



**RESULTS-BASED MANAGEMENT:  
LESSONS LEARNT FROM CASE STUDIES**

**REPORT PREPARED FOR**

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## ACRONYMS

BGI	Public Account Report (Balance de Gestion Integral)
BPS	Budget Policy Statement
CASEN	Encuesta de caracterizacion socioeconomica nacional
CEOs	Chief Executive Officers
CSD	Civil Service Department
CSRP	Civil Service Reform Program
EPG	Program Evaluation
GDP	Gross Domestic Product
IEC	Information Education Communication
IFMS	Integrated Financial Management System
IMIS	Integrated Management Information System
IS	Information System
IT	Information Technology
LGAs	Local Government Authorities
MDA	Ministries, Departments and Agencies
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MFPED	Ministry of Finance, Economics, Planning and Development
MoF	Ministry of Finance
MIDEPLAN	Ministry of Planning
MIS	Management Information System
MTEF	Medium Term Expenditure Framework
NSDS	National Service Delivery Survey
OECD	Organization for Economic Cooperation and Development
ODI	Overseas Development Institute
PEAP	Poverty Eradication Action Plan
PIF	Performance Improvement Fund
PMG	Programas de mejoramiento de la gestion (Programs for the improving management)
PMS	Performance Management System
PRSP	Poverty Reduction Strategy Paper
PSP	Private Sector Participation
PSRP	Public Sector Reform Program
RBM	Results-Based Management

SASE	Selective Accelerated Salary Enhancement
SEDESOL	Secretariat of Social Development
SWAP	Sector Wide Approach
SWOT	Strengths, Weakness, Opportunities and Threats
TAS	Tanzania Assistance Strategy
TAU	Technical Audit Unit
TSED	Tanzania Socio-Economic Database
TWG	Technical Work Group
URT	United Republic of Tanzania

**MAJOR CONCLUSIONS:  
LESSONS LEARNT FROM CASE STUDIES WITH RESPECT TO  
RBM SYSTEM DESIGN AND IMPLEMENTATION PROCESS**

- 0.1 The present report presents major lessons learnt in the application of Results-Based Management (RBM) drawing on five detailed case studies (Canada (Federal Government)/Quebec (Province), Chile, New Zealand, and Tanzania) as well as a number of other case studies (Australia, Bolivia, Burkina Faso, Cambodia, Costa Rica, Mali, Uganda and United States (Federal Government) /States of Louisiana, Oregon, and Texas).
- 0.2 It is suggested that a single ministry such as SEDESOL in Mexico, which is contemplating implementing RBM, would be better off designing its own tailor-made RBM system to reflect its unique political, institutional, technical and cultural context. However, it should adhere to the general principles of RBM applications in the public sector, presented in Section 1, and can profit from lessons drawn from the case-study material presented in Section 2 to design its own system.

**LESSONS ON RBM DESIGN AND IMPLEMENTATION PROCESS AND TIMING**

- 1.1 Designing and implementing a RBM system, whether it is across the board, or for a single ministry<sup>1</sup>, is doable and desirable. However, this is clearly a major endeavor which is better implemented using a stepwise approach over a long term period. All case-studies suggest that a period of 10 years for full RBM implementation is a realistic time horizon.
- 1.2 Experience also shows that the design and implementation of this system depends on country-specific considerations of a political, institutional, and technical nature. There is no unique RBM blueprint and no unique way to implement it. Countries have used a variety of approaches including:
- Top-down versus more participatory;
  - Centralized versus decentralized (e.g., for setting performance indicators and targets);
  - More comprehensive versus more incremental;
  - Systematic versus *ad hoc*;
  - Contractual versus hierarchical;
  - Immediately linked to the budgetary system (e.g., through program budgeting) or not;
  - *De jure* (legally recognized) versus *de facto* (actual practices).

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<sup>1</sup> For simplification purposes, the term ministry in this document refers to any public sector organization.

- 1.3 Moreover, RBM implementation should be considered as a process, not an end in itself, by the ministry, the government and other development partners (Chile). A process of trial and error is unavoidable and strict work plans and conditionalities should be avoided. What is needed is a strategic roadmap with key milestones which is flexible enough to allow ministry management and the RBM implementation team to adapt tactically and learn by doing. Assessing the progress towards reaching the milestones of this roadmap and improving the learning environment within the ministry should be part of the ministry performance review along with outputs, outcomes, and impacts for the target population.
- 1.4 The process should be stepwise and introduced within a clear roadmap in mind, starting with as simple a system as possible both institutionally and technically. The likely starting point will consist of a few pilot programs and departments/agencies within the ministry concerned (Cambodia). More sophisticated technical tools and institutional arrangements should be progressively introduced to increase the depth of RBM and more programs and departments should be progressively incorporated to extend the scope of RBM as key personnel learn the system.
- 1.5 The speed of RBM implementation will vary from one ministry to the other, depending on:
- Internal demand (ministry top management and program managers) and external demand (pressures from media, parliament, public opinion). In politically sensitive areas such as health, there are many examples of pressure brought to bear on government to address issues of quality and cost of service delivery;
  - The complexity of existing institutional arrangements and management system;
  - Forces of change (e.g., young graduates or new managers coming from other organizations) or of resistance (e.g., certain personnel or departments with the administration).
- 1.6 Given this on-going process, expectations about RBM implementation from senior ministry management, government, donors and other stakeholders should be realistic in terms of timing and expected level of sophistication.
- 1.7 Bearing in mind the above-mentioned comments about the necessity of tailoring RMB systems to country-specific conditions, one can nevertheless, propose certain generic elements which should figure in a roadmap of RBM implementation:
1. Checking whether a minimum set of pre-conditions are met;

2. Conducting a diagnostic of the ministry and its environment to assess to what extent it is conducive to RBM;
3. Designing and planning the simplest RBM system possible given the ministry diagnostic;
4. Implementing a pilot phase;
5. Learning and adjusting the RBM system;
6. Progressively expanding the depth and scope of the RBM system.

1.8 Whatever the entry point, a 'participatory' approach is likely to significantly increase the chances of success and sustainability. When senior management, program managers, staff, and other stakeholders are part and parcel of the process, have a voice in it and actually implement it, there is a greater likelihood that it will succeed. Building consensus and maintaining momentum is crucial (Canada, Chile, New Zealand, Uganda). The sustainability of the RBM process may face severe challenges. Champions of RBM might leave. Resources allocated to implement the process and satisfy pre-conditions might be insufficient. Ministry staff may lose motivation if they do not see results influencing decisions of ministry management. Ministry staff may feel overwhelmed by excessive information and overly complicated planning and M&E systems. Finally, the statistical system and the information system might not meet the increasing requirements of the proposed RBM system (Louisiana, Oregon, Texas).

1.9 Criteria that can guide the selection of programs for inclusion in a pilot phase include: (i) the importance of the program in terms of budget and coverage; (ii) the priority of the program in the eyes of the government; (iii) the capacity of program staff and the willingness of the program manager to participate and (iv) the quality of current management procedures.

1.10 Even though RBM may be implemented in the absence of other complementary policy reforms if a number of preconditions are satisfied (see below), the pace and ease of implementation will be greatly facilitate if it:

- Is supported by growing demand for accountability by parliament, target groups and the general public which increases pressure on the public sector to deliver and perform;
- Can benefit from an existing strategic frameworks such as SWAPs or PRSPs;
- Is connected to the budget process to create institutional incentives to adopt it;
- Is accompanied by other reforms in public sector management, in particular financial management for better financial information and discipline and public service management for more delegation, accountability and performance-based assessment.



1.11 While there are vast differences among groups of countries, some of the possible challenges which may disproportionately affect developing countries in the process of RBM design and implementation RBM include (Rist, 2002):

- Technical capacity constraints, especially in fields of strategic planning and monitoring/evaluation which tend to increase the further removed from the central level;
- Institutional capacity constraints;
- Lack of quality and timely information;
- Political instability;
- Uncertainty of resource flows;
- Shortcomings with respect to governance;
- Mixed signals from donors.

1.12 A risk management and quality insurance strategy should be devised when elaborating the RBM roadmap, identifying for each potential challenge preventive and remedial measures, that would take into account the following considerations:

- A consultation process for RBM design and implementation that is sufficiently participatory to avoid undue dependence on any one senior ministry manager, governing party or donor. It should be seen as a national and institutional process;
- Adequate resources should be planned for IEC activities, training and retraining as well as for improving the information system;
- The institutional setup should allow for a regular internal review of progress made on RBM implementation and challenges encountered, and immediate action should be undertaken to address emerging problems at an early stage;
- Room should be built into the roadmap for adjustments and delays;
- Pressure should be exercised by ministry personnel and donors to: (i) guarantee fund availability by the Ministry of Finance (ii) push for complementary macroeconomic, budgetary and public expenditure reforms;
- An independent review of the RBM design and implementation process should be conducted yearly for quality insurance by a joint team of national and international experts.

## LESSONS ON PRECONDITIONS AND ENTRY POINTS TO RBM IMPLEMENTATION

2.1 In industrialized countries, RBM systems have been applied to service delivery agencies such as health and education but also to other public services such as the Ministry of Finance, Treasury and the Central Bank. A number of donor agencies, both at the multilateral and bilateral levels, are also making use of RBM approaches in managing their own programs. While the implementation of RBM systems in various OECD countries has varied significantly, most were part of government-wide restructuring process. These tended to be initiated top-down in form of an iterative process, to take into account and adapt to various difficulties encountered along the way.

2.2 The following preconditions tended to be present in those successful cases of RBM implementation in these countries:

1. A clear perception felt by the senior ministry management that the traditional public sector management systems was not delivering in terms of effectiveness, efficiency, transparency and accountability, nor was it promoting a learning environment;
2. Real and persistent political will on the part of senior ministry management to implement RBM and incorporate its results into their decisions (Bolivia as a counter example);
3. A clear mandate and a unified authority to implement RBM (USA);
4. Clear mission and objectives at the ministry level;
5. A high degree of certainty regarding the annual availability of resources for future program funding;
6. An essentially sound system of budget formulation and execution including financial discipline;
7. A reasonably efficient and reliable information system, including, in particular, methods of recording and reporting financial and physical data on inputs, activities, and outputs;
8. Co-ordination between central and budgetary agencies and other government agencies;
9. A tradition of a politically neutral, relatively competent civil service with sound governance practices and a well-enforced legal code;
10. An appropriate incentive structure to minimize resistance to change and maximize ownership on the part of ministry managers and staff.

2.3 In many countries, the above ten preconditions are not always present. In particular, formal rules might be lacking. Informal practices may diverge from official rules. Inter-sectoral coordination and cooperation between ministries might be limited. Capacities for strategic planning, monitoring and evaluation, reporting and feeding back into the policy process might

be weak. All of these factors will make system-wide RBM implementation challenging and difficult (Bolivia and Cambodia).

2.4 Some argue that successful implementation of RBM requires, as a precursor, the introduction of financial management reform with respect to budgetary planning and execution, budget predictability, financial discipline, traceability of expenses, and accountability. While some minimum level of macro-economic and budgetary/public expenditure management is necessary, a number of developing countries have adopted RBM approaches prior to the adoption of financial management reforms. Many have enjoyed a reasonable degree of success.

2.5 Clearly, parallel progress in other public sector reforms is a facilitating, but not a necessary, condition of successful RBM implementation. Conditions 1 to 5, however, which refer mainly to political will at senior management level, were met in nearly all cases of success.

2.6 The literature identifies five key entry points for developing countries in the implementation of RBM:

1. *Sector-Wide Approach (SWAP)*<sup>2</sup>: The SWAP approach implies that a given ministry will draft, in consultation with national and international stakeholders, a medium-term strategy document defining overall policies, realistic objectives, targets for outcomes and outputs and intended levels of inputs and activities. This strategic planning exercise is most valuable for the RBM planning phase and facilitates donor coordination in financing SWAP priority activities. The sector-wide approach is frequently encountered as an entry point, in particular for sectors such as health, education, roads, water and agriculture, largely because:

- They usually represent a significant share of the government budget and are of major importance for economic and social development;
- The services delivered are politically sensitive and subject to media scrutiny;
- These services delivered to the public are more easily translated into identifiable performance indicators;
- These ministries are better organized in terms of strategic planning, monitoring and evaluation, information systems, structure, human resource capacity

2. *Institutional and public service reform*: A number of developing countries have engaged in public sector and civil service reform, initially as part of IMF/World Bank Structural

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<sup>2</sup>This approach is most relevant for SEDESOL.

Adjustment Loan conditionality (now, Economic Growth and Poverty Reduction Facility conditionality). The early preoccupation with state failure and its consequences, has now evolved into a heightened concern with improving the effectiveness and efficiency of the public sector and putting in place incentives which reward individual performance. Those reforms have met various degrees of success, but often led to the introduction of RBM methods;

3. *Poverty Reduction Strategy (PRS)*: The vast majority of low income developing countries have elaborated a Poverty Reduction Strategy Paper (PRSP) which has become the main reference document for economic and social policy. This PRSP can be an important first step in a RBM system, as it defines pro-poor policies and sets desired outcomes and impacts in important areas of education, health, water supply and transport etc. However, a number of PRSPs have been implemented in isolation from the budget process. This can create consistency and coordination problems since PRSPs have largely concentrated on outcome targets while traditional public sector plans and budgets focus on inputs and activities;
4. *Medium Term Expenditure Framework (MTEF)*: A number of developing countries are currently implementing a MTEF framework, in which ministries are required to: (i) state their mission and longer-term policy objectives; (ii) account for their performance over the recent past; (iii) state the outputs and outcomes they intend to achieve within a 3 year horizon, as well as their indicators; and (iv) justify their resource requirements in terms of the identified targets bearing in mind resource availability. The MTEF provides objective-based budgeting and better assurance of future funding, two important elements of RBM. However, this new framework has often been elaborated with different objectives, targets and monitoring processes than the PRSP framework. This is often the consequence of simultaneous implementation of programs by different ministries (e.g., PRSP at Planning or Economy, MTEF at Finance). A consolidated implementation strategy under one umbrella is more likely to deliver better results and integrate existing systems more effectively.
5. *Decentralization*: Since the objective of decentralization is to delegate power from central government to state/provincial and local governments according to the subsidiarity principle, the ensuing policy reform dialogue about the respective roles, structures and management approaches and expected outputs at those various levels provides an opportunity for introducing RBM. The latter can contribute to solving the principal-agent problem by better integrating state, provincial and local governments' agendas with that of the central government. One should note however that state, provincial and local

government may suffer equally, if not more, from the aforementioned weaknesses. It is therefore important to examine to what extent the above-mentioned preconditions are met within decentralized ministry structures and governments.

Heretofore, unless otherwise stated, the underlying assumption is that the RBM is implemented in one ministry with a SWAP as its entry point.

## **LESSONS ON THE MINISTRY DIAGNOSTIC**

3.1 An institutional and technical diagnostic of the Ministry is a must. This would involve (McKay, 1999):

1. The identification of the official mission, objectives, structure, and activities, and resources of the ministry and of its relationships with other ministries, in particular the Ministry of Finance, and with their regional and local branches;
2. A description of the formal management approach and system, focusing on strategic planning, operational planning, budgeting, activities execution, monitoring, evaluation, and reporting, and feeding back into the decision-making process;
3. A diagnostic of the public sector environment in which senior ministry management, program managers and staff operate, in particular the rules and incentives that influence their behavior;
4. An analysis of the actual management approach and system with emphasis on strategic planning, operational planning, budgeting, activities execution, monitoring, evaluation, reporting and feedback into the decision-making process;
5. An assessment of the existing demand for RBM coming from within the organization (top management, department and program managers) and from outside (Ministry of Finance, the Presidency, parliament, target groups, specific interest groups and lobbies, general public, media, etc.);
6. An assessment of the existing capacities for RBM implementation with emphasis, once again, on strategic planning, output budgeting, information system, monitoring, evaluation, reporting and feedback into the decision-making process;
7. The identification of other monitoring, evaluation and reporting requirements of multilateral and bilateral donors working with the ministry;
8. The identification of major public sector reforms that might have an impact on RBM implementation in the Ministry.
9. A conclusion on the opportunity to introduce RBM in the Ministry and key guidelines and options.

3.2 A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis has been used in several cases to help with this ministry diagnostic.

## **LESSONS ON INSTITUTIONAL SETUP AND ISSUES FOR RBM IMPLEMENTATION**

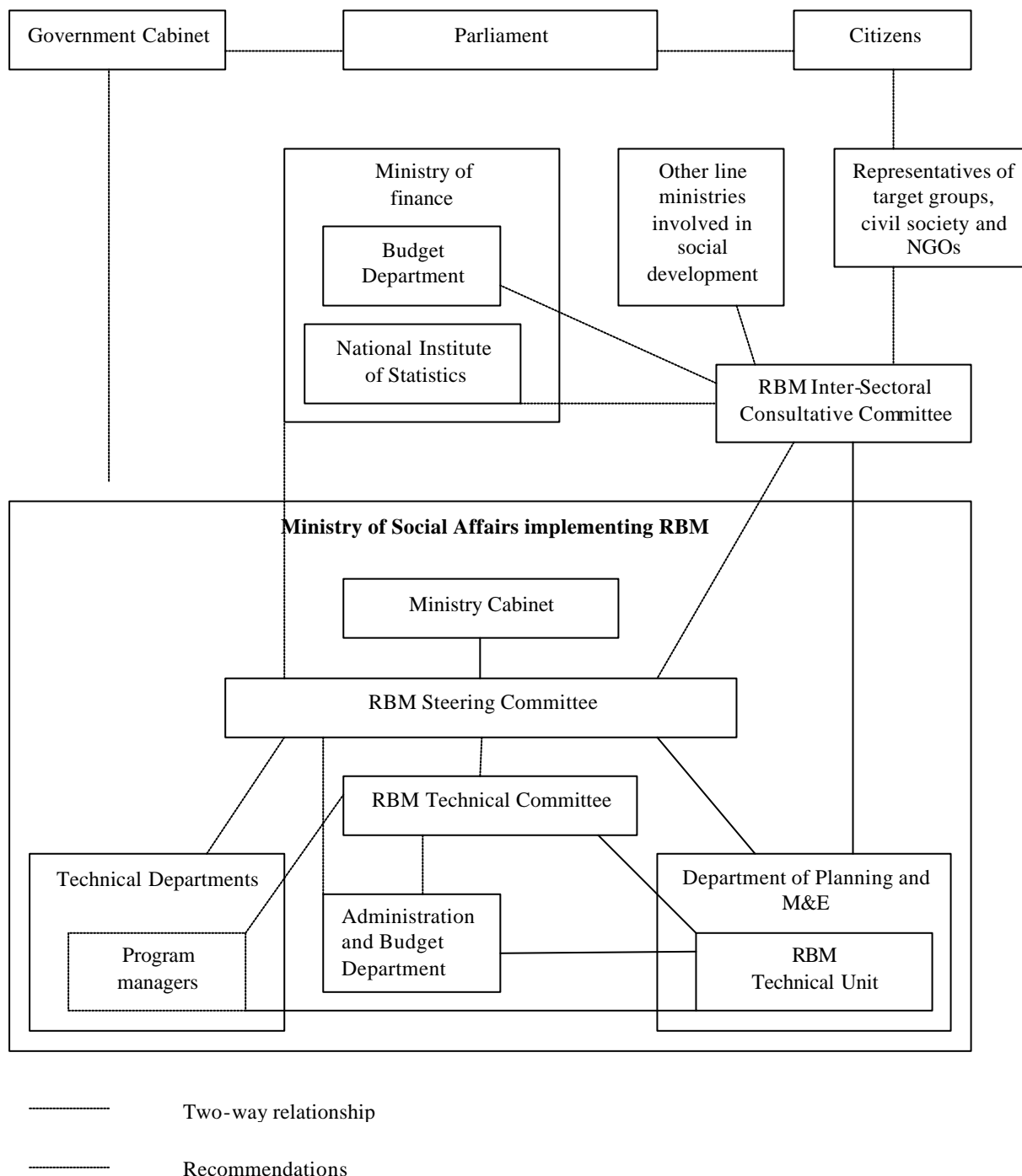
### **Institutional setups for performance and coordination**

4.1 Various institutional setups have been used and there is no unique blueprint. It is crucial to design and implement the RBM system taking into account the needs and the situation of users. For the sake of illustration, let us assume a typical ministry of social affairs comprising a number of central-level departments as well as state and provincial-level offices, all of whom are managing development programs. The institutional setup at central level could comprise the following elements (see Figure 3.1):

1. A RBM Technical Unit (RBM/TU) exists within the Planning and M&E Department of the ministry, itself attached to the ministry Cabinet. The RBM/TU would have the following roles: (i) preparing a yearly workplan on RBM implementation (ii) sensitization and information-sharing on RBM within the ministry; (iii) RBM training for ministry managers and staff; (iv) development of contextualized RBM tools for the ministry; (v) coordination and maintaining momentum of the RBM implementation process; (vi) monitoring the state of RBM implementation within the ministry's departments; (vii) conducting analysis and benchmarking for all ministry departments; (viii) preparing the ministry report to Government and Parliament (ix) reporting annually on progress made in RBM implementation in the ministry. The RBM/TU would be headed by a RBM coordinator who is responsible for implementation and include a few specialists with experience in program management using modern management tools.
2. The RBM Technical Committee (RBM/TC), which is internal to the ministry, has the mandate to discuss the yearly workplan prepared by the RBM/TU. It would discuss problems encountered in RBM implementation as well as solutions, and make recommendations to the RBM Steering Committee. It would be headed by the RBM/TU coordinator and include: (i) RBM/TU members; (ii) Program managers who are in charge of day-to-day RBM; (iii) a representative of the Administration and Budget Department of the ministry which is in charge of financial matters in the ministry; (iv) a representative of the Planning Unit within the M&E Department of the ministry which is in charge of elaborating the sector strategy document (SWAP).

