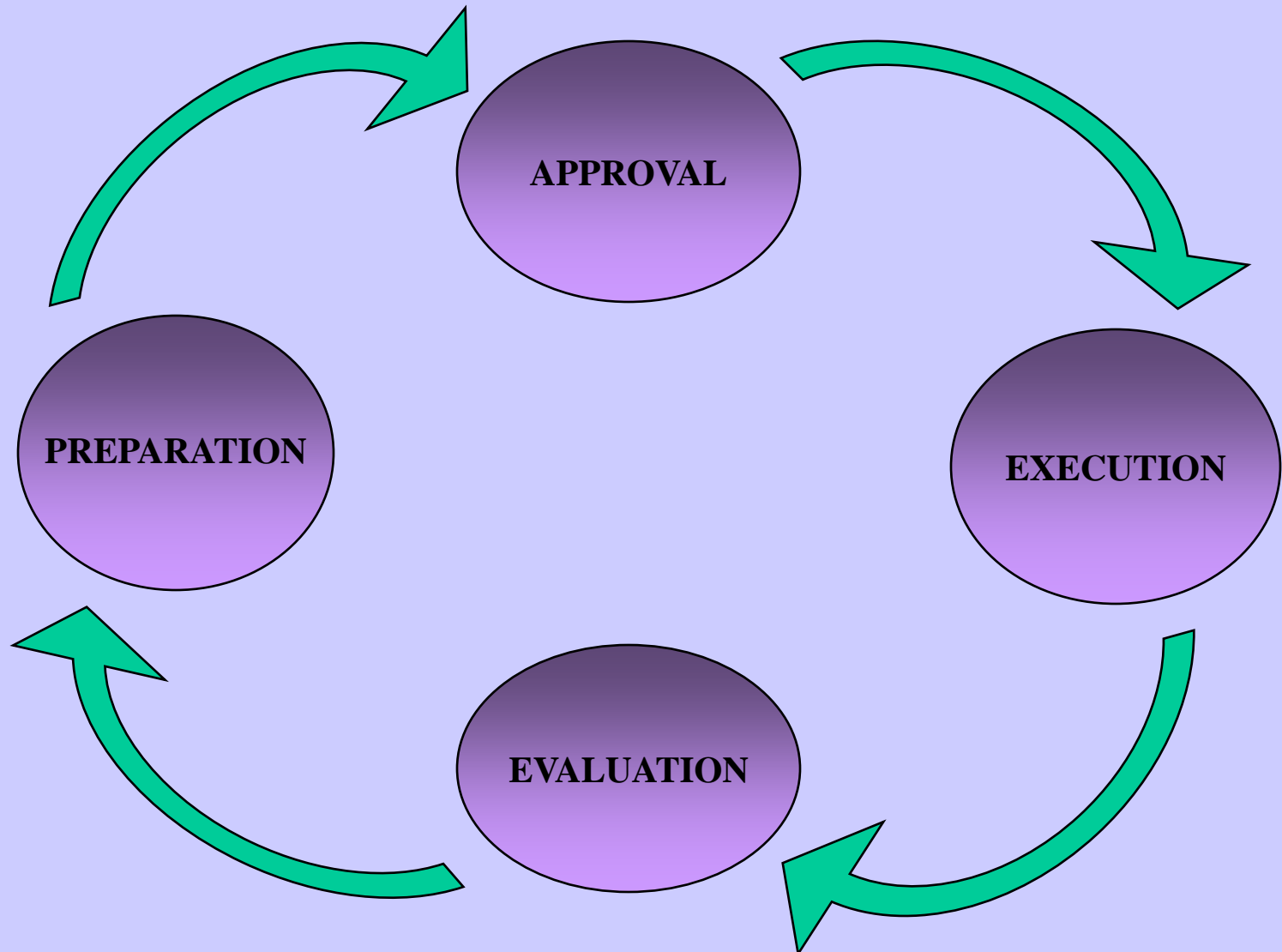


Results management in the context of public sector
reform in developing countries and improved
development effectiveness
Performance-based budgeting in Chile

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PERFORMANCE BUDGETING



PERFORMANCE BUDGETING TOOLBOX IN CHILE

- Performance indicators
- Program evaluation
- Bidding fund
- Comprehensive management reports
- Management improvement programs

