

INTER-AMERICAN DEVELOPMENT BANK

MANAGING FOR DEVELOPMENT RESULTS

**Progress and Challenges in
Latin America and the Caribbean**

Roberto García López and Mauricio García Moreno



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Contents

| | |
|--|-------------|
| ACRONYMS | xi |
| PREFACE..... | xiii |
| PROLOGUE | xv |
| PART ONE | |
| CHAPTER 1. MANAGING FOR DEVELOPMENT RESULTS | 3 |
| Crisis and State Reform | 3 |
| The Genesis of Managing for Development Results | 5 |
| MfDR: Conceptual Model and Methodology..... | 9 |
| CHAPTER 2. PROGRESS AND CHALLENGES FOR MfDR IN | |
| LATIN AMERICA AND THE CARIBBEAN | 17 |
| Results-Based Planning..... | 20 |
| Results-Based Budgeting | 34 |
| Financial Management, Auditing and Procurement..... | 47 |
| Program and Project Management..... | 58 |
| Monitoring and Evaluation | 69 |
| CHAPTER 3. CONCLUSIONS AND FINAL CONSIDERATIONS..... | 79 |
| Proposals for Advancing Toward MfDR Institutionalization | 82 |
| PART TWO | |
| CHAPTER 4. COUNTRY-BY-COUNTRY ANALYSIS | 91 |
| Argentina..... | 92 |
| Bahamas..... | 96 |
| Barbados | 100 |
| Belize | 103 |
| Bolivia | 106 |
| Brazil | 111 |
| Chile | 115 |
| Colombia | 118 |

| | |
|---|------------------------|
| Costa Rica..... | 122 |
| Dominican Republic..... | 126 |
| Ecuador..... | 131 |
| El Salvador..... | 134 |
| Guatemala..... | 139 |
| Guyana..... | 142 |
| Haiti..... | 146 |
| Honduras..... | 150 |
| Jamaica..... | 155 |
| Mexico..... | 159 |
| Nicaragua..... | 163 |
| Panama..... | 167 |
| Paraguay..... | 171 |
| Peru..... | 175 |
| Suriname..... | 180 |
| Trinidad and Tobago..... | 184 |
| Uruguay..... | 187 |
| APPENDIX 1. SCORING CRITERIA | 191 |
| APPENDIX 2. PILLARS AND COMPONENTS OF THE PRODEV EVALUATION SYSTEM | 192 |
| APPENDIX 3. PRODEV EVALUATION SYSTEM: AN ANALYTICAL INSTRUMENT FOR RESULTS-BASED PUBLIC SECTOR MANAGEMENT | 194 |
| APPENDIX 4. THE MOST COMMONLY USED NATIONAL PUBLIC MANAGEMENT SYSTEM ANALYSIS INSTRUMENTS IN LAC COUNTRIES | 204 |
| REFERENCES..... | 207 |

LIST OF BOXES*

| | | |
|----------|---|----|
| Box 1.1 | Experiences of MfDR Effectiveness | 7 |
| Box 1.2 | MfDR and the Results Chain..... | 8 |
| Box 2.1 | Long-Term Visions: Some Examples | 28 |
| Box 2.2 | The Millennium Development Goals and the MTNPs ... | 29 |
| Box 2.3 | Results-Based Planning | 33 |
| Box 2.4 | Traditional versus Results-Based Budgets..... | 35 |
| Box 2.5 | Budgetary Reforms and the Management Environment | 36 |
| Box 2.6 | Chile's Management Improvement Program | 44 |
| Box 2.7 | Results-Based Budgeting | 46 |
| Box 2.8 | Financial Management, Auditing and Procurement | 60 |
| Box 2.9 | Program and Project Management | 68 |
| Box 2.10 | Information Dissemination..... | 76 |
| Box 2.11 | Monitoring and Evaluation..... | 78 |

LIST OF FIGURES

| | | |
|---------------|--|----|
| Figure 1.2.1 | The Results Chain..... | 8 |
| Figure 1.1 | Elements of the Management Cycle | 11 |
| Figure 1.2 | Pillars of the Management Cycle | 14 |
| Figure 1.3 | Levels of Analysis of the PES | 15 |
| Figure 2.1 | MfDR Index by Pillar and Development Level | 18 |
| Figure 2.2 | MfDR Index by Country | 19 |
| Figure 2.3 | Elements of Results-Based Planning | 21 |
| Figure 2.3.1 | Results-Based Planning Scores | 33 |
| Figure 2.7.1 | Results-Based Budgeting Scores | 46 |
| Figure 2.4 | Subsystems and Components of an Integrated Financial Management System (IFMS) | 48 |
| Figure 2.8.1 | Financial Management, Auditing and Procurement Scores..... | 60 |
| Figure 2.9.1 | Program and Project Management Scores..... | 68 |
| Figure 2.5 | Performance Dimensions | 70 |
| Figure 2.6 | The M&E System in Relation to Other Components of the Management Cycle..... | 71 |
| Figure 2.11.1 | Monitoring and Evaluation Scores..... | 78 |

* All boxes, figures, and tables have been elaborated by the authors unless otherwise cited.

Figures 4.1–4.25 list the development of MfDR pillars in each LAC country:

| | | | |
|------------------------------|-----|-------------------------------|-----|
| Argentina | 94 | Guyana | 143 |
| Bahamas | 97 | Haiti | 147 |
| Barbados | 101 | Honduras | 151 |
| Belize | 104 | Jamaica | 156 |
| Bolivia | 107 | Mexico | 160 |
| Brazil | 111 | Nicaragua | 164 |
| Chile | 115 | Panama | 168 |
| Colombia | 119 | Paraguay | 172 |
| Costa Rica | 123 | Peru | 176 |
| Dominican Republic | 127 | Suriname | 181 |
| Ecuador | 132 | Trinidad and Tobago | 185 |
| El Salvador | 135 | Uruguay | 188 |
| Guatemala | 140 | | |

LIST OF TABLES

| | | |
|------------|---|----|
| Table 1.1 | Elements of the Management Cycle and Their Relation to the Results Chain | 12 |
| Table 1.2 | Basic MfDR Instruments | 13 |
| Table 2.1 | Groups of Countries by Level of MfDR Development. | 17 |
| Table 2.2 | MfDR Index by Pillar and Level of MfDR Development | 19 |
| Table 2.3 | Scores for Results-Based Planning Indicators by Level of MfDR Development | 24 |
| Table 2.4 | Planning Institution by Country (2007–2008). | 25 |
| Table 2.5 | Planning Instruments by Country (2007–2008) | 26 |
| Table 2.6 | Civil Society Participation in National Planning | 31 |
| Table 2.7 | Types of Results-Based Budgets | 38 |
| Table 2.8 | Scores for Results-Based Budgeting Indicators by Level of MfDR Development | 39 |
| Table 2.9 | Relationship between Budget and Planning. | 40 |
| Table 2.10 | Countries with Numerical Rules for Fiscal Responsibility | 42 |
| Table 2.11 | Number of Countries that Disseminate Budget and Financial Statements via the Internet | 45 |
| Table 2.12 | Audit Characteristics According to Type | 51 |

| | | |
|--|--|----|
| Table 2.13 | Scores for Financial Management, Auditing and Procurement Indicators by Level of Development | 53 |
| Table 2.14 | Electronic Procurement Systems by Country | 59 |
| Table 2.15 | Scores for Program and Project Management Indicators by Level of Development. | 62 |
| Table 2.16 | Scores for Ex-ante National and Subnational Project Evaluation Indicators by Level of Development. | 64 |
| Table 2.17 | Scores for Information System Indicators by Sector . . . | 67 |
| Table 2.18 | Scores for Monitoring and Evaluation System Indicators by Level of Development. | 72 |
| Table 2.19 | Monitoring and Evaluation Systems in LAC, 2007–2009. | 74 |
| Table 2.20 | Countries with a Legal Framework and with Results Evaluation Systems | 75 |
| Table 2.10.1 | Type of Information Available on the Internet by Level of MfDR Development. | 76 |
| Table 3.1 | Suggestions for MfDR Institutionalization in Latin America and the Caribbean | 83 |
| Table 4.1 | Scores for each MfDR Pillar and MfDR Index (by Country and Level of Development). | 91 |
| Tables 4.2–4.26 list the score for each MfDR pillar in each LAC country: | | |

| | | | |
|------------------------------|-----|-------------------------------|-----|
| Argentina | 93 | Guyana | 143 |
| Bahamas | 97 | Haiti | 146 |
| Barbados | 101 | Honduras | 151 |
| Belize | 103 | Jamaica | 156 |
| Bolivia | 107 | Mexico | 159 |
| Brazil | 111 | Nicaragua | 164 |
| Chile | 115 | Panama | 168 |
| Colombia | 119 | Paraguay | 171 |
| Costa Rica | 123 | Peru | 176 |
| Dominican Republic | 127 | Suriname | 181 |
| Ecuador | 131 | Trinidad and Tobago | 185 |
| El Salvador | 135 | Uruguay | 187 |
| Guatemala | 139 | | |

Table A.1.1 Scoring Criteria 191

Table A.1.2 Criteria Scores as Percentages..... 191

Table A.2.1 PES Pillars and Indicators..... 192

Acronyms

| | |
|--------|--|
| CLAD | Latin American Center for Development Administration |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| FMAP | Financial management, auditing and procurement |
| IDB | Inter-American Development Bank |
| LAC | Latin America and the Caribbean; Latin American and Caribbean (i.e., LAC region) |
| M&E | Monitoring and evaluation |
| MfDR | Managing for Development Results |
| MTFF | Medium-term fiscal framework |
| MTNP | Medium-term national plan |
| NPM | New public management |
| OECD | Organisation for Economic Co-operation and Development |
| PES | PRODEV Evaluation System |
| PPM | Program and project management |
| PRODEV | Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness |
| RBB | Results-based budgeting |
| RBM | Results-based management |
| RBMS | Results-based management systems |
| RBP | Results-based planning |
| SAI | Supreme Audit Institution |

Preface

In the past two decades, there has been a significant change in the dynamics of public finances in many countries of the world. The prolonged period of expanding public functions and of sustained growth in the resources to provide for them came to an abrupt halt in the 1980s. Economies became more unstable and taxpayers less willing to shoulder an increasing tax burden. Drafting budgets using the incrementalist approach became synonymous with rigidity and therefore an obstacle to fiscal adjustments. This meant that new budgetary techniques arose that more effectively allowed for fiscal adjustment, stimulated the reintroduction of rules for balanced budgeting and promoted drastic fiscal adjustments as a fundamental component of macroeconomic stabilization programs.

Demand for greater fiscal discipline was not, however, accompanied by a similar reduction in the scale of state responsibilities. On the contrary, from the end of the 1980s onward, a growing gap could be observed between social demands and expectations and the capacity of public organizations to satisfy them. This gap was very noticeable in the Latin American and Caribbean (LAC) region, not only because governments there were facing growing demands to combat widespread inequality and poverty, but also because the fiscal capacities of the countries in this region are more limited than those of developed countries as a result of the population's incapacity to pay, the informal economy and the resistance of powerful pressure groups.

This reality brought with it insistent demand for greater efficiency in the allocation and use of public resources. In response to this, governments and public institutions needed to orient fiscal management toward achieving results, not merely the fulfillment of functions and activities. Many governments in the developed world and in the LAC region now declare their intention to implement results-based management systems. It is within this context that the Inter-American Development Bank (IDB) set up its Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness (PRODEV). PRODEV's objective is to offer countries in the LAC region the financial resources, technical tools and knowledge to implement initiatives aimed at placing the results that governments are committed to achieving at the very core of public management.

The book that you hold in your hands represents part of the effort that PRODEV is making to better understand the challenges faced by public institutions in LAC countries, with a view to improving public administration. With this publication, the IDB hopes to contribute to a necessary debate about the strategies and instruments currently in use so that public management can achieve still greater effectiveness.

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Prologue

Results-based management (RBM) is a public management strategy that involves decision making based on reliable information regarding the effects of governmental actions on society. It has been adopted in various developed countries as a way of improving efficiency and effectiveness in public policy. In Latin American and Caribbean (LAC) countries, governments and public managers show increasing interest in this management strategy. Given the relative novelty of RBM in the region, however, there is scant literature on the subject. This book is intended to fill this gap in two ways. First, it seeks to describe some of the basic RBM concepts and adapt them according to regional characteristics. Second, it presents an assessment, based on studies carried out in 25 countries, of the challenges facing LAC countries and their capacity to implement results-based public management.

Given that RBM is a comprehensive strategy that embraces various elements of the management cycle (planning, budgeting, financial management, project management, and monitoring and evaluation), this book highlights the role that these elements perform in public value creation. Therefore, before offering an exhaustive analysis of each of these elements, some reflections are provided about the characteristics each must possess and the way they should be integrated for governments to achieve the results they have committed to.

This book is especially addressed to government policymakers and to administrators and managers of national or subnational organizations that wish to understand the progress made and the challenges arising from results-based management in the region, as well as the tools that exist for implementation. As much as possible, the technical vocabulary that abounds in the fields covered in this book has been avoided to make the information as accessible as possible to both specialists and nonspecialists.

This book has four chapters. The first analyzes the origins of RBM, offers a conceptual model for its application in public management analysis of LAC countries and describes the methodology used in the study. The second chapter offers a survey of the progress and challenges faced by countries in the region that are implementing results-based management. The third chapter offers some conclusions and proposes an agenda to guide actions aimed at strengthening RBM. Finally, the fourth chapter presents a summary of the assessment of RBM capacity in each of the countries assessed for this book.

This work has been carried out within the framework of the Inter-American Development Bank's (IDB) Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness (PRODEV). This program, created in 2005, is intended to strengthen the Managing for Development Results (MfDR) capacity of the Bank's borrowing member countries.

Jorge Kaufmann and Marco Varea drew on the experience they gained in their assessment of several countries in the region to contribute suggestions that have enriched this book. Their valuable comments are much appreciated.

Part One

CHAPTER 1

Managing for Development Results

Crisis and State Reform

During the 1970s, developed countries embarked on a series of reforms to respond to the financial crisis of the time and to tackle some of the dysfunctions generated by the so-called Welfare State. These reforms, known generally as new public management and inspired by private sector management, were intended to modify the Weberian bureaucratic model of the state. This model was based on a series of principles, including the impersonal nature of working relations, the standardization of working procedures and routines, civil servant recruitment and promotion based on technical and professional prowess, rationality in the division of labor and the establishment of authority hierarchies. Over time, this model led to institutional structures that were rigid, centralized, pyramidal and procedure-based and that did not respond to the demands of the new economic and social context.

During the 1980s, the Latin American and Caribbean (LAC) region underwent state reform basically provoked by i) the exhaustion of the imports substitution model, which held sway from the 1950s onward and promoted the development of a country's industrial capacity through state intervention, and ii) the external debt crisis, which gravely affected the region's economy. The reforms, undertaken within the context of the emerging neo-liberal model and the changes experienced by developed countries, gave priority to the financial dimension of the crisis and initiated changes aimed at adjusting fiscal policy, reducing the state's functions and the size of the bureaucracy, and liberalizing trade.

Neither the imports substitution model nor the subsequent reforms were successful enough in the LAC region to establish administrative capacities commensurate with those of developed nations, which are in line with the principles of rule of law and the duties incumbent upon the state. In effect,

application of the bureaucratic model permitted developed countries to professionalize public administration, separate private and public affairs, and implement a merit system for staff recruitment and promotion. In contrast, in Latin America and the Caribbean, not one country completed the construction of the Weberian bureaucratic model along the lines of the developed nations. Although important nuclei of excellence and merit-based rules in public service were initiated in various countries, they have had to coexist with patrimonialism and designation of officers based on political clientelism (CLAD, 1998). A recent study shows that the bureaucratic structure in the LAC region displays fragmented employment systems, with promotions based more on patronage than on merit, and public managers subject to appointment and removal based solely on political affiliation, among other distortions that are sustained—with few exceptions—by the relentless logic of electoral politics that dominates the public service (Iacoviello and Pulido, 2008: 90).¹

In addition to these characteristics of the administrative system in all countries in the region, states have been challenged by changes in both their functions and in their citizens' demands and expectations. The universal extension of basic education registered in the great majority of countries has engendered better-informed voters than those existing a quarter of a century ago. Expansion of the citizen rights of children, women, indigenous peoples and the disabled has necessitated the creation of public policies that differ from traditional policies. Preoccupation with sustainable environmental management has also created new areas of government administration. Moreover, advances in communications and information technology have allowed the common citizen to gain access to more information about the workings of government. These factors have generated demands for more equal access to public resources and for better-quality services, obliging political authorities and institutional directors to manage more effectively and efficiently.

The departure point with regard to state reform in LAC countries is, therefore, very different from that observed in developed countries. On the one hand, there are problems of patrimonialism, meaning that there is no distinction between the public and private spheres, alongside inflexible institutional structures using procedure-based logic. On the other hand, new citizen

¹ Some of these characteristics are not limited to the public sector. Private enterprises in the region share some of these traits, such as systems not based on meritocracy and the goal of effectiveness and efficiency, as shown in the analysis carried out by Hofstede in IBM branches throughout the world (Torres Frago, 2008).

demands have converged and new functions have been created, in keeping with the globalization of markets and social rights. All of this has taken place within the context of scarce fiscal resources relative to social demands, whereby the state's capacity for action is limited.

This point of departure determines how state reforms should be approached and implemented. In particular, a comprehensive look at the consistency and coordination of the various departments that make up public administration (planning, budgeting, financial management, and monitoring and evaluation) is required, as is analysis of the processes for everything from the offers made by governments to the services that are delivered to citizens.

The Genesis of Managing for Development Results

New public management, which arose in the 1970s in developed countries, promotes incorporation of a managerial perspective into state administration. It proposes replacement of the traditional model of organization and public service delivery, based on principles of bureaucratic hierarchy, planning, centralization and direct control, with a public management model based on economic rationale seeking efficiency and effectiveness. In other words, it promotes the move from public administration toward public management. The countries that pioneered these concepts were Australia, New Zealand and the United Kingdom. It should be clarified, however, that new public management is not a homogenous concept. At least two perspectives, which are not necessarily opposed but are not concurrent either, have been observed. The first emphasizes management in state restructuring, whereas the second prioritizes the introduction of market mechanisms to stimulate competition (Larbi, 1999).

Results-based management arose in developed countries as a way of tackling fiscal and financial crises and maintaining the existing level of development. In developing countries, however, the objective is to accelerate the pace of development and it is referred to as Managing for Development Results (MfDR).

Among new public management's many tools and approaches aimed at strengthening the state's capacity to promote development is "results-based management, a framework whose function it is to facilitate effective and comprehensive processes for public organizations to create value (results) and thereby optimize performance, ensuring maximum efficiency and effectiveness, the achievement of government objectives and goals, and the continuous improvement of institutions" (IDB and CLAD, 2007).

Although inspired by private sector reforms, the MfDR approach takes specific characteristics from the public sector as the focal point of management, such as democratic procedures regarding decision making, accountability and the public interest. Effectively, the core of MfDR is “public value,” which refers to observable and measurable social changes that the state effects in response to social needs or demands established by a process of democratic legitimization. Such changes constitute the results that the public sector seeks to achieve.

The end goal of MfDR, therefore, is to help public organizations achieve the results laid down in the objectives and goals of government programs by managing the public value creation process. The notion of result in MfDR is associated with the social change produced by the state’s actions and not just with the activities or the products that contribute to this change, which are frequently taken as parameters for evaluating government activity. Therefore, for example, an education ministry’s management “result” will not be measured solely by the number of schools constructed, the number of teachers trained or even the number of children graduating per year, but rather by the skills that the students acquire and, in the long term, by the number of jobs they manage to get thanks to the education received.

It should be pointed out that social change does not refer solely to social policies, such as health care, education and housing, but also to other public policies, such as citizen security, agriculture, employment, justice administration and market regulation. It is important to stress the latter because providing goods and services within a context of market competition reduces their prices and puts them within the reach of more citizens, thereby giving rise to a better quality of life. All the aforementioned create public value and induce changes in society.

Implementation of MfDR does not rest solely on the goods and services-producing ministries, such as the sector ministries, but also on central ministries, such as planning and finance, and the entities charged with regulating national public management systems, which carry out important public value creation processes.

According to the aforementioned concepts, MfDR can be defined as a management strategy that guides the actions of the public actors of development to generate the greatest public value through the use of management tools that, in a collective, coordinated and complementary manner, are implemented by public institutions to generate fair and sustainable social changes for the benefit of the population as a whole.

MfDR involves decision making based on reliable information about the effects of government action on society. Therefore a key element for its

BOX 1.1 | Experiences of MfDR Effectiveness

Since 2005, various multilateral organizations and governments from all over the world have been documenting the effectiveness of MfDR in achieving significant changes in the impact that public sector activity has on the population's quality of life. Documents are produced each year that systemize these experiences in the realm of both national and subnational governments. The sourcebooks detailing emerging best practices in Managing for Development Results show the way in which different agencies the world over are achieving greater efficiency and effectiveness in their efforts to develop their countries. Moreover, they supply professionals and public directors with case studies and examples of best practices for MfDR implementation. The task of MfDR systemization and propagation is set out in the commitments that 88 governments, 26 multilateral organizations and 15 civil society organizations undertook in the so-called *Paris Declaration on Development Aid Effectiveness* in March 2005. Three worldwide editions of the sourcebook have been published, and new regional editions are currently nearing publication, including one detailing cases from Latin America and the Caribbean.

Source: <http://www.mfdr.org/>.

implementation is measurement of the changes that an action produces. This presupposes the availability of instruments that capture these variations, of systems that process the information and of procedures that include data analysis in the decision-making process—elements not always present within a state administration in Latin America and the Caribbean.

MfDR implementation calls for substantial innovations in public sector management, which supposes a sustained effort over the medium and long term that often transcends various periods of government office. These innovations might also require modifications of the public management systems, a legal or institutional framework, a search for consensus among the various state functions, alignment of the different components of the management cycle, and new organizational structures that promote coordination and teamwork instead of competition and individual effort. All this involves complex processes of trial and error in which various actors intervene: national political authorities, public managers, the legislative branch, the political opposition, monitoring agencies, civil society organizations, subnational governments and the private sector.

Above all, MfDR requires the transformation of the reigning institutional culture, based on the observance of procedures, into a new results-oriented culture. Results-based management is not generated by merely creating new rules. It is first necessary to generate a political and institutional environment

in which results become the focus of political debate, authorities are judged by the changes they effect on society and civil servants are given incentives to carry out their work efficiently. For these reasons, MfDR implementation should be seen not only as a challenge for a particular government, but as a state commitment.

By taking the results chain (explained in Box 1.2 and in Figure 1.2.1) into account, the great change proposed by MfDR is to put the desired results into first place and, accordingly, define the best possible combination of inputs, activities and outputs to achieve it. This approach differs fundamentally from the traditional bureaucratic approach, which takes the available inputs (physical and financial) and the actual or known activities or processes, and then defines the results accordingly.

Furthermore, MfDR promotes the idea that directors of institutions should take responsibility for results, not merely for carrying out functions. Such responsibility encourages much more substantial accountability founded on evidence that can be verified by both public opinion and civil society. It also signifies an important divergence from the traditional administration model and, therefore, requires explicit political will at the highest levels. Also, entities

BOX 1.2 | MfDR and the Results Chain

“Results-based management is centered on the clear notion of causality. The theory is that diverse inputs and activities lead logically to greater orders of results (outputs, outcomes and impacts). These changes are generally shown in the ‘results chain’ or ‘results framework,’ which clearly illustrates the cause and effect relationships. Development results are generally understood to be sequential and limited over time, and the changes are linked to a series of management steps within the programming cycle of any development initiative (project or program). Results-based management demands that managers regularly analyze the degree to which their activities and products have the reasonable probability of achieving the desired results, and to make continuous adjustments accordingly to ensure results are achieved.”

FIGURE 1.2.1 | The Results Chain

```
graph LR; Input --> Activity --> Output --> Outcome --> Impact; subgraph Efficiency; Input; Activity; Output; end; subgraph Effectiveness; Outcome; Impact; end; subgraph Execution; Input; Activity; Output; end; subgraph Results; Outcome; Impact; end;
```

Source: OECD and World Bank (2005).

with the power to influence the whole of the public sector need to set the standard for change.

Although MfDR is principally a management strategy and as such public authorities and managers are primarily responsible for its implementation, institutional results are not possible without the cooperation of those providing public services, whether they be doctors, teachers, receptionists or workers. For this reason, MfDR promotes a bottom-to-top approach for service administration, with primary consideration given to the demands of customers and users. MfDR thereby becomes a strategy for institutional change that links managers with customers—those responsible for making decisions with those who will be affected by those decisions.

Finally, to end this brief description of the principal characteristics of MfDR, it should be highlighted that MfDR also enables comprehensive and integrated public sector analysis by taking into account the entire management cycle and coordinating the different elements that contribute to public value creation. MfDR therefore focuses on how all national public management systems are aligned to obtain the results set out by government, thereby avoiding an isolationist and biased approach that, as previously mentioned, has often been a part of state reform in LAC countries.

MfDR: Conceptual Model and Methodology

The MfDR conceptual model presented here acknowledges as its forerunner the primary work *Open Model for Public Sector Results-Based Management*, which was published jointly by the IDB and the Latin American Center for Development Administration (CLAD) in 2007. Based on this work, a conceptual model has been developed that takes into account both the local characteristics of the public sector and the need to reflect a country as a whole, not just a specific institution or agency. The local characteristics of the public sector in LAC countries are i) the existence of an organizational culture based on the logic of ex-ante control and procedure; ii) the pressure of growing citizen demands for more and better services, and for a transparent government; and iii) the international context that imposes the development of systems that create a competitive state. These characteristics mean that the greater part of the systems involved in the public management cycle should be included in the model, and not just those favored by developed countries, such as leadership, monitoring and evaluation (Perrin).

The model integrates elements of the management cycle and thereby differentiates itself from other tools that analyze national public management

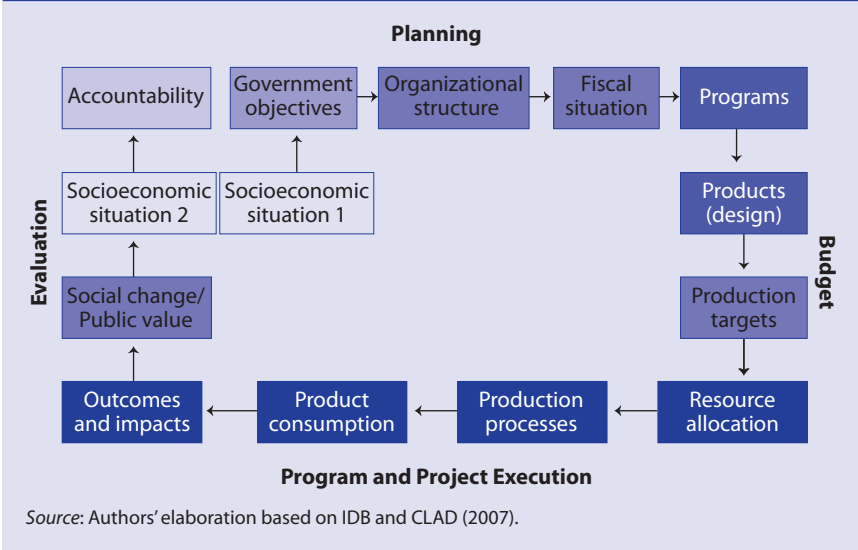
systems only partially and that are frequently used to assess a country's institutional capacity.² In effect, these instruments concentrate attention only on some elements (for example, the budgetary and financial aspects of public management), whereas some consider only the procurement function, ignoring planning, monitoring and policy evaluation. This limits the usefulness of such tools for determining the capacity of national systems to deliver the outcomes established in government programs and demanded by citizens. From the MfDR perspective, the primary weakness of some of these tools is that they were designed to report accountability and not to measure the capacity of national systems to deliver outcomes.

Figure 1.1 presents the four principal components of the public management cycle needed to achieve results: i) planning, ii) budget and finance, iii) program and project design and execution, and iv) monitoring and evaluation. These components should form part of a comprehensive system and not be compartmentalized, as happens in the majority of cases. Thus, planning and budgeting should be seen as continuous and complementary processes because planning cannot be undertaken without prior knowledge of the resources available and budgeting should not be undertaken without basic reference to the plan. In other words, the *what* and the *with what* are indivisible. Likewise, monitoring and evaluation nurture both the planning process and program and project design and execution, and the data needed to construct appropriate indicators is, in the majority of cases, already recorded by the public services. In practice, however, it is common for the institutions in charge of these functions to fail to achieve adequate coordination.

Table 1.1 describes each of the elements that make up the management cycle and associates each element with links in the chain of results. The table thus provides a schematic summary of how each of the elements contributes to produce results in public management.

The principal instruments used in LAC countries have been identified according to this model. Therefore, for example, the long-term vision is a tool used during planning to establish a country's goals for a period longer than a normal government term of office; management processes are used during the production of goods and services to establish precisely what authorities expect from public managers; and performance indicators are the means by

² Appendix 4 summarizes the assessment tools for budgetary and financial systems most commonly used in Latin America and the Caribbean. The PRODEV Evaluation System also includes some of these instruments.

FIGURE 1.1 | Elements of the Management Cycle

which government plans can be monitored. Table 1.2 defines the most commonly used instruments. Many of them are used in combination and in more than one pillar of the management cycle. Although the list is not exhaustive, it summarizes the most widespread practices related to MfDR in the region.

It is worth mentioning that apart from the aforementioned systems, another exists that, due to its very nature, cuts across the entire management cycle: the human resources system. Within an MfDR framework, expected standards of professional conduct and results must be provided to public directors and civil servants, as well as the consequences of meeting or not meeting these expectations (Iacoviello and Pulido, 2008: 107). For personnel management to work efficiently, a clear results chain has to be established and a monitoring system put in place that indicates whether or not goals are being met. Results-based human resources management cannot be promoted without a way to effectively evaluate the performance of civil servants.

Each one of the tools mentioned above can be seen as a link that enables the results chain to function adequately. However, effective and efficient management is not guaranteed by the mere existence of these instruments. For example, drafting strategic plans is common, but very few countries integrate the plan with the budget or have adequate monitoring and evaluation systems. This shortcoming prevents plans from being an effective part of the

TABLE 1.1 | Elements of the Management Cycle and Their Relation to the Results Chain

| Element of the management cycle | Definition | Results chain | |
|---------------------------------|--|---|---------|
| Socioeconomic situation | Analysis of a country's socioeconomic reality that justifies the plan's priorities and strategies. | Analysis of situation and desired situation | |
| Government objectives | Government plan that establishes the country's agreed goals and objectives over the medium and long term. | | |
| Organizational structure | Organizational structure (ministries and organizations) aligned with the objectives of the government's plan. | | |
| Fiscal situation | Analysis of the country's income and expenditure prospects over the medium term. | | |
| Programs | Strategies through which the objectives of the government's plan are reached. | | |
| Products | Goods and services offered by the programs that contribute to achieving the plan's objectives. | | |
| Production targets | Volume of goods and services to be delivered within a given time. | | |
| Resources | Allocation of resources to the programs. | Inputs | |
| Production processes | Production processes of goods and services to be delivered to the citizens. | Activities | |
| Product consumption | Distribution, consumption and use of goods and services by part of the population. | Outputs | Results |
| Outcomes and impacts | Changes in the short- or medium-term behavior or state of beneficiaries after having received the goods or services. | Outcomes | |
| Social change | Impact or change over the medium or long term in the target population's living conditions. | Impacts | |
| Accountability | Report by the authorities to the citizens about the results obtained. | | |

results chain. Therefore, one of biggest challenges for MfDR is aligning all of the tools so that they act in a coordinated and complementary fashion, and thereby contribute to achieving results.

TABLE 1.2 | Basic MfDR Instruments

| Instrument | Definition relative to MfDR |
|--|--|
| Medium-term strategic plan | Analysis of a country's situation and definition of the medium-term priority objectives, with their corresponding programs, goals and indicators. The programs must have a results framework, meaning a logic that explains the way the development objective will be achieved. This includes both the causal relationships and the underlying suppositions. |
| Results-based budgeting | Budgetary process (programming, approval, execution and accountability) that incorporates analysis of the results produced by public sector actions. Its expenditure provisions are classified according to the programs established in the medium-term strategic plan. Results analysis is based on both performance indicators and evaluations. |
| Medium-term fiscal framework | Tool aimed at extending the fiscal policy horizon beyond the annual budget calendar using revenue and expenditure projections for a period of three or more years. The projections are updated annually. During the framework's first year, this projection must correspond strictly to the budget. |
| Integrated financial and risk management | Integrated information system in the following areas of state administration: accounting, budget execution (including fiscal risk), tax administration, public credit and the treasury. |
| Public procurement system | Institutional and normative framework that promotes competition and transparency in public procurement and that is carried out on the Internet via an electronic transaction system. |
| Management contracts | Agreements between institutions in which commitments on results achievement, areas of competence during execution, conditions of compliance and the amounts of allocated resources are established. |
| Incentives | Combination of management rules aimed at stimulating, through the use of incentives, the achievement of objectives and goals by the teams working in institutional units. |
| Standards of quality | Basic necessary attributes for goods and services. |
| Performance indicators | Information systems that enable the results of development interventions to be verified or that show results in relation to what was planned. |
| Evaluations | Studies that enable systematic and objective appraisal of a current or completed project, program or policy, and of its design, implementation and outcome. The goal is to determine the suitability and achievement of objectives, as well as their efficiency, effectiveness, impact and sustainability for development. |
| Accountability | Periodic reports on results obtained relative to what was programmed. Includes internal and external audits. This information must be made available to citizens via the Internet. |

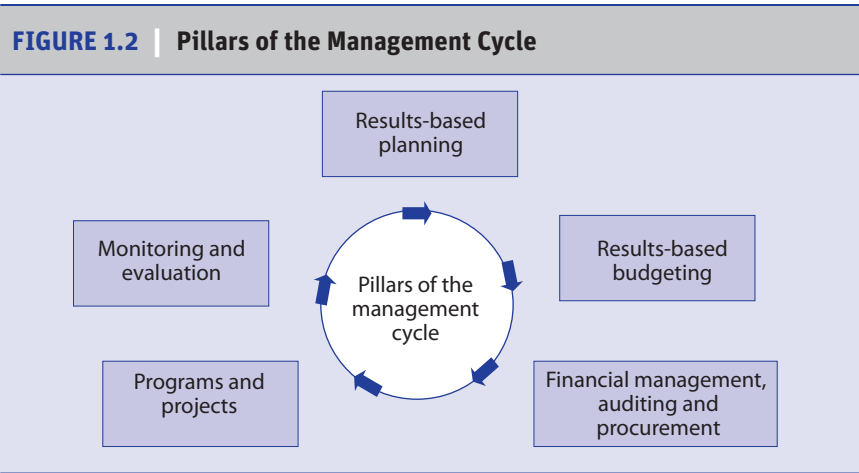
Note: Some of these concepts have been taken from OECD (2002).

The PRODEV Evaluation System

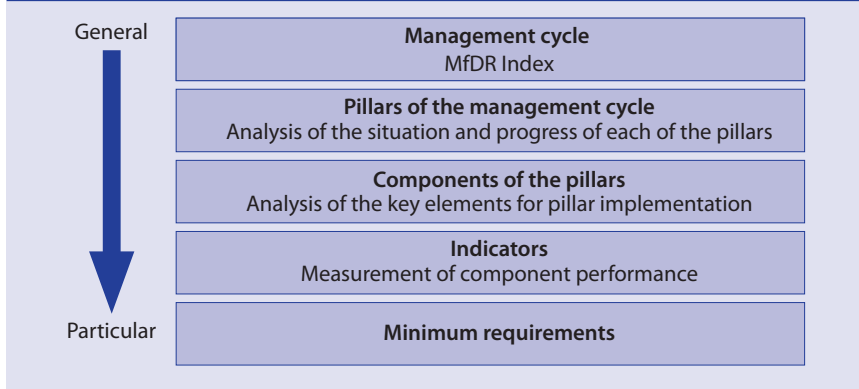
The PRODEV Evaluation System (PES) was designed according to the MfDR conceptual model to analyze the institutional capacity of countries in the LAC region to implement results-based public management.³ The assessment of institutional capacities is an important step toward determining strengths and weaknesses, and for preparing and implementing a plan of action that enables progress toward MfDR.

The PES divides the management cycle into five main pillars: i) results-based planning (RBP); ii) results-based budgeting (RBB); iii) financial management, auditing and procurement (FMAP); iv) program and project management (PPM); and v) monitoring and evaluation (M&E). Figure 1.2 illustrates the pillars included in the PES.

The five pillars of the management cycle examine the elements that are indispensable for a results-based public value creation process. In accordance with the scheme set out in Figure 1.3, these elements are sorted into three categories: components (16), indicators (37) and minimum requirements (141). The minimum requirements are scored on a scale of zero to five, where five is optimal. The indicators and pillars are scored according to the same scale. An



³ Drafting the methodology took place in two stages. First, the conceptual model was defined in collaboration with CLAD. Second, PRODEV designed the PES.