3. The RBM Inter-sectoral Consultative Committee (RBM/ICC) has the mandate to: (i) discuss issues and make recommendations to the RBM Steering Committee regarding coordination among various public institutions participating in the RBM system and (ii) improve accountability mechanisms. This committee has to make recommendations on the necessary interface between the RBM implementing ministry and other ministries, especially the Ministry of Finance, that are still using traditional management, budgeting, incentives, and information systems. It is headed by the Director of the Planning and M&E Department of the ministry and includes high-level technical representatives of the various institutions, including: (i) the Heads of Planning and the M&E Department as well as the RBM/TU Coordinator for the ministry implementing RBM; (ii) representatives of the Budget Department and National Statistical Office attached to the Ministry of Finance; (iii) representatives of other ministries involved in programs related to social development (Health, Education, Social Affairs, Gender equity, Agriculture, etc); and (iv) representatives of target groups, civil society and NGOs.
4. The RBM Steering Committee (RBM/SC) has the mandate to discuss and approve: (i) the annual report on RBM implementation and (ii) the workplan on RBM implementation prepared by the RBM/TU after taking into consideration recommendations of the RBM/TC and of the RBM/ICC. It would include a representative of the Cabinet of the Ministry of Social Affairs implementing RBM, a representative of the Cabinet of the Ministry of Finance, all ministry Department Heads, the Head of Planning and the M&E Department, and the RBM/TU Coordinator.

Figure 3.1: Generic institutional setup of RBM system in a Ministry of social affairs





5. Program managers strive to reach their expected results. The relationship between senior ministry management and program managers can either be based on performance contracts or on classical hierarchical relations. In any case, there should be consistency between responsibilities, performance measurement and accountability.
  6. Finally, the ministry is accountable to the Ministry of Finance (for budget reporting), Government Cabinet, Parliament and citizens.
- 4.2 The typical Ministry of Social Affairs would have regional offices at state/provincial level organized in Program Implementation Units (one per program). Depending on the size, the degree of decentralized power, and the financial and technical means of the State/province, a simplified version of the central level institutional arrangements can be found. Experience shows however, that the number of new structures should be kept to a minimum to avoid confusion, inconsistency and the duplication of efforts. A logical starting point is to examine at which level a given public program is best planned, managed and delivered, based on the subsidiarity principle and on the existing performance of the various levels of government. The institutional framework should reflect this diagnostic. In the case of a centrally managed program, it makes sense to rely on a central-level institutions who will provide technical support to programs implementation units at state/provincial level.
- 4.3 The coordination of the RBM implementation process may be situated in a number of locales:
- The Planning, Monitoring and Evaluation Department offers the advantages of : (i) having the most relevant mandate: (ii) possessing relevant technical expertise, (ii) already managing a directly relevant information system and (iv) being potentially more neutral. As such, it is the preferred option to housed the RBM coordination function:
  - The Budget department is unlikely to be the optimal institutional setting because: (i) the focus tends to be on budgetary issues and not on program planning and monitoring/evaluation and (ii) program managers may perceive RBM as an auditing exercise;
- 4.4 When RBM implementation runs throughout the public sector, the logical institutional home for the coordination function is the Ministry of Finance which has the mandate and the clout through the budget to exert pressure on line ministries and to coordinate the process (Cambodia provides a counter example). When RBM implementation is conducted at a level of one ministry, it is important that this ministry establishes special relationships with the Ministry of Finance to integrate the RBM system with the traditional budgeting system and to

coordinate the stages of RBM implementation. Coordination can be a thorny issue between RBM ministries and traditional management ministries (Costa-Rica, Quebec). If several ministries are involved in the RBM process, coordination is also required (Burkina Faso, Ghana, Mali, Tanzania, Uganda) and a single ministry may be identified as a leader (Uganda).

## **Leadership**

4.5 Strong senior management and cabinet leadership, commitment and involvement in RBM implementation certainly have shown to play a key role in: (i) sensitizing different constituencies of the importance and benefits of RBM; (ii) explaining the direction taken by the organization with RBM; and (iii) using performance evaluation results to inform policy and programming decisions (Bolivia as a counter example; Chile).

## **Incentives**

4.6 RBM implementation is bound to fail unless appropriate institutional and personnel incentives for compliance are set up (Canada, Chile; Cambodia as counter case-studies). Regarding institutional incentives to adopt RBM, the major strategies used include the following (Saldanha, 2002):

- Linking annual budget allocations to the delivery of outputs. This has been found to be the most effective mechanism. Ideally this would involve output-based budgeting, but simple public reporting on outputs can go a long way towards creating a climate of accountability;
- Allowing for some degree of competition with respect to service provision if feasible. Private firms and NGOs might be more efficient and effective in those activities or can offer useful benchmarks for the public service provider competing with them. However, this is not possible for policy-making and regulatory activities of the ministry;
- Conduction client satisfaction surveys and public report cards which can exert pressure on the ministry for improved delivery. These evaluation tools should be managed by independent and credible institutions, either public, private or NGOs;
- In democratic countries, the desire of government to be re-elected provides an incentive for pushing ministries to deliver in terms of outputs and satisfy the public's needs in terms of services.

4.7 Participation of program managers and staff from the earliest stages of the process is essential to promote understanding, commitment and ownership. This is quite integral to the success of RBM implementation (Bolivia as a counter example).

4.8 As for individual incentives, staff recruitment, compensation and promotion should be based on performance-based criteria (Bolivia as a counter-case study). Rules should be made clear to ministry staff who must understand them and feel they are equitable and fairly applied. Experience has shown, however, that:

- Individual financial compensation is not easy to implement because of: 1) the difficulty of estimating individual contributions to specific outputs and results obtained (i.e. the problems of measurement and attribution) and 2) existing collective bargaining agreements;
- Incentives are more effective if focused on positive reinforcement and on team, rather than on individual, performance;
- Financial incentives matter, but official recognition of team and individual performance by senior management can be significant as well.

4.9 Institutional and personnel incentives, strong leadership, sensitization, training and a sense of shared commitment to the reform process go a long way in developing a new organizational culture based on (Australia, Canada, Quebec) :

- Results rather than inputs;
- Accountability to one's organization and clientele rather than to one's supervisor;
- Greater flexibility in input allocation and implementation of activities.

4.10 In the context of decentralization, local authorities need more autonomy and flexibility in setting appropriate management procedures and incentives. This requires a significant change in central ministry management procedures and attitudes and a clarification of the roles and responsibilities at each level of service delivery (Uganda).

4.11 Like any major reform process, senior ministry management and the RBM implementation team should:

- Identify champions of change, support them to experiment with pilot exercises and use them as leaders and trainers to expand RBM (Canada);
- Identify sources of fear and uncertainty, which might lead to resistance. Current beneficiaries of social programs might be afraid of losing those benefits. Ministry staff may fear losing some of their social benefits and/or jobs and be reluctant to see their performance assessed.

Information, education and communication campaigns, good public relations, and appropriate incentives are necessary to modify these types of perceptions (New Zealand, Quebec, USA).

4.12 In the end, critical institutional elements of successful RBM system are:

- A realistic system that starts from existing institutional arrangements and management practices;
- Appropriation and ownership by ministry managers and staff. This strongly implies that donor support should be conducted in a participatory fashion with emphasis on capacity-building and learning rather than the transfer of inappropriate solutions devised in very different contexts;
- Significant and growing demand for accountability and performance reviews;
- Strong and sustained political will of senior ministry management to implement RBM;
- Organizational arrangements that provide a good balance between flexibility of action for program managers and accountability;
- An incentive structure that rewards performance;
- An effective feed-back mechanism into the policy-making process.

## **LESSONS ON TECHNICAL DESIGN AND ISSUES FOR RBM IMPLEMENTATION**

### **Strategic planning in the implementing agency**

5.1 Implementing agencies around the world have included most of the following elements in their strategic planning processes:

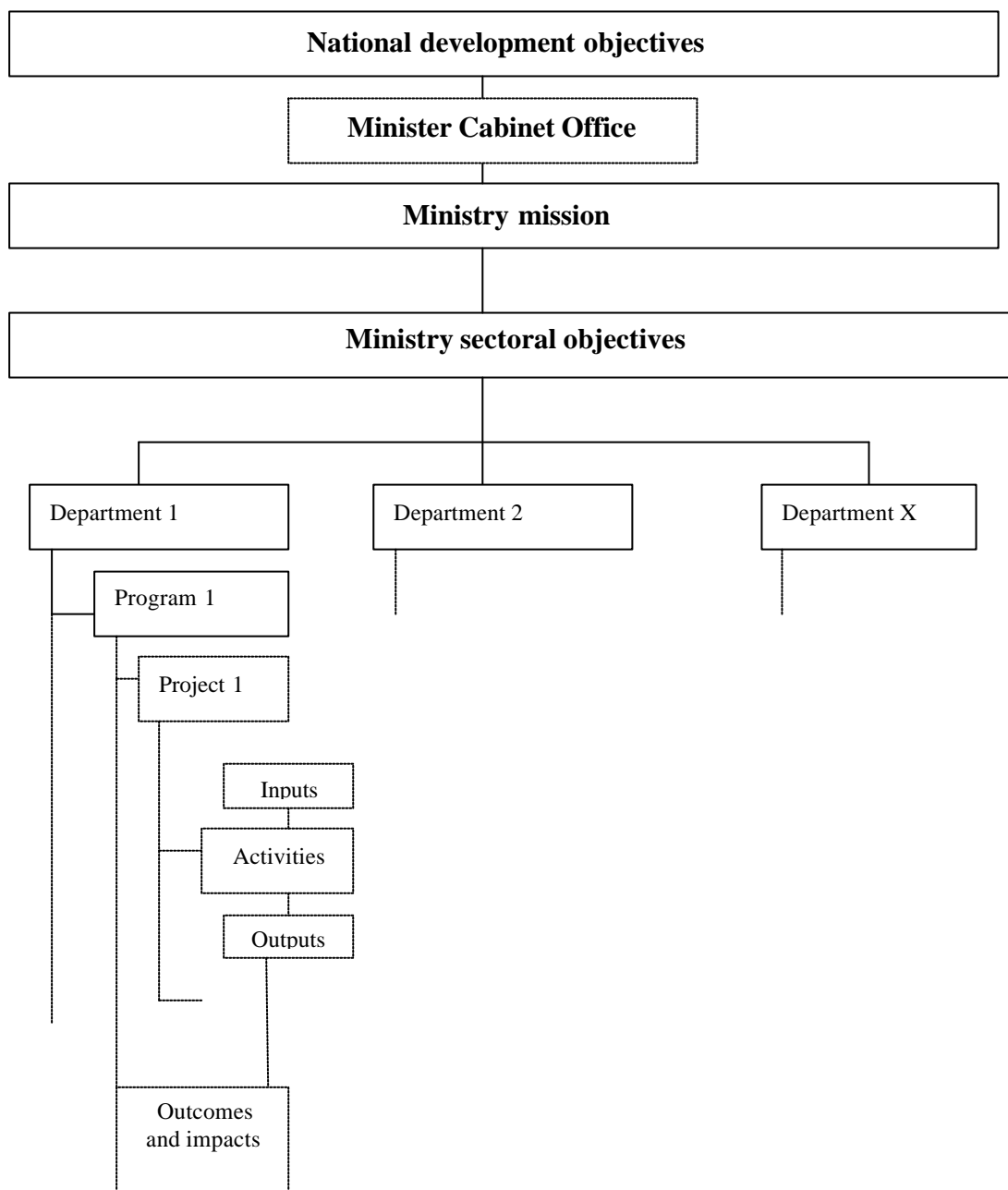
1. A broad comprehensive vision and mission statement of the organization's purpose;
2. The objectives toward which efforts are directed;
3. Indicators and targets to be achieved;
4. The strategies used to reach the targets;
5. Detailed action plans describing how strategies will be implemented on an operational basis.

5.2 Experience shows that establishing the necessary linkages between national development objectives, the implementing agency mission, sectoral objectives and priority programs is a challenge (Figure 3.2). One should avoid excessively complicated models of strategic planning which run the risk of confusing ministry staff and slowing the process of implementation (Canada).

### **Choice of indicators and targets**

- 5.3 An appropriate balance should be struck with respect to the number of indicators selected. If an insufficient number of indicators and targets are selected, undue attention may be directed to a limited number of programs to the detriment of other programs (i.e. focusing on the trees and not the forest). If too many indicators are chosen, the system becomes unmanageable, straining resources and equipment and in the end, stalling the reporting process.
- 5.4 The process of selecting indicators and targets should be participatory to benefit from a wide range of expertise and to build up a support base required to meet selected targets (Uganda). However, experience shows that establishing a consensus on indicators and targets selected is extremely difficult as different constituencies have diverse interests and motivations, some of which are tied to budgetary appropriations. Strong leadership and communication skills from the senior ministry managers are essential to mediate among these conflicting interests.
- 5.5 Most accept that targets should be specific, measurable, achievable, results-oriented and time-bound (SMART), but this can raise a number of challenges in practice. A key concern relates to the generation of quality data for: (i) establishing baseline levels for outcome and impact indicators and (ii) monitoring their progress. Experience shows that indicators need to be simple, easily measured and understood from the outset to allow for feedback into the policy process (Canada). They also need to be contextualized to be of value for front-line service providers and local management (Cambodia).
- 5.6 Overall, developing countries have managed reasonably well in choosing indicators and setting targets. As discussed above, the more pressing problems for RBM implementation lie elsewhere.

Figure 3.2: Linkages between the national development objectives, the implementing agency mission, sectoral objectives and priority programs



## **Budgeting**

5.7 Strategic objectives should be reflected in budgetary decisions to ensure sufficient financing of activities contributing to the set targets. However, experience shows that progress can be made on performance budgeting without necessarily adapting program budgeting at national level.

5.8 Program based budgeting assumes a pretty sophisticated operational and financial management system. It requires that the information system provide reliable detailed data on costs per activity and allow for frequent reporting on inputs, activities and outputs. Further, ministry personnel must have the planning and budgeting skills, and intimate knowledge of activities, to estimate costs per output. Ideally, it also implies switching from cash accounting to accrual accounting.

5.9 While the adoption of program budgeting is a long-term process, a short-term priority for the ministry implementing RBM is budget predictability for core expenditures. The MTEF can play a very useful role in this regard (Burkina Faso, Ghana, Mali, Tanzania, Uganda).

## **Implementation**

5.10 Under RBM, Program managers are supposed to: (i) conduct activities according to schedule; (ii) respect budgetary ceilings (with some flexibility); (iii) adjust activities and inputs as necessary to take into account unforeseen conditions and (iv) maintain focus on results (targets). IEC activities, training, and incentives have proven to be essential elements in the creation of this new management culture.

## **Monitoring**

5.11 Information on key indicators of inputs, activities and outputs should be relatively frequent (e.g., every month or quarter) to allow program managers to rapidly identify: (i) delays in budgetary allocations, budget disbursements and activities; (ii) expenditure overruns and (iii) progress towards output and outcome target levels at specific time horizons. Information of this sort is required to allow program managers to make any necessary adjustments to their programs.

5.12 However, data used for key indicators are often not timely, nor sufficiently disaggregated or cross-referenced. Process systematization can be helpful, using standard forms and methodologies to streamline the data gathering process. Again, focusing on a short list of indicators which reflect the core concerns of say, service delivery facilitates monitoring and reduces the burden on the information system for timely data production.

5.13 Another issue is the need to ensure the validity of data and guard against the possibility of data manipulation to say, inflate performance results. This requires validation tests at data entry and processing level as well as cross-checks at the level of data production.

5.14 On average, developing countries tend to have more difficulty in producing quality and timely reports on inputs, activities, outputs, and outcomes given the more severe financial and human resource constraints which they face.

## **Evaluation**

5.15 Developing countries often experience difficulties in conducting evaluations for a variety of reasons including: (i) human resource constraints; (ii) data constraints and (iii) the limited internal demand for evaluation results.

5.16 Most countries that have adopted RBM conduct yearly program evaluations measuring progress and effectiveness toward meeting set targets. Although the situation varies from one developing country to another, such exercises would have even more value-added for decision-makers if further progress was made on (Cambodia, Mali, Ghana, Uganda, Tanzania):

- Improving operational planning with clearly specified targets, activities, resource requirements, responsibilities of stakeholders and calendar of activities. The MTEF is one way to facilitate this planning process;
- Redirecting emphasis to outputs and the target clientele;
- Analysis of gaps between targets and achievements and the underlying reasons;
- Increasing autonomy of program managers to modify resource allocation on the basis of program evaluation results;
- Better linking central and local levels of operation through appropriate incentives and mechanisms to increase the quantity and speed of information flows.

5.17 Mid-term and final evaluations of programs are traditionally part of the project cycle and are therefore commonly encountered. There is however substantial scope for improvement in



the regularity and quality of those evaluations in a number of countries and ministries, which requires (Costa Rica, Uganda, Tanzania, Quebec):

- Increasing the demand for accountability of program managers on the part of ministry management, government, parliament and civil society organizations;
- Reinforcing capacities and resource availability for that purpose;
- Putting more emphasis on outputs and their transformation into outcomes (access and use of social services);
- Balancing: (i) the need to internalize program evaluation in order to become a learning exercise for program managers; and (ii) the requirement of objectivity which implies associating a neutral and expert external team to the program evaluation;
- Creating a learning environment whereby program evaluation results are used for future program design.

5.17 Impact evaluation studies of specific programs are of particular interest to senior ministry top management. Such impact studies involve significant data collection and analysis and require financial resources, time and skills.

5.18 Impact evaluation entails a number of methodological problems, in particular to address the attribution problem (Canada). Increasingly, a combination of qualitative and quantitative approaches is preferred to a single approach applied individually. For instance, a literature review carried out recently concerning impact-assessment studies of credit for micro-businesses (Sebstad and Chen, 1996) shows that 11 studies out of 32 used mixed method approaches. Indeed, the combination of these two approaches offers advantages that a single approach cannot (Hulme 1997).

5.19 The combination of qualitative and quantitative methods has the potential to improve the reliability of results in cases where one method can be used to confirm the findings of another. The combination of methods can also bring about a deeper understanding of issues and make it possible to probe certain results that seem interesting or surprising.

5.20 As for monitoring, validation tests should be set up to check for improper use of data, which at times, may serve to overstate performance results.

5.21 Finally, internal evaluation is needed to ensure ownership and use by management while external evaluations are more likely to be perceived as neutral and credible by stakeholders (Australia).

