



6

Chile

The government of Chile has progressively developed its M&E system over a number of years, with most of the development having occurred since 1994. The system has been largely designed, implemented, and managed by the powerful Ministry of Finance (MoF), with the overall objective of improving the quality of public spending.

The system's development has also been influenced by fiscal pressures and the need to rein in overall government spending. Another influence has been the changing landscape of public sector reforms. In this context, the system has—appropriately—been developed in an opportunistic manner.

Main Components of the M&E System

The system has six main components. The first, long-standing component is the ex ante cost-benefit analysis of all investment projects. This was first introduced in 1974. This work is undertaken by the planning ministry. All the other components of the government's M&E system are based in the MoF. As noted in chapter 5, Chile has a very powerful and capable MoF. It plays a dominant role in the annual budget process and in the M&E system; the MoF is significantly more powerful than the sector ministries and agencies.

The second component of Chile's M&E system is performance indicators, which were first piloted in 1994 (see box 6.1). The MoF currently collects about 1,550 performance indicators, for all sectors.

The third component—comprehensive management reports—was introduced in 1996. These reports are prepared annually by ministries and agencies and report on their objectives, spending, and performance.

The fourth component is the evaluations of government programs, initiated in 1996. These follow a standardized format and comprise rapid reviews, which include a logframe analysis of a program, a desk review, and an analysis of existing data. Rigorous impact evaluations are the fifth component. They were introduced in 2001, entailing primary data collection and analysis usually based on sophisticated statistical techniques.

The sixth and most recently introduced M&E component is comprehensive spending reviews (2002). These reviews analyze all programs within a particular functional area and address issues such as inefficiency and duplication of programs.

A commendable feature of Chile's system is its “graduated approach” to M&E. It regularly collects performance information for all programs and

Box 6.1: Chile's Whole-of-Government M&E System

The six main components of the M&E system are as follows:

Ex ante cost-benefit analysis is required for all government projects (since 1974). This component is managed by the ministry of planning; it is the only component not managed by the MoF.

Performance indicators are collected for all government programs. They were first introduced on a pilot basis in 1994. The number of performance indicators has increased rapidly in recent years, from 275 in 2001 to about 1,550 currently. Of these, 25 percent relate to process issues, 57 percent to government outputs (that is, goods and services produced), and 18 percent to outcomes. Each ministry and agency provides the information to the MoF; there are about 11 indicators per entity. Entities are expected to have management information systems in place to produce this information. The MoF undertakes some data checking and data audits, and it includes the performance information in the budget bills it prepares each year.

Comprehensive management reports (1996). Each ministry and agency prepares one of these reports annually, based on MoF guidelines. The reports are intended to be the main public disclosure document. They report spending, use of funds, and performance; the reports thus draw heavily on the performance information that entities are required to produce and on the evaluations commissioned by the MoF. The reports also describe the progress made by the entity in achieving the formal institutional

commitments it has agreed to with the MoF; these comprise specific actions the entity has promised to implement to improve its performance (discussed in the main text). The draft reports are reviewed by the MoF and the ministry of the presidency, and entities make any necessary revisions. The final versions of the reports are sent to the Congress.

Evaluations of government programs (1996). Some 185 of these rapid reviews have been conducted so far (that is, until the end of 2006). They entail the clarification and agreement (between the MoF and the ministry or agency whose program is being evaluated) of detailed program objectives. A logframe analysis and desk review of program performance is conducted, drawing on available performance information. Their average cost is about \$11,000, and they usually take four to six months to complete.

Rigorous impact evaluations (2001). These evaluations involve primary data collection, sophisticated data analysis, and often the use of control groups. Eighteen have been completed so far, at an average cost of \$88,000 and taking up to 18 months to finish. Excluding defense spending and income transfer payments, more than 60 percent of government spending has been evaluated so far.

Comprehensive spending reviews (2002). These reviews assess all programs within a particular functional area or ministry. They examine issues of inefficiency and duplication of programs. Eight of these desk reviews have been conducted so far, at an average cost of \$48,000.

activities; these are also used in its evaluations. The evaluations of government programs are conducted selectively, particularly for newer programs. More in-depth impact evaluations are conducted later in the life of a program, especially where the impact is unknown or where the program is a government priority.

Performance Budgeting

A number of features of Chile's M&E system are important for its operation; they determine how much the M&E information the system produces is used. One feature is the close link between the system and the annual budget cycle. A danger

with any M&E system—whether it is a whole-of-government system or a sectoral system—is that it is managed by a stand-alone, specialist unit that operates separately from the mainstream activities of its host ministry. In Chile, the five components of the M&E system that are the responsibility of the MoF are managed by its management control division. This division works closely with the director of the budget, to whom it reports—and who has ministerial rank and is a member of the Cabinet—and also with the budget sections that have responsibility for overseeing the finances and performance of all sector ministries and agencies.