FIGURE 1.3 | Levels of Analysis of the PES

index showing each country's MfDR capacity is derived from the average of all the scores for the indicators.⁴

Given that reviewing the management cycle requires collection of data on a wide range of issues, the PES focuses solely on those that are directly related to MfDR or are indicators of MfDR capacity. This tool does not, therefore, analyze each pillar with the same depth and detail that a specialized instrument for a specific issue would, as is the case with assessment tools for public financial management, such as the Performance Measurement Framework in material relating to Public Expenditure and Financial Accountability (PEFA, 2005), or the Country Financial Accountability Assessment (CFAA).

It should also be stressed that the PES analyzes the management cycle only within the context of the national administration; it does not delve into autonomous entities, public enterprises or subnational governments. The national administrations of the following 25 LAC countries were evaluated between mid-2007 and mid-2009: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, and Uruguay.

The evaluations were carried out in four stages. During the first, the legal and institutional framework that underpins the functioning and interrelation

⁴ The qualification criteria are presented in Appendix 1. The list of components, indicators and variables is provided in Appendixes 2 and 3.

between pillars was analyzed, alongside existing assessments and other secondary sources, such as studies and research.⁵ In the second stage, government functionaries from the principal administrative areas were interviewed to complete information about the pillars.⁶ In the third stage, values were assigned to the variables according to the information and documentation obtained, and the first draft of a report was written for peer review. Finally, the report was covalidated with the authorities in each country, an indispensable prerequisite for information disclosure. The first three stages were carried out by consultants independent of the IDB to ensure the greatest possible analytical objectivity.

⁵ For the financial management, auditing and procurement pillar, the following assessments, among other sources, were used: Country Financial Accountability Assessment (CFAA), Country Procurement Assessment Report (CPAR), the chapter dealing with fiscal transparency contained in the Reports on the Observance of Standards and Codes (ROSC), the Methodology of Assessment for National Procurement Systems, and the Performance Measurement Framework of the Public Expenditure and Financial Accountability program.

⁶ Functionaries from the ministries of planning, finance and the executive branch were interviewed, as well as those from the bodies that regulate auditing systems, public procurement and national statistics. Civil servants from other ministries, such as education, health, social protection and public works, were also interviewed, with a view to further investigating aspects of program and project management.

CHAPTER 2

Progress and Challenges for MfDR in the LAC Region

Based on information obtained by using the PES, the MfDR Index was created to summarize the institutional capacities of each country with regard to the pillars of the management cycle. The average index for LAC countries is 1.9 out of 5, which indicates that the region is in the initial phase of implementation and has yet to arrive at the halfway point.

Study results demonstrate that there is a marked difference between countries in the region, and these have been organized into three groups according to the MfDR Index. More than half of the countries (15) are in the intermediate (medium) group (Table 2.1).

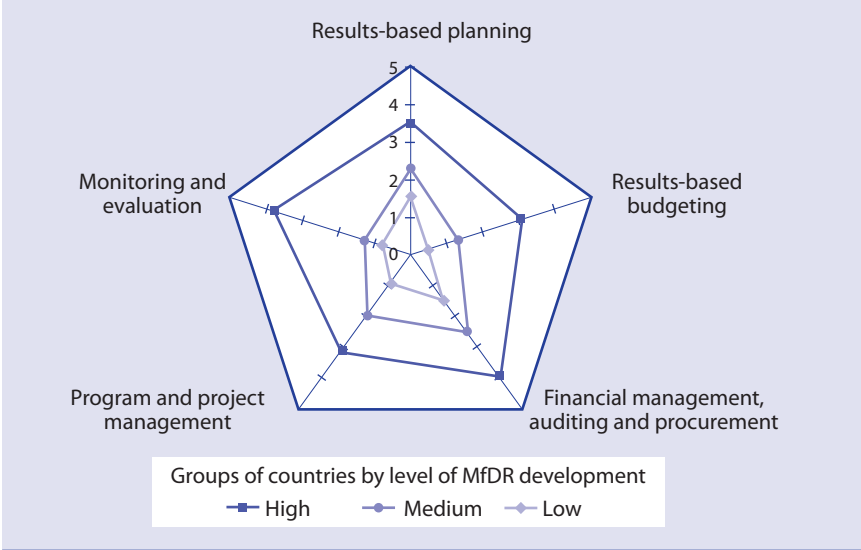
The countries with a high level of MfDR development are those that are relatively advanced with regard to management innovations. Brazil, Chile, Colombia and Mexico all have a great advantage over the rest of the countries in all pillars, particularly in RBB and M&E, without which it is impossible to implement MfDR. This group of countries also shows the greatest equilibrium between pillars, which demonstrates the comprehensive effect that MfDR has in its advanced phase (Figure 2.1).

In the medium-level group, Costa Rica and Peru stand out as leaders, as seen in Figure 2.2. It is worth mentioning that only six of the 25 countries

TABLE 2.1 | Groups of Countries by Level of MfDR Development

| Level of MfDR development | Country | MfDR Index |
|---------------------------|---|----------------|
| High | Brazil, Chile, Colombia, Mexico | > 3.0 |
| Medium | Argentina, Barbados, Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Peru, Trinidad and Tobago, Uruguay | < 3.0 > 1.5 |
| Low | Bahamas, Belize, Guyana, Haiti, Paraguay, Suriname | < 1.5 |

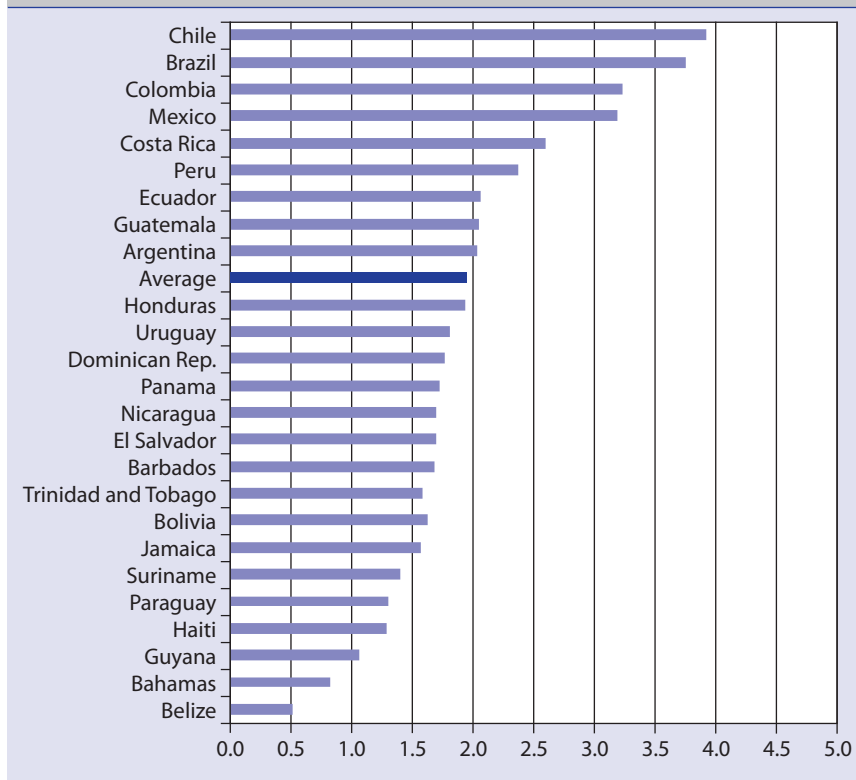
FIGURE 2.1 | MfDR Index by Pillar and Development Level



obtained scores significantly above the regional average, and that 13 of the countries scored between 1.5 and 2.

In the same way that there are different degrees of MfDR development among countries, the progress of the MfDR pillars is also unequal (Table 2.2). The most advanced pillars are FMAP, at 2.5, and RBP, at 2.3.

The high development index for FMAP is due to efforts in the past decade by governments in the region, and by international cooperation agencies, to improve public finances. Initially, these efforts were framed within the reform measures undertaken during the 1990s, which were intended to tackle the financial crisis. As previously explained, these measures were characterized by a marked fiscal bias and did not therefore sufficiently improve the state’s management capacity. At present, reform of the state is based on the conviction that efficient management of public resources is a necessary precondition for a country’s development. It is also worth mentioning that strengthening this pillar contributed fundamentally to mitigating the effects in the region of the international financial crisis underway since 2008. In effect, the majority of LAC countries now have balanced budgets, solid fiscal programs and correctly handled financial risks, including public debt. These countries were therefore able to absorb the impact of this crisis much better than earlier crises.

FIGURE 2.2 | MfDR Index by Country**TABLE 2.2 | MfDR Index by Pillar and Level of MfDR Development**

| MfDR Pillar | All countries | Level of MfDR development | | |
|---|---------------|---------------------------|--------|-----|
| | | High | Medium | Low |
| Results-based planning (RBP) | 2.3 | 3.5 | 2.3 | 1.6 |
| Results-based budgeting (RBB) | 1.4 | 3.1 | 1.3 | 0.5 |
| Financial management, auditing and procurement (FMAP) | 2.5 | 4.0 | 2.5 | 1.5 |
| Program and project management (PPM) | 1.9 | 3.1 | 1.9 | 1.0 |
| Monitoring and evaluation (M&E) | 1.6 | 3.8 | 1.3 | 0.7 |
| Average index | 1.9 | 3.5 | 1.9 | 1.1 |

Results-based planning has also developed better than the other pillars. The majority of countries have again adopted planning as a development instrument, after having abandoned it during the 1980s and 1990s. Current planning places greater emphasis on decentralization and operation, as well as on recognition of the market and social participation.

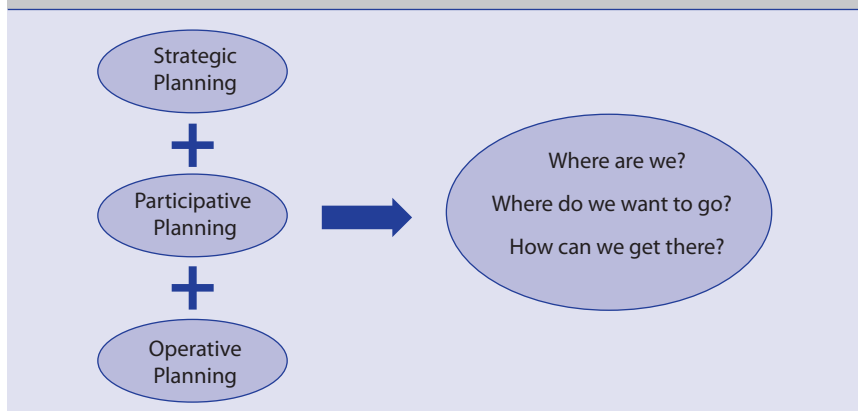
The PPM pillar exhibits slow progress (with a score of 1.9) despite the wide variety of programs that have been implemented over the past two decades to alleviate poverty and other social problems. These programs, which have generally been funded by international organizations, have not altered the management culture, which continues to be based on activities rather than oriented toward achieving results, particularly in sector ministries.

The pillars with the lowest scores—RBB at 1.4 and M&E at 1.6—reflect the lack of advancement in the majority of countries in the region. There is a very close link between these two pillars because RBB is based on the results of the monitoring and evaluation system for government actions. Although these pillars are important in strengthening MfDR capacity, significant progress was observed only in the most advanced countries.

Overall, the LAC region displays mixed progression toward MfDR. At one end of the spectrum, a small group of countries exhibits results-based public sector management systems; at the other end are the countries with emerging systems, where the traditional framework of bureaucratic management still prevails. The majority of countries in the region are somewhere between these extremes, within a space that might be defined as the initial phase of MfDR development. These countries display considerable progress in financial management systems, but at the same time show limited advancement in monitoring and evaluation systems and results-based budgeting. Chile stands out as the leader in the region because of its perseverance in management innovations. In the following sections, each of the pillars will be analyzed in detail alongside the components of the management cycle in LAC countries.

Results-Based Planning

Planning is the instrument used by government to define a country's road map or, in other words, its direction or destination. In planning, a country must respond to three basic questions: "Where are we?" "Where do we want to go?" "How can we get there?" To answer the first question, the country's social and economic situation is analyzed based on reliable statistical information. The answer to the second question is related to the incumbent government's objectives, which

FIGURE 2.3 | Elements of Results-Based Planning

must be supported by the legislative branch and civil society. Answering the third question requires analysis of the options available to achieve the objectives and choosing those that seem most appropriate and efficient.

Results-based planning therefore includes strategic, participative and operative planning (Table 2.3). Strategic planning must be included because the answers to the question “Where do we want to go?” must be derived from a clear vision of the future, at least for the medium term, and must propose a combination of objectives that have been prioritized by rigorous analysis of the political, social and economic environment. Plans drafted with innumerable goals cannot be considered strategic because government resources cannot be focused on the most important goals. One exercise that can help answer this question is formulating a long-term vision that allows the government to initiate a national debate to reach consensus on the challenges that should be met during the next 20 or 25 years. Although a long-term vision will not establish detailed strategies or objectives, it should be based on a well-documented assessment of the country’s socioeconomic tendencies and include goals to be achieved in each of the strategic areas.

Additionally, decisions related to *where to go* must consider the opinions of the majority of stakeholders in the country to ensure the government’s plan will be seen as acceptable and credible. Results cannot be achieved if the majority of those tasked to achieve an objective do not explicitly agree with the plan. The higher the degree of participation by the relevant actors in society, the greater the possibility the plan will be carried out and its achievements sustained over time. Legislative branch participation must therefore ensure

pluralist discussion of the plan's policies, and participation by civil society and private sector organizations will lend the plan greater social legitimacy.

Participation of civil society in MfDR is fundamental not only when the state is defining a road map, but also in other stages of the management cycle, such as budget formulation, goods and services management, monitoring and evaluation of programs and projects and, of course, accountability. It is therefore very important that state institutions place all information relevant to the outcome of government administration at the public's disposal, and that clear channels and procedures for participation by civil society organizations and the private sector are established.

Ruiz Caro (2002) maintains that the events of recent years suggest there is no inherent contradiction between the market and planning, as had been believed previously. In effect, flexibility and a long-term vision are essential in a rapidly changing environment such as exists currently, and both democracy and participation are necessary for a planning process with a comprehensive vision of development. Furthermore, the same author states that institutional reform processes can only be successful in LAC if i) public policies enjoy a wide base of citizen support, ii) public policies are medium- and long-term state policies, iii) channels are open to maximize participation by civil society, and iv) both the government and the opposition exercise the political will to initiate the changes. Greater social and economic advancement has therefore been observed in those countries in which the government and the opposition interact constructively to improve the quality of public policies.

Results-based planning also has an operational component to respond to the question "How do we want to get there?" To achieve the objectives proposed in the strategic exercise, products and processes need to be designed and the necessary inputs calculated. Furthermore, the economic resources required to implement the proposals need to be made available and allocated, and coordinated action must be taken by the institutions and organizations involved. Operative planning requires methodologies based on logical reasoning and that take advantage of the knowledge acquired by society with regard to socioeconomic development. Methodologies from a logical framework or from the results chain should show the cause-effect relationships that must exist between a strategic objective, the program designed to carry it out, the products that the institutions develop to set it in motion, and the necessary processes and inputs. Operational planning should also establish the responsibilities of public and private actors in answering "Where do we want to go?" and "How can we get there?" Clear responsibilities should allow for adequate

distribution and allocation of tasks and resources, and facilitate accountability thereafter.

To sum up, results-based planning must incorporate strategic, participative and operative planning. The product of this process should be set out in a national medium-term plan that includes objectives, programs and indicators. Further, the plan should be coordinated with the budget, and placed at the public's disposal via the Internet.

Results-Based Planning in Latin America and the Caribbean

In the past few decades, the region has undergone important changes in perspective and the institutionalization of planning. Until early in the 1970s, the prevailing view was that socioeconomic development was primarily associated with the planning capacity of a centralized state and thus the market was given a secondary role. This trend, framed by the countries' developmentalist enthusiasm and the early development of democratic institutions, gave rise to national plans characterized by voluntarism, formalism and economic reductionism (Lira, 2006).

Later, during the 1980s, the debt crisis, critiques of state-centered policies and the onslaught of the neo-liberal model led many countries to abandon medium-term planning. They closed down the offices created for that function, carried away by the idea that the market would resolve everything and by their disdain for the role of the state. Consequently, institutional power shifted during this decade from the planning ministries toward the finance ministries, given that macroeconomic stability was the central preoccupation of those responsible for policymaking (Zurbruggen and Berretta, 2006). Emphasis on the long term became emphasis on the short term.

Finally, from the middle of the 1990s onward, planning was conceived to be a fundamental state function, an instrument for achieving national agreements and grouping institutional forces around them. It was accepted that the state fulfills the function of promoting socioeconomic development, but simultaneously it was accepted that the government should work toward a favorable business climate that fosters private initiative and market development.

Current planning systems in the region display characteristics of all three planning stages, from the 1970s, 1980s and 1990s. In some cases, practices are observed that are inherited from the voluntarist planning of the 1970s; in others, the planning systems lack a legal and institutional framework; and in other cases, a planning function is under construction that is linked to the

TABLE 2.3 | Scores for Results-Based Planning Indicators by Level of MfDR Development

| Results-based planning indicators | MfDR Index | Level of MfDR development | | |
|---|------------|---------------------------|------------|------------|
| | | High | Medium | Low |
| Existence of a government plan | 2.8 | 4.0 | 2.8 | 2.2 |
| Consistency of the government plan | 2.6 | 4.1 | 2.8 | 1.3 |
| Integration of plan→programs→budget | 2.5 | 3.6 | 2.4 | 1.8 |
| Coordination of medium- and short-term objectives | 1.7 | 2.8 | 2.0 | 0.2 |
| Participation by legislative branch | 1.0 | 2.9 | 0.5 | 1.2 |
| Participation by civil society | 2.2 | 3.4 | 2.1 | 1.6 |
| MfDR Index for results-based planning indicators | 2.3 | 3.5 | 2.3 | 1.6 |

establishment of national agreements and coordinated with the budget. Table 2.3 provides the PES results for the planning pillar.

One glance at the institutions and their legal planning frameworks is enough to observe that nearly all countries have a public entity responsible for planning which, in many cases, enjoys the rank of secretariat or ministry (Table 2.4). However, the majority of countries lack a legal framework to regulate planning, which indicates that the institutionalization of the planning function is still weak. In effect, it is noticeable in many cases that the importance of planning depends on the interest of the incumbent governors. The lack of continuity that this brings hinders the establishment and consolidation of the human, financial and technical resources this function needs to perform adequately.

Planning Instruments

Long-term visions, medium-term national plans (MTNP), presidential agendas and poverty-reduction strategies are the four instruments available to countries in the region to respond to the questions “Where are we?” “Where do we want to go?” and “How can we get there?” Table 2.5 shows the instruments used by each of the countries studied.

A long-term vision is an instrument that incorporates a national agreement on long-term priority objectives that are expected to be references for medium-term government planning. On the other hand, an MTNP establishes

TABLE 2.4 | Planning Institution by Country (2007–2008)

| Country | Planning institution |
|---------------------|---|
| Argentina | Headquarters of the Cabinet of Ministers |
| Bahamas | Ministry of Finance |
| Barbados | Economic Affairs Division with the Research and Planning Unit |
| Belize | Nonexistent |
| Bolivia | Ministry of Planning and Development |
| Brazil | Ministry of Planning, Budget and Management |
| Chile | Ministry of the Presidency General Secretariat |
| Colombia | National Planning Department |
| Costa Rica | Ministry of Planning and Political Economy |
| Dominican Republic | State Secretariat for the Economy, Planning and Development |
| Ecuador | National Planning for Development Secretariat |
| El Salvador | Presidential Technical Secretariat |
| Guatemala | Presidential Secretariat for Planning and Programming |
| Guyana | Ministry of Finance |
| Haiti | Ministry of Planning and External Cooperation |
| Honduras | Technical Support Unit of the Presidential Secretariat |
| Jamaica | Planning Institute of Jamaica |
| Mexico | Presidential Secretariat, Treasury Secretariat |
| Nicaragua | Presidential Technical Secretariat |
| Panama | Nonexistent ^a |
| Paraguay | Technical Planning Secretariat |
| Peru | Ceplan (yet to be implemented) |
| Suriname | Ministry of Planning and Development |
| Trinidad and Tobago | Program Management Office |
| Uruguay | Planning and Budget Office |

^aAlthough Panama did not have a legal and institutional framework for the planning function, the government commissioned a plan to be drafted by an ad hoc team.

the priority objectives and their corresponding strategies for the entire public sector within a set government term of office. They are drafted through a formal process conducted by the central body responsible for planning and

TABLE 2.5 | Planning Instruments by Country (2007–2008)^a

| Countries | Long-term vision | Medium-term plan | Presidential agenda | Poverty reduction strategy |
|---------------------|------------------|------------------|---------------------|----------------------------|
| Argentina | | | | |
| Bahamas | | | X | |
| Barbados | | X | | |
| Belize | | | | |
| Bolivia | | X | | |
| Brazil | X | X | | |
| Chile | | | X | |
| Colombia | X | X | X | |
| Costa Rica | | X | | |
| Dominican Republic | | | | |
| Ecuador | | X | | |
| El Salvador | | | X | |
| Guatemala | | X | | |
| Guyana | | | | X |
| Haiti | | X | | X |
| Honduras | | | | X |
| Jamaica | X | X | | |
| Mexico | X | X | | |
| Nicaragua | | X | | X |
| Panama | X | X | | |
| Paraguay | | | X | |
| Peru | | | | |
| Suriname | | X | | |
| Trinidad and Tobago | X | X | | |
| Uruguay | | ^b | | |
| Total | 6 | 14 | 5 | 3 |

^aIn 2009, the situation changed in some countries, such as the Dominican Republic, which published its strategy for 2010–30 in November of that year.

^bAlthough Uruguay uses none of these instruments, it does have a quinquennial budget that acts as a medium-term plan.

they must encompass solidly justified programs, indicators and goals. A presidential agenda sets out the management objectives of the executive branch based on promises made in its electoral program. It is less structured than a medium-term plan. A poverty reduction strategy is prepared by the authorities in highly indebted poor countries using a process in which both stakeholders from the country and external partners in development take part.¹ To a degree, a poverty reduction strategy can be a substitute for an MTNP, but, given that it would generally focus on meeting social challenges, there would be some difficulties in the treatment of macroeconomic matters. All of these instruments are complemented by sectoral plans in various or all of the areas of intervention.

Only six of the countries analyzed have a long-term vision: Brazil (2022), Colombia (2019), Jamaica (2030), Mexico (2030), Panama (2025) and Trinidad and Tobago (2020).² These visions, which were formulated with the participation of civil society, are based on four or five strategic plans and their corresponding objectives. Long-term visions are primarily used to prioritize policies and provide a framework for both public and private sector decision making. In some cases, however, a long-term vision is not sufficiently integrated into a medium-term plan, thereby detracting from its efficiency as a planning instrument.

Two types of long-term vision exist. The first, which might be defined as *generalist*, does not indicate specific goals, but rather establishes the challenges faced by a country in general terms, how to combat poverty and how to protect the environment. The second model contains specific long-term goals (such as the Mexico 2030 vision), is more results oriented and enables greater integration with a medium-term plan (Box 2.1).

On the other hand, most countries (14 out of 25) have an MTNP. Although Brazil's and Colombia's plans represent what a MTNP should contain, the majority of plans have shortcomings. Some lack rigorous analysis of the socioeconomic situation they are based on, which hinders development of an adequate justification of the suitability and prioritization of objectives, and of the corresponding strategies designed to achieve them. Clarifying a problem is a critical prerequisite for finding a solution, and this is a step that many MTNPs do not complete meticulously enough.

¹ The most indebted poor countries in the LAC region are Bolivia, Haiti, Honduras and Nicaragua.

² Peru and the Dominican Republic were engaged in this exercise while this book was being prepared.

BOX 2.1 | Long-Term Visions: Some Examples**Colombia II Centenary Vision: 2019**

This vision was developed by the government based on a consensus among departmental governments, the central government and civil society. The document proposes four important objectives and 17 strategies in matters such as economic growth, physical infrastructure, human capital, and social and territorial development. The National Plan for Development 2006–2009 is consistent with this vision.

Mexico Vision 2030

This vision is structured around five plans of action that are in turn broken down into a total of 24 measurable goals. The stages that the project went through to achieve a consensual vision were citizen consultations, documentary analysis and, finally, information integration. The government integrated the National Plan for Development and the Sector Plans into a long-term vision. The vision's strategic guidelines coincide with those of the National Plan for Development 2007–2012.

Trinidad and Tobago: Vision 2020

Vision 2020 comprises five pillars, some of which are defined goals to be achieved in a fixed period. The Operative Plan for Development 2007–2010, which forms part of Vision 2020, is made up of measurable goals to be achieved by the end of that period and strategies formulated for the medium term. During the planning process, consultative sessions and dialogues were conducted with both central and regional public sector bodies, community organizations and special interest groups.

It is also noticeable that various MTNPs lack strategic vision because they do not prioritize objectives. On the contrary, they put forward numerous proposals without developing a hierarchy. Thus formulated, the objectives do not develop into an effective framework on which to orient a country's direction, but turn instead into a wish list. In part, this weakness is a legacy of the epoch in which planning, circumscribed by the centralist concept of the state, produced volume upon volume of documents covering all aspects of a country's situation.

Another weakness relates to the ineffective relationship between objectives and programs, which demonstrates a lack of operative planning. Some plans do not include programs and others present programs for only a limited number of objectives. Programs are frequently announced in a vague or generalized manner. Furthermore, programs pertaining to sector plans are not always integrated into the MTNP or do not correspond to any objectives contained therein. This lack of congruence between objectives and programs, between the MTNP and the sector plans, detracts from the effectiveness of the planning exercise and has negative repercussions throughout the management cycle, thereby hampering the achievement of results.

BOX 2.2 | The Millennium Development Goals and the MTNPs

All countries in the region incorporate the Millennium Development Goals (MDGs) into their national plans. The countries without MTNPs incorporate the MDGs into either poverty reduction strategies or sector plans. In general, the MDGs are incorporated in one or another of a country's plans, regardless of the strength of its planning systems.

Similarly, problems can be detected in program formulation. Few plans present projects with a logical causal model that justifies the adopted strategy and it is also unusual for the expected outputs to be announced, both important elements for MfDR. Even though the majority of plans present targets, these generally refer exclusively to the impacts and not to the outcomes, and still less to the outputs: it is therefore difficult to establish the route by which the plan might achieve the objective. Moreover, not all plans present annual targets; some merely indicate targets for the end of the period. Some of these deficiencies tend to be lessened if the national plan is translated into sector plans, which tend to be more detailed. However, this does not occur in all cases.

Another noticeable problem in various MTNPs is the absence of the designation of institutional responsibilities for each of the objectives and programs. Alignment between the organizational structure and the strategic plan is an aspect that must be considered as carefully as coordination of the plan and the budget because it affects the public sector's capacity to effectively set the programs in motion.

Legislative Branch and Civil Society Participation

Only in Brazil, Colombia, Mexico, the Dominican Republic and Suriname³ does the legislative branch debate and approve the government's national plan. In all the other countries, the legislative branch participates only marginally in discussing national plans, as this is generally conceived to be the preserve of the executive branch. This contrasts with the fact that in all countries the legislative branch discusses and approves the budget. If the plan is the guide for the budget, it might seem more logical for both to pass through the same

³ Uruguay also carries out consultation with civil society within the framework of its pluri-annual budget.

process of discussion, agreement-seeking and monitoring. The fact that plans and budgets receive distinct political treatment contributes to their lack of integration and shows that, in practice, the plan enjoys lower political importance than the budget due, perhaps, to the plan's traditional declarative nature. From the MfDR perspective, however, the plan should receive the same attention as the budget given that it is an expression of national agreements about goals for the medium term and is the framework for allocation of public resources.

Participation by civil society in discussions concerning MTNPs is far more widespread; eight of the 25 countries have a legal framework that obliges government to solicit the opinion of civil society (Table 2.6). Furthermore, some countries have set in motion different consultation mechanisms among wide sectors of society. In general, existing laws define civil society participation via two mechanisms: i) planning councils, with representatives from the public and private sectors, and ii) ad hoc consultation processes. The countries that have no legislation in this regard, such as Trinidad and Tobago and Panama, have adopted consultation mechanisms comprising forums, workshops and meetings. It is worth noting that Colombia has managed to couple the technocratic planning exercise with consultation with civil society. Colombia is thus able to boast a technically viable medium-term plan that enjoys social consensus.

In spite of some progress toward citizen participation in national planning, mechanisms to fully establish it are still nascent and its effectiveness varies considerably, not just from one country to another, but also between successive governments in the same country. Advances in citizen participation and consensus-building processes are still not institutionalized and depend to a large extent on rulers' particular interests. The planning exercise continues to place government at the core, and the building of long-term national agreements is therefore still a long way from being established in the majority of countries.

Integrating Planning with the Budget

Although governments have tended to strengthen planning, one of the biggest challenges facing LAC countries is integrating planning with the budget to clearly define plans and achieve the desired results. In the majority of countries there is a competitive relationship between the institutions responsible for planning and those responsible for budgeting, rather than one characterized by cooperation and integration. This competition is one of the principal obstacles to progress toward better MfDR practices.

TABLE 2.6 | Civil Society Participation in National Planning

| Country | Law regulating civil society participation in national planning | Citizen consultation tribunals or mechanisms in countries without a law |
|---------------------|---|---|
| Argentina | Nonexistent | Nonexistent |
| Bahamas | Nonexistent | Nonexistent |
| Barbados | Nonexistent | Widespread consultations with civil society organizations |
| Belize | Nonexistent | Nonexistent |
| Bolivia | Basic rules of the National Planning System | Not applicable |
| Brazil | Constitution of the Republic and <i>Act No. 10,180</i> | Not applicable |
| Chile | Nonexistent | Pro-citizen Participation Agenda |
| Colombia | National Development Plan Act | Not applicable |
| Costa Rica | Nonexistent | Nonexistent |
| Dominican Republic | Nonexistent | Nonexistent |
| Ecuador | Constitution of the Republic | Not applicable |
| El Salvador | Nonexistent | Nonexistent |
| Guatemala | Nonexistent | Widespread consultations with civil society organizations |
| Guyana | Nonexistent | Nonexistent |
| Haiti | Nonexistent | Preparatory commission for the National Strategy for Growth and Poverty Reduction |
| Honduras | Nonexistent | Consultative council for the Poverty Reduction Strategy |
| Jamaica | Nonexistent | Nonexistent |
| Mexico | Planning Act | Not applicable |
| Nicaragua | <i>Act No. 475</i> Citizen Participation | Not applicable |
| Panama | Nonexistent | Widespread consultations with civil society organizations |
| Paraguay | Nonexistent | Nonexistent |
| Peru | Ceplan Act | Not applicable |
| Suriname | Nonexistent | Nonexistent |
| Trinidad and Tobago | Nonexistent | Widespread consultations with civil society organizations |
| Uruguay | Constitution of the Republic | Not applicable |

One of the factors hampering good coordination between the plan and the budget is the uneven political importance given to each function. In many countries, real discussion about resource allocation does not take place in the plan but, rather, in the budget because of the short-term management model that persists from previous eras. This is noticeable in the majority of countries, where legislative branches discuss the budget but not the plan. Furthermore, few countries have arrived at a national accord that would provide government actions with a long-term perspective and obligatorily guide public resources management. Without this mandate, there is no reason for the budget and planning to ever be coordinated.

On the other hand, the regulatory, institutional and technical development of the planning agencies is comparatively inferior to that of the entities responsible for the budget. As previously observed, some countries lack a legal framework to regulate the planning function and some lack a specific planning body. On the contrary, all countries have regulations for the budgetary process and institutions responsible for implementing the budget. Ministries of economy and finance have developed permanent systems in recent decades. Furthermore, in the majority of countries, the ministries enjoy a higher status; in fact, their functionaries tend to receive higher salaries than in other areas of public administration. The planning authorities, however, never reach the status obtained by the ministers and, in various countries, the planning entities are newly created and thus still lack mature systems.

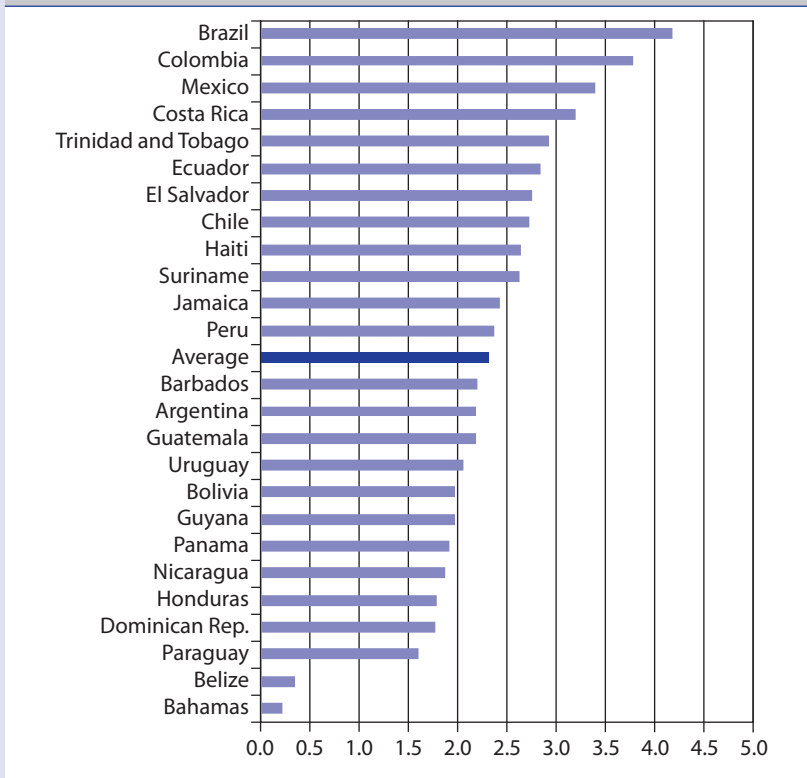
Moreover, planning maintains its regulatory and centralized character in various countries: the plan is the product of the ruling entity, the executors provide information but are not considered coauthors and the entire exercise lacks strategic perspective. Conceived thus, planning is not a function that traverses the public sector and is not therefore included within the real institutional dynamic.

However, the systems of Chile and Brazil can be highlighted as successful examples of coordination between the two functions. Chile opted for a scheme in which the entity responsible for the budget, the Treasury Budget Directorship, is at the same time responsible for planning (with emphasis on the short term) and monitoring and evaluation using mechanisms and instruments based on the budgetary cycle and public expenditure effectiveness analysis. Brazil, on the other hand, has integrated the budget function into its planning body and developed a centralized planning system. Both models have effectively tackled the problem of a disconnect between the plan and the budget. However, it must be remembered that institutional development in these countries has been made possible only within the framework

BOX 2.3 | Results-Based Planning

The countries that take the lead in the results-based planning pillar are Brazil and Colombia, followed by Mexico and Costa Rica. Of these, only Costa Rica lacks a long-term vision. Of the 25 countries studied, 19 have scores ranging from 1.5 to 3, which signifies that they find themselves at the proposals stage of results-based planning systems, which is the initial phase of implementation. Only two countries, Belize and the Bahamas, are still at the stage at which the systems have to be proposed. The planning pillar is the only one where Chile does not take one of the top two positions because it has yet to establish a medium-term national plan.

FIGURE 2.3.1 | Results-Based Planning Scores



of long-term national political pacts that have generated continuity in public policymaking, a condition sadly lacking in the rest of the countries in the region.

To sum up, when faced with the debt crisis in the 1980s, the majority of countries in the region abandoned planning and followed structural adjustment

policies. From the 1990s onward, many countries have adopted planning once more and established laws and institutions with a less-centralized approach, which considers the market to be an important element in development. The strength of a planning system is closely linked to a country's political structure: where there is greater social consensus around strategic policies and greater institutional stability, the system achieves the greatest progress.

Likewise, a wide variety of planning instruments can be observed, including long-term visions, national plans, presidential agendas, poverty reduction strategies and sector plans. From the MfDR perspective, the greatest challenge faced by systems in the region is to fortify planning to make it more strategic, participative and operative. This implies strengthening a plan's programmatic structures, integrating the short and the medium term, and coordinating the plan with the budget. Furthermore, a more inclusive planning process should be developed to include the legislative branch and civil society so that the strategic objectives reflect the thinking of society as a whole and are therefore given more chance of passing from one government to the next.

Results-Based Budgeting

In Latin America and the Caribbean, the search for greater efficiency and effectiveness in public resource allocation led to greater interest being taken in results-based budgeting (RBB). The scarcer the resources, the more important it is to augment the effectiveness of their use. RBB fulfills this goal because it combines processes and instruments that are capable of systematically integrating analysis of public management outcomes into the resource allocation process.

Implementation of a results-based budget requires the following elements (Marcel, 2007): i) a monitoring and evaluation system to provide comprehensive information about the results of actions financed by the budget, ii) formalized explicit procedures for analysis of the information and how the information is included in the budget formulation process, iii) an incentives structure that motivates public institutions to achieve better results and iv) rules governing financial administration that allow the necessary flexibility for resources to be used efficiently in the pursuit of results.