PERFORMANCE INDICATORS

- Tells how a government organization is performing over time
- Agencies compete with their past record
- Ongoing, periodical information
- Measure performance in different:
 - Dimensions (effectiveness, efficiency, economy, service quality)
 - Delivery levels (process, output, outcome)
- Chilean experience:
 - Started 1994
 - Incrementalist approach, starting on voluntary basis
 - Subject to growing quality standards
 - Budget-related
 - Disclosure policy: Congress and general public

PERFORMANCE INDICATORS

PERFORMANCE INDICATORS

2003 BUDGET

Areas of government	Process	Output	Outcome			Total
			Interm	Final	Total	
General administration	79	83	37	16	53	215
Social	90	268	84	58	142	500
Economic	70	176	65	13	78	324
Total	239	527	186	87	273	1039

PROGRAM EVALUATION

- Aimed at telling whether government is doing the right things
- Assess programs against their stated aims and expected results
- Chilean experience:
 - Started 1997
 - Budget-related
 - Programs selected with Congress
 - Performed by independent evaluators through panels of experts
 - Panels with authority to request information, commission studies
 - Counterpart in ministries/agencies in charge of programs
 - Based on logical framework methodology
 - Desk, in-depth, or comprehensive evaluations
 - Delivered in 4 to 9 months
 - Reported to Budget, Congress and the public

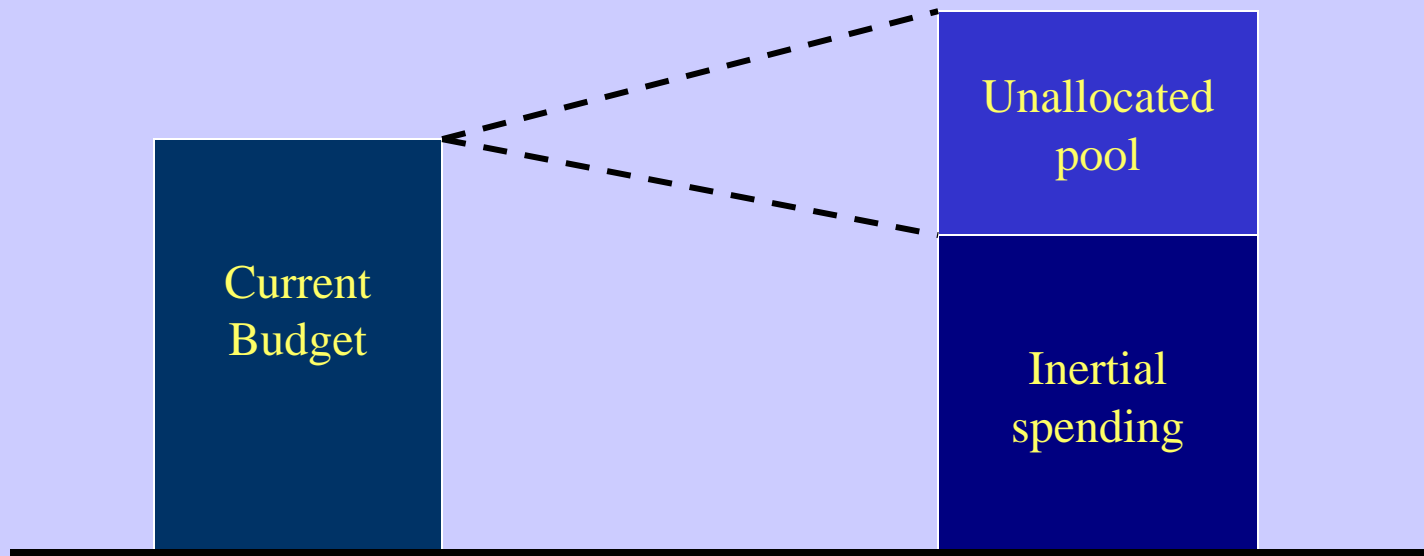
PROGRAM EVALUATION

PROGRAM EVALUATIONS 1997-2002

	1997 - 1999	2000	2001	2002	Total
Desk evaluations	80	20	18	14	132
Impact evaluations			2	4	6
Comprehensive expenditure reviews				1	1
Total	80	20	20		