## **Information dissemination about the performance and the results of programs**

5.22 In order to promote commitment, participation and accountability within the ministry, many countries implementing RBM have:

- Conducted public awareness campaign to inform civil servants and citizens of the new orientation in public service management;
- Disseminated performance review results and made information available to program managers, senior managers, government officials, parliamentarians, civil society organizations and others. Output reporting is conducted annually, whereas outcomes and impacts are reported on at three year intervals. Performance reviews are available in hard copy and electronic copies are on the ministry web site.

5.22 In several developing countries, accountability of service providers to parliament and the public is a relatively new phenomenon which remains to be entrenched. In many low income countries, low levels of literacy and education as well as limited access to information serve to place limits on democratic processes, especially in rural areas. Donors can play a useful role in promoting demand for accountability and performance by supporting the institutions and practices of effective democracy (parliament and civil society organizations), a better functioning audit system and auditing skills.

5.23 Experience shows however, that great care should be exercised before information is disseminated to the general public. It must be checked for clarity and reliability, for the reasons discussed above. In addition, the core messages should be clear and easily understood to forestall misinterpretation or manipulation. This communication function is quite integral to the success of the entire RBM process.

## **Feeding back into the decision-making process**

5.24 There is little point in RBM implementation if results are not used to adjust existing policies and programs or design new ones (Chile, Quebec). However this feedback link into the decision-making process has proven to be the most difficult part of RBM implementation in developing countries. Apart from difficulties arising from data constraints and analytical weaknesses, there are also problems of low demand for results by senior and program managers. Added to this is the challenge of better integrating the supply and demand of performance reviews, i.e. supplying information needed by decision-makers in the format desired when it is needed.

5.25 Experience shows that a three-prong strategy is in order:

1. Linking future budget allocations of ministries to past performance. Experience suggests that this is one effective means of improving public sector performance. Primary responsibility here, lies with the Ministry of Finance;
2. Improving the ministry information system, both for data collection, processing and especially analysis through technical support and training of the M&E department;
3. Conducting IEC and training activities on the analysis and use of performance results for program managers, senior decision makers, members of Cabinet, parliamentarians, and other key stakeholders.

5.26 In the end, some of the key technical elements in the successful application of RBM include:

- A RBM technical design and information system that builds upon existing systems, taking into account absorption capacity and skill levels;
- A clear strategy and SMART targets at ministry and program levels;
- Predictable and guaranteed funding arrangements;
- Timely and credible monitoring and evaluation.

#### **LESSONS ON MANAGEMENT INFORMATION SYSTEM FOR RBM**

6.1 RBM requires systematic and reliable data collection, processing, analysis and reporting in ways that are relevant and credible to decision-makers. This implies timeliness as well as appropriate and standard reporting formats (Costa Rica, New Zealand, Uganda, USA).

6.2 The establishment of an Integrated Management Information System (IMIS) is quite critical to the RBM system to consolidate and integrate all databases relevant to monitoring and evaluation (i.e. indicators on inputs-activities-outputs-outcomes-impacts). This will facilitate and organize the flow of information between producers, analysts, decision-makers and other stakeholders. An IMIS may be defined as a central consolidated database for program monitoring which includes query tools for analysis, a briefing tool for reporting and data management tools with clearly defined users and rules guiding the interactions between players and data. An IMIS for social programs implies linking the following databases: (i) budgets (payroll, administration, funding of programs), (ii) treasury, (iii) program portfolio (objectives, inputs, outputs), and (iv) statistical data collected from national agencies.

6.3 In the short-run, there is a real danger of overloading the existing information system by attempting to incorporate too much at once. It is better to handle fewer data initially, and focus attention on improving data collection, processing, analysis, reporting and feedback.

The core lesson learnt is to keep the MIS simple at the outset, taking into account human resource, informational and financial constraints within the ministry concerned (Cambodia).

6.4 The MIS should not be designed by IT specialists only, but should associate other specialists to keep the approach focused on the end and not on the means. Otherwise, there is a risk of excessive technical sophistication and lack of interest by the intended users. The resulting “white elephants” end up of little use (Nepal).

6.5 For IT solutions to work, care has to be exercised and risk management strategies developed to avoid potential failures. In effect, the literature on IS management is full of examples of failed projects, unmet deadlines, cost overruns, faulty solutions and unsustainable systems. The main causes of failure of IS projects involve:

- Needs that are misunderstood or not fully appreciated;
- Requirements that change too frequently;
- Insufficient allocation of resources to the project;
- Lack of cooperation with developers;
- Unrealistic expectations;
- Developers who are not up to the task;
- Inadequate implementation processes;
- Inadequate programming language and tools;
- Insufficient project planning.

6.6 It is important for all stakeholders to know that Information Systems are developed rather than manufactured and that success cannot be guaranteed. Information Systems are social systems, developed by people (developers) for people (customers) and therefore the success of an IS project is determined primarily by social factors. Technological considerations tend to be of secondary importance.

## **LESSONS ON RESOURCE REQUIREMENTS FOR RBM IMPLEMENTATION**

### **Human resources**

7.1 The first issue regarding human resources is the compatibility of past personnel management practices and culture with RBM (Cambodia). What is needed for successful RBM implementation is a minimum emphasis on performance criteria in personnel management to facilitate the evolution towards more performance-based human resource management.

- 7.2 The second issue concerns the skills required for rigorous strategic planning, data collection and analysis, monitoring and evaluation, and reporting (Australia; Cambodia). The RBM/TU should include people with qualifications in these technical areas. Moreover, they should have significant experience in program management to be able to advise program managers. Finally, they should possess very good interpersonal and communication skills for advocacy and training.
- 7.3 Senior ministry management, program managers, and staff need significant and on-going RBM training (Costa Rica). General training about RBM is useful initially, but it needs to be complemented very quickly by tailor-made training program which reflect the ministry's most important needs for successful RBM implementation (e.g. choosing appropriate outcome/impact indicators for the ministry's target groups, improving the reporting format of annual reports, improving inter-departmental and inter-sectoral coordination, improving the personnel incentive system, etc.).
- 7.4 While most of the work can be handled by internal ministry specialists complemented by national consultants, international expertise can be useful to support the national team in (i) conducting the diagnostic; (ii) designing and implementing the various tools for strategic planning, monitoring and evaluation (iii) training trainers; (iv) improving the management information system. Most of the time, this technical support and training can be handled by regular short-term missions to work with national ministry staff.
- 7.5 It is essential that the RBM implementation process be tailor-made and owned by the senior ministry management, program managers, and staff. External consultants can be called upon to provide an outsider's perspective and international best and worst practice. Experience has shown that a copy/paste approach by international consultants, untailored to the context in which it is applied, has led to numerous failures in RBM implementation. As important as experience in designing RBM and M&E systems, outside consultants recruited to work in developing countries should have:
- Knowledge and experience of LDC public sectors. Otherwise, proposed solutions risk being unrealistic and irrelevant;
  - Knowledge and work experience with the major target groups, in particular the poor. Otherwise, proposed solutions risk being too technocratic and disconnected from real, felt needs.

## **Financial resources**

- 7.6 Very little empirical evidence exists on the costs of designing and implementing RBM, even in industrialized countries. One should not under-estimate, however, the cost of implementing RBM. Extensive and repeated IEC campaigns, training, improvements in strategic planning, monitoring, evaluation, and reporting processes, upgrading of the information system, etc. are all time-consuming and require resources. However, when compared with the size of program budgets and the opportunity costs of not introducing RBM, those above costs are relatively marginal and constitute a worthwhile investment.
- 7.7 As important as the financial sums allotted to RBM design and implementation, experience shows the importance of a commitment of resources by top decision makers to: (i) design and implement RBM; (ii) guarantee and deliver budget appropriations as agreed upon in the budget and (iii) finance the programs and the departments that have been performing well. Otherwise, the motivation and interest of program managers and staff tends to wane.

## INTRODUCTION

Results-Based Management (RBM) is an approach to managing private and public institutions with a focus on strategic planning, regular performance review, dissemination of the evaluation results to stakeholders to whom the institution is accountable, and feed-back into the decision-making process. In the nineteen eighties, RBM was adopted by numerous large private companies. Over the last decade, this approach has been implemented in the public sector of a number of industrialized countries and several developing countries in response to an increasing demand to demonstrate results in public spending and programs. The declining financial resource availability, the sometimes inadequate management of public funds, and the growing skepticism of a large segment of the international community on the usefulness of development aid have also been driving forces for changes. In both industrialized and developing countries, more and more pressure is put on donors and government constituencies to demonstrate results in order to maintain their funding.

It is relevant to note that RBM builds upon a long line of progress made in public sector management since World War II when the Program, Planning, and Budgeting System (PPBS) was initiated by the US government. It incorporates a number of elements of those previous approaches and benefits from lessons learnt in industrialized countries.

As for developing countries, the majority maintained 'traditional' public sector management and budgeting practices over a long period. Structural adjustment policies in the 80's and 90's marked the first major attempt to reform the public sector in many countries, but ended often treating more symptoms rather than causes. Only in the 90's, have several national governments and a few donors started focusing on the factors underlying inadequate public sector management and budgeting including (Saldanha, 2002):

- Inadequate political debate about the strategic role, operational objectives and budget allocations of government ministries<sup>3</sup>;
- Insufficient clarity on the role, missions, objectives, priorities of ministries with consequent duplication of task;
- Outputs and outcomes not adequately specified, monitored and reported on;
- Limited or weak systems of public accountability;
- Near exclusive emphasis on inputs and activity management;
- Behavioral and attitudinal problems with respect to work;
- Insufficient attention to merit and performance-based incentive structures.

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<sup>3</sup> For simplification purposes, the term ministry in this document refers to any public sector organization.

Improving the effectiveness and efficiency of the public sector implies (Rist, 2002): (i) allocating resources efficiently; (ii) strengthening and reforming existing administrative systems; (iii) building in accountability; (vi) providing transparency; and (v) ensuring the rule of law.

As a direct consequence, many ministries have shifted their 'traditional' management approach, that focused mainly on inputs and activities, to more results-oriented approaches where the performance of public spending is measured through selected outcome and impact indicators. RBM has redirected attention to the impact of public spending and on the efforts made by government constituencies to increase accountability and transparency in the delivery of public programs. The use of measurable indicators to assess the performance of programs and projects has become an important component of this broader trend in RBM. This is even more obvious within the Poverty Reduction Strategy Paper (PRSP) process being implemented in a number of developing countries and with the adoption by the international community of the Millennium Development Goals (MDGs).

There is a substantial and growing body of literature on RBM. However, a large share of this literature is conceptual, often quite general, rarely applied to the context of developing countries, and thus, revealing little information on the implementation issues that are the real concerns of ministries in developing countries wishing to implement RBM. In practice, RBM has been applied through a variety of approaches in a number of sectors, but most case studies remain insufficiently documented. Some of these approaches are based on extensive strategic planning and/or indicators measurement while others are more experimental, building on a learning-by-doing process with an emphasis on institutional reform and organizational development, without providing much guidance on the steps followed. In spite of those shortcomings, it is worthwhile collecting available relevant information to document some key typical case studies of RBM implementation, identify challenges, strategies to overcome them, and lessons learnt so that institutions that want to implement RBM can benefit from others' experience.

The Ministry of Social Affairs of Mexico, SEDESOL, has expressed an interest in examining the possibility of implementing RBM in-house. As part of this process, the World Bank has commissioned the present study to present a number of relevant case-studies of RBM application and draw lessons from international experience of RBM implementation in the context of a Ministry of Social Affairs.

The objectives of this report are therefore to: (1) review general principles of RBM applied to the public sector, with an emphasis on social programs; (2) present selected case studies of countries that have used RBM approaches to manage public interventions (Canada (Federal



Government)/Quebec (Province), Chile, New Zealand, and Tanzania); and (3) draw lessons with respect to system design and implementation process from these RBM case studies and a number of other case studies (Australia, Bolivia, Burkina Faso, Cambodia, Costa Rica, Mali, Uganda and United States (Federal Government) /States of Louisiana, Oregon, and Texas). The lessons have been presented in the preceding Section, while Section 1 outlines the general principles of RBM applied to the public sector and Section 2 presents the various case-studies.

## **I. GENERAL PRINCIPLES OF RBM APPLIED TO THE PUBLIC SECTOR**

The purpose of this short section is to introduce the RBM approach as applied to the public sector. This provides a common understanding of what RBM entails for the public sector in general, and social sectors in particular, before examining a series of case-studies.

RBM<sup>4</sup> helps a government or a ministry to: (i) clarify policy priorities and focus expenditures on them; (ii) monitor and assess their effectiveness and efficiency in delivering outputs and achieving their results in terms of outcomes and impacts for the target groups; (iii) be transparent and accountable to the citizen; (iv) adjust their policies and programs as well as internal systems as a function of the results of this regular performance evaluation to become a learning organization. The approach is meant to help establish and communicate priorities, formulate programs and related budgets, allocate resources, motivate employees, improve services, facilitate information exchange between end beneficiaries and government, and increase transparency and accountability in public management (Roberts, 2003).

RBM is a management approach which incorporates interrelated institutional and technical dimensions. RBM is part of a structured analytical framework for monitoring and evaluation of public programs and uses a set of planning, monitoring, and evaluation tools. It also constitutes an approach for institutional development and, when applied to the public sector, it becomes a political process. Reduced to its technical dimensions, RBM might veer into a technocratic exercise with little internal ownership and sustainability. Conversely, an exclusive focus on institutional issues with a less structured approach, vague indicators, and limited use of analytical tools is likely to result in poor results and very little changes in decision-making (Government of Canada, 2003, Morgan and Qualman, 1996).

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<sup>4</sup> RBM is also sometimes called performance-based management.

## 1.1 Technical and institutional dimensions of RBM

From a technical perspective, the RBM approach uses the impact chain conceptual framework which distinguishes various levels of monitoring and evaluation and their causal relationships (Figure 1.1):

1. For a given program<sup>5</sup> to have an impact on a given development objective and target group, the starting point is to introduce adequate inputs, especially budgetary inputs;
2. Then, as the program is implemented, activities need to be monitored by program managers. The direct results of the program are outputs, usually measured in terms of goods and/or services made available to target groups;
3. Those outputs are supposed to translate into outcomes for the program target groups. These outcomes are often measured in terms of access to, and use by, the target groups of the goods and services produced. Monitoring progress on outcomes means comparing real observed outcomes with targeted outcome indicators. It also means measuring how service delivery meets target group needs and expectations;
4. Finally, in the medium to long run, once all direct and indirect effects have taken place, one can expect the program/project to have an impact in terms of achievement on the more global development objectives<sup>6</sup> in the country.

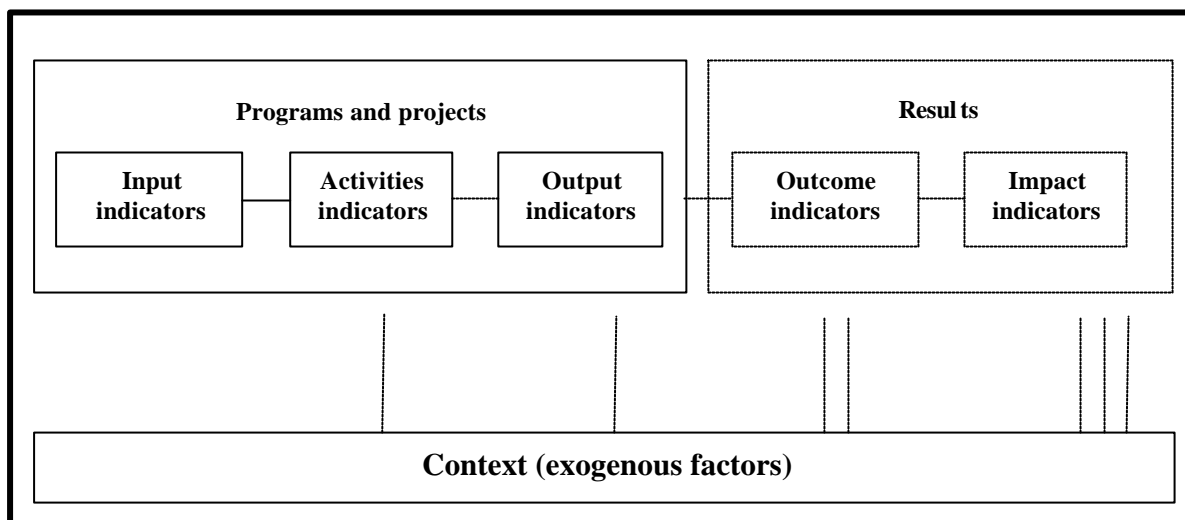
As one moves from left to right on the impact chain, the social, economic, environmental, political and world context (exogenous factors) have more and more influence on the indicator results. This is illustrated by an increasing number of arrows from left to right in Figure 1.1. Moreover, outcome and impact indicators might be influenced by a combination of various macroeconomic and sectoral policies and programs (endogenous factors) rather than a single program (IDEA International Institute, 2002; Rist, 2002, Roberts, 2003).

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<sup>5</sup> RBM can be applied to various sets of activities undertaken by a ministry. The most disaggregated level at which RBM is usually implemented is the project level. Then it can be implemented at the program level which includes several projects. Finally, RBM can be implemented at the policy level which involves a range of programs. Institutionally, a ministry designs and undertakes various policies, while each of its departments usually designs and undertakes several programs. For simplification purposes, the word used in the text is program, but most of what is said applies for projects and policies as well.

<sup>6</sup> The distinction between outcomes and impacts can be fuzzy at times and depends on the perspective of the analyst. In general, outcomes are thought of as effects on intermediate variables while impacts are effects on final variables. In practice, causal paths might involve a number of intermediate and related steps with feed-back effects.

Figure 1.1: The Impact Chain Approach



Conceptually, RBM is rather simple, contrary to its implementation. It is a way of managing an organization, whether public or private, with a focus put on the results obtained rather than on the inputs used or the activities conducted. RBM starts at the planning phase with a strategic perspective (Roberts, 2003, Saldanha, 2002). It implies:

- Defining a future vision of the organization, its target clientele, the related mission of the organization and key result areas (KRAs), at one or more remove from day to day management;
- Focusing on a reduced set of clear targets and providing a clear vision to all members of the organization on the future direction of the organization. A coordinated vision of the desired future is outlined, and consistent targets are specified taking into account potential interaction effects among chosen target variables;
- Identifying the set of programs and workplan that will most likely enable the organization to reach its targets (assuming a set of critical conditions) as well as: (i) determining the level of effort, the material resources, and financial resource requirements; (ii) outlining a schedule of activities; (iii) calculating cost implications and making sure the overall budget envelope is respected.
- Balancing the realism of targets with a strong determination to push the limits of the organization. Target setting needs to take into account: (i) the absorption capacity of the organization and its target clientele; (ii) the limited availability of human, material and

financial resources; and (iii) existing incentive structures, informal practices and 'culture' of the organization.

Second, RBM implies that program managers and staff implement the workplan as a business plan, i.e.: (i) conduct activities according to schedule; (ii) respect budgetary ceilings (with a certain flexibility); (iii) adjust activities and inputs as necessary to take into account unforeseen conditions and (iv) maintain focus on results (targets).

Third, RBM implies that the program managers monitor a reduced number of key indicators on a regular basis (e.g. every month or quarter) to identify quickly: (i) delays in budget allocations, budget disbursements, and activities; (ii) expenditure overruns and (iii) progress towards outputs targets levels at specific time horizons. When a gap is spotted, corrective measures should be undertaken.