Performance indicators designed for program monitoring should provide the data on the results of executing the budget. The indicators should include the outputs (goods and services) generated by the programs, as well as the effects that they have on the population. Analysis arising from policy, program and project evaluations also represents an important input for the budgetary

BOX 2.4 | Traditional versus Results-Based Budgets

A traditional budget allocates resources to a public organization to be spent on certain inputs. The traditional budget reports on the inputs used by public organizations and how much was spent on inputs. Traditional budgetary monitoring ensures that the acts are legal and that expenditures are within authorized limits.

Inputs ⇨ Outcomes

A results-based budget allocates to public organizations resources to spend on inputs to generate certain outcomes. The results-based budget offers additional information about what is produced by organizations that produce the public goods, how many goods are produced, what results are expected and how much achieving said results will cost.

Inputs ⇨ Outcomes ⇨ Results

Source: Tavares and Berretta (2006).

process because it complements the information provided by the monitoring system and offers criteria regarding the outcomes and impacts of government actions.

RBB calls for the incorporation of results data into the budgetary resource allocation decision-making process, thereby avoiding that process being carried out on the basis of traditional mechanisms that do not take public expenditure efficiency and effectiveness into consideration. These traditional mechanisms include political clientelism to allocate resources and incrementalist practices to prepare the budget, which consist of increasing the resources allocated to each executor by the same proportion year after year. Incorporating data on outcomes and effects into the resource allocation process is a particularly difficult challenge in LAC because the budgetary systems only take into account financial execution and input data.

The way in which an RBB ties the resources to the results depends on the analysis of three factors: i) cost and result projections if the present situation persists, ii) analysis of the social tendencies arising from current policies, and iii) proposals for changes in the budget and analysis of the way in which this would affect those tendencies (Schick, 2008). These elements should be submitted for debate by both the legislative branch and civil society.

Incentives are central to a results-based budget because they favor the creation of synergies between the interests of people and institutions, and the country's interests as laid out in government strategies. The incentives applied

BOX 2.5 | Budgetary Reforms and the Management Environment

“Budget system reforms can fail for many reasons, but they will never be successful if the management and government environments are not open to the improvements. In particular, governments cannot budget for results without results-based management. The budget is embedded in the rules, traditions, culture, practice and relationships of public management. Governments budget in the same way that they administrate, and it is therefore necessary to modernize administrative practice to reform the budgetary process.”

Source: Schick (2008).

to the public sector can be monetary or nonmonetary and include i) quality accreditation for an institution, which brings social recognition and stimulates a sense of belonging among its employees, ii) individual or institutional prizes for excellence given by public authorities or by nongovernmental organizations (NGOs), iii) empowerment or responsibility transfer from higher to lower levels, iv) dissemination of institutional management results, and v) economic recompense, either individual (differential salaries or annual premiums) or institutional (funds open to tender) (Marcel, 2007).

To implement a results-based budget it is first necessary to count on certain basic prior conditions in the budget management process.

1. Draft the budget according to the policies: The budgetary process should include the results established by the government using the exercise of strategic planning as set out in an official document, such as a national or sector plan. One of the principal challenges facing RBB implementation, therefore, is integrating the plan with the budget. These processes, as previously observed in the majority of LAC countries, are carried out by distinct institutions with little coordination between them.

2. Possess a medium-term budgetary perspective: RBB works best if there is a fiscal policy horizon that goes beyond the annual budget, through cost and expenditure projections that extend for a period of three or more years. To this end, a medium-term framework (MTF) should be used to enable the annual budget to be formulated using a more strategic vision over the medium term.⁴

⁴ There are three kinds of medium-term framework:

1) The most elemental is the medium-term fiscal framework (MTFF), which includes aggregate revenue and expenditure projections.

3. *Establish rules that encourage fiscal stability:* Fiscal stability rules also contribute to RBB implementation because they fix limits, expressed in quantitative or qualitative terms, to be imposed on certain target variables, such as borrowing, fiscal deficit or public expenditure. Generally, these rules consist of special laws, known as fiscal responsibility laws. Fiscal stability is an important precondition for RBB implementation because it provides resource and expenditure predictability.

Furthermore, it is worth mentioning that RBB implementation also demands the existence of an institutional culture that promotes the transparent use of public resources and ensures the budgetary process is carried out rigorously. Among these conditions, the following can be highlighted (Schick, 2008):

- Establish a credible and realistic budget that is executed without significant deviations from the established amounts.
- Spend public funds only for authorized purposes.
- Make sure that reported costs correspond with real costs.
- Ensure that allocated funds are available during the course of the fiscal year to organizations implementing programs.
- Arrange a high level of transparency regarding public finances.
- Guarantee a low corruption level in public expense accounts.
- Have a management culture that promotes observance of the formal rules.
- Employ a professional civil service.

A study carried out by the Organisation for Economic Co-operation and Development (OECD, 2007) regarding budgetary practices among its member states classified RBB into the following three types according to the function that performance data fulfilled in the budget formulation process: nexus between performance data and resource allocation, purpose in the budgetary process and degree of use (Table 2.7). The three functions are: (i) report on performance for accountability purposes and to establish dialogue with

2) The medium-term budget framework (MTBF) includes more disaggregated expenditure and revenue projections.

3) The medium-term expenditure framework (MTEF) includes expenditure projections according to programs and sectors.

The latter is the one that enables greater integration with planning. For a general overview of these instruments in Latin America and the Caribbean, see Filc and Scartascini, 2008.

TABLE 2.7 | Types of Results-Based Budgets

| Type of RBB | Nexus between performance data and resource allocation | Purpose in the budgetary process | Degree of use |
|--------------------------------------|--|---------------------------------------|--|
| Presentational | Nonexistent | Accountability | Used in countries with some degree of social responsibility development, such as the Scandinavian countries and Chile. |
| Performance-informed budgeting | Indirect | Planning and/or accountability | The most common among OECD-member countries. |
| Direct/formula performance budgeting | Direct | Allocate resources and accountability | Used exclusively on specific programs and in South Korea. |

Source: OECD (2007) and World Bank (2008).

the legislative branch and the citizenry, (ii) base decisions regarding budget resource allocation on performance and other variables and (iii) allocate funds based solely on performance data and according to pre-established formulae.

Results-Based Budgeting in Latin America and the Caribbean

The majority of countries in the region still design their budgets along incrementalist lines; in other words, applying an increase each year that depends on the increment in resources. Generally speaking, a proportionally similar increase is provided to all organizations and institutions. In this scheme, there is no space for the changes demanded by good governmental management. On the contrary, incrementalism perpetuates antiquated expenditure structures as if they were valid for all time. Furthermore, it is common for consideration of political interests to intervene and prevail over the public good during the resource allocation process. Inefficiency results because all institutions receive resources, regardless of how well or badly they do their work. This promotes slovenliness among civil servants and does not stimulate good management by the authorities. It also generates inefficiency, as resources are not assigned to the government’s priority strategies, thus making planning a futile exercise. Finally, the traditional budgetary processes do

not favor transparency in the decision-making mechanisms for public resource allocation.

Furthermore, the dominant budgetary culture in the majority of countries does not facilitate public scrutiny of state resources. Given that expenditure results are not included, neither authorities nor citizens have any clear way of knowing what has been done with public resources. If the authorities cannot account for the public value created with taxpayers' money, then real government management accountability is impossible. Furthermore, the foundation of the hegemonic budgetary culture is control, not accountability. Tavares and Berretta (2006) point out that "centralized control is based on suspicion, which gives rise to a negative orientation in evaluating decisions made by public directors. In turn, and in response, a defensive attitude is generated within the organizations, alongside the reiterated argument that paucity of achievement is due to the scarcity of resources allocated by central government." Moreover, the authors add, budgetary reforms have up until now, in general, been focused on budgetary discipline at the aggregate level (medium-term fiscal framework) and on efficiency at the operative level (the annual operative budget), or in other words, on the macro and the micro. However, insufficient attention has been paid during budgetary reform design to the need to improve strategic management capacity and the adaptation of public policies. Table 2.8 shows the indicator scores for this pillar.

TABLE 2.8 | Scores for Results-Based Budgeting Indicators by Level of MfDR Development

| Results-based budgeting indicators | MfDR Index | Level of MfDR development | | |
|--|------------|---------------------------|------------|------------|
| | | High | Medium | Low |
| Programs-based budget structure | 2.3 | 3.5 | 2.4 | 1.2 |
| Medium-term fiscal framework | 2.1 | 4.4 | 2.0 | 0.9 |
| Fiscal responsibility law | 1.7 | 4.3 | 1.4 | 0.6 |
| Evaluation of expenditure effectiveness | 0.9 | 2.8 | 0.7 | 0.2 |
| Incentives for management effectiveness | 0.6 | 1.9 | 0.5 | 0.0 |
| Information dissemination | 2.6 | 4.1 | 2.7 | 1.3 |
| MfDR Index for results-based budgeting indicators | 1.4 | 3.1 | 1.3 | 0.5 |

Classification of the Budget According to Programs

A programs-based budget is a good base on which to make progress in a results-based budget; it is not, however, a *sine qua non* for RBB development. An alternative, for example, is to make allocations based on functional classification (e.g., education and health care) and establish performance goals for each function. The advantage of classification by program, however, is that it allows tracking and evaluation of the strategic programs and, furthermore, facilitates both coordination of the budget with the MTNP and achievement of the desired results. If both instruments contain the same program structure, it is easier to analyze their results and relate them to the allotted resources.

Of the 25 countries studied, eight have a program-based budget, but of these only Brazil exhibits correspondence between the budget's programs and those pertaining to the plan (Table 2.9). Although Chile does not have an explicit MTNP, it does have a presidential agenda and a ministerial programs strategic agenda that contains the national objectives designed to guide budgetary allocation. Ten more countries have budgets that include some programs, generally within a functional structure framework and as part of investment expenditure. It is worth mentioning the case of Peru, which is gradually implementing a programmatic classification based on the recent passing of an act (2007) aimed at creating a results-based budget.

| TABLE 2.9 Relationship between Budget and Planning | |
|--|---|
| | Countries |
| Countries in which planning and the budget are coordinated. | Brazil, Chile |
| Countries that are currently developing a similar programmatic structure for both the plan and the budget. | Bolivia, Mexico, Peru |
| Countries where the budget is structured by programs, but without corresponding to the plan. | Argentina, Barbados, Panama, Paraguay |
| Countries where the plan and the budget partially correspond. | Colombia, Costa Rica, Ecuador, Guatemala, Guyana, Haiti, Nicaragua, Dominican Republic, Suriname, Uruguay |
| Countries where the budget is not structured by program and does not correspond to the plan. | Bahamas, Belize, El Salvador, Honduras, Jamaica, Trinidad and Tobago |

The Medium-Term Budgetary Perspective

As previously mentioned, a fundamental aspect of structuring an RBB is establishing a medium-term budgetary perspective that goes beyond the horizon of the annual budget. This perspective is important for budget formulation because some expenditures might have an effect on the revenues and costs for the following year or may depend on future revenues. Of the 25 countries studied, 15 have a medium-term budget perspective with varying degrees of disaggregation and detailed projections, and with temporal horizons that range from three to six years. Even though the proportion of countries that formulate a medium-term framework is high, not all of them use it effectively for annual budget programming, and it thereby becomes, in many cases, only a formal and referential exercise.

A recent study (Filc and Scartascini, 2008) points out some of the most common problems related to MTF formulation in LAC countries:

- i. MTFs are drafted without the collaboration of the sectoral ministries, which leads to a lack of interest and commitment by these actors to comply with the MTF's provisions.
- ii. MTFs are carried out without sufficient coordination with the sub-national governments that execute a high proportion of the budget, which means that the information tends to be imprecise and untimely.
- iii. MTFs are based on statistical projections of often inadequate quality.

Improving the formulation and use of MTFs would mean that countries could rely on improved capacity for results-based management.

Countries in the region that have a medium-term fiscal framework are Argentina, Barbados, Brazil, Chile, Colombia, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Peru and Uruguay.

Fiscal Responsibility

Fiscal responsibility laws are intended to improve public resource management discipline by making expenditures more predictable and reducing the authorities' degree of discretion. Such laws include both procedural and numerical rules. Procedural rules, which refer to the budgetary process and those responsible for it, seek to endow those functionaries responsible for establishing fiscal discipline with more authority. Numerical rules establish goals

TABLE 2.10 | Countries with Numerical Rules for Fiscal Responsibility

| Country | Fiscal responsibility laws |
|------------|--|
| Argentina | <i>Fiscal Responsibility Federal Act No. 25,917 (2004)</i> |
| Brazil | <i>Fiscal Responsibility Act (2000)</i> |
| Chile | <i>Act No. 20,128 on Fiscal Responsibility (2006)</i> |
| Colombia | <i>Fiscal Responsibility Act No. 819 (2003)</i> |
| Ecuador | <i>Fiscal Responsibility, Stabilization and Transparency Act (2002)^a</i> |
| Mexico | <i>Budget and Taxation Responsibility Federal Act (2006)</i> |
| Panama | <i>Act No. 20, which contains measures concerning Economic Reactivation and Fiscal Responsibility (2002)</i> |
| Peru | <i>Act No. 27,245 on Fiscal Prudence and Transparency (2003)</i> |
| Country | Other acts containing numerical rules on fiscal responsibility |
| Costa Rica | <i>Act No. 8,131 on Financial Administration of the Republic and Public Budgets (2001)</i> |
| Uruguay | <i>Budget Act No. 17,930 (2005)</i> |

^aIn 2008, the *Recovery of State Petroleum Deposits and Administrative Rationalization of the Borrowing Process Act* was enacted, which to a large extent limits the scope of the 2002 fiscal responsibility law.

for variables such as expenditures, borrowing and the deficit, with the aim of avoiding excessive spending and procyclical behavior (spending too freely during a bonanza without saving for periods of scarcity).

Eight countries in the region have fiscal responsibility laws and two others have laws that, although not specifically of this type, contain numerical rules (Table 2.10). Of note, the existence of such laws does not guarantee compliance, and fiscal responsibility does not depend on the existence of a law. In fact, there are countries that maintained good fiscal discipline without having a specific law, as in the case of Chile up until 2006. Likewise, the English-speaking Caribbean countries, such as Barbados and Trinidad and Tobago, demonstrate a greater culture of fiscal responsibility despite not having specific laws.

The culture of fiscal responsibility is the basis for efficient resource management, and this is an indispensable factor for building the economic stability necessary for achieving the goals laid down in strategic planning.

Evaluation of Cost Effectiveness

Evaluation of cost effectiveness, which involves analyzing the effectiveness of the use of public resources, lies at the heart of RBB and is what differentiates

it from a traditional budget. In other words, results-based budgeting includes analyzing the achievement or outcome of activities carried out to provide the population with goods and services. This presupposes analysis of the government management results chain, for which a monitoring and evaluation system is indispensable. The core of this system is a combination of indicators and evaluative studies that assess the progress and achievement of a country's strategic objectives through the employment of public resources. The majority of indicators are produced by the same entities that execute the programs and the projects, and inter-institutional coordination and cooperation is therefore necessary to develop evaluation systems. The evaluations can be of various types and they tend to explain how social reality has been affected by government actions.

Evaluation of cost effectiveness therefore includes use of a monitoring and evaluation system for the objectives, strategies and programs. Furthermore, information regarding the costs of the goods and services produced is incorporated to assess the different possible courses of action. The system is used both for adequate resource allotment and for improving program management. The only LAC country that currently employs a cost effectiveness evaluation system is Chile. Other countries, such as Mexico and Peru, are making progress in the design and implementation of such systems.

Incentives for Management Effectiveness

Incentives form an important part not just of RBB but also of MfDR, as they contribute to the creation of a culture based on results. This culture has new rules that guide people and institutions to act in accordance with accomplishing institutional goals. For such rules to function adequately, timely and reliable institutional and personnel performance data is needed. Without such information, it is impossible for the new rules to be implemented because there will be no reference points. Given that Chile is, up until now, the only country with a system of this kind, it is also the only one where discussion mechanisms and budgetary analysis are firmly rooted in performance data, with institutional incentives that promote efficiency and effectiveness in institutional management (Box 2.6). Some other countries, such as Brazil and Costa Rica, are beginning to develop experience in this area.

Information Dissemination to Citizens

For the public budget to be really public, the citizenry should be informed the moment it is sent to the legislative branch. Civil society can thereby form

BOX 2.6 | Chile's Management Improvement Program

What Does It Consist of?

The Management Improvement Program (PMG) is a public service management support instrument that associates the achievement of management results with monetary incentives for civil servants. It is executed via the formulation, implementation, monitoring and evaluation processes of the service management improvement programs. In 1998, *Act No. 19,553* was enacted. The Act established that fulfillment of management objectives agreed to in the annual PMG would give civil servants the right to an increase in earnings for the following year. In 2009, for example, the increment was 7 percent for institutions that reached a degree of compliance with the agreed to annual objectives equal or superior to 90 percent, and 3.5 percent if compliance was above 75 percent but below 90 percent.

How Does It Work?

The PMG seeks to improve practices in providing public services by developing management systems based on predefined standards. The PMG includes three technical documents to ensure adequate comprehension by institutions: the Basic Framework, the Advanced Framework and the Quality Framework. Each document clearly sets out the links between the PMG's Framework Programs, describes management objectives and enumerates objectives for each system.

From 2001 onward, the Basic Framework Program was set up such that PMGs are centered on development of management systems corresponding to the strategic areas of public institutions. These programs cover five strategic areas and develop 11 systems, each one with defined stages or states of progress, and with technical requirements enabling compliance to be measured.

In 2004, much progress had been made in the level of PMG development: 22 services had reached the higher stages defined in the Basic Framework Program. To further strengthen these achievements, an Advanced Framework Program was incorporated, which functions as an external standard that, in turn, enables the achievements to be recognized by society as a whole. This program incorporates the primary elements needed to make the transition toward an external certification mechanism for seven of the Basic Framework Program's management systems through use of the ISO 9001:2000 rules.

From 2009 onward, owing to the progress of the Advanced Framework Program, the incorporation of the public service external certification mechanism via the ISO rules was extended. The transition was thereby made from the Advanced Framework Program toward the Quality Framework Program. This program contemplates implementing the Quality Management System in public services, certifying goods and services provision processes and, if possible, extending the Advanced Framework Program's management system certification powers to the regions, and incorporating them into a single institutional Quality Management System.

an opinion about its contents and channel possible concerns through political representatives. Likewise, for adequate accountability, reports relating to budgetary execution (financial reports) need to be made public as soon as the nation's highest fiscal entity has revised them. The Internet is thereby the most appropriate mechanism for dissemination.

Of the 25 countries studied, 14 put complete budget documentation at the public's disposal and only 10 disseminated the country's financial statements in their entirety. Some of the smaller countries in the region do not publish any of the documents (Table 2.11).

To foster transparency, it is necessary to disseminate information about the budget and the financial statements in a format that is comprehensible to the general public. The majority of countries publish the technical documents without appendixes that might explain their content clearly and simply. This significantly limits public discussion of the budget and about the use of public resources.

To sum up, the results-based budgeting pillar is the least developed of all and there is therefore still a long way to go in LAC countries before it can be institutionalized (Box 2.7). The vast majority of countries in the region still draft inputs-based budgets and allocate resources on an incrementalist basis, and therefore management outcomes are absent from the budget analysis and formulation process. The introduction of cost effectiveness systems and incentives to improve management effectiveness has still not got underway in the majority of countries and is in its infancy in Peru and Mexico. However, it is noticeable that various countries are gradually incorporating new instruments aimed at improving budgetary management and, eventually, implementing RBB. These instruments relate to the coordination of the budget with the strategic plan, the formulation of medium-term fiscal frameworks and the establishment of fiscal responsibility laws. On the other hand, although many countries publish budget documentation and financial statements on the Internet, very few of them also provide the explanations necessary to make them understandable to the general public. In some countries, however, NGOs have emerged that are dedicated to public management analysis and

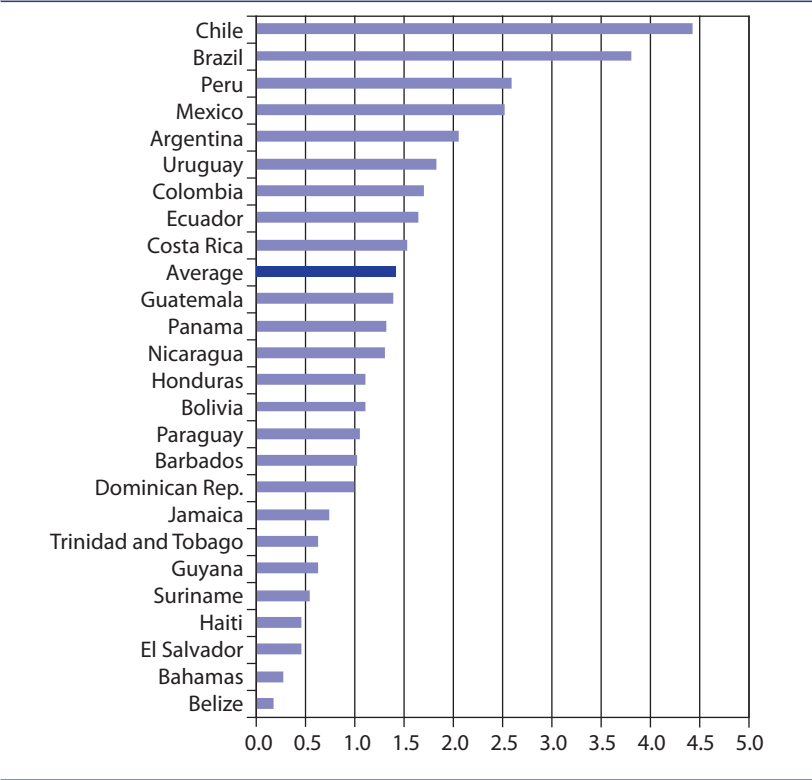
TABLE 2.11 | Number of Countries that Disseminate Budget and Financial Statements via the Internet

| Degree of information dissemination via Internet | Information | |
|--|-------------|----------------------|
| | Budget | Financial statements |
| Countries with complete information at their citizens' disposal. | 14 | 10 |
| Countries with partial information at their citizens' disposal. | 7 | 9 |
| Countries that do not make information available to citizenry. | 4 | 6 |

BOX 2.7 | Results-Based Budgeting

Chile is the most advanced country in this pillar, followed by Brazil. For their part, Mexico and Peru have begun, during the past three years, to initiate construction of RBB systems, which distances them from the majority of countries in the region. Of the 25 countries studied, 13 obtained scores of between 1 and 2, which indicates that they have formally approved proposals in place for developing some of this pillar’s components. Eight countries are found to be beneath the minimum (1), meaning that they have not even begun to make the transition toward constructing the necessary capacity for RBB development.

FIGURE 2.7.1 | Results-Based Budgeting Scores



monitoring, and these frequently publish examinations of both the budget and the financial statements in a format friendly to the public and the media.⁵

⁵ Among these nongovernmental organizations are CIPPEC in Argentina, FARO Group in Ecuador, the Estado de la Nación (State of the Nation) in Costa Rica, FUNDAR in Mexico and CAD in Peru.

Financial Management, Auditing and Procurement

This pillar comprises three interrelated components: financial management, auditing and procurement.

Financial Management

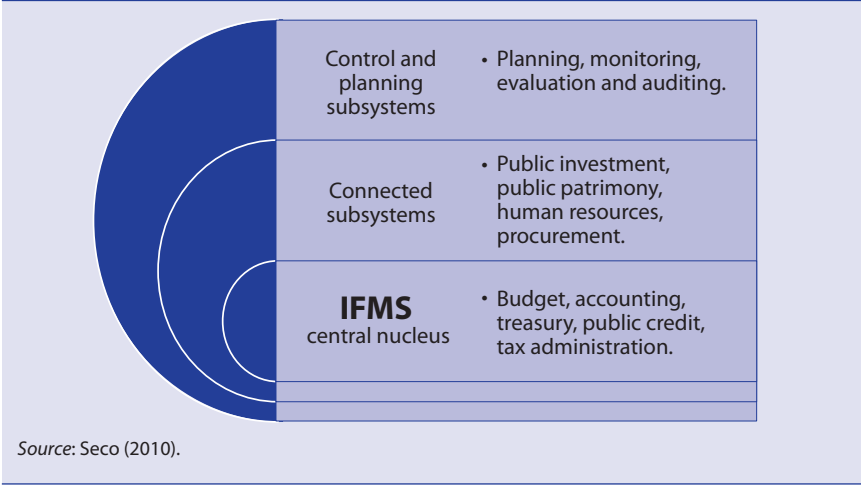
Financial management is a combination of elements that enable the capture of resources and their use for the accomplishment of public sector objectives. It is made up of the principles, rules, organizations, resources and procedures involved in programming, management and control operations necessary both for resource capture and resource expenditure (Makón, 2000).

Financial management comprises the following components: i) budget administration,⁶ ii) accounting, iii) administration of the deficit (public credit), iv) cash administration (Treasury) and v) tax administration. To be effective, these components should be integrated, which requires two conditions: i) they must act in an interrelated fashion, under the guidance of a coordinating body with regulatory powers, and ii) their principles, policies and procedures must be consistent with each other and interact electronically. The lack of integration in administrative matters gives rise to, among other problems, fragmented and duplicated information, difficulties in data use for planning processes and budget administration, and hidden financial transactions, which detracts from process transparency and encourages corrupt activities (Transparency International, 2000). Integration of the financial administration system is therefore an important requirement for MfDR.

On top of these components, which form the principal nucleus of financial administration, it is also advisable for electronic integrated financial management systems to be connected with related subsystems, such as public investment, procurement, human resources and public patrimony. It is essential that other management cycle systems, such as planning, control, monitoring and evaluation, are also integrated (Seco, 2010). The integration of all MfDR components, in both the regulatory and the information technology spheres, can thereby be guaranteed, as illustrated in Figure 2.4.

⁶ The budget performs a dual role. On one hand, it is a tool for public policy execution; on the other hand, it is a system of financial administration. In the section dealing with results-based budgeting, the budget is discussed on the first basis; in this section, it is reviewed on the second.

FIGURE 2.4 | Subsystems and Components of an Integrated Financial Management System (IFMS)



The accounting subsystem is an important part of financial management because it provides useful, timely and reliable information to the other systems. It therefore enables financial reports to be drafted and the product costs of program execution to be calculated, both of which are important RBB inputs. It also requires the budget’s accounting classification to be a mirror image of its programmatic classification, thereby creating taxonomic unity between the plan, the budget and accounting.

Auditing: Internal and External Monitoring

Current tracking models seek to ensure that public organizations act in a predictable way and therefore have both internal and external monitoring mechanisms. The external mechanisms are set in motion by the Supreme Audit Institution (SAI), which depends on the legislative branch, whereas the internal mechanisms are exercised by the public entities themselves. Furthermore, monitoring can be carried out either ex-ante or ex-post. Ex-ante monitoring is based on a system of expenditure revision and approval by an entity external to the executive branch, before the resources are allocated. Ex-post monitoring is founded on a system in which the organization’s management makes decisions on financial and nonfinancial resource allocation, the outcomes of which are examined later by an external body.

Traditionally, ex-ante external monitoring has been favored because, despite being rather inefficient, it is relatively safe because it ensures that resources are being used according to previously established procedures before the investments are made. It does not, however, verify the resulting outcomes. On the contrary, the current tendency in developed countries is a model in which responsibility for ex-ante monitoring lies with the organization itself (internal monitoring). This model also strengthens the ex-post external monitoring that examines institutional performance data quality, and analyzes the strategic management process (OECD, 2007).

The old public administration model sought to monitor in detail decisions made by the bureaucracy to avoid corruption and administrative inefficiency, and emphasis on ex-ante control is a hangover from this model. However, experience demonstrated that as more and more regulations were created, greater control was exerted by informal power over the public sector, and the system functioned ever more irrationally (CLAD, 1998).

In contrast, the guiding premise of ex-post results monitoring is limited confidence in, rather than unbridled suspicion of, the behavior of public functionaries. It obliges an organization to clearly define its objectives, analyzing them for their substance, not as mere administrative processes. Public management evaluation is thereby carried out primarily through analysis of the accomplishment or nonaccomplishment of goals, rather than because of respect for rules that are, on many occasions, self-referential. Evaluation of institutional performance serves not only to determine if goals have been met, but also as a useful technical instrument enabling organizations to learn from their mistakes and, thereafter, to formulate future strategies. This kind of organizational apprenticeship is fundamental if public management is not to be limited to merely sanctioning or uncovering those responsible for occasional shortcomings in public organizations, but rather to help public services develop the capacity to learn from their performance and to continuously improve (CLAD, 1998).

From this perspective, internal monitoring is a process carried out by public entity management and personnel that provides reasonable certainty that the organization will i) observe the law, the regulations and the management directives; ii) promote operational economy, efficiency and effectiveness and achieve the desired outcomes; iii) safeguard resources against fraud, waste, abuse and wrongful use; iv) provide quality goods and services commensurate with its mission; and v) develop and maintain reliable financial data and management information, and present it in an appropriate format. Managers and internal auditors carry out an important role in this function. The former are responsible for creating an adequate and effective control structure. The

latter are responsible for examining the entity's internal monitoring policies, practices and procedures to ensure that controls are oriented toward achieving the institutional mission (INTOSAI, 2004). Every public institution should have an internal monitoring body overseen by an auditor.

On the other hand, external monitoring is a regulatory mechanism that is obliged to draw attention to policy deviations and violations of the principles of legality, profitability, utility and rationality in financial operations, in such a way that the appropriate corrective measures can be adopted in each case. The external control body does not belong to the institution subject to monitoring, but is an SAI⁷ that must enjoy administrative and financial independence if it is to adequately carry out its functions.

The Supreme Audit Institutions traditionally carry out monitoring of the legal and regulatory elements of government operations through financial and compliance audits. The financial audits are aimed at determining the reliability of budgetary execution reports by analyzing the documents that back up the transactions and observance of the existing rules. The legal, or compliance, audits, on the other hand, seek to determine the legality of the transactions or actions in which public funds have been employed (Table 2.12).

During recent years, some SAIs in the LAC region have also taken on the functions of monitoring profitability, utility, and the economy and effectiveness of state operations (ex-post monitoring). To perform this function, the SAIs carry out management or performance audits, which consist of examining a public organization's plans, projects, operations and processes, with the intention of measuring and reporting on the achievement of desired outcomes, the use of public resources and the trustworthiness with which those responsible comply with the established rules. The management audits do not replace the traditional audits; on the contrary, they are complementary and both are necessary for good performance in public institutions.

From the MfDR perspective, the internal and external controls are of great importance for institutional management and constitute key instruments for ensuring transparency and accountability in the public sector. However, as will be seen later, in the majority of LAC countries, internal monitoring is restricted to ex-ante examination of procedures and external monitoring does not always enjoy the independence and efficiency required to carry out its function as the guardian of integrity in public management.

⁷ Depending on the country, the Supreme Audit Institution might be the Contraloría or the Tribunal de Cuentas (Government Audit Office or Department).

TABLE 2.12 | Audit Characteristics According to Type

| Auditing element | Financial audit | Legal or compliance audit | Management or performance audit |
|-------------------------|--|--|---|
| Objectives | Ensure quality of budgetary execution information. | Ensure compliance with the rules and regulations. | Ensure quality of performance reports. Ensure quality of performance measurement systems. Evaluate performance. |
| Object of analysis | Consolidated and individual budgetary execution reports. | Transactions arising from internal monitoring revisions or from financial audits. Contracts or operations of specific interest. | Institutional operations and processes. Quality assurance of the systems used to evaluate performance. Performance reports. Performance of government programs. |
| Degree of complexity | Lesser because of references such as the approved budget and accounting rules. | Lesser because of legal framework with specific rules for contracts and other references. | Greater because of measurement difficulties and, in some cases, the absence of parameters. |
| Benefits | Provides confidence for users and contributes to improving quality and accountability in the financial sphere. | Provides confidence for users and helps to avoid adverse legal action. | Contributes to improving measurement methods and reports on performance. Contributes to improving decision making to achieve outcomes. Contributes to saving and resource channeling. |

Source: Guardiola (2009).

Public Procurement

A government procurement system is a combination of principles, rules, organizations, resources and procedures that, through its operation, enables the state to acquire the goods, public works and services that it needs to manage its organizations with adequate quality and suitability, and in the best market conditions (Makón, 2000). This system is important for MfDR because it guarantees transparency and efficiency in public management. An adequate and agile procurement program will enable the program-executing institutions to

provide quality goods and services, on time and at a reasonable cost, all of which results in greater management efficiency.

Contracts and procurement are present in infinite activities related to the complex process of public value creation and involve a considerable quantity of public resources: the state is a principal buyer in the region. If these always-scarce resources are employed in badly planned and administered contracts, the citizens will suffer the consequences. Furthermore, given that public procurement processes are often prone to corruption, they are the object of constant scrutiny on the part of public opinion. The use of modern electronic systems with an adequate regulatory framework enables these processes to become more transparent, reduces corruption and stimulates competition.

The incorporation of best practices into public procurement is a key element for ensuring an efficient, effective and transparent use of state resources. Open competition for the award of contracts has shown itself to be the best way to achieve efficiency in input procurement and reasonable prices with regard to service provision and public program execution.

Financial Management, Auditing and Procurement in Latin America and the Caribbean

The financial management, auditing and procurement pillar exhibits greater development than the other MfDR pillars (Box 2.8). This is a result of the emphasis that governments and international cooperation agencies have placed on public finance management ever since the debt crisis in the LAC region. Efforts and resources have been constantly invested to improve systems in this area. In the majority of countries, important progress can be seen both in legislation and in the institutional development of the three components of this pillar. However, as previously stressed, the institutional culture of many LAC countries is procedure-based and, as a consequence, the majority of the rules and the ideas originate in the institutions and entities that are responsible for this pillar. The results for this pillar are presented in Table 2.13.

Financial Management

Integration of the subsystems of budget management, accounting, public credit, treasury and tax administration is an important precondition for good public finance management and is therefore worthy of attention in MfDR. Such integration, as previously mentioned, should be carried out within the regulatory, institutional and information technology spheres.

TABLE 2.13 | Scores for Financial Management, Auditing and Procurement Indicators by Level of Development

| Financial management, auditing and procurement | MfDR Index | Level of MfDR development | | |
|--|------------|---------------------------|------------|------------|
| | | High | Medium | Low |
| Relationship between budgeted and executed expenditures | 2.6 | 3.5 | 2.7 | 2.0 |
| Risk analysis | 1.5 | 4.4 | 1.1 | 0.5 |
| Budget transparency | 4.2 | 4.9 | 4.4 | 3.3 |
| Classification of budget expenditures | 3.3 | 4.5 | 3.6 | 1.7 |
| Approval of budget by the legislative branch | 4.2 | 4.5 | 4.1 | 4.4 |
| Accounting | 3.4 | 4.6 | 3.3 | 2.8 |
| Integrated financial management system | 2.0 | 3.0 | 2.3 | 0.7 |
| Legal and institutional framework for procurement | 2.7 | 3.7 | 3.0 | 1.6 |
| Transparent electronic procurement system | 1.2 | 3.7 | 0.9 | 0.3 |
| Legal and institutional framework for internal auditing | 3.5 | 4.8 | 3.8 | 2.1 |
| Legal and institutional framework for external auditing | 2.6 | 4.0 | 2.6 | 1.6 |
| MfDR Index for financial management, auditing and procurement | 2.5 | 4.0 | 2.5 | 1.5 |

The majority of countries in the region have rules and institutions that govern public financial management, and electronic systems to integrate the information provided by the subsystems. Although nearly all of the laws adhere to internationally accepted principles on financial management and a large group of countries have guiding institutions at an advanced stage of development, integration with information technology still needs to be strengthened in the majority of countries. In effect, only Brazil, Chile and Mexico have managed to integrate their financial management systems with other complementary systems, such as public investment and procurement. Another pending matter in many countries is the coordination of subnational government with financial management since in a high proportion of cases it is the subnational governments that manage the fiscal resources.

Most countries have accounting systems that conform to international standards and that are used to prepare annually consolidated reports on

revenue and expenditures, as well as on financial assets and liabilities. These reports are important not only for management by authorities, but also for accountability to the legislative branch and the citizenry. These reports are presented to the Supreme Audit Institution (Government Audit Office or Auditing Department), although not all countries present them on time.

Another important aspect of financial management is financial risk analysis, which is the examination of the potential for financial strain related to events that might occur in the future (Polackova Brixí and Schick, 2002). The risks can be linked to the payment of direct obligations (external debt, long-term bond issues, long-term commitments or pension payments) or of contingent obligations (guaranteed central government loans to subnational governments, accrued liabilities or settlement payments arising from legal judgments) and the occurrence of natural disasters. An adequate financial management system should analyze these situations and put mechanisms in place to mitigate their effects. Failure to do so will plunge a country into financial difficulties that might have an impact on the capacity to spend on strategic programs. Only those countries with a high MfDR Index develop risk analysis for both direct and contingent obligations and, moreover, have mechanisms in place to reduce or mitigate their possible effects. In general, the other countries limit themselves to external debt analysis.