BIDDING FUND

- Started 2000 with preparation of 2001 Budget
- Competitive bidding mechanism to improve rationale of budget allocations
- Aimed at moving away from incrementalist practices
- Inertial spending strictly constrained
- From comparison with spending ceilings, unallocated pool of resources



BIDDING FUND

- Ministries submit bids for resources from pool
- Bids based on logical framework matrix (aims, goals, expected results, components, indicators, target population)
- Many programs with sunset clauses
- Finance makes proposal on basis of quality, consistency with government priorities and strategies, President makes final decision

COMPREHENSIVE MANAGEMENT REPORTS

- Started 1997, from Executive-Congress agreement
- Conceived as accountability mechanism
- Report performance against stated mandates, goals, commitments, resources
- Supports compliance with other management control mechanisms (performance indicators, program evaluation, management improvement programs) and financial management regulations
- Standard report format defined by Finance
- Distributed to Congress, publicly available
- Basis for institutional report in next budget submission

MANAGEMENT IMPROVEMENT PROGRAMS

- Started 1998, from agreement with public sector unions
- Reward mechanism for central government employees
- Bonus determined by organizational performance
- Aimed at assessing progress in managerial systems development
- Managerial systems in 7 areas:
 - Human resources
 - Customer service
 - Strategic planning and management control
 - Internal auditing
 - Decentralization
 - Financial management
 - Gender focus
- Every area divided into systems
- Progress in every system coded through descriptors
- Government agencies assess their current situation and propose next stage to attain

MANAGEMENT IMPROVEMENT PROGRAM 2002

Areas	Systems	Stage			
HUMAN RESOURCES	Staff training				X
	Workplace safety		X		
	Staff performance assesment				X
CUSTOMER SERVICE	Complaints management			X	
	Red tape		X		
STRATEGIC PLANNING/ MANAGEMENT CONTROL	Strategic planning/management control		X		
INTERNAL AUDITING	Internal auditing				X
DECENTRALIZATION	Decentralization programs				X
FINANCIAL MANAGEMENT	Procurement and hiring			X	
	Accounting			X	
GENDER FOCUS	Gender focus	X			

CHARACTERISING THE REFORMS

- Strongly related to budget process
- Use of a toolbox of instruments
- Consistent implementation over 8 years
- “User friendly”, more emphasis on experience than on legislation
- Not just transfer from advanced countries, some innovations of our own

SOME “PERFORMANCE INDICATORS”

- System operational, not just blueprint
- Change in officials' mindset
- Growing capacity to mobilize resources
- Change in composition of spending

KEYS TO “SUCCESS”

- Chile’s experience proves that it is possible to build and operate a performance monitoring system in a developing country
- The Chilean reform process was motivated not by crisis, but by frustration
- But, be aware of enabling factors:
 - Strong public institutions
 - Honest civil servants
 - Statistics
 - Executive agencies
 - Streamlined public sector: privatization, decentralization, contracting out
 - Healthy public finances, growth environment
 - Hierarchical budget institutions
 - Budget process, procedures and tight schedules link with public sector culture

CHALLENGES

- Consolidation of reforms and political support
- Different views of PS modernisation in people's minds
- Strengthen link with development goals
- Balance between effectiveness and transparency
- Performance, trust and devolution
- Human resources development, pay systems

KEY QUESTIONS

- To what extent are improvements in the public sector in a country, especially a strengthened results focus, necessary for enhancing partnerships and achieving better development outcomes?
 - Results-orientation changes the public sector culture, otherwise, focus on development outcomes nearly impossible
 - Developing a full-blown performance management system not necessary
 - Pilots: organizations or management areas?
- How can reformers encourage political authorities to emphasize a results focus in the public sector reform process?
 - Find a powerful pre-existing structuring process (Ex.: Budget)
 - Involve legislatures
 - Open to the public
 - Sensible formulation of goals and measures to avoid frustration (Ex.: Poverty reduction)

KEY QUESTIONS

- How do partners go beyond measurement to use the results framework to strengthen their capacity for policy analysis, policy formulation, monitoring and evaluation and to inform the development of new/successor strategies?
 - Measurement as a learning process
 - Necessary based on toolbox; no single measure can answer all questions
 - Key requisite: link with decisionmaking on public policies
 - CONTINUITY