that have been contracted out and those conducted internally, by ministries and agen-

cies themselves—this opens up the quality of the evaluations to external scrutiny. This in turn would reduce incentives for governments to produce uncritical, self-serving, or dishonest evaluations.

Conclusions

Monitoring information and evaluation findings can contribute to sound governance in a number of ways: evidence-based policy making (including budget decision making), policy development, management, and accountability. Many governments around the world have realized much of this potential, including most OECD countries and a small but growing number of developing countries. This is illustrated by the five countries whose intensive use of M&E information is summarized in this chapter. These countries have all taken purposive steps to create and progressively refine M&E systems in support of core government functions. Various trends influencing governments and the lessons from international experience in building government M&E systems are discussed further in chapters 4 and 5, respectively.

The potentially important role of civil society should also be stressed, as both a producer and user of M&E information on government performance. One such example is the Bangalore report cards, which have been influential with state and municipal governments. The report card approach has been replicated in many other countries.