A fundamental element in budgetary management is the role that the legislative branch takes in the process of budget approval, execution and monitoring. It is noticeable that in the great majority of countries, the legislative branch approved the budget within the time limits set out by legislation. This is very important for adequate financial budget management. However, serious problems related to the role that the legislative branch plays in the budgetary process hide behind this good practice: i) legislative branches have limited technical capacity to improve the budget process—budget programming, discussion, approval, execution and evaluation—and ii) legislative branches have a reduced margin to introduce changes into the budgets presented by the executive branch. With regard to the former problem, only three legislative branches in the region have independent technical budget analysis offices. As for the latter, in many countries the legislative branch has very limited power to increase either expenditures or the deficit, or to allocate important volumes of resources to one area or another.

Although great progress in financial management has been noticeable in the region, from the perspective of MfDR requirements, most subsystems still follow the logic of inputs and, therefore, need to evolve toward approaches that include outcomes and results. In addition, electronic integration with

subnational procurement, investment and management subsystems, as well as fiscal risk analysis, also needs to be extended. All of this will be possible only to the degree that the combination of public management systems as a whole is conceived on the basis of results production and analysis.

Auditing: Internal Monitoring

Nearly all countries in the region, except for the Bahamas, Barbados, Belize and Suriname, have a legal framework for internal control of public institutions and auditing departments within the central government institutions. However, in the majority of cases, the performance of internal monitoring offices is deficient, owing to various problems such as the lack of well-trained auditors, no uniform and standardized auditing methodologies, the high turnover rate of office personnel, and the lack of independence and resources to adequately fulfill functions, among others.

Generally speaking, the internal monitoring offices are exclusively dedicated to revising procedures prior to transaction and contract execution (ex-ante monitoring) and do not concern themselves with the effects and outcomes produced by such actions (ex-post control), an aspect of crucial interest in MfDR. Internal monitoring should be an institutional and managerial instrument that contributes to ensuring the appropriateness of the technical and financial management systems used to achieve results and outcomes, especially the monitoring and quality control systems. In the majority of countries these systems do not exist or are still at the embryonic stage. When they do exist, they are subject to control by internal monitoring mechanisms.

As currently practiced in the region, internal monitoring is not coordinated with the management cycle of the public value-creation process and is disconnected from the proposals set out in planning and the budget. Moreover, it does not contribute to program and project management and offers little to the institutional learning process that should ideally arise from monitoring and evaluation. The absence, or weakness, of an ex-post control function detracts from public directors' management competence and undermines institutional capacity to achieve outcomes.

Auditing: External Monitoring

Apart from Belize and Suriname, the countries in the region have a comprehensive external monitoring law common to all state organizations. In the majority of cases, this law adheres strictly to international auditing norms, such

as the International Organization of Supreme Audit Institutions (INTOSAI),⁸ to which all LAC countries, except Belize, belong.

Although in theory all countries guarantee the Supreme Audit Institution's economic and administrative autonomy, some problems that limit this independence are discernable. The principal problem is that in the majority of cases, the SAI is part of the executive branch, not the legislative branch, which reduces the separation that should exist between the monitor and the monitored. On the other hand, although the law confers administrative and financial autonomy, some SAIs do not receive all the resources they demand from the executive branch, which also restricts their independence and capacity to act.

The scope of financial audits carried out annually by the SAIs varies according to whether they deal with revenue and expenditures, or assets and liabilities. The former are more widespread than the latter in the majority of countries, with more than 60 percent of central government institutions scrutinized. In some countries, however, SAIs carry out ex-ante monitoring of actions taken by institutions (and in some cases even authorize said actions), which violates their supposed principle of independence and creates a conflict of interest during auditing because they are evaluating a process in which they themselves took part (Guardiola, 2009).

The rules governing the presentation of financial audit reports to the legislative branch vary from country to country. Whereas most stipulate that reports should be presented within a period not exceeding four months from the time of completion, other countries establish periods of up to one year or leave this decision to the discretion of the SAI or legislative branch. The dissemination of these reports via the Internet is a common practice throughout the region, although some countries still do not do it.

Management or performance audits, which not only review the legality and reliability of institutional operations, but also scrutinize systems and processes aimed at achieving outcomes, are not widely carried out throughout the region. Although provided for in legislation in many countries, the SAIs cannot count on the personnel, the resources and the appropriate methodology to execute this kind of examination. Only in those countries with a high

⁸ The International Organization of Supreme Audit Institutions, founded in 1953, is an autonomous, independent and apolitical nongovernmental organization that enjoys special status at the United Nations Economic and Social Council (ECOSOC). It was created with the aim of fostering the exchange of ideas and experiences between member countries with regard to governmental auditing. Its central office is in Vienna and it has 189 members with full voting rights and three associate members.

level of MfDR development can a certain degree of management auditing be observed. The case of Brazil's audit department is worth mentioning. This office has developed a management audit system for government programs that is equipped with an arsenal of instruments and the appropriately trained human resources to use them.

Limited governmental MfDR capacity in Latin America and the Caribbean imposes a limit on the scope of external monitoring. As long as state agencies and organizations do not prepare strategic plans, lack the means to carry out monitoring and evaluation, and do not account for their performance beyond the budgetary execution reports, then SAIs will lack an adequate scenario to scrutinize the performance of outcomes of public organizations. SAIs will therefore also lack the tools to support the work of the legislative branch and to offer suggestions for improving management. Likewise, the absence of internal monitoring systems commensurate with the countries' own current legislation, and with the international standards propounded by INTOSAI, hinders the generation of timely and reliable information concerning institutional performance and, therefore, sows doubts concerning the accounts drafted to report on it (Guardiola, 2009).

Public Procurement

During the 2000s, the institutional and legal framework for public procurement in the region was modernized, usually through the adoption of more internationally accepted practices. Three quarters of the countries analyzed therefore have a legal framework that comprehensively regulates the procurement and contracting process for public institutions based on the criteria of transparency and free competition in public contract tendering. Furthermore, in those countries, regulatory bodies have been created to oversee state procurement, with varying degrees of success. While these bodies have been consolidated in the most advanced countries, they are still in the implementation phase in others. The creation of a legal and institutional framework with the aforesaid characteristics is an important step for countries in the region and represents a positive step toward MfDR implementation.

In recent years, various countries have intensified their efforts to set up electronic systems for data dissemination via the Internet (Table 2.14). This information includes the laws and regulations that govern procurement and acquisition, invitations to tender (ITT), requests for proposals (RFP) and contract adjudication. These systems have enhanced public procurement transparency, improved competition and spread opportunities among small enterprises to do business with

the state. Some of them even permit electronic transactions and have been recognized by multilateral organizations as being valid for use in the systems they finance. This is true for systems in Argentina, Brazil, Chile and Mexico.

There are, however, certain aspects that various countries need to pay attention to and improve if they are to establish reliable procedures. One particularly important aspect involves the establishment of procedures for presenting and resolving disagreements arising from the procurement process, and guaranteeing that these procedures are exercised by an organization separate from the purchasing entity. Likewise, some countries must make progress in organizing, processing and analyzing procurement data to provide useful information that enables them to improve procurement programming and to calculate the costs of goods and services. In spite of advances in the field of public procurement, there are as yet only a few countries with systems reliable enough to be used by multilateral organizations.

In summary, significant progress is noticeable in financial management and procurement systems, as well as in updating rules regarding internal and external monitoring systems. However, the majority of financial management systems are not constructed along MfDR lines, but rather according to traditional logic. Internal monitoring is restricted to ex-ante auditing and there are few advances with regard to the development of ex-post monitoring owing, in part, to the weakness of institutional systems for quality control and goods and services production monitoring. Most countries have carried out reforms to their legal monitoring framework and brought them into line with international rules; however, it is still common for SAI independence to be questionable given its close links to the executive branch.

Program and Project Management

Program and project management is at the very core of public value creation and, therefore, of MfDR, given that it is the medium through which the state produces the necessary goods and services that enable the objectives established in the government plan to be achieved. Consequently, the objective of improving the quality of life for children is achieved by delivering health care services, providing adequate education, and making legal and administrative mechanisms accessible to protect their rights when their rights are infringed upon. Without hospital attention, education services, justice administration and citizen security, society cannot function and there is no justification for the state's existence. It is in these areas that the state devotes the greater part of its resources, and the processes of planning, financial and budgetary

TABLE 2.14 | Electronic Procurement Systems by Country

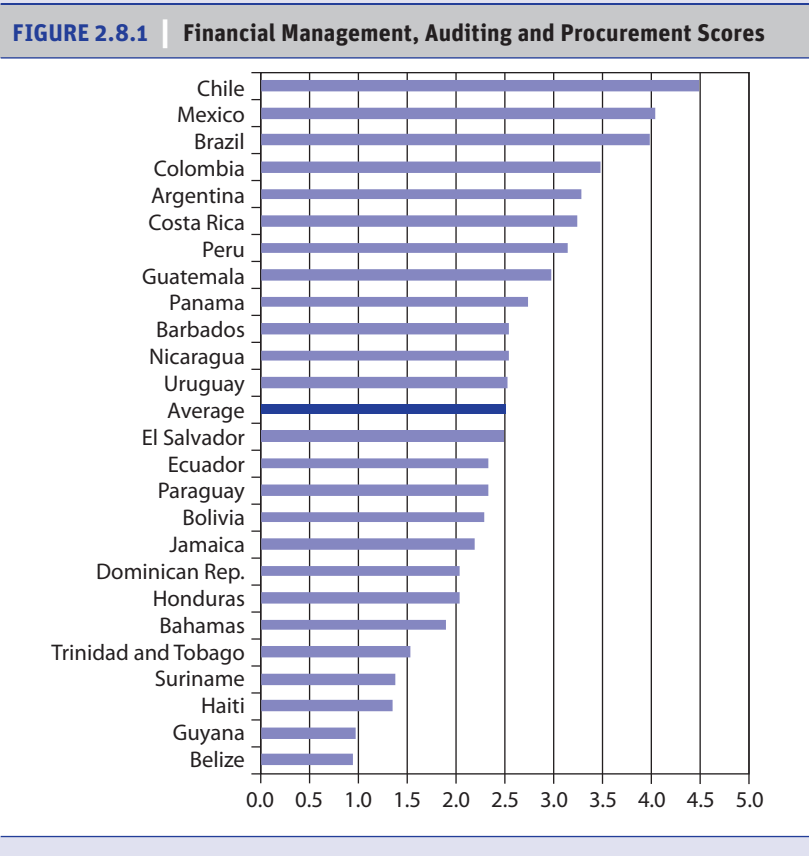
| Country | Internet web site |
|---------------------|---|
| Argentina | www.argentinacompra.gov.ar |
| Bahamas | Nonexistent |
| Barbados | Nonexistent |
| Belize | Nonexistent |
| Bolivia | www.sicoes.gob.bo/paginicio/inicio.php |
| Brazil | www.comprasnet.gov.br |
| Chile | www.chilecompra.cl |
| Colombia | www.contratos.gov.co |
| Costa Rica | https://www.hacienda.go.cr/scripts/criiext.dll?UTILREQ=VACIO |
| Dominican Republic | https://comprasdominicana.gov.do/compras/index.jsp |
| Ecuador | www.compraspublicas.gov.ec |
| El Salvador | www.mh.gob.sv/moddiv/HTML |
| Guatemala | www.guatecompras.gt |
| Guyana | Nonexistent |
| Haiti | www.cnmp.gouv.ht |
| Honduras | www.honducompras.gob.hn |
| Jamaica | Nonexistent |
| Mexico | www.compranet.gob.mx |
| Nicaragua | www.nicaraguacompra.gob.ni |
| Panama | www.panamacompra.gob.pa |
| Paraguay | www.contratacionesparaguay.gov.py |
| Peru | www.osce.gob.pe |
| Suriname | Nonexistent |
| Trinidad and Tobago | Nonexistent |
| Uruguay | www.comprasestatales.gub.uy |

management, procurement, auditing, and monitoring and evaluation manifest in program and project management.

From the MfDR perspective, it is important for the ministries responsible for program and project management to have a medium-term sector plan that is aligned with the objectives and strategies set out in the national plan. Likewise, the plans should establish both pluri-annual and annual goals for goods and services provision, and indicate which civil servants are responsible for fulfilling them.

BOX 2.8 | Financial Management, Auditing and Procurement

This is the pillar that exhibits the lowest degree of homogeneity among countries in the region and, at the same time, registers the highest scores. Chile, Brazil and Mexico all surpass 4 points, meaning that their systems are already in the consolidation stage. Seven of the 25 countries analyzed score higher than 3, which indicates that the results-based financial management components of auditing and procurement are still in the development stage. Only two countries score lower than 1 point.



Given that many goods and services are produced through specific projects of a set duration, it is indispensable that analysis of the appropriateness and potential benefits of said projects is undertaken before funding is given. For this purpose, the public sector has an appropriate tool at its disposal—ex-ante project evaluation. As well as revising the proposals’ social, economic and environmental feasibility, the examination should also establish whether

the proposals will contribute to attaining the objectives laid out in the government plan, and whether they are in harmony with the strategies contained therein. Only those projects that meet these requirements should be allocated funding.

In addition, production by the sector ministries should be framed within management and performance contracts agreed to by the ministerial or secretariat authority and public managers to explicitly set the quantity, the conditions and the quality of the goods and services to be delivered annually. This entails establishing a goods and services portfolio for each institution, with clear specifications regarding their objectives, the rules for accessing them, their costs and standards of quality—all of which are underdeveloped in the public sector. Furthermore, the organizations should have a strategy for continuous improvement of goods and services based always on the needs of clients and consumers. At the same time, it is hoped that performance assessment mechanisms are used in human resource management to encourage staff to work toward achieving personal and institutional results.

Customer satisfaction is an important aspect of good management. Public managers should therefore periodically seek customer opinions and use this information to identify elements that need to be corrected or perfected. On a more general level, mechanisms to consult with civil society should be set up to incorporate citizens' voices into the design or adjustment of management strategies and products.

Finally, first-rate management of the production of goods and services rests on the information systems that specify the quantity, the quality and the costs of what is produced. This instrument enables decision making by managers and civil servants based on information about institutional progress. Moreover, the data arising from these systems is also the principal source of information for the monitoring and evaluation system, and can therefore provide feedback for results-based planning and budgeting.

The following is an analysis of the program and project management characteristics in the LAC region in four sectors: education, health care, social protection and infrastructure.

Program and Project Management in Latin America and the Caribbean

Given that this pillar is at the very core of public value creation, it expresses the weaknesses and strengths of the management cycle components as a whole. Therefore, the strongest aspects of this pillar (sector planning) are related to the stronger aspects of the entire cycle (national planning and financial

TABLE 2.15 | Scores for Program and Project Management Indicators by Level of Development

| Program and project management indicators | MfDR Index | Level of MfDR development | | |
|---|------------|---------------------------|------------|------------|
| | | High | Medium | Low |
| Ex-ante evaluation rules and institutions | 2.2 | 3.8 | 2.5 | 0.3 |
| Ex-ante evaluation coverage | 2.0 | 3.1 | 2.4 | 0.2 |
| Ex-ante evaluation information use and dissemination | 1.7 | 3.5 | 2.0 | 0.0 |
| Medium-term sector vision | 3.0 | 3.6 | 3.0 | 2.4 |
| Results-based management in goods and services production | 1.5 | 2.8 | 1.4 | 0.9 |
| Sector information systems | 1.5 | 2.8 | 1.5 | 0.6 |
| MfDR Index for program and project management indicators | 1.9 | 3.1 | 1.9 | 1.0 |

management) and, similarly, the weak aspects (sector information and management) are linked to the weaker aspects of the cycle (results-based budgeting, and monitoring and evaluation). Table 2.15 presents the results for this pillar.

Sector Planning

Most of the countries in the region have plans or policies that lay out sector strategies and objectives. Generally speaking, these plans are drafted at the outset of each government term of office and are based, in some cases, on long-term plans or visions resulting from the participation of civil society organizations. The plans also reflect a country's international commitments, such as the Millennium Development Goals (MDGs), and international conventions.

In the health care and education sectors, the planning process is noticeably more refined and mature: the plans themselves are better designed, and they include the goals and strategies of international commitments. Frequently, the long-term plans have been formulated with the financial and technical support of multilateral or bilateral cooperation organizations. Moreover, in the majority of countries, civil society organizations have actively participated in drafting the health care and education sector plans.⁹

⁹ The expression "civil society organizations" designates a variety of groups, such as NGOs, professional guilds and trade unions.

In contrast, the social protection sector¹⁰ does not always have a plan and, in some countries, the existing plans are composed of unconnected programs. For its part, sector infrastructure displays the weakest levels of planning and civil society participation practices during the formulation of a sector plan.

The sector plans, in general, are aligned to the objectives and strategies set out in the national plans. In various countries, the objectives of the long-term plans for health care and education were included in the national plans of successive governments, which contributed to strengthening policy continuity. However, coordination between the medium and the short term is weak, with the annual operative plans not always based on the medium-term plans.

Although the sector plans frequently have goals and indicators, these are restricted to activities and effects, and neglect the intermediate link in the chain: products. In part, this is because the sectors rarely identify the goods and services that they produce during the planning process, which is a sign of weakness in operative planning. Furthermore, it is common for plans to merely present medium-term goals, without their annual correlate, which limits the utility of the goals as a management and monitoring instrument.

Ex-ante Project Evaluation

Ex-ante project design and evaluation is a fundamental aspect of MfDR. A badly designed project wastes resources, causes frustration among beneficiaries and can have negative political effects. To avoid this, public investment systems define the ideal processes and instruments for the analysis and selection of the most convenient investments for a country, ensuring that the projects are appropriate (they respond adequately to a problem and are in line with the government plan) and efficient (they are socioeconomically profitable). In addition, public investment systems enhance transparency in resource allocation by establishing formal procedures and technical criteria that guarantee that the approved projects contribute to achieving government objectives at a reasonable cost and with the desired quality.

Of the 25 countries in the study group, 17 have an institution responsible for carrying out ex-ante evaluation of investment projects; however, only 13 of them have formally established rules and methodologies that allow these

¹⁰ The social protection sector corresponds to the ministries that, with differing names according to each country, generally execute the programs aimed at combating poverty.

institutions to fulfill their mission. There are countries that are beginning to construct an ex-ante evaluation system.

One relevant problem from the MfDR perspective is that various ex-ante evaluation systems are not capable of ensuring the linkage of investments with the objectives and goals established in the medium-term national plan. This is because these systems do not analyze the contribution made by the investment projects to the MTNP in detail. This is yet another consequence of the lack of coordination between strategic planning and operative planning, already mentioned in previous sections.

Furthermore, the ex-ante evaluation instruments were in some cases conceived to analyze infrastructure projects that do not conform with other kinds of projects, such as social or environmental projects. For example, few countries use ex-ante evaluation techniques to establish the solidity of problem exposition and strategic solution-finding.

In addition, ex-ante evaluation techniques are not applied in the same proportion to projects executed by central government as they are to projects executed by subnational governments. In effect, a central government project has almost twice the chance of being evaluated as one prepared by a subnational government (Table 2.16). Considering the high percentage of resources invested in the latter, this is a significant weakness that needs urgent attention.

There are noticeable problems in some countries that restrict the use and value of ex-ante evaluations. Among others, the following problems can be highlighted: i) ex-ante evaluation coverage is limited, ii) civil servants responsible for project analysis are not qualified and iii) evaluation methodologies are insufficiently reliable. These factors limit a country’s capacity to ensure that projects are rigorously designed and, therefore, put the effective and efficient use of public resources at risk.

| TABLE 2.16 Scores for Ex-ante National and Subnational Project Evaluation Indicators by Level of Development | | | | |
|--|------------|---------------------------|--------|-----|
| Projects subject to ex-ante evaluation | MfDR Index | Level of MfDR development | | |
| | | High | Medium | Low |
| Central government projects | 2.5 | 4.0 | 3.0 | 0.3 |
| Subnational government projects | 1.4 | 2.3 | 1.8 | 0.0 |
| MfDR Index for projects subject to ex-ante evaluation | 2.2 | 3.8 | 2.5 | 0.3 |

Management of Goods and Services Production

One of the most efficient tools in MfDR is a management contract, which is the agreement between two parties through which commitments are made regarding desired results, conditions for their achievement and the amount of resources to be allocated thereto. Management contracts enable the desired public good's characteristics to be established, and the corresponding responsibilities assigned to the respective units or entities. Management contracts also foster participation of civil society in the social control of public activity through comanagement of goods and services outcomes (Baralt et al., 2003).

This instrument is, however, much underused in the LAC region. Very few contracts have been recorded, usually in the health care sector in countries where health ministries have signed management contracts with hospitals (Bolivia, Colombia, El Salvador and Nicaragua). Brazil presents an interesting case because it is developing and expanding this tool in various sectors. The Ministry of Education, for example, signed management contracts with the units responsible for programs, and the Ministry of Health did likewise with the municipalities. For its part, Peru has developed results-based management agreements (CARs) that were implemented between 2002 and 2006. CARs are voluntarily signed accords between the public entities and the National Public Budget Directorate. Their objective was to improve the quality, quantity and coverage of the goods and services provided by the public sector.¹¹

Another valuable tool for stimulating achievement of outcomes is the adoption of remuneration schemes for personnel responsible for achieving institutional results. Apart from Chile, no other country has an instrument of this type. It must be remembered that the implementation of remuneration mechanisms linked to institutional performance requires the existence of advanced results-based management systems, as this conveys the capacity to establish and measure results reliably (Box 2.6 on page 44).

The instruments observed until now have been related to the managerial and administrative aspects of public value creation. However, these should be complemented by the implementation strategies aimed at continuously

¹¹ A combination of indicators is established in the CAR that is associated with the quantitative goals that an entity commits to achieving. The goals have to be aligned with the institutional objectives to which the entity subscribes in the agreement. Moreover, the entity is bound to fulfill a series of commitments aimed at improving its institutional management process.

improving the quality of goods and services. For example, improvement in educational quality supposes, principally, interventions in the strictly pedagogic field, such as teacher training, school textbook development and curricula updating.

Of the countries studied, only eight have strategies aimed at improving the quality of goods and services in education and health care. In some cases these are sporadic projects and, in others, institutional units with a permanent function. However, not all the strategies set service quality standards as the parameters for measuring progress, which seriously detracts from the possibility of continuous improvement. In the social protection and infrastructure sectors, these types of strategies are even weaker and more scarce. In general, improvement in service quality is a field in which great institutional weakness is noticeable in all countries, but which is nonetheless of prime importance for MfDR.

Customer Satisfaction

Knowledge of customer satisfaction is an important factor in MfDR because it enables goods and services to be tailored to the expectations of the people that use and consume them. It is also the medium for evaluating institutional management. This aspect has barely been tackled at all in the LAC countries, as there are very few formalized and systematic mechanisms for gathering data on user satisfaction and for its subsequent inclusion in service management.

Although there are few existing experiences in the field of customer satisfaction analysis, some countries carry out surveys to ascertain user opinion about the quality of attention in health care services (Honduras, Mexico and Trinidad and Tobago) and others commission customer satisfaction surveys (Chile's Social Solidarity Fund). On the other hand, it is common for institutions to set up electronic mailboxes or telephone help lines for customers to register their complaints and opinions. However, the data gathered is not often used to analyze customer satisfaction.

Sector Information Systems

The service sector ministries and institutions have information systems that are fed directly by the public service administrative registers. These systems contain data that forms the basis of MfDR monitoring systems at all levels (service, program, institution, country), as well as the primary material for the cost

evaluation performance indicators. Therefore, these data gathering systems are indispensable for the adequate functioning of results-based management.

This study shows that the information systems of the health and education ministries are superior to those of the social development and infrastructure ministries (Table 2.17). Generally speaking, there is an institutional unit exclusively responsible for sector statistics, with information concerning the outcomes of goods and service at its disposal. However, this information is out of date by a year or two and does not always incorporate data regarding services provided by the private sector. The majority of countries lack quality data about service provision because of deficiencies in data gathering standards and tools. Furthermore, very few countries have indicators that enable the efficiency of their actions to be analyzed because they lack available information on costs and, in various cases, there is no reliable data regarding important inputs such as the number of teachers or doctors.

The majority of institutional statistics departments do not have adequate human, financial or technological resources at their disposal to develop reliable and appropriate information systems. In some countries, registers are still gathered centrally, as the services either do not have computers or are not connected through an electronic network. This problem is particularly widespread in rural areas.

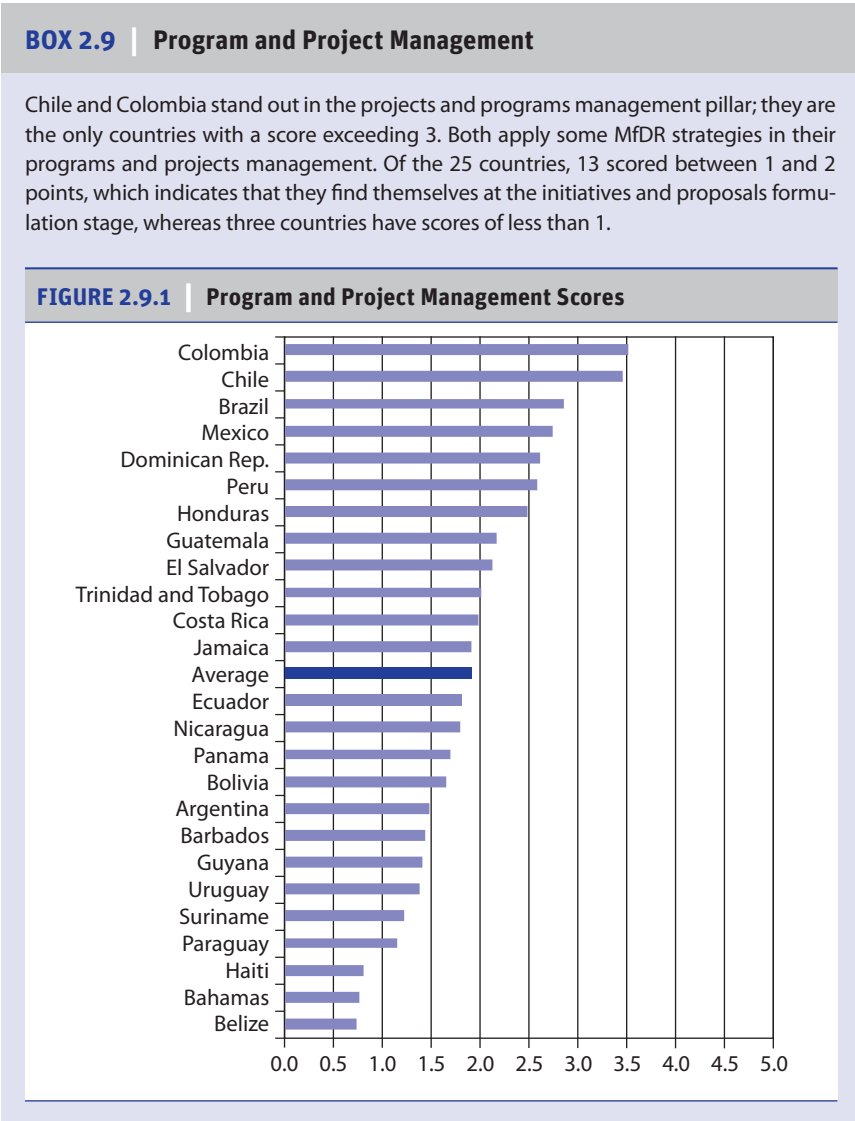
In addition, it is common to find various systems belonging to differing programs that are not interconnected, above all in the social protection ministries. This hampers the task of data consolidation and limits the application of standards for data handling.

TABLE 2.17 | Scores for Information System Indicators by Sector

| | Education | Health care | Social development | Infrastructure |
|--|------------|-------------|--------------------|----------------|
| Goods and services coverage data | 2.5 | 2.5 | 1.5 | 1.8 |
| Goods and services quality data | 1.9 | 1.6 | 0.9 | 1.0 |
| Goods and services cost indicators | 0.9 | 1.5 | 0.5 | 0.7 |
| Goods and services coverage indicators | 1.5 | 1.9 | 1.0 | 0.9 |
| MfDR Index | 1.6 | 1.9 | 1.0 | 1.1 |

Owing to the above-mentioned characteristics, the existing data systems in the majority of countries are of little help for management use, which requires reliable and timely information. Improving service quality goes hand-in-hand with strengthening data systems because it is impossible to establish references and measure institutional progress without them.

To sum up, the programs and projects management pillar displays performance inferior to that of results-based planning, and financial management,



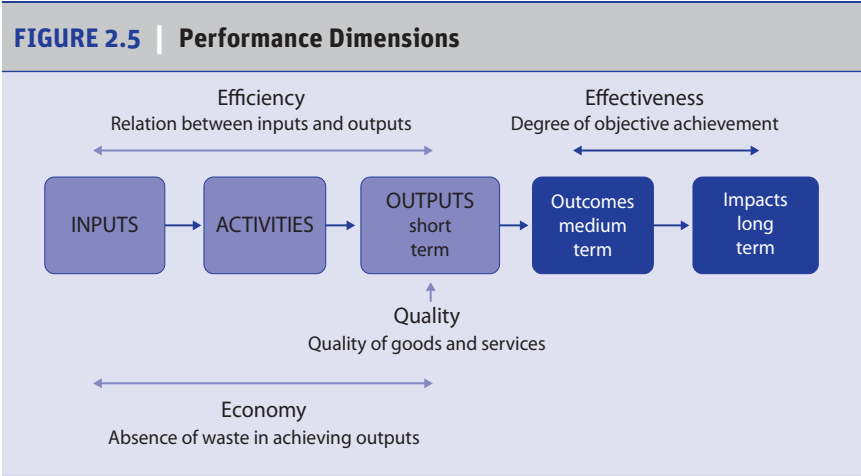
auditing and procurement, but is better developed than the results-based budgeting, and monitoring and evaluation pillars (Box 2.9). The strongest components of this pillar are ex-ante project evaluation and medium-term planning, aspects that are strongly linked to national public investment and planning systems. On the other hand, the weaker components are related to management and information systems, which in turn relate to RBB and M&E. This pillar's most critical element is the weakness of strategies to improve goods and services quality, which is the cornerstone of MfDR.

Monitoring and Evaluation

Monitoring is the “the continuous function that uses systematic data gathering on predetermined indicators to provide the administrators and principal stakeholders of a development intervention with indications regarding progress and outcomes achievement, as well as about the use of allocated funds” (OECD, 2002). In public management, monitoring seeks to report the advances made toward government objectives and goals, which, in the majority of cases, are contained within a national plan executed using resources arising from the public budget. Therefore, the monitoring function is closely linked to those of planning and budgeting. It analyzes as much the achievement of outcomes as the resources invested to achieve them.

Within the MfDR framework, the monitoring system is a tool for public sector management using a combination of indicators that permit verification of the achievement of objectives and their quantitative expressions—targets. A traditional execution-monitoring system is distinguished from a results-based one in that the latter incorporates indicators that report results obtained by programs and projects, whereas the former contains indicators that report on inputs, activities and products, but without taking into consideration whether these have contributed to achieving the objectives (results).

In addition, the monitoring system should report on institution, project and program performance. Within the sphere of public policy, performance is defined as the degree to which a development intervention, or an entity responsible for promoting development, acts in accordance with specific criteria, rules and directives, or achieves outcomes that conform to the established goals or plans (OECD, 2002). Therefore, the performance measurement indicators should report on two important aspects of development interventions: i) the results established in planning (outputs, outcomes and impacts) and ii) the criteria, rules and directives that guide intervention by public organizations. By taking the results chain as a reference, the critical dimensions that

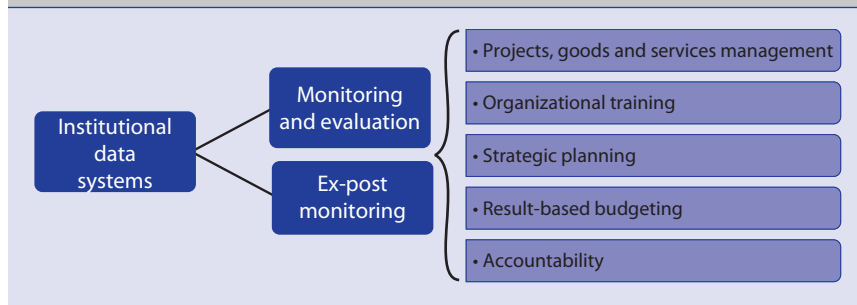


illustrate these two aspects can be identified. Figure 2.5 illustrates the relationship between the results chain and performance dimensions.

It is worth adding that monitoring is a *transversal function* of the management cycle, as each one of the pillars plays a part in monitoring execution. Therefore, for example, the planning pillar is responsible for establishing management objectives, results-based budgeting participates in establishing goals and financial management provides information. Moreover, monitoring is also responsible for reporting on the different *verticals* at which public policy is carried out: services, programs, institutions and policies. The transversal and vertical dimensions of monitoring present stiff challenges for building monitoring systems, challenges that can only be tackled by a constant striving for perfection and improvement that must necessarily go beyond various government terms of office.

Furthermore, monitoring is “the objective and systematic appreciation of a project, program or policy, either current or concluded, of its design, its execution and its results. The aim is to determine the appropriateness and achievement of objectives, as well as the efficiency, effectiveness, impact and sustainability for development. An evaluation must provide credible and reliable information, which enables the lessons learned to be incorporated into decision-making” (OECD, 2002).

The fundamental difference between monitoring and evaluation is that monitoring yields information about the situation regarding outcomes and the effects of a policy, program or project. Evaluation explains why those objectives or outcomes have been, or are being, achieved, and reports the changes that

FIGURE 2.6 | The M&E System in Relation to Other Components of the Management Cycle

have thereby occurred for beneficiaries or society. Evaluation, using a systematic data gathering and analysis process, pronounces judgment on the causes of and reasons for results, examines unlooked-for results, studies the process followed to achieve them and proposes recommendations for future actions.

It should be highlighted that the data feeding into the monitoring and evaluation systems comes, for the most part, from the institutional data systems that belong to the sector ministries. Moreover, ex-post monitoring, as previously observed in the corresponding section, is also supplied with information from said systems, while at the same time employing M&E data (Figure 2.6).

Monitoring Systems in Latin America and the Caribbean

Of the countries studied, only five do not have a specialist unit for monitoring government objectives. Despite the fact that most countries have entities formally responsible for monitoring, only 15 actually have functioning systems, albeit with varying degrees of maturity. The majority were set up during the 2000s and are therefore still in the design or implementation phase.

The monitoring units are affiliated with the executive branch, the planning ministries and, to a lesser degree, the finance ministry or treasury. The establishment of monitoring entities within the planning ministries is a logical consequence of the structural link between planning and monitoring. Furthermore, the tendency to include this function within the executive branch shows the growing interest of the higher echelons of power in having accountability and management tools at their disposal. With regard to the monitoring systems situated within the finance ministry or treasury, it is noticeable

TABLE 2.18 | Scores for Monitoring and Evaluation System Indicators by Level of Development

| Monitoring and evaluation system indicators | MfDR Index | Level of MfDR development | | |
|---|------------|---------------------------|------------|------------|
| | | High | Medium | Low |
| Monitoring institutions | 2.1 | 4.5 | 2.1 | 0.6 |
| Scope of program and project monitoring | 1.4 | 4.0 | 1.0 | 0.8 |
| Use and dissemination of monitoring information | 1.1 | 3.7 | 0.9 | 0.1 |
| Statistical information systems | 2.8 | 4.1 | 2.7 | 2.0 |
| Legal and institutional framework for M&E | 1.5 | 3.9 | 1.3 | 0.6 |
| Scope and integration of the M&E system | 0.6 | 2.8 | 0.3 | 0.1 |
| Actions arising from the nonachievement of goals | 0.8 | 3.1 | 0.4 | 0.2 |
| Dissemination of evaluation findings | 1.2 | 4.6 | 0.7 | 0.3 |
| MfDR Index for monitoring and evaluation system indicators | 1.6 | 3.8 | 1.3 | 0.7 |

that they correspond to those countries that have consolidated (such as Chile) or started to build (like Mexico and Peru) results-based budgeting systems. Table 2.18 shows the results for the monitoring and evaluation pillar.

In general, only modest institutional development of the monitoring function is evident among the medium-group countries. One of the most important weaknesses of systems in these countries is that, although they use activities and, occasionally, product indicators, they lack indicators regarding results. This limits the scope of MfDR implementation because it is not clear whether or not outputs have contributed to achieving the desired outcomes and impacts. Therefore, for example, the construction of a school building and text book delivery to scholars (outputs) do not necessarily bring improvements in learning (outcome), which is measured according to standardized tests.

The information gathered shows a wide gap between the most advanced countries and the rest of the nations. In effect, the former obtained a much higher qualification than the latter and, furthermore, display greater correspondence between the monitoring function's institutional framework and the effective use of information produced by the system, which clearly demonstrates their greater maturity. However, it is perceptible in all cases that the data dissemination and system use indicators score the lowest, indicating that implementation of a monitoring system does not necessarily imply enhanced

subsequent use of information for management purposes. In this sense, it is clear that various countries have placed emphasis on formulating indicators and building information technology applications but have made little progress toward creating the policy conditions and institutional capacities to apply such tools to public management analysis and direction.