Indications of poor program performance are used in Chile as one trigger to warrant a more in-depth investigation of the causes, through a formal evaluation: either a rapid evaluation or a sophisticated impact evaluation. The MoF's budget directorate plays the main role in identifying government programs that should be evaluated. In preparing this evaluation agenda, the MoF endeavors to anticipate the information needs of the coming budget.

The agenda is also discussed with the ministries of the president and planning—indeed, these three central ministries comprise an interministerial committee that oversees all evaluations—and with the Congress, but it is clear that the main player is the MoF. The budget section heads in the MoF are also required to provide detailed comments on evaluation reports relating to the entities they oversee, and the evaluations are then discussed with MoF's budget director. Decisions concerning budget allocations may be taken at this stage.

During the budget process, the budget director meets with staff of the management control division and the budget sections to discuss each entity's budget proposals and the entity's overall performance. These meetings discuss the comprehensive management reports that each entity is required to provide¹—they include the entity's objectives, financial and performance information, evaluation findings, and progress against the performance targets² that were set during previous budget rounds.

This M&E information constitutes an important input into budget decision making, but it is only one input among others. As noted in chapter 3, there is rarely any direct formulaic relationship between good or bad entity performance and budget allocations. Thus, in some cases, poor performance by an entity will lead to reduced budget funding or even the termination of the program. But in other cases, poor performance of a program considered a government priority might necessitate a short-run increase in budget funding to correct the problems identified.

Management Improvement

A notable feature of Chile is the way the MoF uses M&E information to improve the performance of ministries and agencies. It does this in two ways. First, the performance indicators provide baselines of program performance, and the MoF agrees on performance targets for the coming budget year with each organization. The MoF monitors the extent to which the targets are met. In 2003, for example, about three-quarters of these targets were met.³ Second, when the MoF considers the recommendations made by the evaluations it has commissioned, it discusses them with the evaluated organizations and formally agrees on changes to the programs. In effect, the MoF imposes these agreements—known as formal commitments—on the organizations. It is quite unique for a MoF to systematically impose such management changes on ministries and agencies. Chile's MoF is able to do this because of its powerful role within the government.

Table 6.1 shows how the MoF uses the evaluations it has commissioned. These uses include minor changes to program management (for 24 percent of evaluated programs); major changes (38 percent); substantial program or organizational redesign (25 percent); institutional relocation of the program (5 percent); and program termination (8 percent).

Strengths and Weaknesses of Chile's M&E System

Chile's system can be assessed against the three criteria of a successful M&E system: high utilization, good quality M&E, and sustainability. As noted, M&E information is used intensively in budget analysis and decision making. It is also used intensively to impose program improvements on ministries and agencies. Last, it is used in reporting government performance to the Congress and to civil society.

What is missing from this list, however, is utilization of the M&E information by ministries and agencies themselves (other than those program changes that the MoF imposes on them). A recent World Bank evaluation of Chile's M&E system

Table 6.1: Utilization of Government Evaluations—2000–05^a

Effect on program	Minor adjustment of program, for example, improved processes or information systems	Major adjustment of management processes, for example, changed targeting criteria, or new information systems	Substantial redesign of program or organizational structure	Institutional relocation of program	Program termination
Percent programs affected	24	38	25	5	8

Source: Guzman 2007.

a. Percentages relate to evaluated programs.

found that utilization was low (Rojas and others 2005).⁴ The main reason for this is the low level of ownership—or acceptance—of the findings of the evaluations commissioned by the MoF. This weakness of Chile’s M&E system arises from its centrally driven, force-fed nature.

Another limitation of Chile’s centralized system is the apparent absence of incentives for ministries and agencies to conduct their own evaluations.

The available evidence on the quality of monitoring information and evaluations conducted by the M&E system indicates that the quality is broadly adequate and that the M&E information is thus broadly reliable—but no better than that. Although data verification and some data audits are conducted, there is no systematic approach to undertaking data audits of performance information.