Fourth, RBM implies that various kinds of evaluation be conducted by internal and/or external specialists at specific times. Typical evaluations include the following:

- (i) A yearly evaluation of progress through an in-depth analysis of gaps between program targeted inputs, activities and outputs, and achieved levels. This annual progress report is submitted to the senior management ministry in question, the Ministry of Finance and parliament to explain the gaps, justify use of allocated funds in the past budget and support financial requests in subsequent budgets. In countries where the Medium Term Expenditure Framework (MTEF) has been introduced, this yearly review is integrated in a medium term (3 year) budgeting process. This type of evaluation is usually conducted by the program manager in collaboration with the RBM Unit. The latter may also conduct performance analysis across programs and benchmarking to check how other ministries with similar programs are performing;
- (ii) Mid-term and final program evaluations which measure effectiveness and efficiency of program implementation and equity of access to services. These evaluations will include analysis of routine administrative data on inputs, activities, outputs and outcomes of the program, but also may include quick qualitative and quantitative surveys (e.g., client satisfaction survey). These evaluations are usually conducted by the RBM Unit and national consultants in collaboration with the program manager;
- (iii) Impact evaluation studies conducted on an *ad hoc* basis after a minimum period of program implementation to be able to measure significant impacts. They aim at measuring

- (i) the efficiency of the program, i.e., to the ratio of outputs produced by the program to outcome/impact indicators or the ratio of inputs to outcome/impact indicators; (ii) the impact on equity, i.e. the distribution of outputs, outcomes and impacts of the program among various target groups; (iii) the degree of sustainability of those impacts. Those studies are usually conducted by national and international consultants and researchers.
- (iv) Program impact assessments can use a variety of methods and be classified according to a number of criteria. Two possible classification criteria are whether or not: (i) a counterfactual analysis is conducted and (ii) an analysis of transmission mechanisms is conducted.
- (v) Complementary to those program focused assessments, a broader evaluation of living conditions of the population, the poor and specific target groups is also required on a regular basis. This is usually done through household living conditions surveys conducted by the National Institute of Statistics (or Central Statistical Office) as well as through more in depth sectoral surveys on income/expenditures, health, education, social welfare, etc. These surveys help identify the most important dimensions of poverty and most vulnerable groups, hence guiding the choice of future programs. They also provide an understanding of the overall impact of economic and social policies on living conditions and on poverty reduction.

Fifth, monitoring and evaluation results are reported, disseminated, and fed back into the decision-making process. The value added of the RBM system is therefore found both in: (i) the accountability to parliament, target groups, and civil society as well as in (ii) the improvement of policies and programs of the ministry that, in the process, becomes a learning organization.

Sixth, this sequence of activities should be conceived of as an iterative process to increase the capacity of a given ministry to design, monitor and evaluate policies and programs in its sector in order to adjust existing programs and design improved future programs. This implies developing a virtuous circle of testing, learning, and changing attitudes and behaviors of ministry staff. RBM is an excellent conduit to develop a learning organization because of its iterative nature between planning, implementation, monitoring, evaluation, and improving policy and program design. This is all the more important in an uncertain and rapidly changing environment. The capacity to adapt itself and response to new needs and challenges is a must for institutional sustainability.

Thus, RBM is different from:

- Traditional public budgeting management which (i) focuses on inputs and activities (ii) uses line budgeting and (iii) forecasts future budget on the basis of past allocations with little regard for desired outcome levels. While traditional public budgeting management is mainly supply driven and permits limited flexibility, RBM is much more demand driven and allows some flexibility in terms of input allocation and activities as long as results are met;
- Project budgeting which focuses on one specific set of related activities that constitute the project without clear linkages with overall organizational goals and targets.

RBM is closely related to performance budgeting which requires (McGill, 2001):

- A strategic framework with clear objectives and targets and programs;
- Performance criteria for effectiveness in terms of outputs, outcomes and impacts and efficiency;
- Regular reports of outputs, outcomes and impacts, including at least yearly reports on outputs;
- Program budgeting with allocations based on past performance and set targets for the future.

Let us now explain the relationships between RBM and the Logical Framework (Logframe) since this is a frequently asked question. RBM is a management approach while the Logframe is a planning tool. Therefore, the Logframe is one of the major tools used during the strategic planning phase of RBM, mainly at project level.

Indeed, the Logframe is a very useful planning tool to improve the design of interventions, most often at the project level. It involves identifying results of the project in terms of outcomes and impacts and relating those successively back to project output, activities and inputs. Moreover, it clarifies the assumptions and risks that may influence the causal relationships from inputs up to outcomes/impacts.

The framework is based on two basic principles: first, causal relationships between different parts of a problem which correspond to the four levels (or rows) of the framework, i.e. activities (or inputs), components (or outputs), the purpose and the goal; second, the principle of correspondence, whereby performance measures (indicators) and facilitating conditions (assumptions) are specified and linked to the four said levels. Verifiable indicators measure changes and/or assess whether objectives are achieved.

The strengths of such a framework are that it provides:

- A clear means-ends analysis of project inputs leading to outputs for set purposes in support of a goal ;
- Inputs and costs of project activities;

- Objectively verifiable indicators of performance and sources of verification;
- Key assumptions of risks underlying the project;
- A framework for introducing lessons learned to be incorporated in future projects.

The disadvantages of the Logframe approach are the following:

- It is static and most often not updated to reflect changing conditions;
- It is linear and does not take feedback effects into account;
- It is rarely linked to the budget process of recipient countries;
- It is too general to be really operational. It needs to be complemented by a project implementation plan, specifying, among others, more detailed indicators and data sources;
- It has been most often used by donors, but not necessarily adopted by government structures;

It is suggested to use an improved version of the Logframe linking it to the budgetary process and using software such as MS-Project to: (i) facilitate the monitoring process; (ii) easily calculate efficiency ratios; (iii) aggregate project data on inputs, outputs and outcomes successively at program, department, and ministry levels. This applied tool facilitates rapid transmission of information on inputs, activities, output and outcomes to the Ministry of Finance for further aggregation (IDEA International Institute, 2003).

RBM can use a variety of tools for monitoring and evaluation (IDEA International Institute, 2002; World Bank, 2002). Here is a broad list of possible tools out of which a given ministry may select a few to meet its own needs:

- Public expenditure tracking surveys;
- Gap analysis between targets set during planning phase and actual observed levels for input, activities/process, output, outcome, and impact indicators. The Logframe allows a structured approach to analyzing successively all those indicators, effectiveness, and efficiency and establish the linkage between the planning and the monitoring/evaluation phases;
- More advanced causal analysis such as causal mapping;
- Participatory methods (Rapid Rural Appraisal (RRA), Participatory Rural Appraisal (PRA) and Participatory Poverty Assessment (PPA));
- Techniques related to ethnography;
- Social impact assessment;
- Client satisfaction surveys;
- Citizen report cards;
- Social Capital Assessment;

- Multi-topic living conditions survey (e.g., LSMS, CWIQ, Integrated surveys, Light Integrated Surveys, etc.);
- Sectoral surveys (e.g., DHS on health);
- Impact assessment using quantitative survey data and quasi-experimental approaches (matching method, double-difference method, instrumental-variables method, reflexive comparison method and cohort method).

Below are listed typical quantitative impact assessment tools that are regrouped according to their common underlying objective:

#### 1. Measuring Direct Impact (Incidence tools)

- Average Benefit Incidence Analysis (ABIA);
- Marginal benefit incidence analysis;
- Poverty mapping;

#### 2. Measuring Micro-level Behavioral Effects (Micro-simulation tools)

- Behavioral Incidence Analysis (BIA);
- Demand/Supply Analysis;
- Household models;

#### 3. Measuring Sectoral Effects

- SimSIP (Simulations for Social Indicators and Poverty);
- Multi-market models;
- Reduced form models;
- Programming sectoral models;

#### 4. Measuring Economy-wide/ General Equilibrium Effects

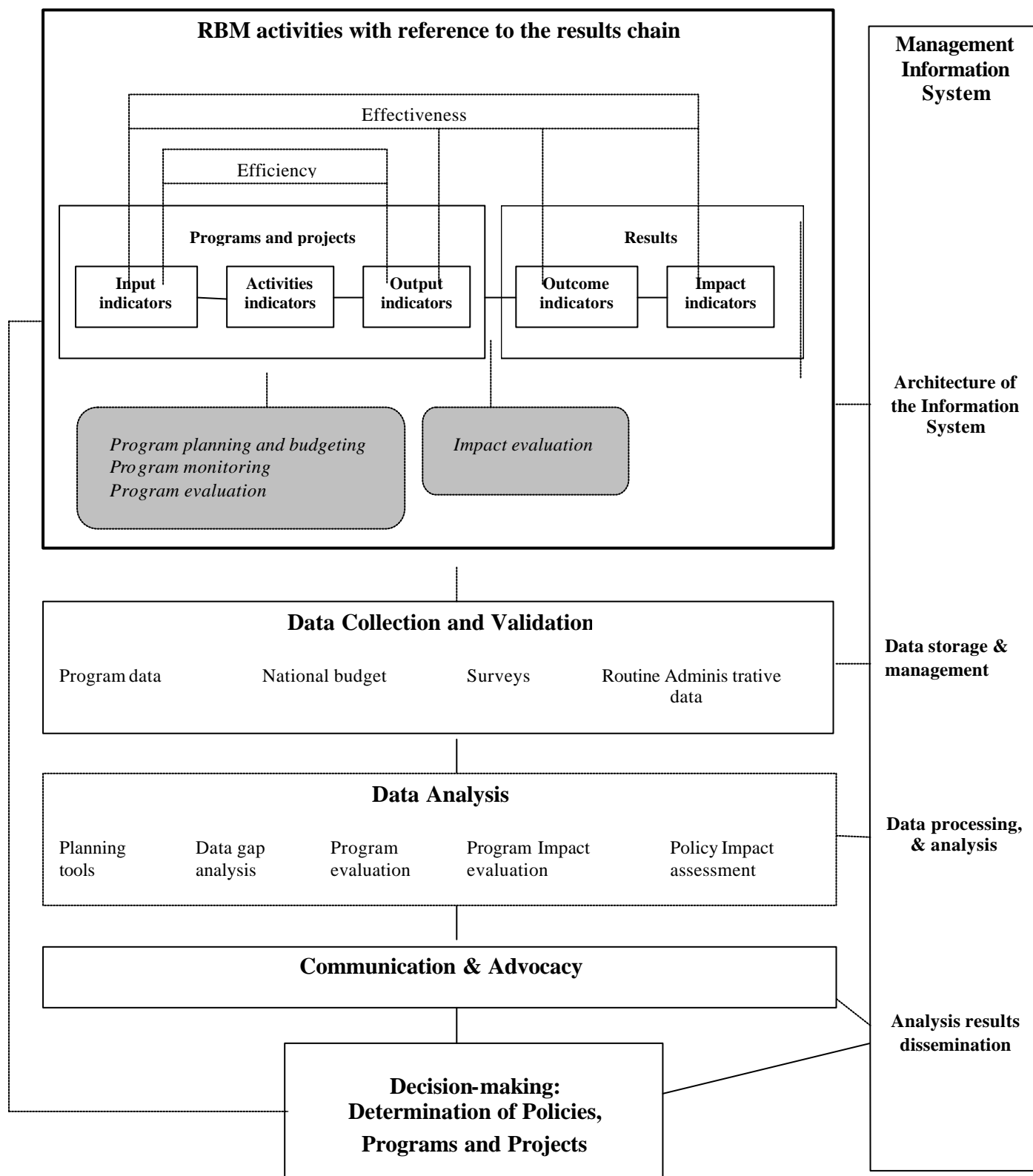
- RMSM-X(+P) model;
- Social Accounting Matrices (SAM);
- Computable general equilibrium models (CGE) such as 1-2-3 model and the Integrated Macroeconomic Model for Poverty Analysis (IMMPA);
- Microeconomic models linked to macro-economic/sectoral models.

RBM should be seen as the backbone of a performance review system also called Monitoring and Evaluation system (M&E). There is no unique blueprint for this M&E system since it should be tailor-made to reflect the realities of each country/implementing agency. However, theory and



experience suggest a generic M&E system as a starting point, as illustrated in Figure 1.2 (adapted from IDEA International Institute, 2002).

Figure 1.2: RBM within the Ministry Monitoring & Evaluation system



The upper left box represents how RBM activities are related to the impact chain. Program planning, monitoring and evaluation are directly related to inputs, activities, and outputs. Performance analysis measures efficiency and effectiveness. Finally, impact evaluation examines causal relationships between outputs and outcomes/impacts. In the series of boxes below the upper left box, one can see that, in order to conduct RBM activities, data need to be collected and analyzed with a variety of tools already mentioned above.

Moreover, communication/advocacy activities are essential to improve information dissemination, promote a participatory and informed policy dialogue among stakeholders, and eventually, contribute to better design and implementation of public policies. Indeed, performance monitoring and evaluation has little value if it does not influence decision-making in adjusting existing policies and programs and designing new ones.

Finally, a well designed and structured Management Information System (MIS) is required to create a physical, technical, institutional and human environment conducive to the circulation of data, information and results among producers, technical staff and end users.

## **1.2. Monitoring and evaluation of social programs**

Universal social programs aim to satisfy basic needs such as health, education, safe water and proper sanitation of the population at large, while targeted programs focus on specific socioeconomic groups. This explains why there are indicators of outcomes/impacts for the general population and indicators of outcomes/impacts for specific target groups.

Social programs are generally concerned with improving the living conditions of the poor, the vulnerable and the less well off in society. Therefore there is a strong concern for reducing:

- Poverty, i.e. a level of well-being judged inadequate in a given society at a given point of time;
- Vulnerability, i.e. the probability of falling into poverty;
- Inequality, i.e. the distribution of well-being variables, in particular income and access to basic social services such as primary health and education, safe water, job opportunities, etc. among various population groups (defined according to say, gender, region, strata, ethnicity, etc.).

Often, the target groups of social policies include:

- The poor, who fall below a minimal level of needs satisfaction;
- Women who suffer from gender inequity;
- Specific vulnerable socio-economic groups such as the unemployed, small agricultural producers, landless farmers, workers in the informal sector, migrant workers, street children, slum dwellers, elderly, ethnic minorities and indigenous people, people living in remote areas, etc.

Outcome/impact indicators may include measures of levels and changes over time of:

- Coverage of (or outreach to) those target groups (their access);
- Actual use of those services by the target groups;
- Constraints on the use of services, such as: (i) disposable income, especially if there are user fees or costly complementary services; (ii) distance to service center; (iii) complexity of procedures and paperwork and (iv) attitudes of service providers.
- Knowledge, attitudes, and behavior (including coping strategies) of target groups;
- Major living conditions dimensions (e.g. health status, education status, income level, etc.).

There are many outcome/impact indicators of relevance to social programs. Only a limited number must be chosen and monitored for obvious feasibility and cost reasons. Key choice criteria for choosing these indicators include; (i) the relevance of the indicator with the actual situation in the field; (ii) the linkages of the indicator with current policies and programs and (iii) the availability on a timely basis of reliable and disaggregated data on the intermediate variables required to compute the indicator. A number of those indicators need to be measured repeatedly to capture inter- and intra-annual variations in target group living conditions.

Most developing countries that have adopted RBM use outcome/impact indicators and targets for those indicators that are identified in their national strategies (Social and Economic Development Plan and/or Poverty Reduction Strategies) and in their sectoral plans (e.g. education strategy, health strategy, social safety nets policies) (see Appendix 1 for a list of possible outcome/impact indicators focusing on poverty, vulnerability, and inequality and Appendix 2 for an example of selection of indicators and targets in Tanzania). More recently, nearly all countries have endorsed the Millennium Declaration which sets Millennium Development Goals (MDGs) and identifies a generic list of indicators and proposed targets for a number of social indicators (see Appendix 3 for the list of generic MDG targets and indicators).

Performance reviews should include institutional process indicators<sup>7</sup> as well as outcome/impact indicators. While the major objective remains to increase positive outcomes/impacts on the target groups, two other criteria matter: (i) how the institution and its personnel attain those results and (ii) the degree to which gains are sustainable due to real appropriation and capacity development within the organization. Process indicators can measure attitudinal changes, behavioral changes, diffusion of new ideas, building of social capital, existence of champions of RBM and coalitions around them and, conversely, the extent of opponents to RBM and the strength of resistance to change.

A typical Ministry of Social Affairs would have three major objectives in terms of monitoring and evaluation:

- Monitoring a reduced number of key outcome and impact indicators related to social conditions of the general population and specific target groups. This can be obtained through a combination of routine administrative data and primary household and individual data from surveys. The selected indicators should reflect aspects of social conditions considered essential by the Ministry given its mission and objectives and the characteristics of the targeted population; they should also be easily calculated on a regular basis given existing data collection, processing, and analysis capacity;
- Monitoring the levels of outputs obtained through the Ministry's programs and comparing them with set targets. This is classical program monitoring;
- Assessing the impact of specific programs and social policy, i.e. to what extent have those programs have positive impacts on outcome and impact indicators.

Program impact assessment implies addressing a series of methodological challenges, including the isolation of the impact of the policy or program under scrutiny on poverty from all the other endogenous and exogenous factors that may affect the poverty outcome (the attribution issue). This is especially difficult for social programs in which: (i) a number of variables affect the observed outcomes and impacts; (ii) joint effects and feedback effects are numerous; and (iii) social and cultural values are of paramount importance. The notion of impact assessment also implies tracing the indirect effects on non target group welfare (e.g. children benefiting from an income generation project for women) as well as the medium and long run sustainable effects of the policy or program. The attribution issue becomes even bigger when trying to assess the impact of a given social policy or of the ministry as a whole.

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<sup>7</sup> It is important to note that process indicators often refer to (i) activity indicators in the impact chain in the technical literature and to (ii) institutional change indicators in the literature on institutional development. This is why, to avoid any confusion, we use the term "activities indicators" in the impact chain rather than "process indicators" and we use here the term "institutional process indicators".

A generic methodology to conduct impact evaluation involves the following steps:<sup>8</sup>

1. Defining a clear analytical framework, including:

(i) The specification of the target groups and the social dimensions of living conditions that the ministry wants to see positively influenced by the program. Again, the choice of outcome and impact indicators depends on the ministry's mission and objectives and the characteristics of the target population. Qualitative studies to identify key dimensions of well-being and poverty can be used to provide up to date and relevant data that reflect people's perceptions of well-being;

(ii) A clear vision of the causal relationships between program outputs, outcome indicators, and impact indicators. This requires a structured conceptual framework as well as a good knowledge of local realities, target group behavior and constraints;

2. Collecting data on selected output, outcome, and impact indicators. Those data can come from routine administrative data, program management data, and primary data from qualitative and quantitative surveys. To address the attribution issue, often data is collected over time not only on the targeted group, but on a control group as well, i.e. a group similar to the target group in all respects except program participation.

3. Analyzing data to validate the causal relationships identified in the analytical framework, identify other causal relationships, and measure the contribution of the program to observed outcome and impact indicators changes. This can be done using a variety of more or less sophisticated and data-intensive methods. In practice, the Ministry will be constrained by time, money, and availability of trained resources in those methods, even outside the Ministry.

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<sup>8</sup> More details are indicated in Section 3.5.

## **II. RBM CASE STUDIES**

In practice, the design and implementation of a RBM system entails overcoming a number of substantial challenges. Both monitoring and evaluation activities need to be carried out by institutions that possess a solid expertise in a number of interrelated fields and have strong linkages to key decision-makers, if they are to be useful in the implementation of programs aimed at improving living conditions. Unfortunately, much M&E in developing countries has taken place without adequate development of in-country capacity and strong relationships with key decision-making processes, which leads to the loss of precious opportunities to learn what works and what does not. The most obvious institutional challenge in developing an efficient RBM system at the country level lies in building institutional capacity to provide useful and timely information which feeds back into the policy process.

It is also crucial that efforts be undertaken to ensure that M&E results are widely disseminated by, and to, civil society organizations who have the potential to play an extremely important role in ensuring public accountability. Until recently, participatory M&E methods were underutilized, and there was insufficient use of the impact chain to make clear linkages between programs inputs, outcomes and impacts.

This section presents four case studies: Canada/Quebec, Chile, New Zealand, and Tanzania. The following criteria were used to select these case studies:

- Diverse representation of environments;
- Orientation towards public sector social programs;
- Well documented;
- Success stories or experiences offering interesting lessons.

### **2.1 THE EXPERIENCE OF CANADA (FEDERAL GOVERNMENT)**

#### **Context**

The Government of Canada started contemplating RBM as far as the 60's with the Glasgow Commission study on management "Let the managers manage". In the late 90's, the Government started to enter a period of budgetary surpluses after big efforts made for the reduction in government spending which started in the early 90's. Important changes like globalization, the rapid evolution of information technologies, shifts in the structures of federalism (i.e. link between federal and provincial governments), demographic challenges, changes in public

priorities and a growing demand for greater transparency forced the Government of Canada to adapt to new realities.

In June 1997, the Treasury Board (responsible for administrative and resource management) was asked to play an enhanced role as the Government of Canada's management board. This Board and its Secretariat would therefore act as catalysts for management change and improved governance.