This is borne out by the fact that, apart from Chile, no country applies institutionalized criteria and procedures based on information yielded by the monitoring system for government action analysis and management. This does not mean that the other countries do not use the information in any way at all, but rather that they use it noninstitutionally and without formally integrating it at different moments during the management cycle. Therefore, for example, in those countries in which the monitoring system is based within a presidency, it is common for the highest echelons of authority to employ monitoring data in decision making. However, this use is discretionary and depends exclusively on the will of the incumbent governors. Subsequent governors might not choose to use the tool at all. Likewise, in those countries with public information systems, the use of project monitoring data is usually regulated; however, such systems are restricted to the investment projects that make up only a part of the budget. Finally, in the countries that have recently undertaken the development of results-based budgets (Mexico and Peru), performance indicator systems are still insufficiently mature to be used formally.

One conspicuous weakness in the majority of monitoring systems is the lack of both vertical (government, organization, operative unit) and horizontal (planning, budget, execution, monitoring and evaluation) coordination. In effect, previous studies have concluded that most monitoring systems, particularly those linked to the offices of the presidency, are used primarily by higher authorities, and only marginally by public managers, to direct their organizations (Cunill and Ospina, 2008). Likewise, there is a noticeably weak relationship between the budgetary process and program and project management. This would seem to imply that many countries consider their monitoring systems more as an accountability mechanism situated at the top of governmental organization than as a management tool that traverses the entire institutional fabric.

In conclusion, only Brazil, Chile, Colombia and Mexico have monitoring systems that are developed enough to contribute to MfDR. They display some differences, however, that can be seen in Table 2.19. The rest of the countries have systems with differing degrees of maturity, but the majority are still at the early stage. The most obvious impediments to full contribution by these systems to MfDR are that i) they do not have formally established technical

TABLE 2.19 | Monitoring and Evaluation Systems in LAC, 2007–2009

| | | | | |
|---|--|--|--|--|
| Use of monitoring system | High Used for technical, administrative and budgetary decision making. | | | Chile |
| | Medium Used for high-level decision making. | | Costa Rica | Brazil, Colombia |
| | Low Not used or used infrequently to analyze and correct achievement of goals. | Barbados, Ecuador, El Salvador, Guatemala, Haiti, Nicaragua, Uruguay | Argentina, Honduras, Peru | Mexico |
| Without monitoring system: Bahamas, Belize, Bolivia, Dominican Republic, Guyana, Jamaica, Panama, Paraguay, Suriname, Trinidad and Tobago | | Low The system is beginning to be implemented. | Medium The system is being institutionalized and the corresponding instruments and methodologies are being formulated. | High The system is institutionalized and the corresponding instruments and methodologies are already formulated. |
| Degree of monitoring system institutionalization | | | | |

rules and working methodologies, ii) they do not integrate the achievement of goals and objectives with resource investment and iii) they are based on input and activity indicators rather than on product or effect indicators. Additionally, with every change of government, the monitoring systems are generally faced with the challenge of adapting to changes that might or might not retain the technical advances achieved by the outgoing government, especially if an opposing political coalition enters office.

Evaluation Systems in Latin America and the Caribbean

Of the countries studied, 13 have laws that, one way or another, make evaluation of public management obligatory. However, only five of these countries have a legal framework that specifically establishes the need for evaluation of

TABLE 2.20 | Countries with a Legal Framework and with Results Evaluation Systems

| Country | Policy framework for results evaluation | Operative mechanism |
|----------|---|---|
| Brazil | <i>Ministerial Decree No. 329 (2006) on the Internal Regulation of the Ministry of Social Development and Combating Hunger</i> | The Ministry of Social Development and Combating Hunger's Evaluation and Data Management Secretariat's Social Policy and Program Monitoring and Tracking System (SAGI) |
| Chile | <i>Act No. 19,896 (2003), which introduces modifications to the State Financial Administration Act (1975)</i> | The Treasury's Budget Directorate Management Monitoring System (Dipres) |
| Colombia | <i>Constitution of the Republic, Act No. 152 Plan of Development Act (1994)</i> <i>Decree No. 195 (2004), which modifies the structure of the Department of Planning</i> | The National System of Public Management Results Evaluation's Inter-sector Committee for Evaluation and Results-Based Management (Sinergia), which is coordinated by the National Planning Department |
| Mexico | <i>Federal Budget and Financial Responsibility Act (1976/2003)</i> General guidelines for evaluation of the federal programs of the General Public Administration (2007) | Nation Council for Social Development Policy Evaluation (Coneval) |

policy, program and project results: Brazil, Chile, Colombia, Mexico and Peru. The remainder establish rules that do not examine the results of government actions in the sense defined in this book. In the majority of cases, these rules refer to financial evaluation and/or analysis of the achievement of physical project goals.

Of these five countries, only Peru lacks institutionalized mechanisms for results evaluation, as the rules are of recent origin and the system is still at the implementation stage. The other countries have formalized mechanisms and methodologies, as well as a program of evaluations with its own corresponding budget (Table 2.20).

It must be stressed that specific rules governing the evaluation of policy results are also recent in four of these countries: Chile (2003), Colombia (2004), Brazil (2006) and Mexico (2007). This clearly demonstrates that systematic and institutionalized ex-post evaluation of policies, programs and projects is a new phenomenon in the region.

Another element worth mentioning is that all four countries support evaluation of social programs and projects. Further, Brazil’s and Mexico’s evaluation systems are part of the social sector and, at this point in time, exclusively evaluate actions oriented toward social development and combating poverty. Although Colombia’s system is part of the National Planning Department and Chile’s the treasury, they still both center their attention on social programs.

BOX 2.10

Information Dissemination

Dissemination of information regarding governmental performance contributes to enhancing MfDR because it fosters a culture of accountability and encourages civil society organizations and the citizenry to form opinions about government actions based on hard evidence. The PRODEV Evaluation System includes indicators of data dissemination in each of the pillars. To generate an index regarding data dissemination, Table 2.10.1 combines these indicators. It is clear that countries with high and medium levels of MfDR development put a large amount of information at the public’s disposal through ministerial web sites. The most widely disseminated information concerns the budget, financial status, state procurement, auditing reports and the medium-term national plan. There is less information available regarding monitoring, management reports and evaluations due, in part, to the fact that the countries themselves generate little information in these areas.

TABLE 2.10.1

Type of Information Available on the Internet by Level of MfDR Development

| Information available on the Internet | MfDR Index | Level of MfDR development | | |
|---|------------|---------------------------|------------|------------|
| | | High | Minimum | Low |
| Information about the budget | 3.3 | 5.0 | 3.5 | 1.7 |
| Information about state procurement | 3.0 | 4.3 | 3.2 | 1.7 |
| Information about financial status | 2.9 | 4.5 | 3.0 | 1.7 |
| Medium-term national plan | 2.5 | 4.5 | 2.7 | 0.9 |
| Auditing reports | 2.5 | 4.8 | 2.7 | 0.5 |
| Reports on sector management results | 1.4 | 3.2 | 1.4 | 0.1 |
| Monitoring system | 1.3 | 4.0 | 1.1 | 0.0 |
| Ex-post monitoring reports | 1.2 | 4.5 | 0.8 | 0.0 |
| Ex-ante monitoring reports | 0.9 | 2.0 | 0.9 | 0.0 |
| MfDR Index for information available on the Internet | 2.1 | 4.1 | 2.1 | 0.7 |

There are also noticeable differences between the four systems. Chile's system displays vertical integration (planning, budget, execution, monitoring and evaluation), whereas the other systems still experience bottlenecks. The Chilean system is therefore capable of evaluating policies, as well as projects and programs, and to systematically include the results of evaluation in both the budgetary formulation process and service management.

To sum up, the monitoring and evaluation pillar is, alongside the results-based budgeting pillar, the one that shows least progress in the region (Box 2.11). Although the majority of LAC countries have systems for monitoring achievement of governmental objectives, they are still at the initial stage of development. The factors most limiting these systems from contributing to MfDR are i) a lack of formally established technical rules and working methodologies, ii) a lack of information arising from M&E being incorporated into the process of analysis and public management decision making, and iii) the nonexistence of indicators regarding products and effects.

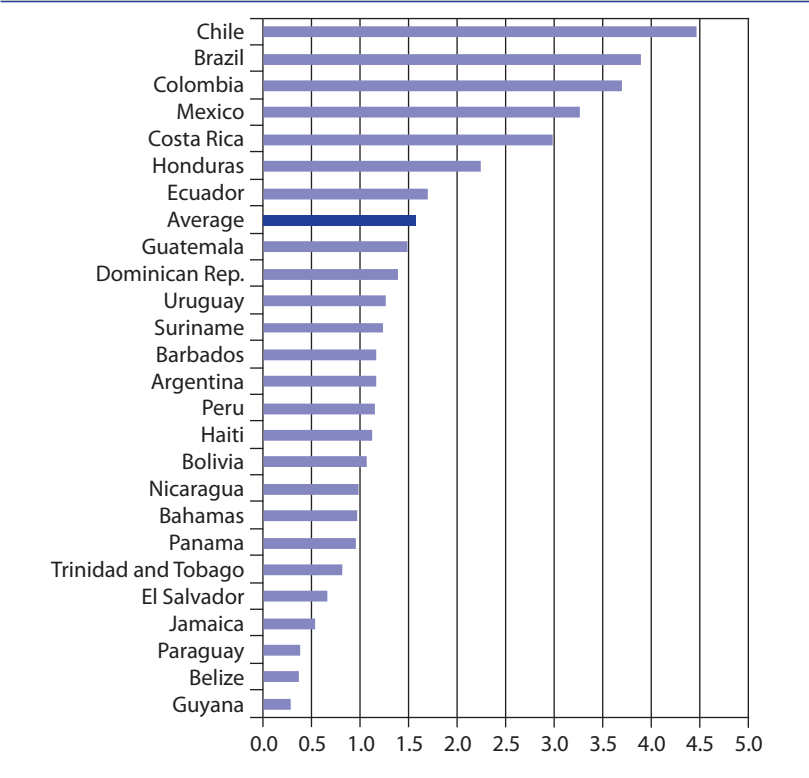
Furthermore, it is noticeable that evaluation systems are less well developed than monitoring systems. Very few countries have institutionalized the practice of ex-post program and project evaluation. It also becomes clear that, with the exception of the four countries most advanced in MfDR implementation, the countries lack evaluative capacity. However, projects financed with external resources are frequently evaluated in all countries, but the evaluation reports are seldom used to improve the design and execution of other projects.

These factors represent a great challenge for the growth of MfDR capacity in the region, as the absence of evaluation of government management results is a serious obstacle to solidifying the pillars of results-based planning, results-based budgeting, and program and project management. Without evaluative analysis, it is impossible to build a nexus between planning and the results-based budget, or to generate a culture of continuous improvement in providing public services.

BOX 2.11 | Monitoring and Evaluation

Chile continues to lead in the monitoring and evaluation pillar, which coincides with its position at the top of the results-based budgeting pillar. Brazil, Colombia, Mexico and Costa Rica also show strong results in this pillar, with scores of 3 points or over, which signifies that they are developing measures to implement M&E systems. It should be highlighted that 17 of the 25 countries analyzed score less than 1.5 and thus are either at the initial proposal stage or have yet to put forward proposals for creating systems in this pillar.

FIGURE 2.11.1 | Monitoring and Evaluation Scores



CHAPTER 3

Conclusions and Final Considerations

The following points are highlights of the preceding analysis regarding the current situation and the future prospects for MfDR implementation in Latin America and the Caribbean.

First, the countries studied are at various stages of implementation of the pillars and as a group can be divided into low, medium and high levels of MfDR development.

Overall, the region finds itself in the initial stage of the MfDR implementation process, although each of the countries displays a different degree of MfDR institutionalization. At one end of the spectrum, a small group of countries is consolidating systems oriented toward measuring and analyzing the results of public-sector management and using the results in political decision making. At the other end of the spectrum are the countries with basic systems that still follow the logic of traditional bureaucratic management. The majority of countries in the region fall somewhere between these extremes and, in general, display nascent institutionalization. Likewise, there are varying degrees of progress in the five pillars of public management. There is notable progress in the financial management systems but, at the same time, little development in monitoring and evaluation systems or results-based budgeting.

There is an institutional reform and strengthening process underway that seeks to improve public management. From the end of the 2000s, and with greater emphasis from 2005 onward, the majority of countries have undertaken institutional changes geared toward results-based public management. In general, the spirit of these recent innovations is to stimulate efficiency and effectiveness in public actions, promote transparency in resource management and encourage citizen participation. However, a wide gap can still be observed between the legal and institutional frameworks and their practical implementation, as many of the changes provided for in the new rules have yet to be applied.

The MfDR institutionalization process is still partial and fragmented. In general, the reforms carried out do not include all institutions and processes involved in public value creation and, therefore, there is not the necessary coordination between the pillars of the management cycle. This disconnect has given rise to the creation of isolated mechanisms and tools that compete against one another and lack cohesion. On some occasions, this practice discourages and delays the implementation of a culture oriented toward MfDR.

In some countries there is a noticeable retreat in the process of institutional consolidation of public management systems caused by political practices inconsistent with enhancing democracy. This group is made up of both the poorest countries and those enjoying middle or high-to-middle revenue.

Second, the pillars are also evolving at various rates.

With regard to the planning (RBP) pillar, it is noticeable that the majority of countries have established laws and institutions with a less-centralized approach than before, as they now consider the market an important component of development. The greatest challenge facing planning systems in the region is strengthening medium-term planning, which implies solidifying the plans' programmatic structures; integrating the long-, short- and medium-term plans; and coordinating these plans with the budget. Another important challenge is developing a more inclusive planning process that involves the legislative branch and civil society. This would allow strategic objectives to reflect the thinking of society as a whole, and thereby have more chance of surviving from one government to the next.

The results-based budgeting (RBB) pillar is the least developed. There is still a long way to go in the LAC region before results-based budgeting becomes fully institutionalized. The vast majority of countries continue to budget according to inputs and allocate resources on the incrementalist model, without including management results in the budget analysis and formulation process. On the other hand, various countries carry out some budgetary practices that are, gradually, improving this pillar's credibility and are preparing the ground for deeper reforms. These practices have to do with budget structuring based on policies set out during planning, the formulation of medium-term frameworks, and the establishment of laws that promote and stimulate responsible and prudent fiscal management. Some countries have also constructed indicator systems aimed at monitoring budget execution. However, the majority

of these systems are not designed to evaluate the quality of expenditures or analyze the results of government actions, but are instead limited to reporting physical and financial budget execution.

Comparatively speaking, financial management, auditing and procurement (FMAP) is the most developed pillar in the region. There has been a noticeable updating of the relevant rules in this area, and procedures have been automated. However, the majority of FMAP systems are not constructed on the basis of MfDR concepts, but rather following the traditional input-product logic. Furthermore, internal control is restricted to ex-ante auditing, with few advances in the field of ex-post monitoring due, in part, to the weakness of the institutional monitoring systems for quality control in goods and services production. With regard to external monitoring, most countries have carried out reforms to their legal monitoring frameworks and aligned them with international rules. It is, however, common for a Supreme Audit Institution's independence to be compromised by close links with the executive branch.

The program and project management (PPM) pillar is less advanced than the RBP and FMAP pillars, but further advanced than the RBB and monitoring and evaluation (M&E) pillars. The most institutionalized component of this pillar is ex-ante project evaluation, although integration of these evaluations with the budgetary allocation process is still weak. The central problem facing program and project management is the absence of institutional means to ensure the quality of the goods and services produced. Few countries have permanent strategies with this aim in mind and, apart from health care, it is uncommon for sectors to have standards of quality. Furthermore, existing information systems do not always guarantee the suitability of data relating to what is produced, which hampers progress in the RBB and M&E pillars. Given that, as previously explained, public value creation by providing goods and services is at the very core of MfDR, the weakness of this pillar is of critical importance. Improvements in the RBP, RBB, FMAP and M&E pillars will be of little use if there is no commensurate progress in goods and services management.

In the region, the monitoring and evaluation (M&E) pillar shows little progress, with a score only slightly higher than the RBB pillar. Although the majority of countries have some system or other for monitoring the achievement of government objectives, few have mature or institutionalized systems. Moreover, evaluation is less well developed than monitoring. Only the four countries with the highest MfDR Indexes have managed to build the necessary institutional capacity

to evaluate the effects of their programs and projects. Without such analysis, it is impossible to link a results-based plan and a results-based budget, or to generate a culture of continuous improvement in providing public services.

Proposals for Advancing Toward MfDR Institutionalization

Although each country has strengths and weaknesses and is at its own stage of institutional development, it is still possible to establish a set of priority actions that each country should undertake to strengthen its results-based management capacity. As previously argued, it is important to advance comprehensively and gradually toward MfDR implementation, taking advantage of the synergies created simultaneously in various pillars. However, it must be remembered that there is no program or agenda that is valid for all cases. The champions of reform should carefully analyze the institutional, legal and political context in their country and put forward a strategy for change that reconciles the urgent with the possible and the desirable. Table 3.1 gives 10 suggestions of how to promote MfDR institutionalization in the LAC region.

It is worth highlighting that the reform agenda will be different in each country given that it depends on the particular characteristics of the institutions in each country. However, there are some elements that should be included in all cases because they will help to order and guide the institutional reform process. First, three main actors should be examined and a strategy developed for each one: the political authorities, the public managers, and the civil society and private sector organizations.

Political commitment. The political authorities' commitment to carrying out the reforms is an element of primary importance. In effect, the transformation of the old institutional culture presupposes political changes that can only be promoted by leaders who are fully convinced of the need to innovate.

Management capacity. At the same time, political will needs to be reinforced by management capacity because without experienced and committed public managers, transforming the desire for change into a solid strategy is impossible. It must be stressed that reform developed exclusively at the operations level runs the risk of lacking legitimacy among the authorities and of failing to adequately consider political issues.

Joint responsibility of civil society and the private sector. Civil society organizations and the private sector are jointly responsible for change and, to this end,

TABLE 3.1 | Suggestions for MfDR Institutionalization in Latin America and the Caribbean**1. Strengthen results-based planning by integrating the long-term vision with the medium-term plan and the medium-term plan with the budget.**

Preferably, RBP should start with a long-term vision that represents the citizenry's common objectives. This vision will serve as a basis for the medium-term planning exercise, which in turn incorporates the government's priority objectives and goals as well as the strategies and programs designed to achieve the objectives and goals and the indicators to monitor progress. The plan's programs and goals should be supported by readily available short- and medium-term financial resources, which demands a coordinated effort by the entities in charge of the plan and the budget. RBP should be constructed according to the following criteria:

1. The long-term vision and the medium-term national plan (MTNP) should define few priority objectives and goals. Voluntarist exercises with an excessive number of goals and objectives should be abandoned, as they cause efforts to be fragmented. The goals should be realistic and achievable. Both the objectives and the goals should precisely define the strategies to be followed to achieve them. In the case of the MTNP, the goals should be annual to ensure adequate monitoring and to correct any deviations arising during execution.
2. The formulation of the long-term vision and the MTNP should be participative. The process should be initiated as a technocratic exercise, in which a primary proposal is made detailing the viable objectives and goals, but these should then be confirmed via a participative process that includes civil society and the legislative branch. In this way, necessary consensus is built to carry them out, and the costs and benefits for the principal social actors can be identified.
3. After drafting a strategy and gaining society's approval, operative planning should begin. This consists of identifying the inputs, processes and products needed to achieve the proposed objectives, and designating the persons and institutions responsible for carrying them out. Furthermore, the financial resources necessary for executing each program and achieving its goals should be identified and allocated during this stage.

2. Gradually implement a results-based budget.

The central objective of an RBB is to introduce a combination of procedures and information into the budgetary process that induces institutions to act according to pre-established results. The budgetary process, and the actors intervening therein, should consequently be united around achieving those results. Therefore, during the budget design stage, the offices in charge should include performance indicators for the programs to which resources are allocated, and the legislative branch must demand, and use, monitoring and evaluation data during budgetary approval. Finally, the Supreme Audit Institutions should go beyond mere legal and accounting analysis and include management evaluation in their tasks. To abandon the traditional inertial budget and advance toward a results-based budget, or one based on performance, the following must be borne in mind:

1. RBB should be introduced gradually using a process in which its components are generated over time.
2. The speed of implementation will depend on the reliability of financial information available at the moment of process initiation.

(continued on next page)

TABLE 3.1 | Suggestions for MfDR Institutionalization in Latin America and the Caribbean *(continued)*

3. Change will be faster if the necessary human resources are available, in terms of both quantity and quality.
4. More flexibility must be generated within the process so that public managers can be held accountable according to the outcomes achieved.
5. Finally, incentives must be offered for those in charge of programs and projects, as well as for agencies and their staff.

3. Strengthen financial and integrated risk management and orient them toward results achievement.

Public financial management requires that resources allocated to programs and projects be readily available in the stipulated amounts. To enhance the efficiency of the use of public resources employed in MTNP execution, the following is required:

1. Integrate the budget administration, accounting, public credit, treasury and tax administration subsystems within the policy, institutional and information technology areas. The architecture of these subsystems should ensure that the necessary information and resources for formulating, monitoring, auditing and evaluating budget outcomes are readily available.
2. Furthermore, the rules governing these subsystems should encourage public managers to achieve results.
3. Likewise, fiscal risk management should take all of the contingent liabilities (prices of raw materials, natural disasters and foreseen liabilities, among others) into consideration.
4. Ensure that the executed budget does not deviate significantly from the budget program.

4. Promote the transactional capacity of electronic public procurement systems.

The use of modern electronic systems, with an adequate regulatory framework, enables government procurement processes to be more transparent, reduces corruption, encourages competition and contributes to efficiency. To maximize the potential of these systems, they should have transactional capabilities and be extended throughout the public sector, both at the national and the subnational levels. Systems should therefore ensure the following:

1. The opportunity for provided goods and services to achieve the desired results.
2. Competitive processes that are fully understood by both purchasers and suppliers.
3. Unrestricted access for all suppliers able to compete.
4. Mechanisms guaranteeing that the price and quality of acquired goods and services are adequate.
5. Rules that accept complaints and claims concerning the procurement or contracting processes.

5. Develop ex-post internal monitoring.

Internal monitoring should be seen as an ally for institutions and for those public managers seeking desired results. It is therefore necessary to exercise more effective, but limited, ex-ante monitoring and to strengthen ex-post control that is oriented toward achieving outcomes. This requires:

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TABLE 3.1 | Suggestions for MfDR Institutionalization in Latin America and the Caribbean *(continued)*

1. Internal monitoring offices coordinated with the institutions' managerial function.
2. Implementation of information and performance systems reporting the results of institutional management.
3. Gradually developing ex-post monitoring tools and procedures, as well as ex-ante control.

6. Guarantee external monitoring independence and orient it toward results examination.

External monitoring should support the institutional reforms that are aimed at building results-based management. It is therefore necessary for the monitoring entity to act independently and focus its analysis not only on procedures, but also on the effects of government actions. Moreover, it should guarantee:

1. The true independence of the Supreme Audit Institutions.
2. Information systems based on institutional management results.
3. Tools and procedures for performance audits.
4. Timely presentation of reports to the legislative branch and citizens.

7. Set out strategies to consolidate the coverage and continuous quality improvement of goods and services.

Providing goods and services epitomizes public value creation and is the visible face of government management in the eyes of the citizens. It is therefore very important that the sectors, such as education, health care, public safety and the civil register, have strategies for continuous quality improvement regarding the goods and services they produce, as well as for widening or consolidating their coverage. All public entities should have an institutional MfDR strategy, starting with those enjoying the greatest share of the state budget. Furthermore, strengthening ex-ante project evaluation is indispensable for better alignment of the objectives with the MTNP. This requires:

1. Designing or consolidating ex-ante evaluation systems that identify the social costs and benefits of projects and programs, and ensure the suitability of the programs and projects for achieving the objectives established in the sector plans and the MTNP.
2. Developing quality improvement strategies for the goods and services delivered by sector ministries by focusing management on customers and users.

8. Institutionalize monitoring and evaluation as integrated functions in all MfDR pillars.

The only way to know whether public management has produced the desired outcomes is by having appropriate and reliable information about the changes the actions have on society. This information contributes to improving management of both public managers and service providers. For the M&E systems to reach all pillars of the management cycle, the following is needed:

1. Design or strengthen coordinated monitoring and evaluation systems, with specific rules, procedures and mechanisms for evaluating and monitoring policies, programs and projects.

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TABLE 3.1 | Suggestions for MfDR Institutionalization in Latin America and the Caribbean *(continued)*

- 2. Guarantee mechanisms to incentivize the use of evaluation and monitoring reports.
- 3. Implement processes whereby information arising from evaluation and monitoring is disseminated to the legislative branch and the general public.

9. Improve accountability to citizens through public management results.

Accountability of those in government is a central aspect of MfDR. The Internet can contribute positively to this aim by allowing regular dissemination of information. However, this information must report on outcomes achieved and not merely actions taken. The general public has a right to know what results have been achieved by the authorities with public resources. Likewise, it is important to place at the public's disposal all relevant institutional information regarding the plan, the budget, financial management, the audit reports and program progress. Results accountability contributes to fostering citizen demand for improved public management.

10. Orient human resources management toward results achievement.

The creation of an institutional culture founded on merit is the basis for results-based human resources management. This is a complex task that must be carried out continuously. It is necessary to create teams of professionals that put managerial decisions into practice within a results-based culture is a fundamental requirement for success in MfDR implementation. These professionals should be provided opportunities for continuous training and assessment, and enjoy adequate remuneration and job stability, and their performance should be evaluated. The following aspects need attention:

- 1. A legal and institutional framework for human resource management that stimulates results achievement and encourages good performance.
- 2. A system of performance contracts for public managers.
- 3. Continuous training in MfDR for civil servants at all levels: public managers, senior technicians and service providers.

must fulfill two functions: i) demand that government achieve the promised objectives and ii) offer suggestions for solutions when the results achieved by the public sector are not as expected. However, the objective of these functions is not for civil society organizations and the private sector to become joint public administrators, as this is the sole responsibility of government, but rather that they promote effective government management and contribute, with their knowledge and opinions, to develop a results-based culture.

In addition to the human factors mentioned above, the following should also be considered in guiding the institutional reform process.

Generate realistic expectations. As previously observed, many of the changes proposed herein require medium- and long-term processes. Therefore, it is

advisable to be prudent when referring to what might be expected in the short term. Legal reforms, system design and implementation, and staff training are all activities that take time. Likewise, institutional changes occur gradually, as the systems mature. It is therefore recommended that expectations be reasonable so that they are more likely to be met and, if not, the result is not frustration and does not detract from interest in the changes.

Aim for success. It is best to initiate changes in those components and pillars where political conditions and available skills improve the chances of success. Once the reforms have acquired good momentum in these areas, they can be transferred to more difficult ones. It is very important that the reform process acquires prestige and enjoys a good reputation not only within the institution carrying it out, but also in the public sector as a whole. This will encourage other institutions to get actively involved when their turn comes.

Learn from experiences in other countries and adapt them. The institutional reform process in each country offers the international community valuable learning opportunities, in such a way that knowledge and the exchange of experiences is an element that supports better MfDR implementation. The purpose behind such an exchange is to learn from other countries' errors and successes, as well as to understand why implemented strategies succeeded or failed. However, it is inadvisable to adopt the tools and methodologies of other countries without having first adapted them to local objectives and conditions.

Gradual or shock strategy. A dilemma that frequently faces those responsible for designing institutional reforms is whether to opt for a "shock" strategy that affects all institutions at once or for a strategy that incorporates the reforms gradually. Although there is no exact answer that can be applied to all cases because the correct strategy will depend on various factors, it should be remembered that any strategy adopted must have a comprehensive approach to reform. This implies analyzing the whole of the management cycle and thinking about the changes to be introduced in each pillar to ensure adequate integration. However, the gradual strategy has the advantage of enabling the progressive expansion of the new model and, thereby, a more unhurried and systematic development of the instruments and procedures. It also enables resistance to change to be better managed and creates demonstrably positive effects. A well-managed, gradual process bodes well for institutional changes with greater sustainability.

Part Two

CHAPTER 4

Country-by-Country Analysis

The following pages present summaries of the MfDR capacity reports for each of the countries analyzed. Each summary includes the country scores and regional average for each of the five MfDR pillars, as well as the overall MfDR Index. Moreover, the principal characteristics and the efforts made by the country in each of the pillars are analyzed. Note that references to time frames relate to the year of the analysis. Table 4.1 presents an overall view of the countries examined.

TABLE 4.1 | Scores for each MfDR Pillar and MfDR Index (by Country and Level of Development)

| Country | MfDR pillars | | | | | MfDR Index |
|----------------|------------------------------|-------------------------------|---|--------------------------------------|---------------------------------|------------|
| | Results-based planning (RBP) | Results-based budgeting (RBB) | Financial management, auditing and procurement (FMAP) | Program and project management (PPM) | Monitoring and evaluation (M&E) | |
| Argentina | 2.2 | 2.1 | 3.3 | 1.5 | 1.2 | 2.0 |
| Bahamas | 0.2 | 0.3 | 1.9 | 0.8 | 0.8 | 0.8 |
| Barbados | 2.1 | 1.0 | 2.5 | 1.3 | 1.2 | 1.6 |
| Belize | 0.4 | 0.2 | 0.9 | 0.7 | 0.4 | 0.5 |
| Bolivia | 2.0 | 1.1 | 2.3 | 1.6 | 1.1 | 1.6 |
| Brazil | 4.2 | 3.8 | 4.0 | 2.9 | 3.9 | 3.7 |
| Chile | 2.7 | 4.4 | 4.5 | 3.5 | 4.5 | 3.9 |
| Colombia | 3.8 | 1.7 | 3.5 | 3.5 | 3.7 | 3.2 |
| Costa Rica | 3.2 | 1.5 | 3.2 | 2.0 | 3.0 | 2.6 |
| Dominican Rep. | 1.8 | 1.0 | 2.0 | 2.7 | 1.4 | 1.8 |
| Ecuador | 2.8 | 1.6 | 2.3 | 1.8 | 1.7 | 2.1 |
| El Salvador | 2.8 | 0.5 | 2.5 | 2.1 | 0.7 | 1.7 |

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TABLE 4.1 | Scores for each MfDR Pillar and MfDR Index (by Country and Level of Development)

| | | MfDR pillars | | | | | MfDR Index |
|-------------------------|--------|------------------------------|-------------------------------|---|--------------------------------------|---------------------------------|------------|
| Country | | Results-based planning (RBP) | Results-based budgeting (RBB) | Financial management, auditing and procurement (FMAP) | Program and project management (PPM) | Monitoring and evaluation (M&E) | |
| Guatemala | | 2.2 | 1.4 | 3.0 | 2.2 | 1.5 | 2.0 |
| Guyana | | 1.2 | 1.4 | 1.4 | 1.3 | 0.3 | 1.1 |
| Haiti | | 2.7 | 0.5 | 1.3 | 0.8 | 1.1 | 1.3 |
| Honduras | | 1.8 | 1.1 | 2.0 | 2.5 | 2.2 | 1.9 |
| Jamaica | | 2.4 | 0.7 | 2.2 | 1.9 | 0.5 | 1.6 |
| Mexico | | 3.4 | 2.5 | 4.0 | 2.7 | 3.3 | 3.2 |
| Nicaragua | | 1.9 | 1.3 | 2.5 | 1.7 | 1.0 | 1.7 |
| Panama | | 1.9 | 1.3 | 2.7 | 1.7 | 1.0 | 1.7 |
| Paraguay | | 1.7 | 1.1 | 2.3 | 1.1 | 0.4 | 1.3 |
| Peru | | 2.4 | 2.6 | 3.1 | 2.6 | 1.2 | 2.4 |
| Suriname | | 2.6 | 0.5 | 1.4 | 1.2 | 1.2 | 1.4 |
| Trinidad and Tobago | | 2.9 | 0.6 | 1.5 | 2.0 | 0.8 | 1.6 |
| Uruguay | | 2.1 | 1.8 | 2.5 | 1.4 | 1.3 | 1.8 |
| Average | | 2.3 | 1.4 | 2.5 | 1.9 | 1.6 | 1.9 |
| Deviation from standard | | 0.9 | 1.0 | 0.9 | 0.8 | 1.2 | 0.8 |
| Level of development | High | 3.5 | 3.1 | 4.0 | 3.1 | 3.8 | 3.5 |
| | Medium | 2.3 | 1.3 | 2.5 | 1.9 | 1.3 | 1.9 |
| | Low | 1.5 | 0.7 | 1.5 | 1.0 | 0.7 | 1.1 |

Argentina

PES Executive Summary (2008)

Argentina’s MfDR Index is in line with the regional average. The best-performing pillar is financial management, auditing and procurement, while the monitoring and evaluation pillar is particularly weak. Although some government

institutions carry out M&E, interinstitutional coordination is poor and the results of analysis are not used in budget management. It should be highlighted that Argentina does not have a medium-term national plan (MTNP).

Results-Based Planning

The Argentine government does not have a national strategic plan that establishes national priorities; there are, however, some sector plans. Legally speaking, there is a government entity responsible for coordinating implementation of government objectives, the Headquarters of the Cabinet of Ministers, which is in charge of supervising the national government's public policies and, in particular, ministerial activities. There are no laws or formal mechanisms whereby the legislative branch and civil society can participate in discussing strategic objectives and government goals.

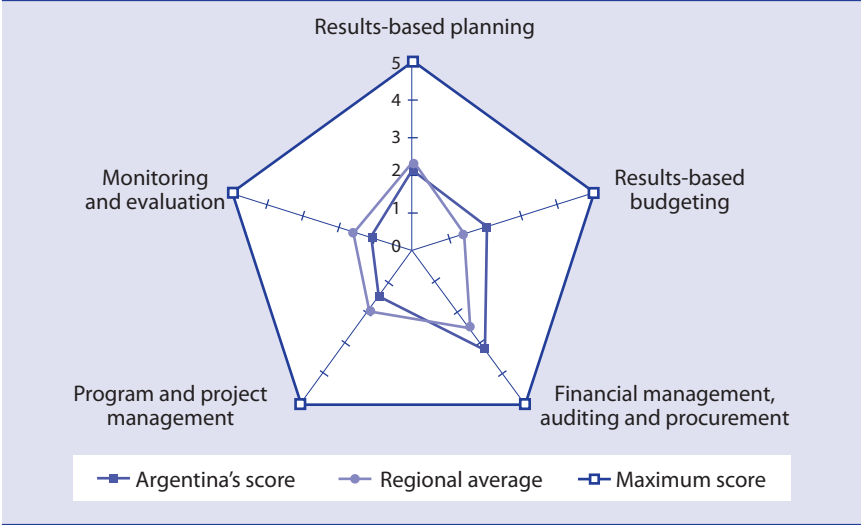
Results-Based Budgeting

It is notable that, while the greater part of the budget is structured according to programs, correspondence between the budgetary programs and the sector plans is weak. Although medium-term revenue projections are prepared, they are still insufficiently employed in decision making about public resource allocation. There is a cost-quality evaluation mechanism that applies responsibility-taking mechanisms, such as letters of commitment to citizens and institutional performance and management outcomes commitments. Likewise, in recent years, outcome indicators have been formulated for some programs.

TABLE 4.2 | Argentina's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.2 | 2.3 |
| 2. Results-based budgeting | 2.1 | 1.4 |
| 3. Financial management, auditing and procurement | 3.3 | 2.5 |
| 4. Program and project management | 1.5 | 1.9 |
| 5. Monitoring and evaluation | 1.2 | 1.6 |
| MfDR Index | 2.0 | 1.9 |

FIGURE 4.1 | Development of MfDR Pillars in Argentina and the LAC Region



The *Fiscal Responsibility Act* is only partially observed given that revenue has been underestimated.

Financial Management, Auditing and Procurement

Real expenditures exceeded the budget by 15 percent or more in the past three years. Sophisticated debt risk analysis is carried out, but no risk analysis regarding other types of contingent obligations. Extra-budgetary expenses represent 12 percent of the overspending and correspond principally to fiduciary funds and enterprises. For its part, the legislative branch punctually approved the budget in the past three years. The structure and processes of the accounting systems are of varying strengths.

With regard to public procurement, current legislation establishes the main use of open competition for awarding contracts, justifies the use of less competitive methods with regulatory prescriptions and proposes a mechanism to resolve disagreements relating to the procurement process. The drawbacks in the procurement process are demonstrated in certain aspects of the application of the *Procurement and Contracts Act*. There is insufficient regulation due to the lack of regulatory decrees and incentives that would increase the system's efficiency, effectiveness and transparency. Integration between

the procurement and contracting system and the budgetary system is also deficient.

Management auditing, both internal and external, is oriented toward formal controls and procedures, with little relevance to monitoring program objectives. At present, there is no adequate feedback between the management and auditing systems run by the National Comptroller's Office. The annual accounts published by the National Audit Office, which is in charge of supervising the accountability of the executive branch, have been approved by the legislative branch only after a significant delay, although there has been a noticeable tendency toward improvement in this field.