The MoF contracts the evaluations out to academia and consultants to help ensure that they are conducted in an independent manner. Standardized ToRs are used for the evaluations, and this helps achieve some commonality in the issues evaluated and methods used; however, lack of data is sometimes a constraint on the quality of evaluations and the evaluation methods used. Evaluations are conducted within tight time constraints to ensure they can feed into the MoF’s budget analysis and decision making. The MoF also ensures that the cost of evaluations is kept as low as possible. These tight time and cost constraints sometimes result in an inability to collect

the primary data necessary to conduct rigorous impact evaluations, for example.⁵

The likely sustainability of Chile’s M&E system appears high. A series of budget directors in the MoF has worked to progressively develop the M&E system as an integral part of the budget process, and M&E is now embedded as a core function of the MoF. Given the preeminent role of the MoF, there do not appear to be any trends or pressures that would reduce the priority it gives to M&E. One weakness, already noted, is the low level of ownership of M&E by sector ministries and agencies. This constitutes, in part, a lost opportunity for the government as a whole to use M&E information more intensively; it also constitutes a lost opportunity to achieve a stronger performance culture within these sector entities.

The sustainability of the M&E system thus relies on the MoF’s continuing willingness and ability to drive the system centrally. If the government should ever decide to reduce the central power of the MoF, then the strength and utilization of the MoF’s M&E system might be called into question.

A more detailed list of the strengths and weaknesses of Chile’s system is presented in table 6.2.

Conclusions

The government of Chile has succeeded in creating a system whose monitoring information and evaluation findings are utilized intensively, particularly during the budget process. It has also suc-

Table 6.2: Strengths and Weaknesses of Chile’s M&E System

Strengths	Weaknesses
<ul style="list-style-type: none"> • “Graduated” approach to M&E. • Evaluations are conducted externally, in a fully transparent process, and are considered highly credible by other ministries and the Congress. • All M&E information is reported publicly and sent to the Congress. • The M&E system is closely linked to the information needs of the MoF, especially for the budget process. There is high utilization of M&E information in the budget. • Performance information is used to set performance targets for ministries and agencies; these are largely met. • The MoF uses evaluation findings to impose management changes on ministries and agencies. • The MoF closely monitors the extent of utilization of its evaluation findings. 	<ul style="list-style-type: none"> • Unevenness exists in the quality of evaluations conducted; this is probably caused by cost and time constraints imposed by the MoF. • Chile is probably not spending enough on evaluations. • There is a low level of utilization—because of low ownership—of evaluation findings by sector ministries. • There is an apparent absence of incentives for ministries and agencies to conduct their own evaluations.

cessfully driven management improvements in sector ministries and agencies. The M&E system includes what is in effect an “evaluation factory” for planning, commissioning, managing, reporting, and using the evaluations. This approach keeps the cost of evaluations, and thus the overall cost of the evaluation system, low: the finance ministry annually spends a total of around \$0.75 million on the M&E system,⁶ which is a very modest figure compared with the total government budget of \$20 billion.

This high utilization of M&E information is very impressive, and this alone makes Chile’s M&E system the strongest in Latin America and one of the strongest in the world. Chile has demonstrated that a whole-of-government M&E system can be built and operated at a relatively low cost. Many other governments in the Region are looking to emulate Chile’s M&E system, although a number of the success factors in Chile appear to be unique—such as the very powerful role of the MoF and the compliant nature of sector ministries and agencies.

Chile’s M&E system appears to be highly cost-effective: the MoF extracts considerable use from

the M&E information produced and does so at relatively low cost. One issue for the government to consider is whether it is spending enough on its M&E system. Sophisticated, wide-ranging evaluations can cost much more than Chile has spent on any of its evaluations in the past.

In Mexico, for example, a series of rigorous impact evaluations of the *Progres*a conditional cash transfer program in the 1990s cost several million dollars—compared with total government spending on the program of \$780 million in 1999. These evaluations thus constituted only a small fraction of total government spending on the program. The evaluations have been highly influential in persuading successive governments not only to retain the program but to scale it up significantly; by 2005 the government was spending about \$6 billion on the program (renamed *Oportunidades*) annually, covering 21 million beneficiaries, or about one-fifth of the Mexican population.

A question for the Chilean government to consider is whether it would ever spend a large amount on an evaluation of one of its programs, even if the program were one of its major priorities. Failure to spend adequately on evaluations will limit the

depth and reliability of evaluation findings, and this has probably been the cause of the quality problems of some of the evaluations commissioned by the MoF.

Finally, sector ministries' and agencies' low level of utilization of the system's evaluation findings constitutes an unexploited opportunity for the government. One way for the MoF to achieve

greater ownership of evaluation findings and to encourage the development of a performance culture in the civil service as a whole would be to pursue a somewhat less centralized, more collegial approach to the planning and oversight of the evaluations conducted. A broader base of support for M&E within the government would also further increase the likely sustainability of Chile's M&E system.