In this context, the Government declared its wish to apply RBM to all major activities, functions, services and programs, whether they are delivered directly or part of internal administration.

### **Pre-conditions for getting started**

Some of the most important pre-conditions were:

- The leadership and visible sustained commitment of government and senior ministry management;
- Clear structures of accountability in a comprehensive agenda for change (performance agreements linked to strategic plans, increased transparency, etc.);
- People with motivation, capabilities, and confidence to implement change; i.e. establishing a workplace that is a learning, challenging, and rewarding environment, and supported by programs of rewards and recognition that value contributions of staff.

Improved management practices will be sustained only if all the principles of sound management, in particular financial and non-financial performance, integrated risk management, appropriate controls, and values, are strengthened in an integrated and on-going fashion.

### **Institutional arrangements**

In addition to the Treasury Board and its Secretariat, other organizations have strong responsibilities in the improvement of management practices, including the departments and agencies that deliver programs and services directly to the public. The Clerk of the Privy Council (Head of the Public Service) sets out key priorities for the Public Service of Canada. The Public Service Commission, the Canadian Center for Management Development and the Leadership Network are also involved in the process.

The Treasury Board was also mandated to lead and support the government-wide implementation of the Modern Comptrollership Initiative throughout the government.



## **Implementation process, including time frame**

RBM implementation in the Government of Canada followed an incremental approach. It was only in 1997 that a Framework for Modern Comptrollership was agreed by the Treasury Board after an Independent Review Panel on Modernization of Comptrollership in the Government of Canada.

In 1998, the Treasury Board approved a three-year pilot project to test modern comptrollership concepts and tools for management decision-making in 15 departments and agencies. Since the pilot-phase proved to be successful, the Treasury Board approved the government-wide implementation in May 2001. Thirty million Canadian dollars were provided over a three-year period for this initiative. The Treasury Board committed to present an interim report and a final report at the end of this period. With this initiative, modern comptrollership became mandatory for 99 government departments and agencies.

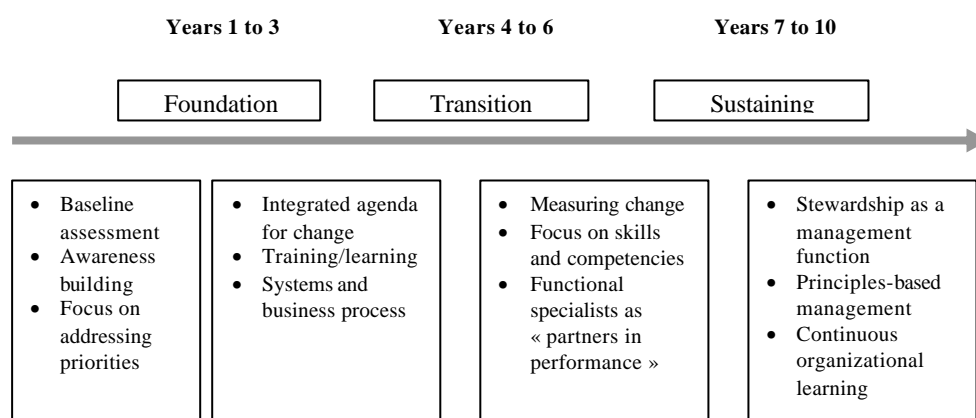
Comptrollership aims at achieving:

1. “Integrated performance information”, i.e. timely financial information linked to information on program performance and results;
2. Sound risk management, i.e. a clear understanding of the corporate context and capacity for risk management, the organization’s highest risks, and the manager’s role in mitigating risk;
3. Rigorous stewardship and appropriate control, i.e. a comprehensive departmental system of delegations and controls of assets and funds which is conducive to innovative delivery, consistent with capabilities, and appropriate to the level of risk;
4. Shared values and ethics, i.e. the alignment of organizational culture and mandate with the values and ethics of the Public Service.

A period of 7 to 10 years is expected for full implementation of modern comptrollership in a given organization, i.e. to achieve the change in management culture, even when there is strong leadership and clear accountabilities. Three phases were suggested (Figure 2.1):

1. The foundation phase;
2. The transition phase;
3. The sustaining phase.

Figure 2.1: Three Phases of Modern Comptrollership



Reference: Treasury Board of Canada Secretariat, 2003.

In March 2000, a Management Framework for the Government of Canada, “Results for Canadians”, was tabled in Parliament. With this Framework, the Federal Government reinforced its commitment to (President of the Treasury Board, 2001):

- “Sharpen its citizen focus in designing, delivering, evaluating and reporting on government activities;
- Guide public service management by a clear set of values, including openness and transparency;
- Focus on the achievement of results;
- Ensure responsible spending”.

For every new policy, program or initiative, a RBM and Accountability Framework (RMAF) needs to be prepared, if not part of a Treasury Board submission. The RMAF represents (Treasury Board of Canada Secretariat, 2001):

- An understanding between the partners on what they aim to achieve, how they plan to work together to achieve it, and how they will measure and report on outcomes;
- A tool for better management, learning and accountability throughout the lifecycle of a policy, program or initiative;
- An early indication that the policy, program or initiative is set up logically, with a strong commitment to results, and with a good chance to succeed”.

Primary instruments of accountability are the Departmental Report on Plans and Priorities (RPP) and the Departmental Performance Report (DPR) for Parliament and Canadians. The RPP,

presented in Spring, reports on the rationale for initiatives and identifies the strategic outcomes against which actual performance will be measured. The DPR, presented in Fall, reports on actual achievements against the strategic outcomes that were established in the Departmental RPP.

A third document is “Managing for Results” which is also presented in Fall. This government-wide report summarizes overall performance by using a set of key societal indicators. This document is presented to Parliament by the President of the Treasury Board and may be referred to the relevant Standing Committee of the House of Commons for further review.

“The form and focus of departmental planning and reporting is drawn from an organization’s Planning, Reporting and Accountability Structure (PRAS). The PRAS is a Treasury Board approved document providing the framework by which the RPP and DPR are developed and resources are allocated to most federal organizations. The PRAS requires departments and agencies to clearly outline the shared outcomes they want to achieve on behalf of Canadians” (Treasury Board of Canada Secretary, 2001).

In 2001, the Treasury Board endorsed the Integrated Risk Management Framework as a guidance tool for departments. Other tools that were developed are the Guide for Deputy Ministers and the Values and Ethics Code.

### **Incentives for compliance**

In 2001, Parliament tabled a revised Policy on Transfer Payment. For every transfer payment, a RMAF had to be developed as well as a Risk-Based Audit Framework. The transfers are approved for a limited period and, for renewal, departments need to show results.

No monetary incentives based on performance have been implemented.

### **Links between the Federal Government and Provincial Governments**

Some mechanisms have been developed for coordination between the two levels of Government: the Social Union Framework Agreement and the Canada-Wide Accord on Environmental Harmonization.

The “Framework to Improve the Social Union for Canadians” was signed between the Federal Government and all provinces, except the province of Quebec, in 1999. This framework aims at a more modern relationship between the two levels of Government, based on principles of

partnership which are the center of sound public management. This should be a very useful mechanism though it is used only in few exceptions: the Health Care Renewal Accord (2003) and the Early Child Development Agreement (2002).

These coordination mechanisms reflect to some extent the level of agreement between the Federal Government and the Provincial Governments about the distribution of powers, roles, and responsibilities. In the case of health agreements, all provinces signed up except Quebec. The Quebec Government estimated that health was a provincial responsibility and, therefore, that the Federal Government was infringing on its power by imposing Federal standards. The other provinces found the initiative acceptable and obtained more funding from the Federal Government.

### **Challenges, errors and lessons learnt**

The Government did not introduce sufficient incentives for compliance earlier on in the process. It is only now starting to put in place some such mechanisms. Also, there is not yet a link between resources and specific outcomes, because results-based budgeting has not been implemented yet. There is a project to initiate the implementation of results-based budgeting for 2004.

## **2.2 THE EXPERIENCE OF THE PROVINCE OF QUEBEC, CANADA**

### **Context**

Modernization of public management in the Province of Quebec is part of an ongoing process which aims at modifying and adapting intervention modalities of public administration, its structures and its management framework. Between 1983 and 1993, laws and rules were implemented to induce a public service reform. Some of these included:

- The Law on Civil Servants Management (1983) aiming at the “renovation of the public service”;
- The Law on Public Administration (1985);
- A policy for the improvement of services to Quebec’s population (1991);
- Realignment operation to improve quality of services to Quebec’s population (1992); and
- Adoption of a Law on accountability of deputy ministers and directors of public institutions (1993).

In 1994, a process to enhance responsibility in the civil service was developed. This process emphasizes four components:

- The establishment of strict budgetary ceilings;
- An agreement with trade-unions and associations representing civil service personnel to examine in-depth organization of work;
- The softening of central controls to focus on major issues and results, and increased flexibility in management practices;
- The implementation of a model for RBM and creation of the first autonomous service units (UAS).

In 1999, a policy statement was introduced called “Improving Services for Citizens – A New Management Framework for Public Service” which was followed by internal and external consultations. This legislation is based on the “necessity to put more emphasis on results than on means and to increase transparency, responsibility and rendering of accounts” (Conseil du Trésor, 2002a). In 2000, the Public Administration Act was adopted which was the cornerstone of the project of modernizing public management in Quebec.

All government departments and administrative bodies have to comply with the RBM framework.

### **Pre-conditions for getting started**

Without political will and commitment at the Cabinet level it is impossible to carry out RBM implementation. There is also a need for the existence of a strategic vision at the Cabinet level on where they want to take the province/sector.

Another pre-condition is the association of all stakeholders to the process from the start. In particular, the following stakeholders were involved:

- Senior decision-makers (steering committee, consultative forum, working groups);
- Middle level managers and professionals by area (human resources, financial management, audit and control);
- Employees, through the dissemination of information from middle and low-level managers.

Trade unions were informed, but not involved in the process. Some of them were reluctant to accept RBM since they: (i) were wary of the linkage between performance and remuneration and (ii) feared that the entire exercise was an attempt to extract more labour output with fewer resources.

As for civil society, it was left to each ministry to define who would be associated to which part in the process.

### **Institutional arrangements**

The Public Administration Act modifies the role of the “Conseil du Trésor” (Council of Treasury) and of its President. The roles of the Council are now to:

- Determine guidelines for the management of human, financial, physical and information resources which serve as reference for departments and administrative bodies;
- Support government departments and administrative bodies in the implementation of the Act.

Three central bodies interact in a concerted manner in the process of modernizing public management: (i) the Secretariat of the Council, (ii) the Ministry of Relations with citizens and of immigration and (iii) the Ministry of the Executive Council. The first oversees the development of a government perspective on modernization, coordinates its implementation and ensures follow-up. The second coordinates the governmental action plan to enhance public services, establishes a procedure for concerted public consultation, and helps produce information and service clusters in collaboration with other government departments and administrative bodies. The last, ensures that government policy directions are reflected in strategic plans and supports government departments and administrative bodies in the elaboration of these plans.

Other institutional arrangements involve the following:

- A Strategic Committee chaired by the General Secretary of the Government provides strategic follow-up with respect to implementation of the reform and formulating guidelines;
- A Sub-Secretariat for the Modernization of Public Management has been established in the Secretariat of the Council of Treasury;
- A Steering Committee, chaired by the Assistant Deputy Minister, Modernization of Public Management, seeks to ensure coherence and harmonization of development initiatives related to modernization and offers advice on implementation strategies;
- A network of implementation agents has been established;
- A service quality group has been put in place.

## **Implementation process and time frame**

The Government of Quebec drafted an implementation plan or global roadmap for five years called “Expected Results 2000-2005”. The roadmap involves a strategy in 5 phases and specifies expected results, responsibilities, targets and dates set for each phase

- 1) Meeting the preconditions (before June 2000);
- 2) Raise awareness, rally, appropriate, initiate training and implementation, develop tools (June 2000 to March 2001);
- 3) Commit, pursue training, implement, experiment and adjust (April 2001 to March 2002);
- 4) Consolidate, generalize and adjust (April 2002 to March 2004);
- 5) Evaluate, report, recommend (Fall 2005).

The implementation plan takes into account the fact that different institutions may be at different levels of development and thus, the implementation pace may vary. Using the indicators identified in the implementation plan, the document led to the development of a panel of indicators enabling to follow up the implementation, appreciate global and sectoral results, and adjust if necessary.

### ***Declaration of service to citizens***

By December 2000, almost all ministries and institutions had undertaken measures to implement RBM. They had identified their clients and their expectations using different methods such as retroaction, group discussions, consultations, analysis of complaints, etc.

Over 300 discussions and presentations have been held to disseminate extensively policy directions and results. More than 420 IEC activities were undertaken in 2000, reaching about 85% of managerial staff, 67% of professionals, and about 50% of technical and support personnel.

### ***Multi-year strategic plans***

Since May 2000, government departments and administrative bodies have to produce and submit multi-year strategic plans to the National Assembly. These plans are one of the components of the RBM system. 84 government bodies have submitted a multi-year strategic plan. The majority of these plans cover the years 2001 to 2004. Tailor-made training in strategic planning have been given to over 220 employees in collaboration with public and private institutions. These strategic

plans have been used for the first time by Parliamentarians when examining the 2001-2002 estimates.

The President of the Treasury Council must submit to the National Assembly an annual expenditure management plan for each ministry. This plan must indicate for a given fiscal year choices made with respect to allocation of resources and measures contemplated to attain the objectives set in the strategic plan. Each plan reflects the budget of the portfolio assigned to each line ministry. These plans were presented for the first time in 2001-2002.

Teams of internal and external advisors were established by the Secretariat of the Treasury Council to support government departments and administrative bodies for the elaboration of their annual expenditure management plan.

### ***Performance accountability agreements and management agreements***

Performance and accountability agreements (CPI) are signed between the minister responsible and the unit's chief executive officer. The deputy minister of an administrative body is also part of the agreement. The agreement consists of a public commitment to meet service delivery objectives. The target and result indicators are presented in the CPI and the action plan enables follow-up.

The unit covered by the CPI is granted a degree of leeway with respect to its service delivery operations in return to a more rigorous commitment to produce results. In order to have this opportunity, a management agreement has to be signed between the President of the Council of Treasury and the minister responsible for the unit covered by the agreement.

CPIs and management agreements must be tabled at the National Assembly. Units under these agreements have to make public their targeted results and report publicly on their performance. The units under these types of agreements are called agencies and have a broader autonomy in exchange for commitment to achieve results. Guidelines have been elaborated to help prepare these agreements. As of March 2002, 11 agencies had signed CPIs, 4 CPIs were in preparation, 6 units were completing their transition, and 7 management agreements had been signed.

### ***Annual management reports and accountability***

The Deputy Minister or Chief Executive Officer has to attest to the reliability of information provided in the annual management report. They also need to appear before a parliamentary



committee of the National Assembly to discuss their administrative management. These reports need to be submitted to the National Assembly annually.

Guidelines were adopted by the Council of Treasury regarding accountability in order to underline the importance of providing credible information on the attainment of results. A guide was developed to help the process of preparation of annual management reports.

### ***Information management systems***

A new information resources management framework was adopted in February 2002. This framework now gives the responsibility of managing technology to government departments and administrative bodies. It establishes guidelines to ensure overall coherence and puts emphasis on the importance of developing integrated government services. Through a shift from *a priori* control to collaboration and role-sharing, the use of information is streamlined. Under the new framework, information resources are now considered from a strategic standpoint and not solely in terms of operations. The government “enterprise architecture” entails broadened responsibilities of departments and administrative bodies with respect to the choice of computers and peripherals. The new freedom to choose is only limited by the fixed guideline that interoperability and inter-connectivity must be maintained between systems in various departments. For this purpose government departments and administrative bodies must produce an information resources management plan and submit it to the Treasury Council, which will monitor overall system integration and major information technology projects, and will make an inventory each year.

The overall information technology model seeks to enable for each entity to pursue its sectoral mission while focusing on interrelationships throughout the government. A government-wide intranet has been set up to bolster productivity of public servants. Furthermore, an interdepartmental partnership fund of Can \$ 6 million a year has been made available to foster system integration among all departments.

Next steps towards complete implementation of RBM will be to:

- Integrate in a comprehensive perspective various components of modernization and coordinate the introduction of this vision by means of synergy and complementarities;
- Support the shift to a RBM culture by ensuring that all managers and employees master it and by supporting mobilization;
- Collaborate with government departments and administrative bodies on the implementation of the new management framework;

- Support the development of performance and accountability agreements and the conclusion of management agreements by relying on the potential of this mechanism adopted to deliver improved services;
- Enhance guides and support documents in light of experience;
- Monitor the deliberation of parliamentary committees and take into account the needs indicated by parliamentarians with respect to RBM and the transparency of government action;
- Oversee the development of electronic service delivery in response to the needs of citizens and enterprises.

The implementation of RBM is an iterative process and continuous adjustments are necessary to improve and account for unforeseen effects. It is expected that the process of implementing RBM in Quebec will take between 7 and 10 years.

### **Incentives for compliance**

No specific monetary incentives for compliance were set up in Quebec but, in order to ensure full participation, intensive information, education and communication campaigns were initiated.

### **Challenges, errors made and lessons learnt**

One of the major challenges is to establish linkages between budget allocation and the objectives set in the strategic plans. Also, translating strategic orientations and outcome/impact targets into activities with inputs and outputs (which outputs will lead you to desired outcomes) proved to be one of the most difficult tasks.

Training in strategic planning is very important. It can be useful to set up a technical unit of specialists in strategic planning and RBM in the coordinating ministry and in each implementing agency.

Semi-autonomous administrative units should be forced to adopt RBM rather than leaving it facultative. Those units are in general in direct contact with the clientele and therefore could more easily adopt RBM than a ministry which does not offer directly services to target groups.

RBM should enable to go beyond a simple production of documents. Results should be analyzed and recommendations be implemented in order for RBM to be useful.

There is often a strong resistance to change after decades of operating according to 'traditional' public management approaches which can make it difficult to implement RBM.

In the case of a developing country, the existing information system may have constraints which need to be addressed to a minimum before implementing the RBM. In the case of the Province of Quebec, the system existed and was simply improved, as part of a more far-reaching public information systems improvement initiative.

## **2.3 THE EXPERIENCE OF CHILE**

### **Context**

The Government of Chile initiated the design and implementation of a RBM system in 1994 (Sistema de control de gestion y presupuestos por resultados) in order to improve public management. The Ministry of Finance developed a number of instruments in order to have a more transparent budgeting process and to improve its analytical capacity and program formulation.

The RBM system in Chile was first initiated within the Pilot Plan for the modernization of management in public services (Plan piloto de modernización de la Gestión de servicios publicos) under the Direction of budgets of the Ministry of Finance (Direccion de Presupuestos or DIPRES). The objective of this Plan was to identify performance indicators and to elaborate a management control system in five pilot institutions. The first step of this plan was the identification of performance indicators in the pilot institutions. The process of gradually adding other participating institutions followed.

A number of services were not included in the process because of the difficulty of evaluating their performance with outcomes or impact indicators. These services were justice, legislation, defense as well as the General Auditor's Office.

### **Pre-conditions for getting started**

There is a need for a favorable political environment. In the case of Chile, the reform program called "Programa Marco" (see below) made the implementation of RBM easier.

Another pre-condition is the existence of a strong commitment to the implementation of RBM from the top management. Without this commitment, the implementation of RBM is unlikely to succeed.

### **Institutional arrangements**

#### ***Performance indicators***

- Participating institutions have the responsibilities to formulate and define their targets;
- Ministry of Finance, through the Direction of Budget, analyses the indicators and targets presented by the institutions;
- Congress receives the reports on indicators, targets, and achievement to process the budget (“Ley of presupuestos”).

#### ***Program Evaluation (EPG)***

- An Inter-ministerial committee ensures that (i) the evaluation objectives are consistent with Government policies; (ii) the logistical support to undertake the evaluation is available; and (iii) conclusions are taken into account by ministries;
- The Ministry of Finance (i) supervises the execution and good operation of the evaluation; (ii) provides methodological and operational design and resources; (iii) participates in the analysis; and (iv) approves the evaluation report;
- Regular program evaluations are carried internally by groups of three professionals. For impact evaluation studies and comprehensive evaluations of costs, evaluators come from universities and private consulting firms and are selected using a tendering process;
- Institutions evaluated participate in the evaluation process.