Program and Project Management

The National Directorate of Public Investment, which depends on the Ministry of Economy and Public Finance, is the government entity that carries out ex-ante evaluations of public investments. Not all projects are subject to ex-ante evaluation at the time of resource allocation, and the existing evaluations are not always used for this purpose. Although the National Directorate of Public Investment releases ample information on the Internet concerning the current legal rules and about the Projects Bank, the evaluation methodologies used and the results of ex-ante assessments are not placed at the general public's disposal. There is also a Public Investment Territorial Planning Subsecretariat that implements provincial projects. Coordination between these entities is limited. There are clearly no mechanisms for budget allocation that might stimulate institutional efficiency and effectiveness. Shortcomings in the sector information systems can also be detected.

Monitoring and Evaluation

There are three entities that use performance indicator systems for monitoring government objectives: the Ministry of Economy and Production, the Headquarters of the Cabinet of Ministers and the National Council for Social Policy Coordination. However, there is no adequate interinstitutional coordination between these systems and efforts are thereby dispersed. Furthermore, the indicators have yet to become a significant factor in the budgetary decision-making process. Although a law establishes the obligation to evaluate the quality of expenditures by the Headquarters of the Cabinet of Ministers, there are no rules to enforce the evaluation of government programs and policies because such evaluation is not accorded priority status. Likewise, any

noncompliance with the goals detected by the evaluations does not imply corrective actions, whether they are technical, administrative or financial.

Conclusions

According to this assessment, the principal challenges facing Argentina are i) coordinating public investment, monitoring and evaluation, entities, and systems to establish the basis for management and budgetary decision making to be based on reliable performance data, ii) developing a planning process and aligning it with the budget to transform the latter into an effective tool to manage policy, iii) incorporating performance data into budgetary analysis and iv) implementing improvement strategies in the provision of goods and services using incentives.

Bahamas

PES Executive Summary (2009)

The Bahamas is among the countries displaying low MfDR progress. Its most advanced pillar is financial management, auditing and procurement. Results-based planning is particularly weak, as the country does not have a medium-term national plan or even sector plans. In the budget area, the Bahamas still needs to make progress in building basic systems before it can undertake development of results-based budgeting in the future.

Results-Based Planning

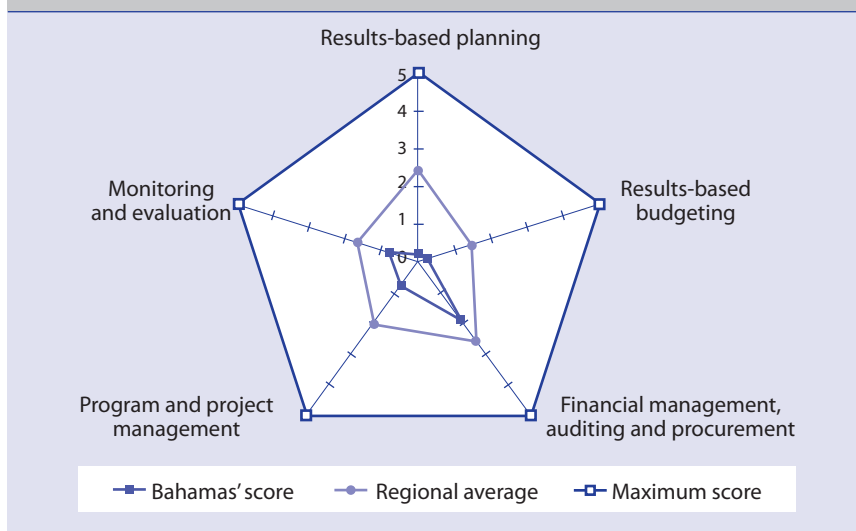
The Bahamas has neither a medium-term national plan nor a legal framework that regulates public sector planning. Only the education and health care ministries have drafted outline plans (for ten and five years, respectively). The lack of both national and sector plans means that the budget is formulated without reference to national policies, and that these are not discussed by either the legislative branch or by civil society.

Results-Based Budgeting

The Ministry of Finance is the government institution in charge of running the country's economy, whereas the Cabinet Office is responsible for prioritizing and monitoring public investment.

TABLE 4.3 | Bahamas' Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 0.2 | 2.3 |
| 2. Results-based budgeting | 0.3 | 1.4 |
| 3. Financial management, auditing and procurement | 1.9 | 2.5 |
| 4. Program and project management | 0.8 | 1.9 |
| 5. Monitoring and evaluation | 0.8 | 1.6 |
| MfDR Index | 0.8 | 1.9 |

FIGURE 4.2 | Development of MfDR Pillars in the Bahamas and the LAC Region

The Ministry of Finance drafts the budget along incrementalist lines. Moreover, it formulates a three-year macroeconomic prognosis but, since it is not integrated with any of the budgetary classifications (administrative, functional or programmatic), it is of little practical value.

Given that there are no laws that demand evaluation of public expenditures, no performance indicators have been developed and no effort has been made to assess the cost effectiveness or quality of spending. Furthermore,

the working paper that seeks to introduce reforms into FMAP in the Bahamas makes no mention of mechanisms to evaluate public expenditures.

Financial Management, Auditing and Procurement

The central bank manages the public deficit according to the country's financial needs and regulates credit and currency exchange policy. This institution, however, does not analyze fiscal debt risk.

The budget reports include all information regarding revenue and expenditures corresponding to projects financed by donor countries. The budgetary classification is not adjusted to international standards but based on a basic system of functional categories. In the past three years, the legislative branch has approved the budget inside the stipulated time frame.

The country uses a cash-based accounting system that adheres to the rules set out by the Caribbean Organization of Supreme Audit Institutions (CAROSAI). The government formulates a report containing all revenue and expenditure data, as well as that pertaining to financial assets and liabilities. The most recent reports, however, are from 2005, and the treasury department is currently awaiting the 2006–2007 audit reports to proceed with publication.

The country has no integrated financial administration system, which means that the budget, accounting, treasury and public credit data systems all function independently. There is also no electronic public procurement system.

The internal rules that currently regulate the Bahamas' government procurement system are basic and apply only to amounts in the BSD50,000 to BSD250,000 range. No acquisitions or contracts falling outside of these limits are subject to regulation. There is a public procurement regulatory body—the Ministry of Finance—but there are no departments dealing with disagreements arising from contract awards.

The Ministry of Finance's Internal Audit Unit is the Government of Bahamas' only internal audit body. Its function is to support the Finance Secretary in its role as the ministry's official auditor and in its general public expenditure regulation and monitoring functions. This unit is designed to work closely with the Auditor General, and its mandate consists of auditing all the other ministries, departments and agencies. It conducts its own audit program and, in addition, carries out audits at the behest of the Ministry of Finance or of the management of the entity wishing to be audited.

The Auditor General is the final external auditing authority and audits all the sector ministries, but not all government organizations. The Auditor

General has conducted management audits on some of the funds used by the housing, police and health care ministries.

Program and Project Management

The Bahamas does not have an entity responsible for ex-ante evaluations of public investments. Faced with the lack of a public investment system, each sector ministry drafts a list of options to be used by the Ministry of Finance in decision making on the allocation of budgetary resource.

The Ministry of Education has the greatest management capacity. It has drafted an outline Plan for Education, with 22 goals to be developed during the decade from 2010–2020. The Trade Unions, the Chamber of Commerce, and the Parents and Teachers Associations all participated in drafting the document. The ministry's information system contains exclusive data regarding the school system's coverage, although this data is not available to the public via the Internet. For its part, the Ministry of Health works only with annual operative plans, although it is currently formulating a medium-term plan. This ministry's information system contains up-to-date data about the costs and coverage of services, although this is not used as a management tool. Finally, the Ministry of Employment has an incomplete outline for a sector plan that was drafted in collaboration with civil society.

Monitoring and Evaluation

There is neither a public management monitoring and evaluation system nor an institutional and legal framework for monitoring and evaluating policies, programs or projects. Projects that are externally financed have their own monitoring systems.

Although statistics based on the institutional records are not always up to date, the Department of Statistics conducts a yearly family income survey, thereby compiling basic information regarding the country's socioeconomic situation.

Conclusions

According to this assessment, the most important challenges facing the Bahamas include i) the development of basic institutional capacities in planning and budgeting—in effect, the country needs a medium-term government plan that would incorporate the sector plans and provide the basis for budgetary

formulation—and ii) the financial management, auditing and procurement systems must be strengthened so that any advances achieved in planning and the budget can be supported by an integrated financial administration system.

Barbados

PES Executive Summary (2009)

Barbados's most solid pillars are results-based planning and financial management, auditing and procurement. Its weakest areas are results-based budgeting and monitoring and evaluation. Although the country drafted a long-term vision and has a medium-term government plan, there is no coordination between these instruments. There is also no noticeable integration between planning and the budget, and Barbados lacks a system for evaluating the results of institutional management.

Results-Based Planning

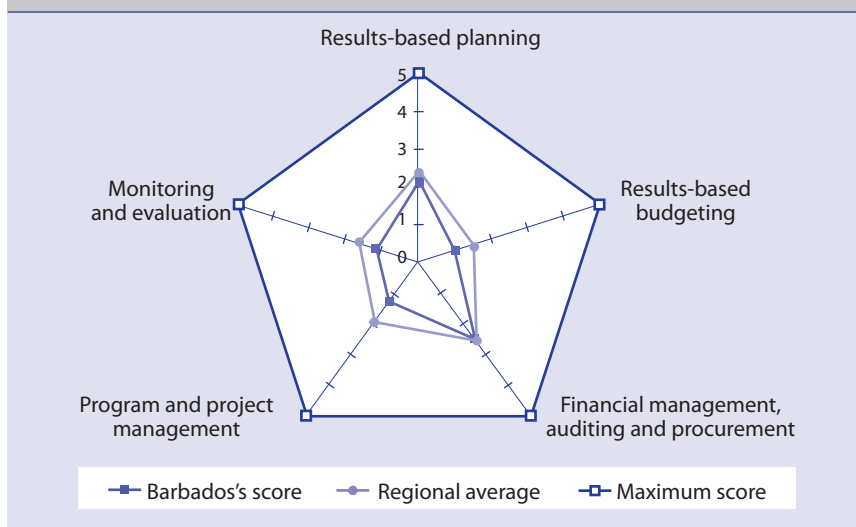
Barbados has a long-term vision (the National Strategic Plan 2006–2025), which was drafted by the previous administration. It remains to be seen whether the current government will adopt this plan as its own. There is also a medium-term national plan (Medium-Term Strategic Framework 2007–2009) that includes goals and indicators, with a new plan for 2009–2012 under construction. However, the long-term vision and the medium-term plans do not fully coincide. The institution responsible for executing both the National Strategic Plan and the Medium-Term Strategic Framework is the Ministry of Finance, Economic Affairs and Energy. Of note, Barbados has no legal framework to regulate government planning or management.

Results-Based Budgeting

Although there is program-based budgetary classification, the link between these programs and the strategies and policies set out in the medium-term plan is not clear, even within those ministries that apply a pluri-annual budget. The Government of Barbados implemented a pilot project to introduce the pluri-annual perspective into the sector ministries beginning in the 2005–2006 fiscal year. This initiative is currently underway in five ministries. Furthermore, the law establishes that the annual budget must be based on medium-term fiscal framework projections, which is fulfilled in practice. Finally, although

TABLE 4.4 | Barbados' Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.1 | 2.3 |
| 2. Results-based budgeting | 1.0 | 1.4 |
| 3. Financial management, auditing and procurement | 2.5 | 2.5 |
| 4. Program and project management | 1.3 | 1.9 |
| 5. Monitoring and evaluation | 1.2 | 1.6 |
| MfDR Index | 1.6 | 1.9 |

FIGURE 4.3 | Development of MfDR Pillars in Barbados and the LAC Region

there is no fiscal responsibility law, there are limits placed on public sector borrowing and debt.

Financial Management, Auditing and Procurement

On average the executed budget was 3.4 percent higher than the approved budget in the past three years. Moreover, during the same period, the

legislative branch approved the budget before the beginning of the corresponding fiscal year. In addition, the extra-budgetary expenditures represented less than 5 percent of total expenditures, and all revenue arising from international cooperation is recorded in the fiscal reports. The central bank conducts risk analysis for sovereign fiscal debt but does not for other liabilities, either direct or contingent.

Barbados does not have a specific electronic system for public procurement; however, it is executing a procurement reform program that will be applied to all public entities. The purpose of the reforms is to modernize the system using new mechanisms for tendering and complaints as well as better training for civil servants responsible for administering public procurement.

The legal framework for external auditing is set out in the *Financial Administration and Auditing Act, 2007*. Audit findings must be sent to the legislative branch within four months of the audit period. The Barbados Audit Office adheres to many of the auditing rules established by INTOSAI, but the minimum operational independence demanded by that organization with regard to finances and staff management is not observed.

Program and Project Management

Ex-ante evaluation of investment projects is carried out by the Ministry of Finance's Public Investment Unit, which drafts a quinquennial investment program. However, this ex-ante evaluation function is not stipulated by any law, and the rules and methodologies are currently out of date.

The education, health, social transformation and public works ministries all have medium-term sector plans that, in general, fall into line with the Medium-Term Strategic Framework 2007–2009. These ministries' information systems are basic and lack necessary data on institutional management.

Monitoring and Evaluation

There is no monitoring system for the government plan. Monitoring is carried out solely by the Ministry of Finance's Public Investment Unit. The country also lacks a policy, program and project monitoring system.

The Statistical Services Department depends administratively on the Ministry of Foreign Affairs. Although the ministries and the public institutions periodically send their institutional records to this department, the information is generally two years out of date.

Conclusions

According to this assessment, the challenges facing Barbados are i) incorporating the policies set out in the government's national plan and in sector plans, making use of existing programmatic classification and pluri-annual programming; and ii) strengthening the institutional information systems to establish the basis for monitoring the goals and objectives set out in the government plan. These information systems could be used in the future to evaluate the quality of expenditures and to efficiently manage project execution and the provision of goods and services.

Belize

PES Executive Summary (2010)

Belize is in the process of constructing the bases of its public management system. Given that it lacks a medium-term plan, its financial management, auditing and procurement systems are in their infancy, as are its program and project management systems.

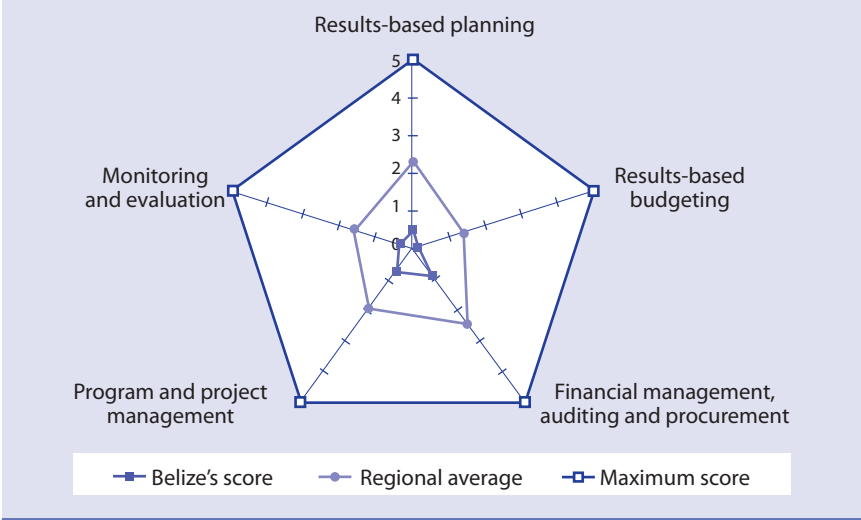
Results-Based Planning

Toward the end of 2007, the Government of Belize began formulating a National Development Plan entitled *Vision 2025*. A committee made up of representatives from a wide spectrum of society was set up for this purpose; however, the country has no medium-term strategic national plan or sector plans. It has also failed to define a combination of medium-term objectives

TABLE 4.5 | Belize's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 0.4 | 2.3 |
| 2. Results-based budgeting | 0.2 | 1.4 |
| 3. Financial management, auditing and procurement | 0.9 | 2.5 |
| 4. Program and project management | 0.7 | 1.9 |
| 5. Monitoring and evaluation | 0.4 | 1.6 |
| MfDR Index | 0.5 | 1.9 |

FIGURE 4.4 | Development of MfDR Pillars in Belize and the LAC Region



to be achieved before the incumbent government completes its mandate. Furthermore, Belize has not passed laws to encourage participation by the legislative branch and civil society in deliberations about the national plan.

Results-Based Budgeting

In Belize, the budgetary structure is not governed by programs and, moreover, integration between the planning and budgeting processes is weak. The annual budget lacks data regarding goals, and there is no law for the medium-term fiscal framework or fiscal responsibility. Furthermore, the country has neither a legal framework to demand the execution of expenditure evaluations and promote public expenditure quality, nor a budgetary allocation system that fosters efficient and effective institutional management. Information is scarce and is not diffused punctually. The outline budget, for example, is published on the Internet only after presentation to the legislative branch and only in a summarized form.

Financial Management, Auditing and Procurement

No fiscal risk analysis is conducted and there are therefore no existing mechanisms that might mitigate the possible effects of such risks. The budget is

classified according to ministry and according to current and capital expenditures. Likewise, the accounting system does not adhere to existing international rules; however, it does reflect all budget classification entries.

With regard to the procurement system, despite the lack of a specific entity in charge of these operations, the general contractor does play an important role in public contracts, even though it takes no direct part in procurement. There is no organization in Belize designed to reconcile disagreements related to procurement, nor an electronic system for compiling and publishing information concerning these processes.

In addition, Belize does not have a common legal framework to regulate internal auditing. Civil service accountants are responsible, however, for administering the financial resources of their own government agencies. These civil servants are audited by the Auditor General's office, an independent organization that also carries out external audits of all central government entities. The Ministry of Finance provides the budget for this office, but lack of resources has restricted its capacity to fully and efficiently carry out its tasks. With regard to data dissemination, external audit reports are not published on the Internet.

Program and Project Management

At present, ex-ante investment project evaluation does not exist in Belize. Only those projects endowed with financing from donor countries and multilateral organizations are submitted for this kind of appraisal. Although some ministries conduct some sort of planning, projects are not always closely related to the plan's objectives. The Ministry of Development, the entity responsible for the Public Sector Investment Program, has carried out initiatives aimed at reinforcing the public management and expenditure systems, and to create medium-term cost estimation capacities.

Belize has no medium-term sector plans, although the Ministry of Health (one of the three ministries consulted, as well as those of development and education) is currently developing a plan of this kind, with support from the Pan-American Health Organization. There is a perceivable lack of mechanisms for monitoring progress in the production of goods and services. In some cases, however, the ministries have established a reduced combination of indicators for certain programs, thus enabling better activity-monitoring capacity. In addition, although some ministries seek customer opinion to improve the provision of goods and services, the majority lack this kind of data. The lack of resources has hampered the implementation of systems that provide

production quality and measurement information for online goods and services.

Monitoring and Evaluation

The effectiveness of programs and projects and of achievement of objectives is not monitored in Belize. Moreover, there is no government entity responsible for carrying out this function. Likewise, the country lacks a legal and institutional framework for evaluating government policies and, still less, the rules and methodologies for conducting evaluations.

Conclusions

The challenges faced by Belize in national public management system-building require an overall view and results-based planning. A consistent institutional reform plan that prioritizes basic capacity development in areas such as planning, budgeting and financial management, auditing and procurement should be designed. These reforms should be carried out in a coordinated manner, thereby generating adequate synchronization between systems and institutions.

Bolivia

PES Executive Summary (2009)

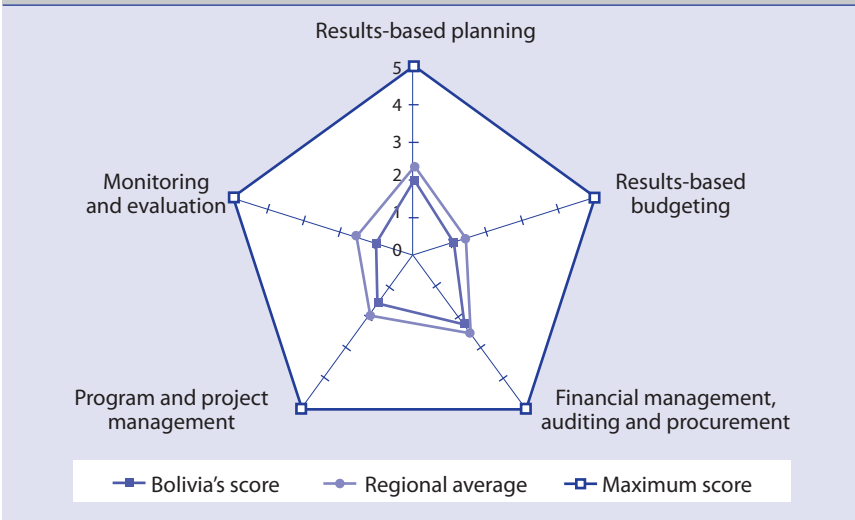
Bolivia belongs to the group of medium MfDR-capacity countries. Its financial management, auditing and procurement and results-based planning pillars are better developed than the others in this group. The country has a medium-term national plan and congruent sector plans; however, the MTNP is of a more conceptual than operative nature. Bolivia's scores for results-based budgeting and monitoring and evaluation are on the low end of the scale.

Results-Based Planning

Bolivia has a National Planning System under the aegis of the Ministry of Development Planning. The system has three planning instruments: the National Development Plan (PND); the sector plans, which put the PND strategies into operation; and the Institutional Strategic Plans, which include programming for public institutions.

TABLE 4.6 | Bolivia's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.0 | 2.3 |
| 2. Results-based budgeting | 1.1 | 1.4 |
| 3. Financial management, auditing and procurement | 2.3 | 2.5 |
| 4. Program and project management | 1.6 | 1.9 |
| 5. Monitoring and evaluation | 1.1 | 1.6 |
| MfDR Index | 1.6 | 1.9 |

FIGURE 4.5 | Development of MfDR Pillars in Bolivia and the LAC Region

Although Bolivia does not have a long-term vision as such, the PND for 2006–2010 establishes a vision and some goals for 2015. The document is more conceptual than operative since it centers on the strategies that the government will follow to promote the proposed social changes. It sets out objectives, strategies, policies and, on occasion, programs, but the only goals it sets are those relating to the MDGs. The nexus between planning and budgeting is weak: it is hoped, however, that the Vice-Ministry of Planning will improve the operations element of the PND.

The legislative branch does not participate in the PND debate because there is no law permitting it. Participation of civil society is, however, provided for within the rules of the planning system. The government led a series of workshops in the country's nine departments to sound out the opinions of public institutions, private enterprises, NGOs and community organizations about the PND's content.

Results-Based Budgeting

Bolivia has no plan to implement a results-based budget, nor has it begun the preparatory process. The country still lacks some of the essential elements for RBB implementation, such as a medium-term fiscal framework, fiscal responsibility laws with measurable goals and an expenditure quality evaluation system. Bolivia has developed an outline National Development Plan 2007–2010, which is a programmatic classification of expenditures that was presented to the legislative branch as an appendix to the 2007 budget.

Financial Management, Auditing and Procurement

In Bolivia, FMAP presents various problems.

- The credibility of the budget as a management tool is low given the difference between original approved expenditures and real expenditures.
- Fiscal risk analysis regarding direct and contingent obligations is not conducted, except for external debt.
- The legislative branch does not always analyze and approve the budget within the time span required by law.
- The Integrated Administrative Management and Modernization System (SIGMA) is technically obsolete and does not include the tax administration system, the public procurement system or public investment.

One positive element of financial management, auditing and procurement is that all expenditures are reflected in the budget and there are therefore no extra-budgetary expenditures. For public procurement, Bolivia has a comprehensive law that, in general terms, adheres to international standards. The governing body for procurement is the Treasury's Directorate General of Governmental Administration Systems, which has an electronic

data dissemination tool for state procurement. From 2007 onward, it has been the official and obligatory medium for all public tenders exceeding Bs20,000 (US\$2,800). Moreover, the system also publishes the current legal rules and details of awarded contracts. Although the law establishes a protocol for the presentation and resolution of complaints related to procurement, settlement of disagreements rests with the procurement organization itself, thereby detracting from transparency.

For internal audits, Bolivia has a policy framework that adheres to international standards (*SAFCO Act*, 1990). Each public sector institution has an Internal Auditing Unit. Although the audits are ideally designed, the degree of compliance with the law is low, instability and staff rotation are high, and political intervention is common. Moreover, implementation of internal audit findings depends on each institution's highest authority, and there are no incentives to apply them or to improve monitoring. The overall quality and effectiveness of internal audit findings is therefore poor.

The body in charge of external monitoring is the General Audit Office (CGR). This institution carries out three types of audit: financial, operative and special. Financial audits are carried out yearly on more than 90 percent of public institutions and most are conducted by private enterprises. Although the CGR should in theory examine all findings, it reviews only 30 percent of them for lack of qualified personnel. The operative audits are conducted by the CGR itself, but as most financial audits include an operative audit and are already undertaken by private enterprises, this is not something the CGR does often. The special audits (full institutional audits) are usually conducted by the CGR, but the office manages to satisfy only 10 percent of audit demands. Moreover, there is high staff turnover at the CGR, which means that a large proportion of auditors have no experience and insufficient knowledge and, consequently, audits and assessment quality suffers. In addition, no management audits are conducted in Bolivia.

Program and Project Management

Although some sector ministries have a medium-term plan with objectives that coincide with those of the PND, the majority have only annual plans, which limits sector management.

The Ministry of Planning is the entity responsible for the National System of Public Investments (SNIP). This system contains the complete common rules, tools and procedures that all public sector entities must use to formulate, evaluate, prioritize, finance and execute public investment

projects. Ex-ante project evaluations are carried out by the executive branch's Planning Directorates, either directly or by contracting an external consultancy. The SNIP operates both in central and subnational government institutions.

Management of goods and services does not incorporate results-based mechanisms or instruments. Therefore, for example, tools such as management contracts designed to set management results are not implemented. Likewise, staff assessment and remuneration systems do not encourage institutional achievements, and there are no attempts to seek customer opinions regarding the quality of goods and service provision.

Monitoring and Evaluation

The monitoring and evaluation pillar has advanced little in Bolivia. Although the Vice-Ministry of Planning and Development is the body responsible for monitoring the PND, the country still lacks formally established technical rules and working methodologies, which means that there is no monitoring or evaluation of the National Development Plan.

In addition, although there are various rules that require policy, program and project evaluation, these rules do not establish responsibilities, objectives or functions, or provide the resources to achieve them with any precision. In practice, there is no government entity that systematically and periodically evaluates public management.

However, the Ministry of Planning's Social and Economic Policy Analysis Unit (Udape) has conducted strategic sector evaluations and monitored compliance with the MGDs. Moreover, it has also evaluated projects, although it is does not have a specific evaluation program or the budget resources for this purpose.

Conclusions

The biggest challenges facing Bolivia in improving public results-based management are i) enhancing operative planning capacity so that the strategic plan can guide state institutional activity and budgetary management, ii) reinforcing budgetary management with instruments such as a medium-term fiscal framework and performance indicators to prepare for results-based budget implementation and iii) developing a results-based monitoring and evaluation system applicable to both the government plan and sector management.

Brazil

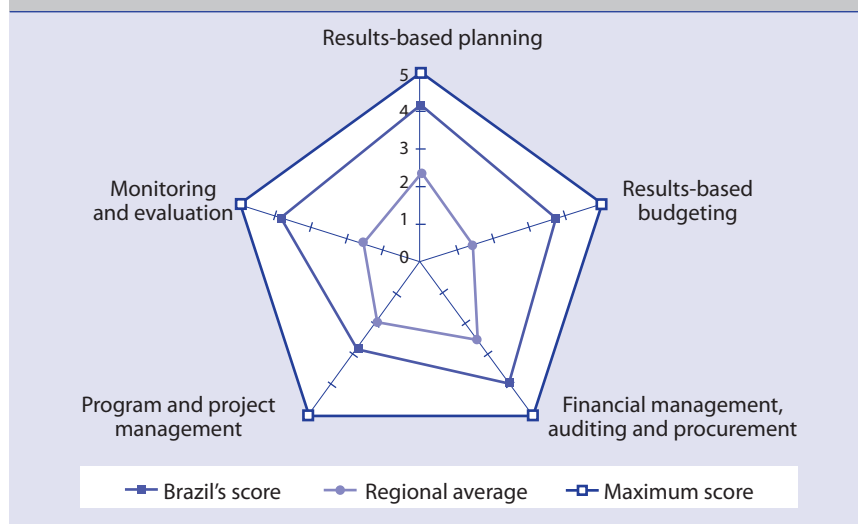
PES Executive Summary (2009)

Brazil is one of only four countries belonging to the high MfDR-capacity group. Its results-based planning is one of the most developed in the region. There is a national medium-term plan that is well coordinated with sector planning and the budget. Furthermore, the plan includes mechanisms to promote

TABLE 4.7 | Brazil's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 4.2 | 2.3 |
| 2. Results-based budgeting | 3.8 | 1.4 |
| 3. Financial management, auditing and procurement | 4.0 | 2.5 |
| 4. Program and project management | 2.9 | 1.9 |
| 5. Monitoring and evaluation | 3.9 | 1.6 |
| MfDR Index | 3.7 | 1.9 |

FIGURE 4.6 | Development of MfDR Pillars in Brazil and the LAC Region



participation of the legislative branch and civil society in discussions. The financial management, auditing and procurement systems are built on the basis of international standards and are in the process of incorporating results-based management practices. In RBB and M&E, Brazil is also integrating systems that seek to orient public management toward achieving outcomes.

Results-Based Planning

Brazil's Ministry of Planning, Budget and Management (MPOG) prepares the Pluri-annual Plan (PPA) and the budget.¹ The PPA is a medium-term plan that establishes the goals to be achieved during the government's term of office and draws together the sector plans. In addition, national and sector-level objectives are incorporated in programs that also have broader goals and indicators of achievement. The first PPA was drafted for the period 1991–1995 and the fifth plan is currently in operation. With regards to results-based planning, the government has an ambitious social and economic development plan for the next two decades.

There is a high degree of consistency between the budget and the national plan. This coordination is based not only on technical procedures, but also on the rules governing these systems. The country's constitution empowers the legislative branch to approve the national plan, thereby endowing this instrument with greater consensus. Although the Social and Economic Development Council already participates in the planning process, a new law is under discussion that provides mechanisms aimed at enhancing civil society participation in the plan's approval process.

Results-Based Budgeting

Although various laws in Brazil establish an evaluation process for expenditure outcomes, a performance indicator system for use during the budget allocation process has still to be created. However, there is a system of indicators that reports on budgetary execution and another that reports on progress in programs and projects.

In addition, there is a medium-term fiscal framework that forms the basis for budget execution. This, in turn, is made up of the programs established

¹ The PPA comprises three priority agendas: a) the Social Agenda, b) the Education Development Plan and c) the Economic Growth Acceleration Plan (PAC).

in the medium-term national plan. Moreover, a fiscal responsibility law sets quantitative limits on expenditures.

Financial Management, Auditing and Procurement

Brazil's FMAP pillar is both reliable and established. The country uses advanced public debt management techniques and risk analysis of both direct and contingent obligations. Moreover, it has instruments available to mitigate risks. Furthermore, budgetary expenditure classification adheres to international standards. Brazil has a Financial Administration Information System (Siafi) that is both centralized and well developed. Moreover, the Budgetary Information System (Sidor) and the Siafi use the same classification system, which ensures the compatibility of the budget and accounting data. One weakness in the budgetary process is the delays in approval by the legislative branch in the previous three years.

The General Audit Office (CGU), the auditing body responsible for federal government institutions, performs the internal auditing. The CGU adheres to international auditing standards. The Court of Auditors (TCU) (an autonomous institution whose authorities are appointed by the legislative branch) conducts the external auditing. The TCU operates at the federal, state and municipal levels, with all institutions that receive public funds. It also carries out management audits, which focus on achievement of program objectives, albeit with a limited range. The external audit reports are presented to the legislative branch and published on the Internet.

The body in charge of public procurement is the Ministry of Planning, Budget and Management's Information Technology and Logistics Secretariat (SLTI), which operates within a legal framework defined by the *Public Contracting Act* (1993) and the *Public Tenders Act* (2002). Although there is a mechanism for presenting and resolving complaints in the contracts process, this does not include participation by an entity external to the contracting institution, which detracts from transparency. It is also worth highlighting that 100 percent of state acquisitions are contracted using the electronic system Comprasnet.

Program and Project Management

The MPOG oversees the public investment system, specifically the Strategic Planning and Investment Secretariat (SPI). Ex-ante evaluations are carried out on the highest-value projects, which includes investment projects exceeding

R\$100 million (large projects) and projects financed with fiscal budgetary resources exceeding R\$50 million. There are formalized methodologies and instruments in place for these evaluations. The secretariat's specialists have evaluated 56 percent of the large projects. Ex-ante evaluation results are not published on the Internet, but they are generally used for both the PPA and budget formulation.

Sector planning is based on the medium-term sector plans or on the programs contained in the PPA. Each one has its corresponding goals and indicators. Moreover, some of them establish annual and pluri-annual goals for goods and services production. In general, the ministries have good information systems for tracking the goods and services they produce.

There are no staff remuneration and evaluation mechanisms that stimulate organizational results achievement, nor are there any noticeable explicit strategies for MfDR implementation within organizations.

Monitoring and Evaluation

The entity in charge of monitoring compliance with government objectives and goals is the MPOG's Public Investment Secretariat through its Management and Planning Information System (Sigplan). The MPOG is also responsible for implementing evaluations of sector programs, projects and strategies. It has formally established techniques and working methodologies and publishes evaluation results on the Internet. The use of data produced by the monitoring and evaluation systems in the planning and budget formulation process is not yet systematic.

Conclusions

The most important challenge that Brazil faces in improving results-based public management is consolidating and perfecting the systems already developed. In particular, the connections between planning, the budget and M&E must be reinforced. Despite all three having high institutional capacity, coordination and integration between them still requires enhancement if a results-based budget is to be developed. The use of public sector performance data during the budgetary process should also be extended. Additionally, programs, projects and services management require improvements. Although some ministries, such as health, have already undertaken institutional reforms to enhance MfDR, most sectors still need to advance in this direction.

Chile

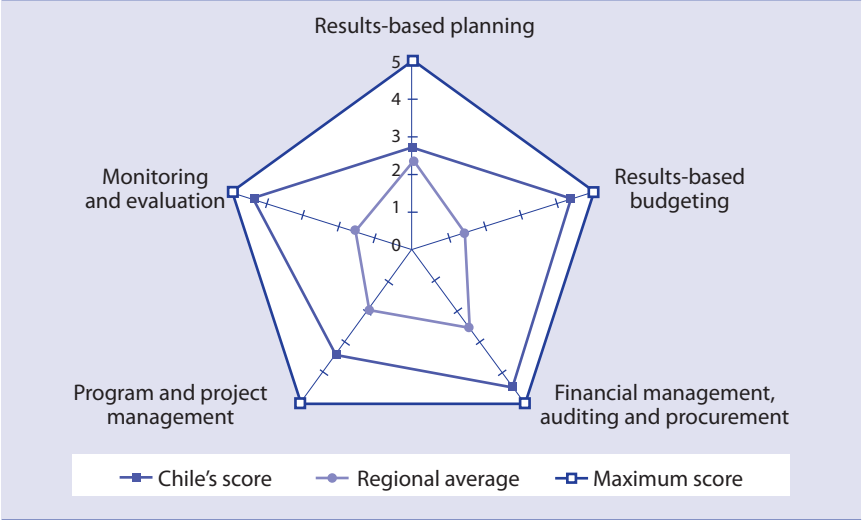
PES Executive Summary (2008)

Of all the countries in the region, Chile has built the greatest institutional MfDR capacity because of the maturity of its RBB, M&E and FMAP systems. Chile is the only country with a consolidated RBB system that introduces program performance data into the debate on resource allocation. This information is provided by a robust monitoring and evaluation system managed by the

TABLE 4.8 | Chile’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.7 | 2.3 |
| 2. Results-based budgeting | 4.4 | 1.4 |
| 3. Financial management, auditing and procurement | 4.5 | 2.5 |
| 4. Program and project management | 3.5 | 1.9 |
| 5. Monitoring and evaluation | 4.5 | 1.6 |
| MfDR Index | 3.9 | 1.9 |

FIGURE 4.7 | Development of MfDR Pillars in Chile and the LAC Region



Treasury's Budget Directorate. Moreover, Chile has an incentives scheme to stimulate efficient and effective institutional management. The country's only relatively weak area is planning; it has no medium-term national plan, though it does implement sector plans in its place.

Results-Based Planning

In Chile, the winning presidential candidate's program becomes, traditionally, the government's medium-term plan. Although this plan lacks specific well-defined strategies or, at best, lacks sufficient specificity, it is still a valuable tool that is used by the Ministry of the General Secretary of the Presidency to coordinate programs with the legislative agenda. The lack of a strategic plan is partially compensated for by an adequate results-based budget. However, the lack of a medium-term government plan precludes the participation of civil society and the legislative branch in the planning process.

Results-Based Budgeting

The budget is classified by program within the context of a medium-term multi-annual budgetary perspective; the pluri-annual budget, however, is not desegregated. The *Fiscal Responsibility Act*, which contains specific quantitative goals, is worth highlighting and, moreover, Chile has an impeccable tradition of compliance with it. Expenditure effectiveness is adequately evaluated by a series of performance indicators that have been constantly improved for more than a decade. Moreover, incentive mechanisms for efficiency and effectiveness of institutional management have been introduced. Finally, information concerning the budget and financial statements is available on the Internet in a complete and timely form at the end of each fiscal year.

Financial Management, Auditing and Procurement

Budgetary and financial management both exhibit notable strengths with regard to risk analysis and to the existence of risk-mitigation instruments. The operations not included in the budget are separately identified and reported. Furthermore, there is a high degree of compliance with the budget originally approved by the legislative branch, and this institution approves the budget year-on-year before the final date established by law. Likewise, the public accounting system adheres to international standards and reports on revenue and expenditures, as well as on financial assets and liabilities. The country has

a well-integrated financial administration system, although there are certain aspects that could be improved.

The public procurement system has a clear and transparent legal framework, with execution mechanisms that adequately encourage competition. Likewise, an independent and reliable complaints system is applied to the procurement process. The electronic acquisitions system “Chile Compra” is widely used and the results of contract awards are available on the Internet.

There is a public internal auditing system that covers the whole of central government institutions. External auditing is carried out by the General Audit Office—an independent and well-respected institution—which regularly conducts audits, reports to the legislative branch and presents information to the general public.

Program and Project Management

The public investment system, which is called the National Investment System, has been operating for more than 30 years. It regularly publishes the technical guidelines, methodologies and ex-ante evaluations for potential public investments on the Internet.

The sector information systems, the strategic planning within those sectors, and goods and services management, however, are of unequal quality. In general, the country lacks a global strategy to improve service quality, and customer consultation mechanisms could also be better developed.

Monitoring and Evaluation

Chile has sophisticated monitoring and evaluation systems, which are the fruit of systematic work carried out by the Treasury’s Budget Directorate. Evaluation findings are satisfactorily incorporated into the budget process, owing to strong commitment by the executive and legislative branches to incorporate the lessons learned from these evaluations into the corresponding budgetary allocations. The development of both social and economic statistical information systems has achieved a high degree of reliability, although more attention should be paid to information of a local or regional nature.

Conclusions

Chile needs to make progress in two areas to consolidate its institutional results-based management capacity. It needs to develop a planning system that

formalizes and makes explicit the goals established in the sector and institutional plans, within the context of a long-term vision constructed on the basis of social consensus. And it needs to reinforce goods and services management capacity through a customer-based intervention strategy, which implies invigorating and empowering the front-line institutions that provide services.

Colombia

PES Executive Summary (2008)

Colombia is in the high MfDR-capacity group of countries. Its RBP and M&E systems are highly developed and include methodologies that serve as examples of best practices for other countries. In particular, the use made of monitoring systems by the higher echelons of political authority stands out. However, the country still faces important challenges, such as integrating the investment and operative budgets and improving coordination between planning and the budget.

Results-Based Planning

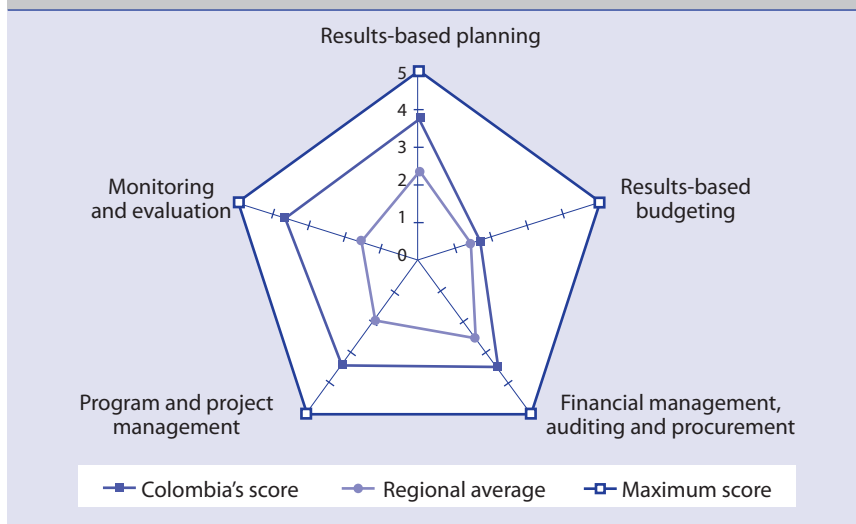
The planning function is carried out using two instruments: i) the quadrennial National Development Plan (PND), which functions on all government levels, and ii) the annual sector planning exercises. The PND comprises verifiable objectives, goals and indicators, which are broken down into annual goals to monitor and control the outcomes achieved. Since 2002, the planning exercise has included a results-based approach both for the quadrennial government periods (PND) and for the long term (*Vision Colombia 2019*).

Notwithstanding, various problems still occur at the operative planning level. Although the projects linked to the plan's objectives are identified and these, in turn, identify the products and units responsible, the plan's programmatic structure is weak given that the basic budgetary unit is the project and not the broader program. The programmatic expenditure classifications associated with the plan cover only investment, and an important component of allocations is thereby still disconnected from the planning exercise.

Finally, with regard to reinforcing the participative character of planning, there are mechanisms for stimulating political control, such as ministerial accountability to the President of the Republic, and presidential accountability to the legislative branch.

TABLE 4.9 | Colombia's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 3.8 | 2.3 |
| 2. Results-based budgeting | 1.7 | 1.4 |
| 3. Financial management, auditing and procurement | 3.5 | 2.5 |
| 4. Program and project management | 3.5 | 1.9 |
| 5. Monitoring and evaluation | 3.7 | 1.6 |
| MfDR Index | 3.2 | 1.9 |

FIGURE 4.8 | Development of MfDR Pillars in Colombia and the LAC Region

Results-Based Budgeting

Colombia has made important strides forward in using public results-based management instruments. From 2004 until this evaluation, 15 percent of the National General Budget (PGN), corresponding to expenditures on investment and a part of the transfers, has a programmatic structure and is closely linked to the PND's objectives, strategies and programs. In turn, the programs have

performance and annual and pluri-annual goal indicators that generate expenditure quality information regarding this part of the budget.

The progress has been made thanks to a reliable institutional and regulatory framework that includes provisions for management of public expenditures. However, the ruling bodies and expenditure executives have been hampered in defining the mechanisms, procedures and incentives that might guarantee the permanent institutionalization of M&E processes within the framework of the budgetary cycle. In practice, the instruments developed are still disconnected from expenditure management, which means that the M&E-generated information is not suitable for budgetary decision making, except on a very few occasions.

All the documents that make up the National General Budget project, as well as the approved budget, National Central Government financial information and other budgetary documentation, is at the general public's disposal on the Treasury and Public Credit Ministry's web site.

Financial Management, Auditing and Procurement

In the past three years, the average deviation of real from budgeted expenditures has been 3 percent, and extra-budgetary spending has been of little significance. Likewise, from 2007 onward, all elements of the executive branch have been made aware of the budgetary programming directives and spending caps and given plenty of time to formulate their own outline budgets. All this is due to the introduction of two pluri-annual expenditure programming documents: the Medium-Term Fiscal Framework, by which the fiscal goals are set in terms of debt, primary balance and deficit; and the Medium-Term Expenditure Framework, which coordinates policy design and macroeconomic and fiscal planning with annual budget programming.

In accounting terms, the National Government of Colombia prepares reports on a trimester and annual basis that contain financial statements that include revenue, expenditures, assets and liabilities, as well as costs. Specifically, the National Accounting Office is responsible for centralizing and consolidating accounting data from all the public entities to draft the annual national balance sheet during the six months subsequent to the end of the fiscal year. This report is submitted for review by the General Audit Office and presented to the legislative branch within the same time limit.

In procurement, the country has applied open competition schemes equivalent to public convocation since 2003, not only in processes of tender but also in direct contracting processes, or those of lesser value.

With regard to auditing, a general plan includes a sample of the entities subject to review each year, which is nearly 80 percent of the total. Moreover, this plan stipulates that audit findings must be disseminated within six months of the audit period in accordance with the legally established period. Additionally, a special audit can be undertaken on organizations or programs that, due to extraordinary events, require a review of legal and financial management. The audit findings are not available to the public via the Internet.

Program and Project Management

The National Planning Department is responsible for compiling and administering information concerning the investment budget in its programming-by-project phase. Its management is focused on accomplishing the objectives established in the development plans and uses the projects formulated by all the country's entities as the unit of analysis.

A clearly defined conceptual and methodological framework is set out for this purpose, covering all territorial and national spheres. However, there are some faults in the operative area that prevent project management from complying with all the established parameters. This has meant that not all projects financed with national funds have a strict relationship to the goals laid down in the PND. Similarly, the framework's scope is limited at the territorial level because it has yet to reach 100 percent of the territorial entities.

To correct the identified faults and to achieve homogeneous application of the methodology in the differing spheres, adjustments are underway that seek, through the Investment Project Banks, to define an effective mechanism to achieve the policy guidelines set out in the development plans. However, more progress is needed toward better coordination between program and project management and the budgetary cycle.

Monitoring and Evaluation

Colombia has a National Management and Results Evaluation System (Sinergia) through which the government evaluates and monitors the results and impacts of its principal investment policies, projects and programs. An important aspect of the system is that not only are the goals and results of the government's quadrennial plan monitored, but so too are the outcomes achieved by other long-term strategies, such as the Poverty Reduction Strategy, the MDGs or the *Plan Colombia: Vision 2019*.

As regards public policy evaluation, although Colombia does not have a budget law to enforce expenditure evaluation, it has directives and methodologies that fulfill this function. In effect, these have led to a substantial increase in the percentage of the budget evaluated during recent years (from 4 percent in 2002 to 24 percent in 2006). Likewise, the system has defined both a quadrennial and an annual impact evaluation agenda.

Monitoring and evaluation by Sinergia has proved to be an important pillar for supporting the incorporation of the results-based approach into public management. However, its principal challenge is to efficiently and comprehensively coordinate public expenditure by using results-based budgetary tools and practices, and through monitoring and evaluation.

Conclusions

The assessment suggests that Colombia must consolidate its results-based budget by better coordinating the processes and the institutions responsible for planning, the budget, monitoring and evaluation. In particular, two major challenges need to be met: i) improving coordination and integration between the planning and budgeting of current and investment expenditures and ii) incorporating the information gathered by Sinergia from programs and projects into the budgetary cycle. These changes would have positive effects on the other pillars that are currently being strengthened.

Costa Rica

PES Executive Summary (2008)

Costa Rica is the leading country in the medium MfDR-capacity group and leads the Central American subregion. Its RBP, M&E and FMAP systems show signs of evolving toward results-based management. Its weakest pillar is results-based budgeting.

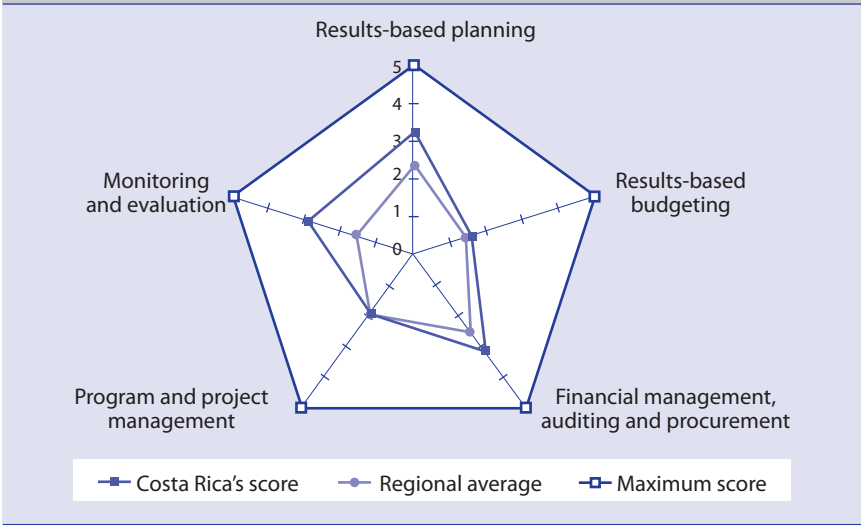
Results-Based Planning

Costa Rica has a planning framework supported by the *National Planning Act* (No. 5,525). The National Development Plan 2006–2010 (PND), which was drafted by the Ministry of Planning (Mideplan), proposes programs to achieve objectives, and designs the institutional units responsible for carrying them out. However, operative planning capacity is still under construction and the

TABLE 4.10 | Costa Rica’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 3.2 | 2.3 |
| 2. Results-based budgeting | 1.5 | 1.4 |
| 3. Financial management, auditing and procurement | 3.2 | 2.5 |
| 4. Program and project management | 2.0 | 1.9 |
| 5. Monitoring and evaluation | 3.0 | 1.6 |
| MfDR Index | 2.6 | 1.9 |

FIGURE 4.9 | Development of MfDR Pillars in Costa Rica and the LAC Region



quality of ministerial annual operative plans remains uneven. Likewise, the PND goals are not broken down into annual goals.

Apart from a few selected deputies, the legislative branch does not participate in discussions concerning the objectives of the executive branch and goals. PND formulation is, fundamentally, an internal effort of a team from the executive branch, and participation by civil society is limited, except by some leading academics.

Results-Based Budgeting

Practically speaking, the entire budget is structured according to programs. The country does not have a formal fiscal responsibility law, but it does have some legal provisions within its financial management structure. In addition, budgetary formulation still follows, for the most part, incrementalist logic, and the medium-term fiscal framework that would permit the possibility of pluri-annual budgeting has yet to be implemented. With regard to performance, indicators are applied to programs that represent less than 40 percent of total expenditures, and these indicators are currently under revision by the Mideplan and the treasury. There are no budgetary mechanisms, however, to stimulate management effectiveness.

It is worth highlighting that the central government budget, which is approved by the treasury, makes up 30 percent of total expenditures. The General Audit Office (CGR), an independent body that carries out the auxiliary high-level monitoring of the public treasury within the legislative branch, approves the remaining expenditures, which are related to autonomous entities. Both the outline budget law and the annual governmental report are available on the Internet.

Financial Management, Auditing and Procurement

There are no extra-budgetary expenditures in Costa Rica. Also, the legislative branch punctually approves the national budget, in line with current legal requirements. Fiscal risk analysis and risk-mitigation mechanisms are restricted only to public debt. Likewise, no risk analysis of contingent liabilities is conducted. Administrative and functional classifications are used in budgetary formulation and execution in accordance with international standards.

Although a public Financial Administrative Management System (Sigaf) exists, it is not fully integrated since it incorporates only some of the state's administrative functions. In 2007, international rules on public accounting were formally adopted.

There is a legal framework that consistently and comprehensively regulates the procurement and public contracting process. The Treasury's Directorate General for Goods Administration and Administrative Contracting (DGABCA) is the body that governs state acquisitions. With regard to procurement, there are established processes to present and resolve complaints. Furthermore, an electronic procurement system (CompraRed) is being set up on the Internet and is mandatory for central administration of procurement.

However, this web portal is for information only about what the buyers need; the bidding occurs through other portals.

Costa Rica also has a consistent, comprehensive and common legal framework for internal and external public audit processes. The ruling body for these monitoring processes is the CGR. However, internal monitoring has its weaknesses, as the internal monitoring units are not consolidated and there are even some institutions without them. Moreover, few of the decentralized public entities are submitted to annual financial audits.

Program and Project Management

Mideplan is the entity responsible for ex-ante evaluation of public investment projects. Of note, although the annual formulation of an investment plan is once more being undertaken, this process was abandoned for a long time. Likewise, ex-ante evaluation coverage is low because although the country has some rules permitting evaluation, the instruments to put them into practice are still being developed. In addition, information concerning evaluations and investment projects is not placed at the general public's disposal on the Internet.

In general, there are some medium-term sector plans that correspond with government objectives and goals. Moreover, the country has annual and pluri-annual goals for goods and services provision. However, the absence of adequate sector information systems makes it difficult to definitively assess outcomes. Likewise, not all ministries have service improvement strategies in place.

Monitoring and Evaluation

Costa Rica has a legal framework for monitoring and evaluating programs and projects. The entity in charge, Mideplan, has formalized methodologies to perform M&E, but procedures aimed at including data in decision making have yet to be established. Furthermore, the country has up-to-date and reliable economic and social statistical information. Notwithstanding, the percentage of programs monitored is low and the M&E data that a citizen can find on the Internet is limited.

Conclusions

Costa Rica needs to tackle the following challenges to reinforce its MfDR capacity: i) strengthen operative planning capacity so the government can

effectively channel resource allocation, ii) integrate the medium-term fiscal framework into the medium-term planning process, thus laying the foundations for results-based budget implementation, iii) review the General Audit Office's function within the budgetary process and iv) integrate the monitoring and evaluation system with the budget discussion and planning processes.

Dominican Republic

PES Executive Summary (2009)

Although the Dominican Republic's capacities in the areas of results-based planning, results-based budgeting and M&E are currently low, the country has approved a set of laws aimed at carrying out sweeping institutional reform of national public management systems. This reform creates an institutional structure that better integrates all of the MfDR pillars. Moreover, it establishes new instruments to put this integration into practice. Although an ambitious plan of this nature will take time to manifest and become institutionalized, it is possible that substantial improvements will be seen in the medium term in planning, budgeting, and monitoring and evaluation.

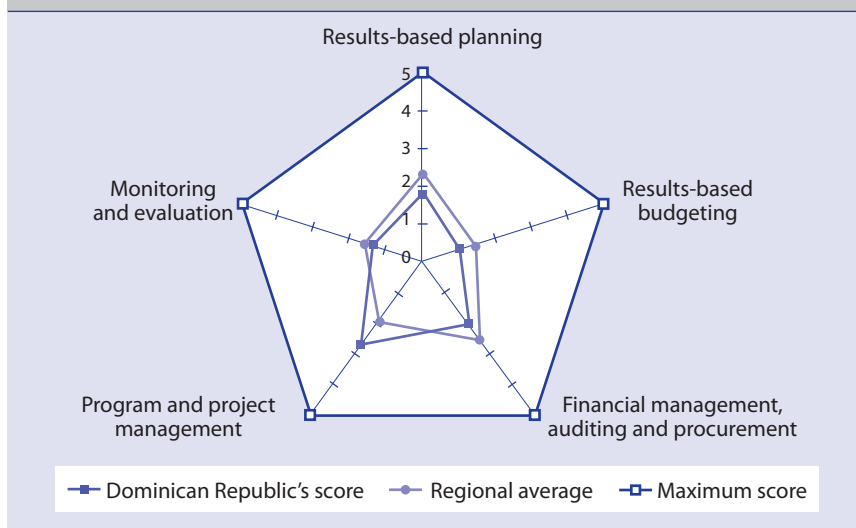
Results-Based Planning

The Dominican Republic lacks a medium-term national plan. In fact, public management is oriented according to general government strategies, which are manifested in sector planning exercises. However, there was legislative approval in 2006 for a series of reforms proposed by the government, including the creation of the National Planning and Investment System; the Secretary of State for Economy, Planning and Development (SEEPYD); the Secretary of State for the Treasury (SEH); and the State Financial Administration System, as well as reform of the *Budget Act*. These reforms, still in the regulatory and implementation phases, represent an important step forward in the process of state modernization.

There are four principal instruments that will be used to develop objectives: i) a national development strategy; ii) a pluri-annual national public sector plan, which is a quadrennial plan to coincide with government terms of office, that will develop the national strategic development guidelines in accordance with the pluri-annual budget framework drafted by the SEH; iii) medium-term sector and institutional plans; and iv) regional plans, including the active participation of provinces, municipalities and districts.

TABLE 4.11 | Dominican Republic's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 1.8 | 2.3 |
| 2. Results-based budgeting | 1.0 | 1.4 |
| 3. Financial management, auditing and procurement | 2.0 | 2.5 |
| 4. Program and project management | 2.7 | 1.9 |
| 5. Monitoring and evaluation | 1.4 | 1.6 |
| MfDR Index | 1.8 | 1.9 |

FIGURE 4.10 | Development of MfDR Pillars in the Dominican Republic and the LAC Region

As a further innovation, the SEEPYD will assume responsibility for defining the performance and outcome indicators and for monitoring and evaluating the national development strategy and the sector plans. Results- and performance-based contracts will also be introduced, which both the SEEPYD and the SEH can negotiate with the executing organizations, and staff performance-based incentive schemes will be created.

Furthermore, the country is currently formulating the National Development Strategy 2010–2030, a long-term vision that engages civil society and is supported by various international cooperation agencies.

Results-Based Budgeting

The Dominican Republic's current capacity in the RBB pillar is low. Although part of the budget is structured according to programs, the relationship between the budgetary programs and sector strategies is weak, and no strategy has been established to enhance this coordination. Furthermore, there is no medium-term budget framework, although one will be implemented from 2009 onwards. There is no fiscal responsibility law, although the country has signed a letter of intent with the International Monetary Fund (IMF) that contains primary surplus, debt and deficit goals, among others. It also should be added that the country has no evaluation system for expenditure quality.

The *Public Sector Budget Act* (2006), however, creates a series of rules, institutions and principles aimed at coordinating the planning and M&E processes. Furthermore, following on from this reform, all budgets must include goods and services production and their expected impact on short-, medium- and long-term development policies, thereby preparing the foundations for a results-based budget.

Financial Management, Auditing and Procurement

The reform of public financial administration got underway at the beginning of 2003, when the Integrated Financial Management System (Sigef) was designed and equipped within the central government. This system, which is still in the implementation stage, seeks to include the operative processes of the budget, treasury, public credit and public accounting. Furthermore, it will be connected to the Public Debt Administration System (Sigade) and will incorporate procurement and contracting management.

Until recently, the contracting and procurement systems were some of the weaker points of financial management. They were institutionally obsolete, which led to a contracting system that was lax with a tendency to discretion and to direct forms of goods and services procurement that bypassed competitive procedures. These faults favored corruption and deficient resource allocation. However, a new procurement regime that was put in place in 2006 promotes increasing transparency, efficiency and quality in contracting and acquisitions, in accordance with international standards and best practices.

Despite this progress, state monitoring systems are still weak and display fragmentation and ambiguous delegation of responsibilities.

As far as auditing is concerned, there is an external control organization, the Chamber of Auditors, and three internal ones: the General Audit Office, the Department of Administrative Corruption Prevention, which is linked to the Procurator General, and the Department of Judicial Inspection, under the auspices of the Supreme Court. Although the Chamber of Auditors prepares public management performance evaluation reports and presents them within two months of the end of the fiscal year, the reports serve no noticeable purpose, as there are no subsequent feedback or actions taken as a result of the findings.

This process is still young in financial management terms, and tangible results are therefore not yet visible. The efforts undertaken by the country represent a big step toward public sector modernization, transparency and efficiency, but institutionalization will require more time.

Program and Project Management

In public investment matters, the SEEPYD has carried out a series of innovations aimed at public investment programming, ex-ante evaluations and monitoring. To this end, various systems have been set up, such as the Project Information and Monitoring System (Sispro) and the Project Portfolio Monitoring System, which, among other things, seeks to allocate investment resources according to the objectives and goals established in the planning exercises. Although this system has a conceptual and methodological framework, there are various operative voids that limit adequate planning, information registration and monitoring.

The education and health secretariats have become models of good sector management, particularly regarding linking the planning function with the budget, as well as goal- and indicator-based monitoring and accountability processes.

The Education Secretariat has the widest knowledge and experience in formulating sector plans and monitoring indicators and goals. Among its most notable exercises are two decennial plans for education (1993–2003 and 2007–2017), both carried out with international cooperation. In the late 2000s, the secretariat configured an organizational planning structure far superior to the public administration standard. Moreover, management improvement programs have enabled this body to achieve orderly current and investment expenditure resource management. It has also promoted citizen participation initiatives in the educational process and in public resource monitoring. Other

actions undertaken in planning and budgeting matters place this secretariat in the sector vanguard with regard to results-based management.

The Public Health and Social Action Secretariat (Sespas) also has a tradition of using management indicators. Similarly, using performance contracts to define and agree on results-based monitoring goals represents a step toward implementing results-based management. Sespas has set in motion the short- and medium-term impact action plan and drafts a long-term strategic national agenda every 10 years. Sespas has also benefited from international funds aimed at promoting modernization, thereby strengthening the technical and operative capacities of its planning and management systems.

Monitoring and Evaluation

Monitoring and evaluation activities are weak and isolated and have been introduced only in certain sectors, such as health and education. The planning exercises of the executive branch lack systematic monitoring and evaluation tools and practices. Although there is a central department responsible for this function (the SEEPYD from 2006 onward) it has yet to become operative and, in addition, does not have the minimum personnel, capacities or instruments required to conduct ongoing monitoring tasks. The Presidency's Information and Management for Governability (SIGOB) is used as a "control panel," although it is not coordinated with the planning functions led by SEEPYD. However, recently approved legislation concerning the planning and budget systems offers the opportunity of integrating the monitoring function with the management cycle. As regards ex-post evaluation, the government limits itself to evaluating part of the programs and projects financed by the multilateral banking sector. There is no evidence that this function is being technically and systematically developed alongside other programs.

Conclusions

The Dominican Republic has undertaken a combination of reforms that seek to provide the basis for institutional transformation. The principal challenge, therefore, is to put into practice the measures demanded by the new legislation and to generate the required procedures, methods and systems for each of the MfDR pillars. It must be stressed that all institutional actors should implement the reforms in a coordinated manner. This will facilitate the creation of the integration and cooperation mechanisms needed to overcome the traditional frictions and lack of planning and budget coordination that are all

too common in LAC countries. It is likewise important that the protagonists of institutional reform take into account the management cycle as a whole, as mentioned in the first part of this book.

Ecuador

PES Executive Summary (2008)

Ecuador is in the medium MfDR-capacity group of countries, and its score is very close to the regional average. Its greatest strength lies in its planning system, which plays a central role in the state reorganization currently being undertaken by the government. The RBB and the M&E pillars lag behind, but there are plans to reinforce them. Program and project management is also weak, but there are no observable initiatives for institutional changes oriented toward results-based management.

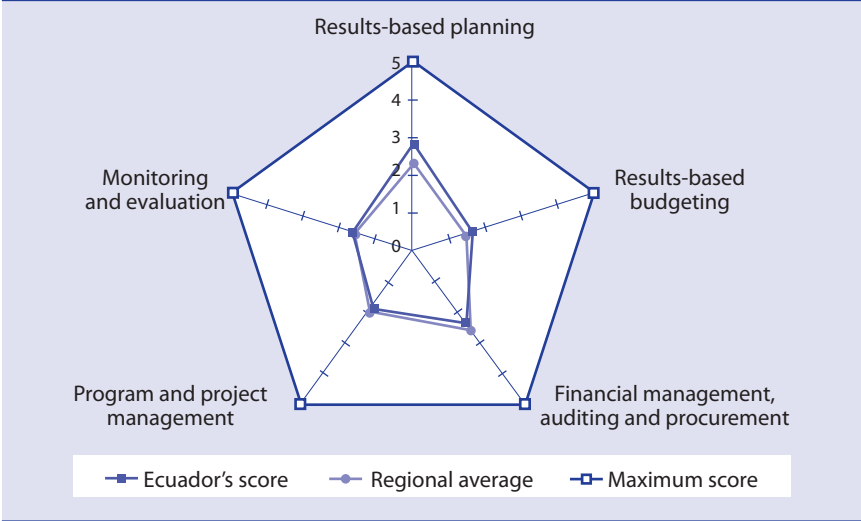
Results-Based Planning

During the current government term of office, the planning function has acquired great relevance as the regulator of public management. The body responsible for planning is the National Planning and Development Secretariat (Senplades), which was created in 2004. The country has a medium-term national plan with pluri-annual objectives, programs and goals, although it does not always express what products the programs should generate. The plan identifies the entities responsible for program execution and outcomes, and is financed from the state budget. There is also a legal framework that regulates public sector planning,

TABLE 4.12 | Ecuador's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.8 | 2.3 |
| 2. Results-based budgeting | 1.6 | 1.4 |
| 3. Financial management, auditing and procurement | 2.3 | 2.5 |
| 4. Program and project management | 1.8 | 1.9 |
| 5. Monitoring and evaluation | 1.7 | 1.6 |
| MfDR Index | 2.1 | 1.9 |

FIGURE 4.11 | Development of MfDR Pillars in Ecuador and the LAC Region



although it lacks specificity. In addition, despite the fact that the constitution establishes civil society engagement in public matters as a fundamental principle of the Ecuadorian State, there is no specific legislation that determines its participation in defining the national plan, nor is the legislative branch's participation explicitly provided for. Owing to Senplades' relative youth, the planning instruments and procedures are still in the process of formulation and improvement.

Results-Based Budgeting

Ecuador is advancing toward a programs-based budget that corresponds with the policies announced in the national plan. Although the law stipulates that a medium-term fiscal framework should be drafted and that the central bank should formulate macroeconomic projections, the country still lacks these instruments. It does, however, have a fiscal responsibility law—the *Fiscal Responsibility, Stabilization and Transparency Act* (LOREYTF 2006)—that includes quantitative goals for financial management, auditing and procurement. Nevertheless, there is no indicator system to evaluate expenditure quality, nor are there budgetary allocation mechanisms that stimulate public management effectiveness and efficiency. Information regarding the budget and the annual financial statements is available to citizens on the Internet.

Financial Management, Auditing and Procurement

In the past three years, the average deviation of real from budgeted expenditures has been less than 3 percent. During the same period, the legislative branch punctually approved the budget. There are, moreover, no extra-budgetary expenditures and the fiscal reports include information regarding revenue and expenditures of all donor-financed projects. On the other hand, although the country conducts risk analysis relating to direct obligations (principally with the public debt), there is no mechanism to mitigate risk in the event of a crisis and no analysis of risk for contingent obligations is undertaken. Ecuador does have an integrated financial management, auditing and procurement system (Sigef) that includes the budget, accounting and the treasury. However, in spite of these advances, the accounting system still does not function according to international standards.

With regard to public procurement and acquisitions, the country has initiated a process of reforms aimed at applying the principles of competition and transparency. There are substantial faults in the current legal and institutional framework because of the level of discretion in procedures and special treatment, among other problems. There is no ruling body for public procurement and the process for presenting and resolving complaints is not ideal. There is a public procurement web portal, but it provides information about only 30 percent of the invitations to tender and contracts, and it lacks the capacity for transactions.

With regard to the auditing system, the General Audit Office (CGE) is the body responsible for both internal and external auditing. It enjoys economic and technical autonomy to audit revenue, expenditures, assets and liabilities for all central government institutions. Furthermore, the *National Audit Act* provides for the establishment of internal auditing units in public institutions, but focuses primarily on ex-ante monitoring. Not all audit findings are published on the Internet.

Program and Project Management

The Senplades is responsible for the National Public Investment System (SNIP); however, this system does not conduct systematic ex-ante evaluations because it lacks the appropriate technical and human resources.

Whereas some ministries have medium-term sector plans (such as the health and education ministries), others, such as the Ministry of Social and Economic Inclusion and the Ministry of Transport and Public Works, have plans based on the contents of the national plan. Likewise, not all these ministries

establish annual goals for goods and services, and there are no management contracts signed by both the authorities and the ministerial operative units. Moreover, staff assessment systems designed to promote achievement of institutional results have yet to be created. Some ministries develop initiatives to improve their service quality, but there are no institutionalized strategies, and no ministry actively seeks customer opinions regarding goods and services. All ministries have information systems, but the quality, coverage and appropriateness of the data are limited.

Monitoring and Evaluation

The Senplades is responsible for monitoring the medium-term national plan; however, there is still no system in place to consolidate all the necessary information to monitor the plan's objectives and goals and that would provide periodical analysis through performance indicators. The Senplades is also the entity responsible for evaluation of government management, but its evaluative capacity is weak since it is still at the formative stage. With regard to data availability, the country has statistical information systems for economic data that is provided by the National Statistics Institute and the central bank, and social data from the National Statistics Institute.

Conclusions

This assessment reveals that Ecuador should focus its attention on i) developing a monitoring and evaluation system that establishes whether or not the government plan's objectives and goals have been achieved, ii) analyzing the quality of public expenditures, iii) building a medium-term fiscal framework that establishes firmer bases for operative planning and iv) improving its policies and instruments for fiscal discipline. These improvements would lay the foundations for progress toward implementing results-based budgeting.

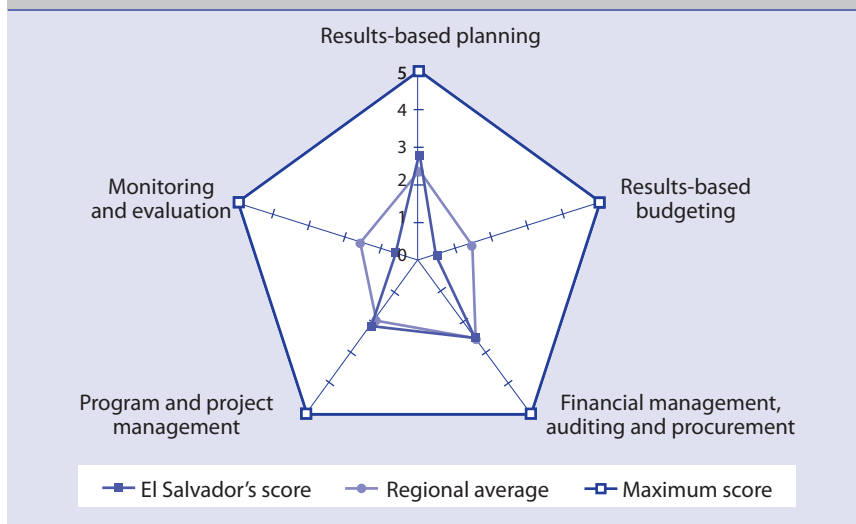
El Salvador

PES Executive Summary (2010)

The development of El Salvador's institutional capacities is the fruit of a long modernization process that got underway in the 1990s after the civil war that had destroyed the economy and the national institutions. Since that time, the country has gradually been increasing its capacity to manage the public

TABLE 4.13 | El Salvador's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.8 | 2.3 |
| 2. Results-based budgeting | 0.5 | 1.4 |
| 3. Financial management, auditing and procurement | 2.5 | 2.5 |
| 4. Program and project management | 2.1 | 1.9 |
| 5. Monitoring and evaluation | 0.7 | 1.6 |
| MfDR Index | 1.7 | 1.9 |

FIGURE 4.12 | Development of MfDR Pillars in El Salvador and the LAC Region

sector. Although there is an observable legal and institutional base that has enabled the country's socioeconomic development, El Salvador is still at the initial stage of implementing results-based public management.

El Salvador is among the medium MfDR-capacity group of countries and displays some of the most unevenness in pillar development. Its RBP and FMAP pillars show a degree of progress far superior to its RBB and M&E pillars, in which scant institutional development is detectable.

Results-Based Planning

El Salvador's government plan was drafted on the basis of the current government's electoral promises, which were published for civil society, and is organized into 16 Areas of Action and 10 Presidential Programs. The plan includes the objectives and goals to be achieved during the current term of office and is supported by funds from the state budget. However, it exists in electronic form only on an official data base and has not been disseminated to the general public.

The Technical Secretariat of the Presidency is the entity responsible for drafting and monitoring the plan; however, there is no legal framework to regulate the planning process or establish the Secretariat's planning responsibilities. The entity acts according to rules set out in the Internal Regulations for the Executive Branch, which assigns it the functions of assessing investment priorities (in coordination with the budget office) and monitoring budgetary execution, among others. It is worth mentioning that the secretariat is a young organization and that its technical capacity is still under construction. Likewise, it should be remembered that civil society did not participate in formulating the government plan and the legislative branch did not express an opinion about its content. The plan was drafted exclusively by the executive branch.

Results-Based Budgeting

El Salvador shows little progress with regard to building a results-based budget. Its budget is not structured according to programs, there are no performance indicators to evaluate the outcomes of expenditures and there are no budgetary mechanisms to stimulate management efficiency and effectiveness within the organizations that implement elements of the plan. Although a medium-term fiscal framework has been drafted and is updated each year, the budget is not structurally coordinated with this framework.

Financial Management, Auditing and Procurement

The FMAP pillar is the one that demonstrates the most progress. This progress is the fruit of a constant process of modernization at the treasury that includes the development of the Financial Management System and the Regulatory Body for Contracting and Procurement (UNAC).

With regard to financial management, there has been a 3 percent deviation of real from budgeted expenditures in the past three years. It is also noticeable that the fiscal reports include all extra-budgetary expenditures and all resources arising from donations, which make up 5 percent of the budget.

Budget formulation is based on administrative and economic classification according to the rules set out by the Public Finance Statistics (EFP); however, there are no functional or programmatic classifications. In addition, El Salvador does not carry out risk analysis on its direct or contingent obligations. However, in 2007, the World Bank-supported Public Debt Management Improvement Project was set up with the aim of formulating a debt management strategy that does include risk analysis.

With regard to auditing, El Salvador's *Court of Auditors Act* regulates both internal and external audits. The Court of Auditors is the body that sets the policies and technical rules. In 2004, rules were laid down for government audits that observed international practices.