#### ***Management Improvement Programs (Programas de mejoramiento de gestion or PMG)***

- Institutions have the responsibility to formulate their PMG and develop activities to reach goals identified in their commitment or “contract”. The Head of each service has the responsibility to implement a participatory process for the formulation of the PMG, informing civil servants of the proposal;
- The Committee of Ministers is made up of the Ministry of Interior, General Secretary of the Presidency and Ministry of Finance. This committee approves the formulation and level of achievement of the PMG within the “Program Marco”,

- The Direction of Budgets of the Ministry of Finance is responsible for the technical and operational development of the program and coordination of activities;
- A network of experts formed by professionals of public institutions has the role of technical support to the Direction of Budgets in the design and formulation of PMGs. They also certify the achievement of management objectives;
- The Council of General Internal Audit of Government has a role of verification.

#### ***Central Fund for Government Priorities (Fondo Concursable)***

- The Ministry of Finance is responsible, through the Direction of Budgets, for technical definitions and processes.
- Since 2002, MIDEPLAN (Ministry of planning) receives proposals for revision and ranking. It includes the information gathered during the formulation of the budget. The ultimate selection is done after several meetings with the President of the Republic.
- Public services participate directly. Professionals who received training on the Logical Framework usually elaborate the proposals.

#### ***Public Account Reports (Balances de Gestion Integral or BGI)***

- Ministries elaborate their own BGI;
- The Minister Secretary General of the Presidency sends instructions jointly with the Ministry of Finance.
- The Ministry of Finance is responsible for technical and operational definitions related to the elaboration of the BGI.
- The National Congress receives the BGIs from each ministry for review.

#### **Implementation process, including time frame**

The RBM system was designed with reference to other country experiences, adapting these approaches to the Chilean context. The system includes a number of instruments which were progressively incorporated:

- Performance indicators (1994);
- Program evaluation (1997);
- Public account report (1997);
- Management improvement program (PMG) (1998);
- Central fund for government priorities (2001);
- Institutional evaluation (comprehensive evaluation of expenses) (2002).

Figure 2.2 illustrates the structure and components of the RBM system in Chile.

In 1998, several programs for the improvement of management in line ministries (Programas de mejoramiento de la gestión or PMG) were initiated. These programs associated performance indicators and targets, as well as performance-based incentives for civil servants. The programs had to be reformulated in 2001, because the proposed targets were not high enough and their monitoring and evaluation was difficult. These problems were related to an unequal level of management capacities in the institutions and insufficient technical work had been done during the preparation of the proposition and verification of the performance-based contracts. These programs are part of a larger public sector reform program called “Programa Marco”.

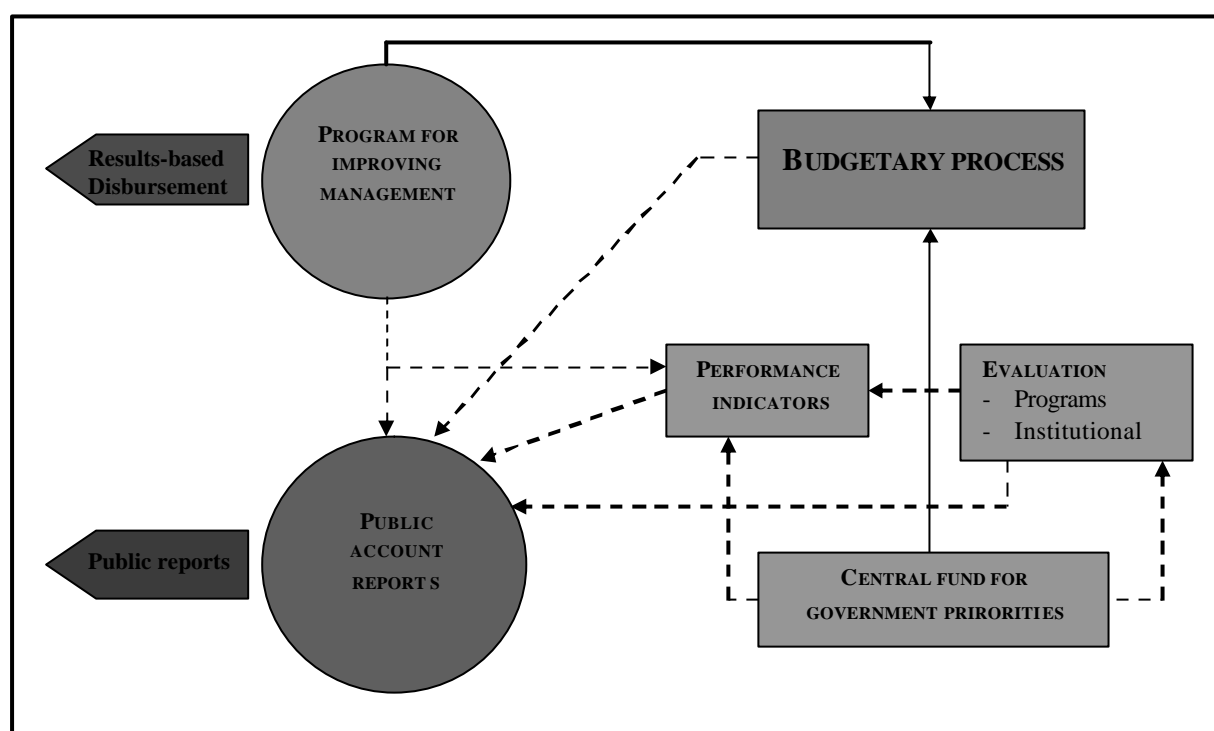
One of the principal objectives of the Programa Marco is the implementation of a management information system within the institutions. The six steps to the design and implementation of these management information systems are:

1. Strategic planning;
2. Design of the information system;
3. Implementation and improvement (if necessary) of the information system;
4. Presentation of performance indicators in the budgetary process of each year;
5. Establishment of priorities and weighting of indicators;
6. Commitment to achieve a minimum percent of prioritized and weighted targets.

It is important to internalize the use of performance indicators in the ministries. The implementation of this process was harder to conduct in the regional “intendencias” and provincial government constituencies because of the more complex institutional set up and the heterogeneity of internal procedures.

Program evaluation includes three types of assessments: (i) the evaluation of public programs, (ii) the evaluation of impacts, and (iii) the comprehensive evaluation of costs. It aims at improving management through institutional learning and greater accountability of public spending.

Figure 2.2: Diagram of the RBM system in Chile



Source: Ministry of Finance, Sistema de Control de Gestion y Presupuestos por Resultados: La Experiencia Chilena, Division de Control de Gestion, Santiago, 2003.

The first type of evaluation was based on the methodology of the Logical Framework. The second approach was only introduced in 2001. The third method was added in 2002 to evaluate jointly the political process, the programs and the procedures within an institution. These three types of evaluations need to be independent, public, reliable, pertinent, timely and efficient. Evaluations are usually done externally by a panel of experts coming from universities and consulting firms. Each final report is sent to the National Congress, Government and Ministries.

### *Central Fund for Government Priorities*

From 2001, a new public disbursement system was put in place. Ministries were asked to elaborate a budget proposal based on a budgetary framework that was tied to recurrent costs (determined by law, or medium and long term commitments). For new programs, reformulation or extension of programs, ministries had to apply to a Central Fund for Governmental Priorities (Fondo Concursable) to have access to new funding. These initiatives must be presented in a

standard format which is largely based on the Logical Framework used for Program Evaluation (EPG).

In 2002 and 2003, workshops were organized to present the methodology and the formats of program formulation. From 2002, an emphasis had to be given to gender issues in the proposals.

### ***Public Account Reports***

From 1997, the Budget Law established that public services have the obligation to give information on their objectives, management goals, and results. In 1999, the Ministry of Finance put in place a decree to create Public Account Reports (Balances de Gestion Integral or BGI) through which it is informed of results.

The BGIs are management reports presented in a standard format. They present the institutional context, identify the institution, present the results for the fiscal year, and major issues. They use most current financial and accounting processes and management control instruments.

BGIs are sent to the Congress and are published on the website of the Direction of Budgets. Other instruments also used are:

- Evaluation of investments on an annual basis to account for results and achievement of institutional commitments;
- CASEN is a socio-economic household survey which enables to evaluate benefit incidence of public programs;
- Evaluation of policies are determined annually by Congress in the budgetary process, and given to independent academic institutions.

The estimated time needed for the whole implementation of RBM in Chile is 10 years. Implementation of RBM was a stepwise approach over this period.

### **Incentives for compliance**

Taking into account the different levels of institutional development of each ministry, incentives to civil servants are based on the expected and achieved level of development reached in a given institution in each area. The process of reformulation of the PMGs was accompanied by technical support and diffusion concentrated on the following instruments or processes:

- Joint relevant information available in an interactive way (frequently asked questions);
- Creation of an inter-institutional network of experts led by the Direction of Budget;



- A methodology for support and technical assistance to the institutions through a direct relationship with the Direction of Budget;
- Systematized instruments for the formulation of PMGs available on the website of the Direction of Budget.

### **Challenges, errors made and lessons learnt**

The biggest challenge is how to make sure performance review results are used to influence decision-makers. This is one of the reasons why RBM needs to be an internalized process.

The fact that RBM implementation was initially voluntary meant less resistance from the staff of those departments, though resources were wasted attempting to implement RBM across a wide range of ministries.

Another challenge is how to set up incentives so that program managers accept and use readily RBM? It may not be recommended to use personal financial incentives, but institutional incentives should be put in place, such as more budgetary flexibility, possibility of savings from one budgetary period being reported to the next period, etc.

Good quality data is needed on performance indicators. The choice of indicators is not always easy; they should be specific, measurable, and relevant to measure results. Qualitative indicators are very difficult to measure, such as institutional development.

There is a need to relate indicators to the budget, so that there are incentives to perform and that review of performance translates into actual resource allocation.

Identifying the clients of the program can be challenging. The clientele is often very general, and there is a possibility that program managers are unaware of some beneficiaries. Better tracking of the clients is needed.

Some other major lessons learned from the Chilean case study are that:

- Systematization of processes is important (standard formats, methodologies, etc.);
- The use of an information system with easy-to-use databases is important;
- Extensive on-going training (professionals trained in strategic planning, logical framework, program monitoring and evaluation, IT/IS, etc.) is necessary;
- It is important to have a good network of experts on which you can rely;

- There is a need to identify linkages between products and services, performance indicators and the budget (this has proven not to be easy).

## **2.4 THE EXPERIENCE OF NEW ZEALAND**

### **Context**

In 1984 New Zealand's newly elected Governor took over an economy plagued by a variety of problems, ranging from a high deficit (9% of GDP), high amount of public debt (60% of GDP), as well one of the highest levels of inflation, slow economic growth, and reduced per-capita income among OECD countries. The new government introduced structural reforms and implemented a macroeconomic stabilization plan. However, government expenditure still accounted for about 40% of GDP.

At this time, the Government owned much of the infrastructure, including banking, postal and telecommunication services, a steel mill, a shipping company, production forests, electric power, and a large highway construction business. Most of these businesses operated consistently on a net-loss basis.

Furthermore, government departments were seen as bloated, inefficient, and poorly managed. Departments habitually exceeded their budgets, unused balances were spent in end-of-year shopping sprees, creative accounting was used to give the appearance of good performance, and the management of assets and cash was haphazard (Bale and Dale, 1998).

The objective of the new government was not only to create an efficient public sector, but one that was also responsive to the new strategic policy directions.

### **Pre-conditions for getting started**

While substantial criticism existed about the way the public sector was operating, one has to keep in mind that New Zealand's government had a tradition of a politically neutral, relatively competent civil service, little concern about corruption or nepotism, a consistent and well-enforced legal code, including contract law, a well-functioning political system, and a well-established private sector (Bale and Dale 1998). These preconditions of the New Zealand style restructuring are not always found elsewhere.

Two major steps were initiated before concentrating on streamlining the public sector. The first step was to decide which activities the government should provide and which could be divested or spun off to the private sector. The second step was to undertake structural and management reforms in the remaining “core” departments.

The reforms following these steps were intended to replicate the types of incentive structures that could be found in a well-functioning private sector, while taking into account the distinctive character of the public sector. The approach had five distinctive characteristics (Bale and Dale, 1998):

- Establishing clear lines of accountability between government ministers and their departments;
- Defining performance in an unambiguous and measurable way;
- Delegating authority to chief executives;
- Establishing incentives that reward or punish results relative to the agreed outcome;
- Reporting and monitoring performance.

To provide for legislative backup, two pieces of legislation were introduced. The State Sector Act of 1988 and the Public Finance Act of 1989. Both sought to reorient public management from the control of inputs to accountability for outputs. The former allowed for the replacement of all career department heads with chief executives on a competitive basis and employed under term contracts that specify their responsibilities and their accountabilities. It made the chief executives responsible for all departmental operations. The second piece of legislation shifted the budget and appropriation from inputs to outputs, thereby converting these actions into implicit performance contracts (Molander et al, 2002).

### **Institutional arrangements**

Three central agencies play a strategic role in implementing the RBM system in New Zealand:

- The State Service Commission appoints and manages the department heads (chief executives), administers the State Actor Act and has the function of advising and evaluating public performance and employment. It monitors the performance of chief executives on behalf of the minister. The reporting line to the State Service Commission is instituted to allow chief executives to manage their department independently from the Minister.
- The Treasury manages expenses and income of the Crown and the public debt;
- The Department of the Prime Minister and Cabinet advises the Prime Minister and is in charge of inter-ministerial coordination.

In contrast to other RBM implementing governments, New Zealand has not relied on a single agency to spearhead the implementation of the program, but has undertaken a government-wide implementation with the above agencies responsible for the processes.

### ***Delegation of authority and control through binding agreements***

In line with the new focus on private sector mechanisms to run the New Zealand government, department heads lost their permanent tenure and were appointed for a fixed term of up to five years. Now renamed chief executives, department heads work under specified, performance-based contracts that they negotiate with the responsible minister.

The chief executives are free to run their departments in the way they deem best suited to meet the performance goals. They make the decisions on the number of employees needed and the skill mix of the personnel as well as all appointments and terminations (based on performance-based contracts for managers and staff). It is said that chief executives in the New Zealand public services used to have full tenure and limited authority; now they have limited tenure and full authority (Bale and Dale, 1998).

The model of binding agreements was not only applied to chief executives and their staff, but also extended to link all policy makers and service providers. In addition to individual employment contracts for senior and middle managers, this framework was extended to include performance agreements for department chief executives, purchase agreements that specify the outputs to be supplied by departments to ministers, and statements of intent between departments and Crown entities<sup>9</sup>.

In the view of New Zealand politicians and managers, the contracts have enhanced performance not because of the terms, but because they provide opportunities to discuss matters of mutual interest. The process of drafting a purchase agreement encourages the minister and chief executive to discuss what they hope will be accomplished in the period ahead, and how to deal with problems that stand in the way of achieving agreed objectives (Molander et al, 2002).

### ***Outputs and outcomes***

An important distinction is made in terms of responsibility between 'output and outcome-responsibility'. Chief executives are responsible for specified outputs of their Department, while

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<sup>9</sup> Crown entities are legally not part of the State, but are corporate bodies acting in their own name. Each Crown entity is established by legislation that defines its relation to the responsible minister, its duties and responsibilities, and the manner in which it is to operate.

the Minister chooses those outputs (goods and services produced) that will be used to achieve certain outcomes (the effect of those outputs on the community). Outcomes are likely not within the control of the Chief Executives, and they cannot be held accountable for achieving them.

Outcome targets are set out in the Key Government Goals and then translate into Department output-focused Key Priorities for which the chief executives are held accountable. Over the years, strong emphasis has been placed on operational efficiency and accountability, and on the sharp distinction between the political accountability of ministers and the managerial accountability of chief executives. However, the core focus in New Zealand has thus far been on outputs rather than outcomes. In fact with the possible exception of Australia, no government has moved directly to an outcome focused approach to RBM (Kristensen et al, 2002, p12).

The following example demonstrates the setting of outcome goals and targets in New Zealand. The Maori education strategy is part of a broader strategy to reduce inequalities that Maori face and to improve their participation in society and their achievement. Because the strategy involves reduction of social inequalities, outcomes can only be achieved in the long term, which is defined as 10-15 years.

Table 2.1: Examples of goals, indicators, and targets

Goals	Indicators	Targets
Increase participation of Maori students in tertiary education.	Percentage of students who are Maori.	Increasing from 13.8% by 2002 to 16.7% by 2006.
Increase achievement of Maori students in tertiary education.	Percentage of graduates who are Maori.	Increasing from 15.1% by 2002 to 18.2% by 2006

Source: Kibblewhite and Ussher, 2002.

Kibblewhite and Ussher comment on the relationship between the political cycle and the policy cycle: “The outcome goals and targets in the Maori education strategy have considerable political buy-in. Although the eventual goals are often long-term ones, achievable two to three-year intermediate goals have been included. This enables ministers to focus on delivering tangible results within the electoral cycle.”

### ***Monitoring, Reporting, Coordination***

Departments report annually on effectiveness in reducing inequalities, including the amount of expenditure and its effectiveness. Each department must provide a full set of financial statements to their minister and to the Treasury on a monthly basis. These statements are done on an accrual

accounting basis.<sup>10</sup> In addition, departments must submit an audited annual Statement of Service Performance, outlining the output produced versus the output agreed upon, and providing information in the same way that private companies produce an annual report showing their financial statements and performance. The summary of all of these statements are published monthly, and annual audited statements are presented to the Parliament within three months of the fiscal year end.

### **Implementation process, time frame and costs**

For over a decade now, New Zealand has implemented their RBM model and is still engaged in working on the full implementation of their outcome focus. Bale and Dale (1998) stress the rigor and conceptual framework which has guided the country in its endeavor. In particular, they stress that one aspect that sets New Zealand apart from other public sector reforms is its underlying conceptual framework, which was based on identifiable theoretical constructs, proved valuable in several ways:

- First, it helped ensure that the reform was developed from a broad, system-wide perspective that focuses on the causes, not symptoms, of failure. For example, some involved in writing the reforms considered issues such as financial waste, excessive rules, and poor staff performance to be the problem. They were, in fact, only the symptoms; the real problem was the lack of management incentives;
- Second, the framework provided consistency for the multiple layers of decisions required in the design and implementation of the reform. These decisions, such as the nature of the accounting system, the approach to budgeting, and the degree of personnel delegations, were all made in a consistent manner;
- Third, it focused attention on a comprehensive approach. As a result, the reform addressed all aspects of public sector management and all parts of the public sector (departments, government corporations, local governments);
- Fourth, the framework guided the sequencing and implementation of the reforms. These decisions were based on what was most important from a top-down perspective rather than from the perspective of individual departments;
- Fifth, it aided in marketing the reforms to departments and the public. The coherence and comprehensiveness reduced fears that the reform was just another *ad hoc* initiative. The lesson for other countries is clear. Basing reforms on an analytically rigorous conceptual framework appropriate for the jurisdiction concerned and having the framework apply

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<sup>10</sup> Accrual accounting recognizes transactions and other events when they occur and not as cash transactions. The events are recorded in the accounting period and reported in the financial statements in the periods to which they relate, not when cash flow has occurred.

eventually to the entire public sector is likely to improve significantly the chances that the reform will be successful.

While no estimate of implementation costs has been provided, cost effectiveness has improved in tandem with the development of wage scales linked to performance. Savings from improved cash management have been substantial, enough to pay for all the system costs of the reforms, and inappropriate expenditures, which were quite extensive, have now all but disappeared. Cost per output has declined in some cases quite markedly. Human resource management has improved measurably, and explicit attention is paid to issues such as the development of management skills. The strategic gains are more difficult to assess, although some improvement is evident.

### **Incentives for compliance**

The key driving force behind the New Zealand public sector reform is the contractual framework which helped departments understand that, just as in the private sector, survival is dependent upon meeting the needs of the customer. Because their clientele is concerned primarily with service quality, government departments will strive to improve public service delivery, in the presence of sufficient competitive pressure (Bale and Dale, 1998).

Furthermore, the New Zealand conceptual model addressed concerns from a top-down perspective and was presented as a major reform. The change was based on a clear definition of the principal-agent role and clarification of the roles of key actors in setting and meeting performance incentives and expectations. An extremely important element was the re-defined managerial role of chief executives, who were given added flexibility with respect to staff recruitment, remuneration and promotion.

In addition to clear performance contracts and guidelines, the system makes extensive use of follow-ups and performance audits. Considerable success has been achieved through the implementation of better quality information systems, which facilitated the flow of information. The introduction of the new systems was the sole responsibility of the ministry concerned.

### **Challenges, errors made and lessons learned**

A World Bank evaluation of the New Zealand experience argues that it has led to improvements in financial discipline, prioritization of public expenditures and technical efficiency of outlays (Campos and Pradhan, 1997). However, the system-wide implementation faced some drawbacks as outlined as follows:

- While the corporatization of many non-core government departments was very successful, it tied up capital that could have been used to repay public debt. These crown corporations were not subject to the full discipline of the market because of the perception that an implicit government guarantee still existed. Furthermore, departments, which are subject to the RBM mechanism, only account for less than half of all funds that go through the State budget. Most funds are spend by Crown entities, non-departmental bodies that are outside the accountability structure (Molander et al, 2002). Subjecting more entities into the RBM system will extend the range of benefits that New Zealand has enjoyed up to this point. In recent years, the Government has started to sell some of the Crown corporations to free up capital and use it for debt repayment. Work still needs to be done to integrate the remaining Crown operations into the RBM framework.
- Contracting is not costless. Negotiating and enforcing contracts entail enormous transaction costs that have not been fully assessed in the overall costs of implementing the system. It is not such a burden on larger departments but, for smaller departments with less human and financial resources, it can be a significant operating burden.
- Outcome measures are rarely featured in evaluations and seem to be evaluated on an *ad hoc* basis with a few exceptions (Kibblewhite and Ussher, 2000). Central agencies are focusing on improving evaluation criteria when discussing policy proposals with departments, but the government is still elaborating a system-wide approach to outcome evaluation. The Government recently launched the “Pathfinder Project” with the goal of establishing an outcome measurement framework linking final outcomes, intermediate outcomes, and outputs (see <http://www.treasury.govt.nz>).

Schick (1998) argues that the New Zealand contractual model has “extraordinary cohesion” which has enabled it to survive changes of political and electoral regimes, and has significantly enhanced the government’s organizational performance, but he also identifies some areas of concern. In addition to the lack of attention to outcome measures and escalating transaction costs due to the strict form of contractualism, the following issues are outlined:

- Incentives systems may mean that individual interests defeat collective interests;
- Public service values may be weakened with a checklist approach to accountability and abdication of responsibilities for matters not specified in contracts;
- With internal contracting, chief executives can be dismissed, but ministers may lack the option of turning to another supplier.

With respect to transferability of the New Zealand model to other countries, Bale and Dale (1998) argue that this strict contractual model might not be fully acceptable in developing



countries. However, changing the appointment, appraisal and promotion system so that they are performance-based is likely to be possible and beneficial. Transparency is an important incentive mechanism. Provided that voters are able to replace their politicians if they do not make decisions in the public interest, developing countries can require improved specification and reporting of performance to government and to the public. The New Zealand model of delegating authority for input management to managers is likely to be useful in many developing countries providing that a meaningful output accountability system is implemented.

## **2.5. THE EXPERIENCE OF TANZANIA**

### **Context**

Tanzania, one of many countries which have prepared Poverty Reduction Strategy Papers (PRSPs), expects that future development assistance will support the strategies spelled out in its PRSP. However, donors are likely to be more willing to rely on these national processes if they have confidence in the financial accountability, efficiency, effectiveness and relevance to poverty reduction of the national system. While the PRSP focuses on the delivery of public services to the poor, the adoption of RBM parallel to the PRSP is likely to strengthen the fiduciary framework, make governmental action in poverty reduction more effective, but also builds confidence of donors in government policies and programs.

Before the introduction of Tanzania's PRSP, the country initiated various policies to streamline its governmental organization. From 1993-1998 it implemented a Civil Service Reform Program (CSRP), which was mainly concerned with (i) downsizing government functions through outsourcing to para-governmental institutions, and creation of agencies which are semi autonomous, and (ii) rationalization of employment through improvement of personnel records management and reduction in staff. Furthermore, it addressed issues of (i) efficiency through process re-engineering and introduction of modern technologies, and (ii) inadequate pay and proliferation of individual allowances through a pay reform (Boon and de Jong, 1999). The CSRP was succeeded with a more comprehensive Public Sector Reform Program (PSRP) covering a period of 10 years divide into three phases, starting in 2000.

### **Pre-conditions for getting started**

Since the mid-1990s, Tanzania intensified its efforts for poverty eradication. It developed the National Poverty Eradication Strategy, setting out the strategy and objectives for poverty

eradication efforts until 2010 (Vice President's Office, 1998). Parallel to its Strategy Paper, the Government worked on a long-term development vision formulated into the Tanzania Development Vision 2025. This document included a long-term vision of economic and social objectives to be obtained by 2025. While the document included broad objectives like a high quality livelihood, peace, stability and unity, good governance etc, it did not specify quantitative targets.

Finally, in 1998, the Government began work on the Tanzania Assistance Strategy (TAS) and, subsequently, on the Poverty Reduction Strategy Paper (PRSP), building on the previous pieces of legislation. The TAS was a Government initiative aimed at restoring local ownership and leadership in the development process. It aimed at promoting partnership in designing and executing development programs, had a five-year time horizon, and provided a broad national framework within which the PRSP operates.

RBM planning and budgeting in Tanzania is centered around its Poverty Reduction Strategy, documented in the PRSP of 2000. Performance budgeting started in 1998, linked with a three-year medium-term expenditure framework (MTEF), while a Performance Management system was designed as a component of the Public Service Reform Program and implemented in 2000. Linking block grants to specific service delivery targets at local government levels has been planned since 1998, but has not been fully implemented.

To align the operating requirements, the government formulated its objectives in the Public Service Reform Program as follows (see <http://www.mof.go.tz/government> for further details):

- To install a Performance Management System (PMS) in all government Ministries Departments and Agencies (MDAs);
- To promote strategic use of the available public financial resources through effective operationalization of the PMS and performance budgeting MDAs;
- To empower MDAs to improve their performance by appropriate incentives and organizational capacity development;
- To facilitate backward linkages with the various sector reforms by ensuring that these are factored into the formulating of the MDAs strategic plans;
- To create forward linkages for further Ministry restructuring, as well as decentralization of specific services to local governments by emphasizing the role of ministries in setting public service standards.

## **Institutional arrangements**

Political support for the RBM process in Tanzania is strong. This is evidenced by the fact that all government reforms are centrally managed by the Civil Service Department, which is part of the President's Office. The Inter-Ministerial Technical Committee, chaired by the Chief Secretary (also head of the Civil Service) has overall responsibility for overseeing the implementation. The members of this Committee are the permanent secretaries from all the ministries. In terms of practical implementation, the Civil Service Department has the role to spearhead and coordinate reforms in all sectoral MDAs. A variety of functions are also delegated to various agencies.

### ***Monitoring and Evaluation of Performance***

The Poverty Monitoring Steering Committee provides overall guidance for the Performance Monitoring System. Its members are from key sectoral and central ministries, research and academic institutions. Reporting to this committee is the Inter-ministerial Technical Committee, which was originally formed to draft the PRSP, and now coordinates its implementation and prepares progress reports.

Key operating units under this system are four Technical Work Groups (TWG) which report to the Steering Committee through the Inter-ministerial Technical Committee:

- A TWG on Surveys and Census, which coordinates the implementation of multi-year survey programs, under the leadership of the National Bureau of Statistics. It has started to implement a 12-year workplan. A Household Budget Survey and a population census were carried out in 2002. For 2003, an agricultural survey is scheduled;
- A TWG on Routine Data Systems is responsible for the coordination of routine data sources to produce timely and reliable estimates of poverty indicators. This TWG is not yet fully functional;
- A TWG on Research and Analysis is responsible for the coordination of research and analysis to investigate reasons behind poverty trends, and assess questions of causality and impact of the Poverty Reduction Strategy. This group is fully functional and has provided the first annual Poverty and Human Development Report for 2000/2001. It is also responsible for the establishment of definite baselines for the PRS indicators on income poverty, human capability, survival and nutrition;
- A TWG on Dissemination, Sensitization and Advocacy is responsible for the publication of key findings of the poverty monitoring system to the appropriate stakeholders.

The National Bureau of Statistics has started through a consultative process a separate initiative to establish a national database known as the Tanzania Socio-Economic Database (TSED). Previously, data was scattered in different ministries and organizations with no overview of which data exists or where to find it. Even though comprehensive data was collected, only a small portion was published in annual publications with much data remaining in each ministry and thus difficult to access by others. This database is to provide user-friendly information on a range of socio-economic indicators. The bureau envisions to make the database accessible via the internet, as well as to provide a full government network version<sup>11</sup>.

The Civil Service Department has established a unit overseeing a Performance Management System (PMS) installation in local units in order to coordinate the implementation of the PMS. Those units have organized change management teams that spearhead and coordinate the installation process.

### ***Integrated Financial Management System***

The Government has realized that an essential component of the RBM system is the delegation of authority to local management level. However, with this increased authority comes the risk of mismanagement. To minimize this incentive problem, further control instruments were required. The Government therefore has established three main control elements by means of its Integrated Financial Management System (IFMS):

- A cash management system ensures that the release of funds are made in a timely manner (quarterly for priority sectors, and monthly for others) in line with actual domestic and external resources, so that estimated fiscal balances and macro-economic stability are maintained;
- An expenditure control system in which local purchase orders are produced from the IFMS on the basis of available funds with the issuing MDA within the relevant budget items;
- A central payment system allowing control of unauthorized expenditures by means of the issuance of checks exclusively from this payment system, following checking for availability of funds and payment details by the Accountant General's Office.

To facilitate the financial implementation of PMS, the Government created the Performance Improvement Fund (PIF), which can be accessed by the local units to finance specific capacity building and service improvement initiatives.. Furthermore, due to the existing cash budget system still in place, fluctuations in resource availability have affected payment releases and program implementation. In the important areas covered under the PRSP, this instability has been

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<sup>11</sup> For details, see: <http://www.mof.go.tz/statisticsf.html>

diminished due to the Government's commitment to effectively protect the budgets of those priority sectors and funds are issued on a timely quarterly basis.<sup>12</sup>

### ***Auditing***

The government is pursuing a dual approach to monitoring efficiency and effectiveness in service delivery through an internal and external audit function. The Treasury has set up a Technical Audit Unit (TAU), which is conducting value-for-money audits as well as performance audits<sup>13</sup>. The Controller and Auditor General has the power, through the Public Finance Act, to carry out value-for-money audits.

### **Implementation process, time frame and costs**

An estimate of the cost of RBM implementation was not available.

### ***Private Sector Participation Program (PSP)***

In its effort to improve performance in the public sector, Tanzania's government introduced a PSP Program, allowing the private sector to provide non-core public services (Ronsholt et al, 2003). Acknowledging that the private sector is already supplying a wide range of supplies and services, further improvements in service delivery and cost savings are expected.

The following areas are earmarked as non-core to the Government:

- a) Executive and clerical services (fees/licensing processing, counter operations, payrolls, general administration);
- b) Professional services (accounting and auditing, consultancy, training and research, public relations, treasury and fund management);
- c) Estate and building services (gardening and landscaping, building maintenance, engineering services, cleaning, security and reception);
- d) Office services (information technology, typing/word processing, messenger and postal services, travel and transport, conferences).

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<sup>12</sup> For more details on PIF see: <http://www.tanzania.go.tz/psrp/download.html>

<sup>13</sup> Performance auditing addresses the question of efficiency in service delivery and intends to identify whether services are delivered as expected to the public within the budget provided. Value-for-money auditing addresses the question of proper authorization and application of the money for the purpose intended. It examines the economy, efficiency and effectiveness with which the audited body has discharged its functions.

The core focus of Tanzania's governmental restructuring is centered on its PRSP and entails the following sectors: basic education, primary health care, rural roads, water supply/sanitation, agricultural/livestock research, and HIV/AIDS.

With respect to human capabilities, survival and well being, the Government has outlined specific objectives in primary education and health, to be managed by output and outcome indicators, as well as efforts towards participatory development, legal reform and better governance. However, only in the education sector have objectives been consistently translated into output and input indicators.

### ***Indicators and Performance Results***

The indicators published in the PRSP have been generated through a consultative process. The Government formed a Technical Committee, which then organized regional and national workshops with all stakeholders, including villagers, councilors, district executive officers, NGOs and other representatives of the civil society. A national workshop was held comprising representatives from Government, donor communities, multilateral institutions, private sector organizations, NGOs, the public media and the informal sector. Beside these workshops, consultations were held with influential players in policy decision-making, including members of Parliament, the donor community, and Cabinet (URT, October 2000, pp 45-47).

While this process is certainly resource intensive, it has the benefit of disseminating the Government's objectives and is aimed at building consensus among various stakeholders. The drawback is a growing number of indicators, a lack of structure in revising and expanding target, and increased difficulties in measuring and interpreting the growing list of indicators. It might be preferable to have a shorter list of indicators and intensify the efforts in the process to measure and interpret the results for purposes of RBM budgeting and resource allocation, then review the chosen indicators at some later point and revise as necessary.

The first major initiative to prepare indicators for monitoring poverty took place in 1999. A list of 75 indicators in 14 sectors was drawn. Only a few impact-related indicators were highlighted. The PRSP focused on these 75 indicators, but careful consideration of the capacity to undertake data collection, analysis, reporting and meaningful use of the information in a timely manner further reduced the number of indicators. Another factor in the selection process was the availability of baseline data, i.e. whether it existed or would be measured within six years.

The Ministry of Education had for a long time a system of keeping statistical records for primary and secondary education; hence, the establishment of baseline data was easier in this sector. The task of identifying lower level (more disaggregated) indicators rests with the implementing agency. A sample list of local indicators across various sectors is provided in Appendix 2.

### ***Reporting and service delivery surveys***

MDAs are required to provide annual action plans, quarterly reports and annual reports on both recurrent and development budgets. However, reporting tends to focus on the use of inputs at the activity level rather than on outputs at the program level (Ronsholt et al, 2003). This seems to be in line with the stage of development of the Tanzania RBM implementation. Initially, focus is put on input indicators and subsequently, once data gathering and verification has made progress, more attention can be placed on output and outcome indicators.

After selection and, in some cases, measurement of indicators, a system of service delivery surveys was set up. Some indicators were developed to measure the level of public satisfaction with delivery of public services, determine weaknesses in the delivery of public services, and make appropriate corrections. For the central Government, pilot service delivery surveys were conducted in the Civil Service Department and in the Ministry of Water and Livestock Development. However, results have yet to be analyzed. Some service delivery surveys were also conducted at the local MDA level, but they appear to be a one-off event at this stage (Ronsholt et al, 2003).

### ***Time frame***

The Public Sector Reform Program encompasses the time frame 2000 – 2011 and is set up in three stages:

- Stage 1: Achieving sustainable improvements in the capacity of the public sector (2000-2005) by implementing the following components:
  - Performance Management System (PMS), including (i) the undertaking of service delivery surveys and self-assessments; (ii) the preparation of strategic and operating plans with medium term focus; (iii) the adoption of a performance oriented budget; (iv) the preparation of client service charters; and (v) the establishment of individual assessments/agreements;
  - Restructuring and private sector participation;
  - Management Information System (MIS) implementation;
  - Leadership and management development;

- Program coordination, monitoring and evaluation.
- Stage 2: Implementing Performance Management Culture (2005 – 2008)
- Stage 3: Implementing Quality Improvement Cycles (2008 – 2011)

### **Incentives for compliance**

Beside the auditing and reporting requirements discussed earlier in the chapters, the Government has implemented three other tools for further compliance with the RBM system: the Performance Improvement Fund (PIF), a salary enhancement program named SASE, and a system of classification of local government authorities according to their financial management performance.

#### ***Performance Improvement Fund (PIF)***

Realizing that the RBM implementation will put some burden on existing capacities in various MDAs, the Government has created a special fund, PIF, which can be accessed to finance specific capacity building and service improvement initiatives during the implementation. In particular, it provides funds to pay for preparation of plans, undertaking of service delivery surveys, in-house training, engagement of experts, holding participatory meetings with stakeholders etc. Furthermore, it also allows MDA's to provide incentive payments to mid-career technical and professional public servants in key positions under a special incentive program (United Republic of Tanzania CSD, May 2000, p. 4).

#### ***Selective Accelerated Salary Enhancement (SASE)***

In addition to overseeing organizational performance, individual performance is monitored and assessed semi-annually. In this bonus-like incentive program, individuals who are able to accomplish set targets in their agreement are rewarded with program payments, while others who don't meet those targets will be denied additional SASE funds and just maintain their base salary. As part of the PMS program, employees have to undergo an open performance review and appraisal program, where individual performance is measured against targets agreed upon. The funds for this program were made available through donor support.

Since implementation of SASE in 2000, there has not been a case of a recipient being denied the bonus fund allocation for failure to meet set targets. The scheme might therefore motivate staff in general with higher pay, but does not set a proper incentive structure for failure to meet set targets. This is a clear deficiency, not necessarily in the structure of the program, but in its



implementation. Three out of ten ministries have thus far accessed funds provided by the SASE program (PSRP Report, 2002).

### ***Classification of Local Government Authorities according to their financial management performance***

The Local Government Authorities in the best performance class will be rewarded with enhanced powers and responsibilities and also receive block grants with the privilege to plan and budget their use without further interference from central Government. Savings made on some services, activities and expenditure items can then be freely transferred to other budget items within the same sector.

In addition to these three systems, the government has initiated a variety of training programs throughout the ministries and departments; some of which are distant learning centers funded partially by donors to aid in the implementation of RBM (PSRP Report, 2002).

### **Challenges, errors made and lessons learned<sup>14</sup>**

Current limitations of the implementation of RBM in Tanzania in the following areas:

#### ***Data Problems***

National indicator targets have in many cases not been translated into local level targets. Knowledge of the national indicator does not provide much guidance to the individual local government agency on the target expected in that locality.

Weaknesses in the current routine data collection through the TWG are ranging from a lack of inter-connectivity and coordination among the different systems, and insufficient information currently available at the local level, to inconsistencies between data collected and the information required to support decision-making processes. Information flow tends to be one-way. Little feedback is given. There is a lack of incentives for local staff to ensure quality and timeliness in the data collection process. The major challenge will be to improve the upstream and downstream flow of information at all levels of government. This is a crucial step in building an evidence-based policy-making framework.

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<sup>14</sup> This section has largely been extracted from United Republic of Tanzania (2002), and Ronsholt et al (2003).

The main emphasis has to be directed toward making the local M&E system functional and coordinated within the overall Government. Policy makers, politicians and service beneficiaries also need to clearly understand what they can expect from the data monitoring system, how to access it, and the most efficient ways of handling the data for their needs. Further training, incentives, but also technical support and guidance are required for this step.

### ***Reporting and Performance Monitoring***

As mentioned earlier, reporting is a weakness in the current implementation. Even in cases of full compliance from local level management, the feedback process is just as weak. Reporting and feedback in the system needs to be strengthened. Many reports are produced solely for the purpose of triggering the release of funds. No feedback is given, except for the release of requested funds. Feedback is essential in the stepwise implementation process, which needs to incorporate feedback loops to eliminate flaws in the system, and to adopt the process to local needs.

At lower level agencies and councils where the implementation of programs takes place, a lack of capacity on planning and reporting is a major obstacle. These problems have led to major delays in releasing funds in some donor-funded projects.

Performance monitoring is still in its infancy. Local governments produce innumerable reports often aimed at individual programs and particular funding institutions. Inadequate cascading of targets, non-transparent grant allocation mechanisms, and poor routine data collection systems make it impossible to hold local councils responsible for results. Performance auditing was introduced in the Public Finance Act of 2001, but little has been done about its full implementation.

Furthermore, a multiplicity of reports is prepared which is counterproductive to the performance management goals. Valuable time is spent on preparing reports with identical or overlapping contents when more time and efforts could be spent managing civil service affairs. More coordination among ministries, agencies, but also donors is required to streamline this process.

### ***Auditing***

While internal and external audits are in line with an international standard approach to auditing, no institution has the manpower or the facilities to provide a comprehensive auditing function. The TAU is mainly staffed by engineers and focuses on major infrastructure projects, while the

National Audit Office is lacking technical expertise beyond accounting and procurement. In practice, there is currently no procedural requirement for conducting independent evaluation of the performance of the MDAs even though there is a growing demand for evaluation of programs (Ronsholt et al, 2003).

The implementation of RBM can lead to undesirable results when the performance of individuals and institutions is judged on the basis of data, which is prepared, but also audited internally by the same institution. There is clearly a risk of conflicts of interest arising in cases of self-evaluation such as this.

### *Other Issues*

Currently, only a limited portion of the expenditure budget is effectively subject to performance budgeting. It is the non-salary component of the recurrent budget, plus the locally funded part of the development budget, which is budgeted by the individual MDA. About ninety percent of the development component of the budget comes from donors under individual projects. Budgets for these projects are formulated outside the annual budget cycle and donors exercise substantial control over procurement and disbursement for these projects. The introduction of direct budgetary support by donors, which is one way of addressing this problem, is at its early stages. The integration of donor funds within the national budget is quite critical for expanding the RBM system and establishing causal links between programs outputs and outcomes.

One essential component of RBM is the delegation of managerial authority to lower levels and, with it, the transfer of staff from central to local government offices. Most of the staff working in local government agencies in Tanzania are recruited and managed by the central government. Attempts to transfer staff to the local level have so far failed, due to resistance by those concerned about their rights and benefits<sup>15</sup>. These concerns were mostly justified in light of the track record of many local government agencies who failed to properly manage employees' contributions to pension plans and other statutory social insurance schemes. A lot of work still needs to be done in terms of training, education and providing assurance rights and benefits will not be compromised. Otherwise, it will be hard to attract or retrain skilled personnel, especially those competitive in the private sector.

Real incentives for local government agencies are still lacking, as it is currently not possible to retain savings made in one sector or budget category and use the funds for another sector or

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<sup>15</sup> Of the total of 355,000 government employees, 170,000 are to be transferred from central government level to local government level.

budget category. Grants are sector specific and separated into staff and operational expenditures. Further delegation of management authority will have to be conducted to provide more incentives for local government agencies to act in line with full RBM implementation.

Realizing some of the shortcomings in the implementation of RBM, the Government has changed its budget guidelines for FY2002/2003 to include:

- An analysis of the environment in which the MDA operate in order to identify key issues affecting the formulation of its mission statement and strategic objectives. A gender concern is also included, particularly with respect to prioritizing women's needs in the setting of objectives;
- An institutional perspective including an in-depth review of the MDA vision and mission statements, objectives, policies and strategies with the goal of ascertaining validity and appropriateness of the stated issues;
- A budget performance review, covering actual performance of revenue, expenditure and work done during the previous year;
- Preparation of annual budget estimates for the next three years within the MTEF framework. These estimates are to include revenue, recurrent and development expenditures. The process involves (i) setting of objectives, targets, and activities; (ii) identifying inputs; and (iii) costing them.

The preparation of the draft budget proposal is conducted at all levels of management by one budget committee in each MDA. It is intended as a bottom-up exercise in that all MDA units, divisions and departments are involved to ensure relevance and adherence to the budget guidelines. While the amount of details and the intent is certainly within the framework of an overall RBM budget, the implementation at this stage might prove very ambitious. In order to avoid unnecessary details in budget preparation, it might prove beneficial to approve the budget at a more aggregate level of classification, but continue to put in place systems that will one day allow for a more detailed budget within the context of the MTEF and RBM frameworks.

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**APPENDIX 1:  
EXAMPLES OF OUTPUT, OUTCOME AND IMPACT INDICATORS  
FOR SOCIAL PROGRAMS**

A number of indicators can be used to measure outputs, outcomes or impacts of social programs depending on the characteristics of the target group and the objectives of the program, the availability of existing data, and the capacity of the information system. As mentioned in this document, only a reduced number of indicators should be selected, especially at the beginning of the RBM implementation process. This number is usually larger for evaluation purposes which aim at understanding the causal linkages explaining outcomes and impacts.

The indicators listed below are given as examples. Some indicators are calculated on the average population while others are calculated for specific target groups, e.g. poor/non poor, women/men. For each indicator, one indicates in parentheses whether this is mainly used as an output indicator (O), an outcome/result indicator (R) or an impact indicator (I).<sup>16</sup>

**1. Synthetic Social Development Indicators at Population level**

- GNP per capita (I)
- Human Development Index (HDI) (I)
- Human Poverty Index (HPI) (I)
- Gender related Development Index (GDI) (I)

**2. Production and Income related Indicators**

**Indicators of Access to Agricultural Land and Assets**

- Average area cultivated (R)
- Average irrigated area cultivated (R)
- Average number of agricultural assets per holding (R)
- Average number of heads of cattle per holding (R)

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<sup>16</sup> As already indicated in footnote 4 on page 4, the distinction between output, outcome and impact indicators can vary depending among other things on the objectives of the program.

### **Indicators of Access to Financial Services**

- Percentage of the population with access to financial services provided by bank, MFIs and the informal sector (O)
- Amount of savings deposited per inhabitant in banks and microfinance institutions (MFIs) (O)
- Amount of credit granted per inhabitant by banks and MFIs (O)

### **Indicators of Access to Economic Institutional Capital**

- Percentage of population participating in a NGO supporting income generating activities (O)
- Percentage of population participating in a cooperative (O)

### **Employment indicators**

- Employment rate (R)
- Unemployment rate by age group (15-24 and 15-64) (R)
- Migratory rate (R)

### **Income indicators**

- Percentage of the poor and vulnerable having access to a social safety net (O)
- Income (I)
- Consumption expenditures (I)

## **3. Health-related Indicators**

### **Indicators of Access to Water and Sanitation**

- Percentage of population located more than 30 minutes by foot from a source of drinking water per season (O)
- Proportion of population with sustainable access to an improved water source (O)
- Proportion of population with access to improved sanitation (O)

### **Indicators of Access to Social Institutional Capital**

- Percentage of population participating in a health-oriented NGO (O)

### **Indicators of Access to Health Care Services**

- Number of inhabitants per primary health care center (O)
- Number of inhabitants per pharmacy (O)
- Number of inhabitants per doctor (O)
- Number of inhabitants per nurse and midwife (O)
- Proportion of population living within a radius of 5 km of a primary health care center (O)

### **Indicators of Use of Health Care Services and Level of Satisfaction**

- Proportion of population living within a radius of 5 km of a primary health care center and using its services (R)
- Percentage of children from 0 to 11 months vaccinated against target diseases (Measles; Polio; Tetanus; Tuberculosis; Diphtheria; Yellow fever) (R)
- Rate of medically assisted delivery (R)
- Contraceptive use rate by fertile women (R)
- Rate of and reasons for use/non use of services by type (R)
- Satisfaction level by type of service (R)

### **Indicators of Health and Nutritional Status**

- Prevalence rate of main endemic diseases (I)
- Infant mortality rate (I)
- Under-five mortality rate (I)
- Maternal mortality rate (I)
- Morbidity rate per major disease (I)
- Life expectancy at birth (I)
- Malnutrition rate (acute malnutrition, stunting, weight insufficiency among children under 5 years) (I)
- Proportion of the population suffering from lack of: vitamin A, iodine, iron (I)
- Proportion of population below dietary energy consumption (I)
- Mortality rate due to HIV/AIDS (I)
- HIV/AIDS prevalence among 15-24 year olds (I)
- HIV/AIDS prevalence among pregnant women (I)
- HIV/AIDS prevalence among adults 15-49 year olds (I)

- Number of children orphaned by HIV/AIDS (I)
- Prevalence and death rates associated with malaria (I)
- Proportion of population in malaria risk areas using effective malaria prevention and treatment measures (R)
- Prevalence and death associated with tuberculosis (I)
- Proportion of tuberculosis cases detected and cured under DOTS (Directly Observed Treatment Short Course) (O)
- Percentage of disabled population (I)
- Contraceptive use rate by fertile women (R)

#### **4. Education-related Indicators**

##### **Indicators of Access to Education Services**

- Percentage of school-age children living beyond a 5 km radius of a school (O)
- Pupil/class ratio in elementary schools (O)
- Pupil/class ratio in secondary schools (O)

##### **Indicators of Access to Social Institutional Capital**

- Percentage of population participating in an education-oriented NGO (O)

##### **Indicators of Use of Education Services and Satisfaction Level**

- Percentage of school-age children living beyond a 5 km radius of a school and going to school (R)
- Gross enrolment rate (All levels; Primary; Secondary) (R)
- Net enrolment rate in primary education (R)
- Proportion of pupils starting grade 1 and reaching grade 5 (R)
- Dropout rate in elementary schools (R)
- Admission rate in elementary schools (R)
- Ratio of girls to boys in primary, secondary and tertiary education (R)
- Reasons for not attending elementary school (R)
- Reasons for elementary school drop-out (R)

### **Indicators of Education Level**

- Percentage of people who have completed elementary school (R)
- Functional literacy rate (I)
- Literacy rate of 15-24 year olds (I)

### **5. Housing-related Indicators**

#### **Indicators of Decent Housing**

- Percentage of home-owning households (I)
- Average number of people per room (I)
- Percentage of homes with walls made of concrete or plywood (I)
- Percentage of homes with roof of dwelling and of material other than thatching or mixed thatch
- Percentage of households with improved sanitation (I)

#### **Indicators of Access to Drinking Water (already mentioned in health-related indicators)**

#### **Indicators of Access to Modern Energy Sources**

- Percentage of households with a public electrical outlet (R)
- Percentage of households using gas and/or improved stove installations (R)

### **6. Poverty-related indicators**

- Proportion of population living below 1\$/day (PPP values) (I)
- Incidence of poverty (I)
- Intensity of poverty (depth) (I)
- Inequality of poverty (I)
- Poverty gap ratio (I)
- Contribution coefficient for a given region to national poverty (I)
- SST index (I)
- Gini coefficient (I)
- Expected time to exit poverty (I)
- Share of the poorest quintile in national consumption (I)
- Changes of poverty status over time across seasons and years (I)

## APPENDIX 2

### EXAMPLE OF INDICATORS AND TARGETS FROM A LOCAL REGION, KILOSA DISTRICT COUNCIL, TANZANIA

Sector	Impact / Outcome	Output	Physical / Financial input, Administrative Process
Education	<ol style="list-style-type: none"> <li>1. Access to quality education services improved.</li> <li>2. Improve institutional capacity to manage education.</li> <li>3. Improve infrastructure in schools.</li> <li>4. Improve teaching/ leaning environment.</li> <li>5. Implement policy and institutional focus on special, post primary education and adult education needs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Net enrolment raised from 60% to 65% by 2003.</li> <li>2. Gross enrolment rate increased from 75% to 85% by 2003.</li> <li>3. Dropout rate reduced from 25% to 20% by 2003.</li> <li>4. Percentage of qualified teachers increased from 40% to 75% by end of 2003.</li> <li>5. Needs assessment on education sector completed by 2001.</li> <li>6. Master plan for phased human resource development prepared by 2001.</li> <li>7. Phased training and support to teachers and education staff done by 2002.</li> <li>8. Book pupil ratio reduced from 1:3 to 1:2</li> <li>9. Blind children enrolment increased from 20 to 50.</li> <li>10. Mentally retarded class increased from 3 to 6 and their enrolment increased from 10 to 30.</li> <li>11. Deaf children enrolled increase from none to 5.</li> <li>12. 3 post primary centers supported by 2002.</li> <li>13. 30 learning groups in adult education formed and 80% functioning.</li> </ol>	<ol style="list-style-type: none"> <li>1. 60 classrooms in 30 schools constructed with community support.</li> <li>2. 30 classes in 15 schools rehabilitated</li> <li>3. 15 teacher houses in 15 schools. constructed with support of community.</li> <li>4. 150 pit latrine holes in 30 schools constructed.</li> <li>5. Supplies to schools commenced by 2001</li> <li>6. 150 teachers re-deployed.</li> <li>7. 60% of schools provide school meals.</li> </ol>

Source: Ronsholt et al, 2003



**APPENDIX 2 (CONT'D)**

**EXAMPLE OF INDICATORS AND TARGETS FROM A LOCAL REGION, KILOSA DISTRICT COUNCIL, TANZANIA**

Sector	Impact / Outcome	Output	Physical / Financial input, Administrative Process
Health	Access to quality of health services improved	<ol style="list-style-type: none"> <li>1. No. of health facilities increased by 4% from 69 units in 2000 to 72 units in 2003.</li> <li>2. Qualifies staff providing health services increased by 17% from 130 in 2000 to 297.</li> <li>3. Reduce deficit of working tools in health facilities by 30%.</li> <li>4. Improve the physical state and equipment in health facilities</li> <li>5. Improve training and distribution of Health staff.</li> <li>6. Avail health policy guidelines on community role.</li> </ol>	<ol style="list-style-type: none"> <li>1. 3 staff quarters constructed with community support by 2003.</li> <li>2. 2 new dispensary buildings constructed with Community support by 2003.</li> <li>3. 69 health facilities supplied with equipment and supplies by 2003.</li> <li>4. 69 health committees sensitized and community mobilized by 2003.</li> <li>5. 6 buildings rehabilitated with community support.</li> <li>6. Needs assessment conducted in 69 health units by 2001.</li> <li>7. 50 staff supported with training by 2002.</li> <li>8. 72 CBHC TOT's trained by 2003.</li> <li>9. Staff reallocation and distribution done in 69 units.</li> <li>10. Health policy document translated, available and distributed to 161 villages, 37 wards, and district medical board.</li> </ol>

Source: Ronsholt et al, 2003

**APPENDIX 2 (CONT'D)**

**EXAMPLE OF INDICATORS AND TARGETS FROM A LOCAL REGION, KILOSA DISTRICT COUNCIL, TANZANIA**

Sector	Impact / Outcome	Output	Physical / Financial input, Administrative Process
HIV/AIDS	<ol style="list-style-type: none"> <li>1. Prevalence of infections diseases including HIV/AIDS improved</li> <li>2. Community based strategies for control of infection diseases including HIV/AIDS</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduce morbidity due to infection disease by 15% by 2003.</li> <li>1. 4. Reduce mortality due to infection disease by 10% from 340 deaths 1999.</li> <li>2. 20% increase in households using appropriate sanitation e.g. Pit latrines, utensil racks, disposal pits.</li> <li>3. Reduce number of orphans due to HIV/AIDS by 2% from 1469 in 1999.</li> <li>4. Strategies for dealing with the infection diseases delineated, implementation plans drawn and awareness of communities raised.</li> <li>5. Data of people affected by AIDS collected from pilot areas by 2001.</li> </ol>	Not yet defined.
Water	<ol style="list-style-type: none"> <li>1. Access to clean and safe water for households improved.</li> <li>2. Increase exploitation of potential water sources.</li> <li>3. Reduce pollution of water sources.</li> <li>4. Improved availability of water sources.</li> </ol>	<ol style="list-style-type: none"> <li>1. Proportion of household with access to clean water within 400 meters increased from 48% to 57% by end of 2003.</li> <li>2. Cases of water borne diseases reduced by 10% by 2002.</li> <li>3. Incidence of destruction of water sources reduced by 10% by 2003.</li> <li>4. Appropriate water filtration operating in 5 villages by 2001.</li> <li>5. Watershed protection in 5 villages in place and operating by 2001.</li> </ol>	<ol style="list-style-type: none"> <li>1. Water master plan prepared.</li> <li>2. Phased implementation of master plan started by 2002.</li> <li>3. 4 appropriate technologies in water extraction tested.</li> <li>4. 30% increase in above activities by 2003.</li> <li>5. 14. Pilot on improved latrines to 5 villages.</li> <li>6. 4 new piped water schemes every year up to 2003.</li> <li>7. Water user committees formed in 30 villages.</li> <li>8. 44 piped water scheme attendants trained.</li> <li>9. One treatment plant constructed in Kilosa town.</li> </ol>

Source: Ronsholt et al, 2003

### **APPENDIX 3**

#### **MDG INDICATORS RELEVANT FOR SOCIAL PROGRAMS**

The 8<sup>th</sup> MDG about partnerships and commitments of industrialized countries to help developing countries is less directly relevant for RBM.

##### **Goal 1: Eradicate extreme poverty and hunger**

- Proportion of population below \$1 (PPP) per day
- Poverty gap ratio [incidence x depth of poverty]
- Share of poorest quintile in national consumption
- Prevalence of underweight children under-five years of age
- Proportion of population below minimum level of dietary energy consumption

##### **Goal 2: Achieve universal primary education**

- Net enrolment ratio in primary education
- Proportion of pupils starting grade 1 who reach grade 5
- Literacy rate of 15-24 year-olds

##### **Goal 3: Promote gender equality and empower women**

- Ratios of girls to boys in primary, secondary and tertiary education
- Ratio of literate females to males of 15-24 year-olds
- Share of women in wage employment in the non-agricultural sector
- Proportion of seats held by women in national parliament

##### **Goal 4: Reduce child mortality**

- Under-five mortality rate
- Infant mortality rate
- Proportion of 1 year-old children immunized against measles

##### **Goal 5: Improve maternal health**

- Maternal mortality ratio

- Proportion of births attended by skilled health personnel

#### **Goal 6: Combat HIV/AIDS, malaria and other diseases**

- HIV prevalence among 15-24 year old pregnant women
- Condom use rate of the contraceptive prevalence rate
- Number of children orphaned by HIV/AIDS
- Prevalence and death rates associated with malaria
- Proportion of population in malaria risk areas using effective malaria prevention and treatment measures
- Prevalence and death rates associated with tuberculosis
- Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS)

#### **Goal 7: Ensure environmental sustainability**

- Proportion of land area covered by forest
- Ratio of area protected to maintain biological diversity to surface area
- Energy use (kg oil equivalent) per \$1 GDP (PPP)
- Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons)
- Proportion of population using solid fuels
- Proportion of population with sustainable access to an improved water source, urban and rural
- Proportion of urban population with access to improved sanitation
- Proportion of households with access to secure tenure (owned or rented)

**APPENDIX 4****LIST OF CONSULTED WEB SITES****Canada:**

CIDA website: <http://www.acdi-cida.gc.ca/perfor-f/html>

**Chile:**

DIPRES website: <http://www.dipres.cl>

**Costa Rica:**

MIDEPLAN website : <http://www.mideplan.go.cr/sine/>

**United Kingdom:**

Center for Aid and Public Expenditures, Overseas Development Institute website:  
<http://www.odi.org.uk/pppg/cape/index.html>

**USA:**

Mercatus Center webpage: <http://www.mercatus.org>

General Accounting Standards Board: <http://www.seagov.org>

**State of Louisiana, United States**

Comprehensive Public Training Program in the Division of Administration:  
<http://www.doa.state.la.us/cptp/cptp.htm>

Louisiana Performance Accountability System (LaPAS): [www.doa.state.la.us/opb/lapas](http://www.doa.state.la.us/opb/lapas)

Division of Administration, Office of Planning and Budget, webpage:  
<http://www.doa.state.la.us/opb/index.htm>

Performance audits in Louisiana : <http://www.IIa.state.la.us/perform.htm>

Performance rewards through the Incentive Fund: [http://house.legis.state.la.us/housefiscal/incentive%20rewards/incentive\\_rewards.htm](http://house.legis.state.la.us/housefiscal/incentive%20rewards/incentive_rewards.htm)

Governmental Accounting Standards Board webpage on Performance Measurement for the US Government: <http://www.seagov.org/index.html>

### **State of Oregon, United States:**

2003 Report: <http://www.econ.state.or.us/opb/2003report/Report/2003BPR.pdf>)

”Benchmark Bluebook”: <http://www.econ.state.or.us/opb/2001bb/2001bb.htm>)

“Ten Ideas for Improving Oregon State Government Performance and Accountability”: <http://www.econ.state.or.us/opb/PerfMeas/10ideas.pdf>). Following documents on webpage: <http://www.econ.state.or.us/opb/>