The Act obliges all institutions with a budget of over US\$570,000 to have an internal audit office. All central government institutions have such an office, but many of them lack qualified staff or the necessary resources to adequately fulfill their functions.

The Court of Auditors conducts external audits of revenue, expenditures, assets and liabilities for all public institutions. For their part, the institutions are obliged by law to respond to the findings; the quality of responses, however, is variable. In recent years, the Court of Auditors has begun to perform management audits, although this activity is not linked to any evaluative intention on the government's part. Moreover, audit findings are not posted on the Internet.

The procurement system is governed by the *Public Administration Procurement and Contracting Act* (LACAP), which became law in May 2000. This Act promotes open and transparent competition and includes various concepts that reflect best international practices in the field of public procurement and contracting. The treasury is the ruling body for public procurement. According to the 2004 Country Procurement Assessment Review (CPAR) report, the UNAC "is a relatively young organization that dedicates itself enthusiastically to the tasks assigned to it, but which is institutionally weak." The UNAC is also responsible for the country's electronic procurement system, used for 90 percent of acquisitions. The remaining 10 percent are announced via the press. The electronic system records buying requests but does not conduct buying and selling transactions.

Program and Project Management

El Salvador does not have a public investment system, but it does have investment monitoring mechanisms. The treasury's Investment and Public Credit Directorate issues technical opinions regarding investment petitions made by institutions in search of financing for new projects. These petitions contain pre-investment studies based on detailed directives and have to be framed within the quinquennial programs. However, there is no law that specifically regulates the process of these operations or that links it to government planning.

With regard to sector program and project management, it is noticeable that the sectors studied (health care, education and infrastructure) all have medium-term plans that, in general, are coordinated with the government plan. The level of service management offered by the sectors is relatively weak, however, because i) there are no institutional results-based staff evaluation systems, ii) management improvement strategies are not implemented and iii) the information systems do not provide indicators that report on the effectiveness and efficiency of goods and services production.

Monitoring and Evaluation

The Technical Secretariat of the Presidency is responsible for the government plan. Given that this is a function only recently acquired, the technical rules and the working methodologies are still at the formulation stage. Monitoring is based on a data system that gathers estimates of the goals established in the plan, but no corrective or decision-making criteria arise from the monitoring. Monitoring data is not available to the public on the Internet.

The country's information and statistical systems for the social and economic areas produce relatively reliable information. Social data is the responsibility of the Ministry of Economy's Directorate General for Statistics and Censuses, whereas the central bank is in charge of economic information. Both systems have web sites with information freely available to citizens. Although this information is reliable, there are still some aspects to improve, above all with regard to information analysis and application aimed at monitoring and evaluating the government's policies and programs. There is no legal or institutional framework to evaluate government management. This is the weakest aspect of the entire management cycle in El Salvador, and the one in which the fewest initiatives are observed.

Conclusions

The challenges arising from this assessment are i) the planning system, which needs to be reinforced, in particular concerning citizen participation; ii) the government plan, which needs a monitoring system to be implemented more quickly to provide performance indicators and extend its coordination with the planning and budget functions, and with the ministries in charge of program execution; and iii) in the budget, where progress must be made toward a results-based budget.

Guatemala

PES Executive Summary (2009)

Guatemala belongs to the medium MfDR-capacity group of countries. Its financial management, auditing and procurement pillar is much better developed than the other pillars, and its weakest pillars are RBB and M&E. Because of its MfDR Index and the balance between its pillars, Guatemala represents the average situation of all countries in the region.

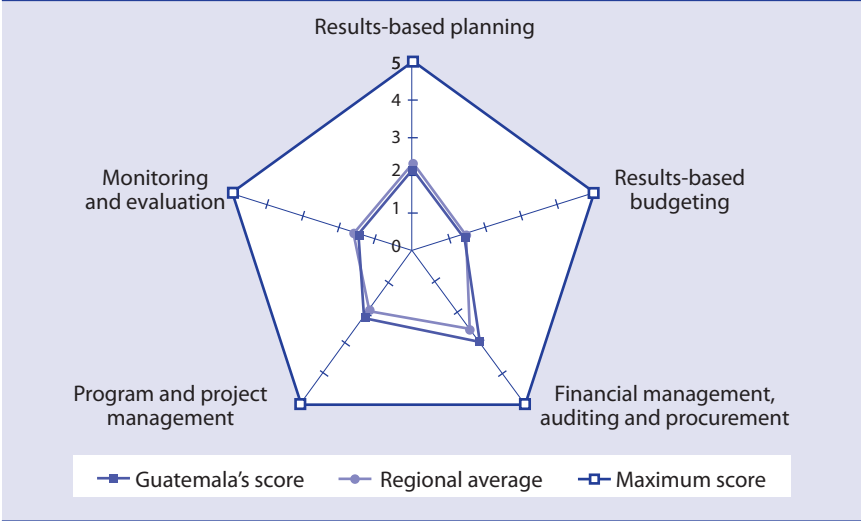
Results-Based Planning

Guatemala does not have a legal framework that regulates public sector planning, although it does have an entity responsible for that function, the Planning and Programming Secretariat of the Presidency (Segeplan). The medium-term

TABLE 4.14 | Guatemala's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.2 | 2.3 |
| 2. Results-based budgeting | 1.4 | 1.4 |
| 3. Financial management, auditing and procurement | 3.0 | 2.5 |
| 4. Program and project management | 2.2 | 1.9 |
| 5. Monitoring and evaluation | 1.5 | 1.6 |
| MfDR Index | 2.0 | 1.9 |

FIGURE 4.13 | Development of MfDR Pillars in Guatemala and the LAC Region



national plan is conceptual, setting out government goals but not programs to achieve the objectives or indicators to monitor progress. Coordination between planning and the budget is weak.

Results-Based Budgeting

Although the country's budget has programmatic classifications, they are not based on the policies defined in the MTNP. The country has a medium-term fiscal framework that serves as a reference for annual budget formulation, but there are no performance indicators to evaluate the quality of public expenditures.

Financial Management, Auditing and Procurement

The legislative branch has failed to approve the budget in two of the past three years. Furthermore, between 2004 and 2006, the average deviation between executed and programmed expenditures was 7 percent. Additionally, no fiscal risk analysis for direct or contingent obligations is conducted, and no mechanisms exist to mitigate the effects of risks. There is, however, a Financial Administration Information System (SIAF), an electronic platform

that integrates financial management of all central government entities. The SIAF is currently incorporating all decentralized and municipal entities into the SIAF-MUNI. National accounting adheres to international standards, and the accounting department prepares complete financial statements at the conclusion of each fiscal year.

The legal framework governing the country's public procurement and contracting process is based on criteria of competition and transparency in awarding public contracts. The electronic acquisitions system is called Guatecompras and is used by central government institutions and by more than 90 percent of decentralized and autonomous institutions. The General Audit Office (CGC) is the body responsible for the internal and external audits of all public sector institutions. The CGC's legal framework adheres to international audit standards.

Program and Project Management

The National Public Investment System (SNIP) functions within a specific legal framework and conducts ex-ante evaluations of all government and subnational government investment projects. The findings arising from these evaluations are used during the budgetary exercise.

With regard to sector management, the Ministry of Education has a National Education Plan for the period 2000–2020 that has objectives and goals consistent with the government plan and was formulated with the participation of diverse sectors of civil society. For its part, this sector's information system functions adequately.

On the other hand, the Ministry of Health has no sector plan but is instead guided by the contents of the national government plan. The sector is, however, developing a long-term proposal called the National Health Agenda 2008–2020, which has still to be formally approved. The ministry's only goals correspond to the MDGs. Additionally, there is no institutionalized process whereby information is gathered from health service users. The sector does, however, have a health care management information system (Sistema de Información Gerencial de Salud) (Sigsa).

For its part, the Ministry of Communications, Infrastructure and Housing has its own Road Development Plan for 2000–2010 that is being updated for 2008–2018. This plan contains annual goals that are adjusted each year depending on the current annual budget and available resources. Civil society took no part in formulating this plan. Likewise, there is no centralized information processing, which means that data is neither up to date nor available

in an appropriate form. The ministry, moreover, does not have an Internet portal.

Monitoring and Evaluation

The Segeplan is the entity responsible for monitoring and evaluating government management; however, because this process has yet to become institutionalized, there is no current document describing monitoring methodology.

Conclusions

The medium-term challenges that Guatemala must confront to implement MfDR are i) institutionalizing a planning system that, as well as prioritizing the principal government strategies and objectives, produces a useful operative instrument for sector management and for budgetary programming, ii) introducing a monitoring and evaluation system that provides feedback for the planning and budget management processes and iii) advancing gradually toward implementing a results-based budget.

Guyana

PES Executive Summary (2010)

Guyana belongs to the group of countries with poorly developed MfDR capacities. Four of the five components of the management cycle display a similar low development level, while monitoring and evaluation lags even further behind. The country has two planning instruments with little coordination between them and a budget instrument that is not formulated on a policy basis.

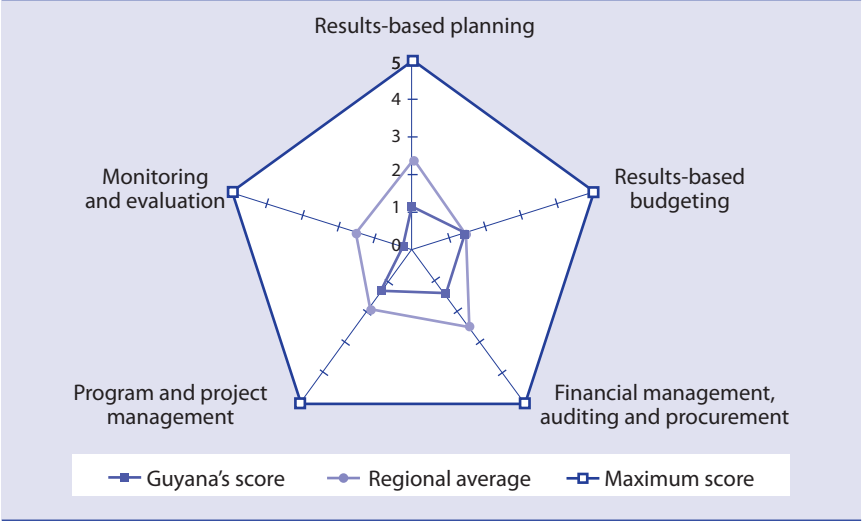
Results-Based Planning

Guyana has two planning instruments: the National Development Strategy 2001–2010 and the Poverty Reduction Strategy (PRS) 2001–2007. Given that the latter's period of validity is over, the country is currently discussing a new PRS for the 2008–2010 period. There is no correspondence between the two instruments and operative planning is limited because they do not establish programs or products to achieve objectives. Civil society was consulted during the PRS formulation process.

TABLE 4.15 | Guyana’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 1.2 | 2.3 |
| 2. Results-based budgeting | 1.4 | 1.4 |
| 3. Financial management, auditing and procurement | 1.4 | 2.5 |
| 4. Program and project management | 1.3 | 1.9 |
| 5. Monitoring and evaluation | 0.3 | 1.6 |
| MfDR Index | 1.1 | 1.9 |

FIGURE 4.14 | Development of MfDR Pillars in Guyana and the LAC Region



The Ministry of Finance’s Planning Secretariat is the body responsible for coordinating both the National Development Strategy and the Poverty Reduction Strategy. Although Guyana has laws that regulate planning, the *State Planning Commission Act* and the *Urban and Territorial Planning Act*, there is no legal framework that specifically regulates strategic national planning.

Results-Based Budgeting

The country has made little progress in this area. Although the budget has programs-based classifications, they do not correspond with any of the planning instruments, which, as previously mentioned, do not include programs. This makes it difficult to monitor PRS expenditures. In addition, there is no method or system for evaluating the quality of public expenditures, and there is no fiscal responsibility law. However, there is a fiscal framework that includes revenue and expenditure projections for the next three years. Although the law requires financial information regarding the public sector to be made available to citizens, the budget is not published on the Ministry of Finance's web portal and access is very limited.

Financial Management, Auditing and Procurement

The average deviation between the approved and the executed budget during the past three years was 7 percent and, in the same period, the legislative branch has been late in approving the budget on two occasions. Moreover, there is a group of public organizations that receives important royalty payments that are not reflected in the budget. Although debt sustainability analysis is carried out, other types of risks related to direct and contingent obligations are not examined. These factors detract from the budget's credibility and create adverse conditions for financial administration.

There is an integrated financial management system (IFMS), the regulations of which adhere to international standards. The IFMS enables the generation of daily cash-flow reports that are placed at the disposal of the executive branch. The Ministry of Finance, however, still does not produce consolidated central government financial statements because the data relating to tax revenue and foreign-funded projects is entered into the system manually.

The Government of Guyana enacted a *Procurement Act* in 2003 that was ratified in 2004 but does not include some internationally accepted practices. The Public Procurement Commission, which is the supervisory body designed to ensure that the process is efficient, transparent and competitive, has yet to be created. The country has also yet to build the state electronic procurement system.

Most ministries and state entities lack internal auditing units, despite the fact that the *Fiscal Responsibility and Management Act* requires all entities to create this function. Only the Education, Agriculture and Public Works ministries and the Fiscal Administration of Guyana have internal auditing units.

The monitoring function at the national level is carried out by the Auditor General's Office. This entity is required by law to conduct a complete annual

audit of all state organizations. However, the shortage of human and financial resources hinders it from fulfilling its mandate and various institutions thereby remain unaudited. Legislative branch reviews of audit findings are conducted with significant delays, thereby limiting their usefulness as an instrument for guaranteeing transparency and accountability.

Program and Project Management

The Secretary of State for Planning, which answers to the Ministry of Finance, is responsible for carrying out ex-ante evaluations of investment projects. There is, however, no law that regulates this function and its institutionalization is still in its infancy.

Some ministries have medium-term sector plans—Strategic Education Plan 2009–2012; National Health Sector Strategy 2008–2012; Ministry of Employment, Human Services and Social Security Plan 2006–2011; and Transport Sector Plan 2007–2017. These ministries' management systems are weak and great strides need to be made if conditions enabling results-based management strategy development are to be created. Likewise, the ministries lack the necessary technical means to develop sector information systems capable of generating reliable and timely information.

Monitoring and Evaluation

Guyana's limitations with regard to institutional information gathering and processing seriously restrict its capacity to build a monitoring and evaluation system. Data dealing with program and project implementation is primarily stored in the Community Monitoring Reports, which are based on beneficiary and service provider perceptions.

Although the institutions do not have information systems to compile and process service records, the National Statistics Office does gather the existing information from the institutions' own statistics units. Moreover, it also carries out household surveys, demographic surveys and censuses, which are the country's main source of information.

Conclusions

According to this assessment, Guyana needs to build solid foundations for all of the MfDR pillars. Although it should aim to advance simultaneously on all fronts, it is important that the budget process be capable of producing a

budget with a lesser degree of uncertainty than the present one, and that, at the same time, it includes the policy objectives and goals established in the medium-term national plan as elements on which the process of institutional reinforcement can be founded.

Haiti

PES Executive Summary (2009)

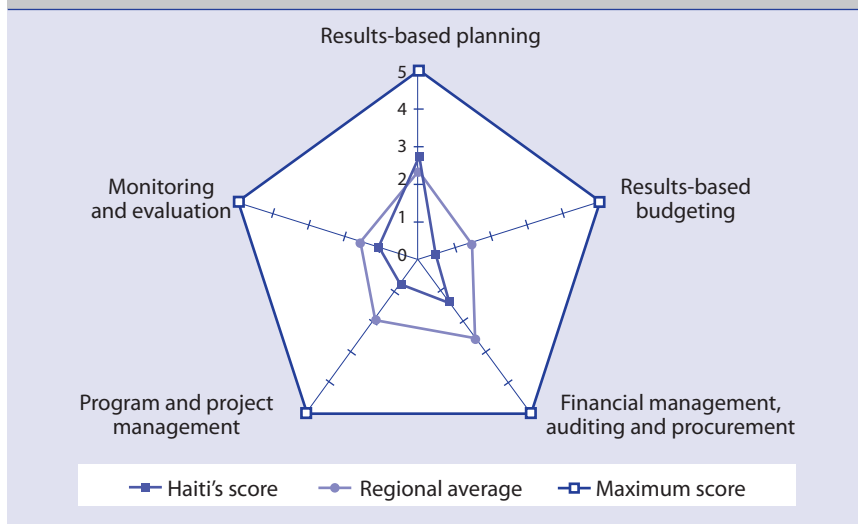
Haiti belongs to the low MfDR-capacity group of countries. Its RBP system, however, is further developed than the rest of the pillars. The country has a National Strategy for Growth and Poverty Reduction (ENCRP) for the 2008–2010 period that was designed with external cooperation. The FMAP pillar is weak, which means that conditions are not yet ripe to implement RBB, and PPM also needs substantial improvement. The 2010 earthquake destroyed part of the country’s already limited capacity; however, this could be an opportunity to resolve a combination of institutional obstacles and difficulties that have traditionally affected its national public management systems.

Results-Based Planning

The chief economic planning entity is the Ministry of Planning and External Cooperation (MPCE). The legal planning framework is composed of the *Ministry Act* (1989), the *Public Investment Funds Act* (1984) and the *Ratification Decree* (1984).

The country’s medium-term plan is the National Strategy for Growth and Poverty Reduction for 2008–2010, which includes the MDGs. All of the

| TABLE 4.16 Haiti’s Score for each MfDR Pillar and the Regional Average | | |
|--|---------------|------------------|
| Pillar | Country score | Regional average |
| 1. Results-based planning | 2.7 | 2.3 |
| 2. Results-based budgeting | 0.5 | 1.4 |
| 3. Financial management, auditing and procurement | 1.3 | 2.5 |
| 4. Program and project management | 0.8 | 1.9 |
| 5. Monitoring and evaluation | 1.1 | 1.6 |
| MfDR Index | 1.3 | 1.9 |

FIGURE 4.15 | Development of MfDR Pillars in Haiti and the LAC Region

state's goals are organized in programs, each with their respective objectives; however, the outcomes to be delivered by each program are not specified. It is worth highlighting that the National Strategy includes a long-term vision that sets out the socioeconomic challenges to be tackled up until 2015.

Although the legislative branch did not take part in discussions of the ENCRP, civil society did play an active role in the commission that prepared the strategy.

Results-Based Budgeting

Of the country's budget, 25 percent is financed by international organizations through programs with clearly defined objectives and goals. However, the budget as a whole is not structured according to programs. Although there is a close relationship between the contents of the budget and the National Strategy, there is no organic link because the instruments' structures are dissimilar.

Haiti formulated the triennial budget (2006–2008) with support from the IMF. The Haitian authorities hope to draft an institutionalized medium-term expenditure framework in the future based on this example. There is no fiscal responsibility law, nor are there rules or instruments that enable the quality of expenditures to be evaluated.

Financial Management, Auditing and Procurement

The country's FMAP pillar is very weak. The Ministry of Economy and Finance does not conduct any kind of risk analysis regarding either direct or contingent obligations. Furthermore, there has been a 10 percent difference between the approved budget and real expenditures in the past three years. There is no integrated financial management system, but rather various systems that process information arising from the various components. In addition, owing to the fact that the rules admit exceptions, an important proportion of the budget is managed outside of the budgetary and accounting system. The lack of integration in financial management hampers efficient execution of processes. Although the Ministry of Economy and Finance prepares an annual report on the budget at the end of the fiscal year, the information it presents is not always exact because of the difficulties experienced with information systems.

In 2005, a law was passed enabling the National Public Markets Commission (CNMP) to be created. Although this commission has made great efforts to construct a more transparent public procurement process by creating an Internet web portal to disseminate information regarding public contracts, it is still in its infancy and some processes are yet to be institutionalized.

The legal framework for internal and external audits is applicable to all public institutions in the country. Although Haiti is part of INTOSAI, not all national rules adhere to international standards. The external audit reports are not available to the general public via the Internet.

Program and Project Management

The Ministry of Planning and External Cooperation (MPCE) is the entity responsible for public investment. Although the institution has technical criteria for ex-ante project evaluation, it does not apply them because 90 percent of resources are provided by international organizations that use their own evaluation systems and methodologies.

The objectives of the Ministry of Education's National Education and Training Plan (PNEF) coincide with the ENCRP. The plan was drafted with the help of various elements of civil society; however, the ministry lacks an adequate data system about the country's education system.

The Ministry of Public Health's National Strategic Health Care Sector Reform Plan 2005–2010 has seven objectives, a financing plan and a monitoring

system. However, the ministry does not set annual goals for production of goods and services. In addition, the statistical institutions are not centralized, which means that there is no integrated data system. It is worth mentioning that one of the objectives of the Health Care Sector Reform Plan is establishing an information system.

The Ministry of Social Affairs (MAS) drafted the Strategic Action Plan 2007–2012 based on the objectives set out in the ENCRP and opinions expressed by representatives of civil society. However, this ministry lacks an integrated information system because the statistical institutions are dispersed throughout the units and departments.

The Ministry of Public Works does not have an up-to-date sector plan and lacks an institutional statistics system.

Monitoring and Evaluation

The Ministry of Planning and External Cooperation is responsible for conducting project monitoring and evaluation. It does not, however, have the necessary methodologies and instruments to perform this task and manages to carry out financial monitoring for only approximately 35 percent of the projects.

Furthermore, Haiti does not produce reliable or consistent socioeconomic statistics. The National Observatory of Poverty and Social Exclusion (ONPES) generates certain data, which it then provides to the Haitian Institute for Statistics and Information (IHEI). Likewise, the IHEI produces economic statistics using information provided by the central bank and the Ministries of Planning and Economy. This information, however, is only partially used to monitor whether the ENCRP's objectives and goals have been achieved.

Conclusions

The devastating earthquake in 2010 destroyed a part of Haiti's already limited capacity, which makes measurement of the MfDR indicators presented here more relative. However, the situation that the country now finds itself in is an opportunity, for both the government and for international cooperation agencies, to lay the foundations for national results-based management systems. This demands that adequate resources be made available not just for the country's reconstruction, but also to strengthen the necessary institutional capacities in all five MfDR pillars.

Honduras

PES Executive Summary (2008)

Honduras is in the group of countries with medium MfDR capacity. The scores for each pillar differ widely from the regional average, with the PPM and the M&E pillars well developed, but the RBP and FMAP pillars faring comparatively less well. Although there is some way to go before institutionalization is achieved, the systems are beginning to form the way that public managers and authorities manage their organizations.

Results-Based Planning

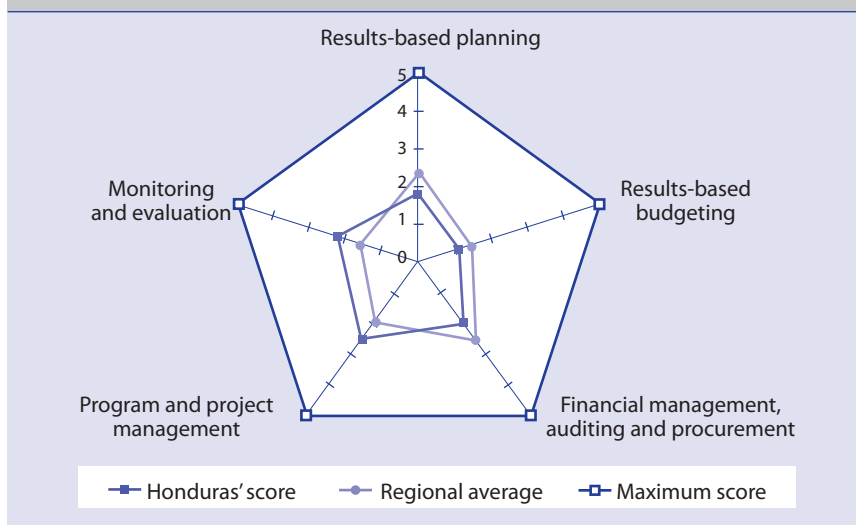
Although the planning function is described in the constitution and in the *Budget Act*, Honduras does not have a strategic national plan. The planning function is still dispersed between diverse institutions and its application is not based on common methodologies or standards. The Presidential Technical Support Unit (UATP), part of the Presidential Office Secretariat, is the body in charge of formulating the plans that involve multiple sectors and policies, such as the Poverty Reduction Strategy (ERP). This is the most important strategy in terms of medium- and long-term planning. It includes policies and programs with associated goals and indicators. Furthermore, the sector plans of five ministries are linked with the strategy.

Honduras shows significant progress with regard to social engagement in the planning process. At present, there are formal consultation practices and accountability schemes (such as the Consultative Council for Poverty Reduction, trimesterly reports on public management accountability and the recent practice of disseminating management results via communications media) that have brought management results to the public and generated incentives for results-based performance. In spite of these advances, the role of the legislative branch and monitoring organizations in national planning is still low.

It should be highlighted that institutional planning capacities are still limited. Although some specific areas and certain sectors have reached a higher degree of development, the policy and program planning process is not based on a broad public administration organizational culture. Furthermore, actions aimed at capacity building are limited. Given that the central planning function is still not institutionalized, the sustainability of planning depends, to a large degree, on its relationship with the budgetary process or its implementation at the territorial or sector levels.

TABLE 4.17 | Honduras' Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 1.8 | 2.3 |
| 2. Results-based budgeting | 1.1 | 1.4 |
| 3. Financial management, auditing and procurement | 2.0 | 2.5 |
| 4. Program and project management | 2.5 | 1.9 |
| 5. Monitoring and evaluation | 2.2 | 1.6 |
| MfDR Index | 1.9 | 1.9 |

FIGURE 4.16 | Development of MfDR Pillars in Honduras and the LAC Region

Results-Based Budgeting

Although the budget is, in theory, structured according to programs, it is clear that the categories correspond to budgetary programs and not necessarily to programs related to public policy. Thus, the budgetary management system limits the harmonization of the implementation chain of both sector activities and projects, and national programs and policies, in terms of the products,

effects and outcomes linked to budgetary allocations. Additionally, although the budget planning exercise demands the definition of goals and performance indicators, these are still not included in the resource allocation process, which means that the definitions represent a purely formal exercise with few practical applications for performance improvement. Furthermore, there is a noticeable absence of standardized rules, procedures and responsibilities in defining indicators.

Even though it has no fiscal responsibility law, Honduras drafts a five-year fiscal framework. Faced with the absence of a development plan or a medium-term expenditure framework, however, the fiscal framework neither complements nor harmonizes with the priorities of government policy. In this sense, although the fiscal framework includes overall expenditure goals in accordance with macroeconomic restrictions, said goals are not segregated into sectors and policies and, therefore, do not adjust to a pluri-annual expenditure planning framework that might offer greater certainty regarding the resources that could be used to achieve goals.

An important additional element is that the *Budget Act* sets out actions for evaluating expenditure outcomes and, in this way, promotes expenditure quality. However, expenditure monitoring and evaluation are very weak and still wield little influence on the budget planning exercise.

Financial Management, Auditing and Procurement

With the creation of the Integrated Financial Administration System (Siafi) and the introduction of reforms in other aspects of public finance, Honduras has taken important strides toward modernizing its public financial administration on both the revenue and expenditure sides. Furthermore, the country has incorporated and optimized macroeconomic programming techniques, as well as economic and accounting classifications, in accordance with the IMF's manual of financial statistics. Likewise, Honduras conducts debt-sustainability analysis and some risk analysis, on which the financing policies are based.

Accounting is moving toward adherence to international rules and standards. The Supreme Court of Auditors (TSC) has reinforced the auditing system by continuous clearing of accounts and rule revision, especially since 2005. Despite the fact that 98 percent of central government entities and public enterprises carry out internal audits, their quality is questionable because they do not use a standardized or formalized methodology. According to the TSC, about 30 percent of these audits can be considered low quality and of scant effectiveness.

On the other hand, undeclared extra-budgetary spending has been reduced to the point that only international cooperation remains outside of the reports, bearing in mind that public enterprises do not have to incorporate or report their national budget surpluses. Although efforts are being made to ensure that all international cooperation resources are reported, approximately 15 percent of this revenue is still not included in the balance of payments (financial account) and nearly 50 percent is not reported in the national budget.

With regard to budget programming and approval, in the past three years the budget has been approved by the stipulated date (December 30 for each fiscal year), except 2006, which was delayed until May 2007 because of the change in government. Notwithstanding, the deviations of real from budgeted expenditures are still high. In the past three years, differences of up to 12 percent and even 15 percent have been recorded.

With regard to public procurement, there has been a *State Procurement Act* since 2001 that deals with all the general procurement principles, such as efficiency, transparency, publicity, open and fair competition, and due process. The Act defines the operational, technical and economic aspects of administrative procurement guidelines and rules. The Act is still not applied in its entirety because it was created only relatively recently and still lacks the necessary capacities. In addition, the government is progressing toward developing a Public Procurement System called *Hondudcompras* that will be aimed at disseminating information about procurement opportunities. Furthermore, the system will include information about tenders and contracts and facilitate access to requests for proposals, evaluations, awards, contracts and bidder participation. At present, the system provides institutional and regulatory information that is easily accessible for public use. It is hoped that all contracts entered into will be published on the Internet via this system, ranging from the smaller purchases to those exceeding US\$100,000. The correct functioning of the system and the reporting processes, however, are still in development.

Program and Project Management

The Finance Secretariat's Directorate General for Investment is responsible for compiling and managing public information regarding the investment budget at its programming-by-project stage. It has, for this purpose, a defined conceptual and methodological framework, which covers only national investments. However, at the operative level there are some faults that hinder project management from complying with all the established parameters. In particular, information relating to projects is incomplete and is not regularly updated,

which means that many of the projects financed with national resources bear no direct correspondence to the government's objectives and priorities.

Similarly, Honduras still needs to achieve more direct coordination between programs and projects and the budgetary cycle. At present, there is some prioritization and conformity with the ERP, but a high percentage of the projects are not linked directly to the planning instrument. On the other hand, the projects designed by the Presidency of the Republic are approved without reference to ex-ante evaluation exercises, and the recurrent costs of those investments are therefore not included in budgetary projections. Furthermore, ex-ante evaluations are conducted only when the national government acts as a direct project executor, and not when projects are drafted by subnational governments.

Monitoring and Evaluation

Although Honduras still does not have a consolidated monitoring and evaluation system, the UATP has taken some important steps forward, which are manifested in three initiatives: the Poverty Reduction Strategy Information and Monitoring System, the Results-Based Management Administration System and the Integrated Financial Administration System. Despite the fact that these initiatives still experience coordination problems and overlapping efforts, a process of integration and harmonization is currently underway that seeks to combine them in a more integrated management model.

Although the monitoring and evaluation system has been comprehensively conceived and designed, in practice it is oriented exclusively toward monitoring activities and evaluation is just a word. Further, the process of sector plan formulation, and the definition of indicators and goals, is still very weak, as are the relationships between these and budgetary allocations. All these frailties do not permit the institutional capacity development needed to carry out the functions of planning and monitoring and evaluation, either in the Secretariat areas or in the UATP and Finance areas. In any case, the monitoring and evaluation system's instruments and procedures are still under development, and there are no standardized mechanisms or methodologies available to monitor the quality of indicators, goals and information, the use of which is still limited in decision making.

An aspect worth noting is that both the Results-Based Management Administration System and the SIERP publish information regarding goals and indicators on the Internet, although the same cannot be said for the results information for which Siafi is responsible.

The principal limitations in the monitoring and evaluation system are a lack of coordination between investments and the budget, the absence of program expenditure classifications that facilitate alignment between budget allocations and the government's priority policies, and the still-limited coordination between the institutions involved in the planning process (UATP) and the budget (Finance Secretariat). Additionally, integration of the budgetary information systems (Siafi and the Public Investment System) and the results-monitoring systems (SIERP and the Results-Based Management Administration System) has yet to be optimized.

Conclusions

This assessment suggests that Honduras needs to further reinforce its planning system to produce a medium-term national plan that serves both as a guide for government objectives and as a support mechanism for the political and institutional system. It is therefore necessary that authorities i) clearly define institutional responsibilities for planning and avoid overlapping efforts and ii) orient the budget toward results and coordinate it with the medium-term national plan, thereby providing an adequate structure to incorporate performance indicators.

Jamaica

PES Executive Summary (2010)

Jamaica is among the group of countries with medium MfDR capacity. Its strongest areas are results-based planning and financial management, auditing and procurement. It is worth noting that Jamaica is one of the few countries in the region with a long-term vision; however, the medium-term national plan is still under construction. On the other hand, the elements that would enable the country to undertake results-based budgeting have yet to be developed. The budgetary structure is, at present, not based on national policies and, although the country has a medium-term fiscal framework, it is not used in the budget exercise. Jamaica does not have a monitoring and evaluation system for policies, programs or projects.

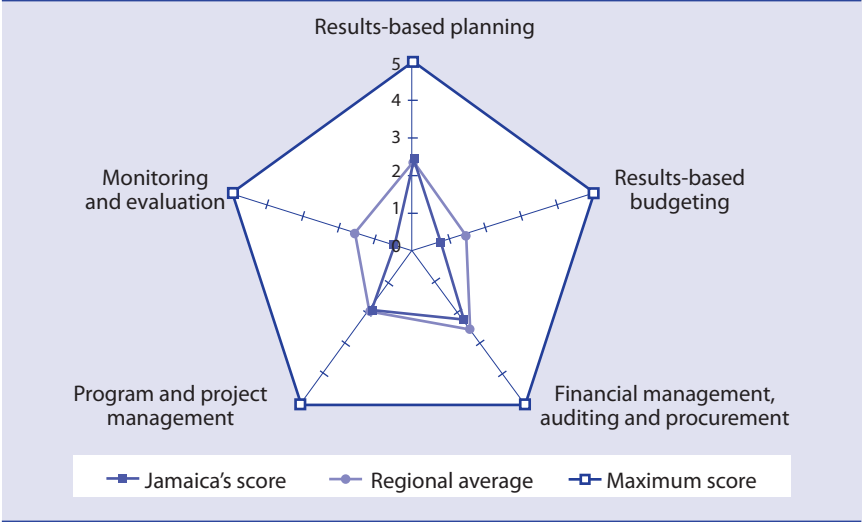
Results-Based Planning

Jamaica has a long-term national development plan entitled *Vision 2030 Jamaica*, which was drafted by the Planning Institute of Jamaica (PIOJ). However,

TABLE 4.18 | Jamaica’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.4 | 2.3 |
| 2. Results-based budgeting | 0.7 | 1.4 |
| 3. Financial management, auditing and procurement | 2.2 | 2.5 |
| 4. Program and project management | 1.9 | 1.9 |
| 5. Monitoring and evaluation | 0.5 | 1.6 |
| MfDR Index | 1.6 | 1.9 |

FIGURE 4.17 | Development of MfDR Pillars in Jamaica and the LAC Region



it still lacks a formally approved medium-term national plan, although there is an outline for the 2009–2012 period. In addition, a legal framework that includes and regulates government planning has yet to be established. However, in accordance with the law establishing the PIOJ, this entity’s functions include national development planning and plan execution monitoring. It should also be noted that although there are no laws to promote the participation of either the legislative branch or civil society in formulating a national plan, the PIOJ’s outline plan was drafted with input from civil society.

Results-Based Budgeting

The budget does not have programmatic classification based on policies, and integration between the planning and budgetary processes is weak. This is demonstrated by the fact that application of institutional plans has been limited by fiscal restrictions. On the other hand, Jamaica does have a medium-term fiscal framework, which is updated annually, but the annual budgets are drafted without reference to this framework. Dissemination of budgetary information is scant, although a Budget Memorandum has been published and expenditure calculations can be found on the Internet.

Neither the *Financial Administration and Audit Act (FAA)* nor other legal dispositions promote fiscal responsibility or expenditure evaluation. In addition, there is no budgetary allocation mechanism that promotes efficiency and effectiveness in institutional management. However, in 2006, Jamaica did establish the Performance Management Appraisal System to promote public service organization and results-based management, to increase staff motivation and to raise production levels.

Fiscal risk analysis is not conducted and there are consequently no mechanisms designed to mitigate the effects of risks.

Financial Management, Auditing and Procurement

Real expenditures are calculated to be 5 percent higher than budgeted expenditures. The International Public Sector Accounting Standards are still not applied. Furthermore, the Jamaican Government's *Accounting Manual* has not been updated since 1977 and there is no electronic financial management system. However, the implementation of an electronic system is expected as part of the government plan aimed at integrating the areas of accounting, the treasury, debt management, and investment and procurement, among others.

Likewise, a *Procurement Manual* has been published, but compliance with the rules is still not rigorous enough, possibly because procurement policy, application and supervision, as well as regulatory and functional responsibilities, overlap. There is still no integrated procurement system on the Internet, but there is an agreement to implement one. The agreement stipulates that the system must be fully up and running within a limit of three to five years.

The FAA demands that each department establish an internal audit system. Diverse units are responsible for this function inside the ministries and

the executive branch. It is worth noting, however, that the internal audit function is fundamentally ex-post in nature. In addition, external audits are carried out. The Auditor General's Office is an independent entity that conducts audits for all central government bodies. Some management audits are already underway.

Program and Project Management

With regard to investment prioritization, the Ministry of Finance and Public Services is responsible for executing the projects-based public investment system, a process in which the PIOJ also participates. There is no legal mandate to execute ex-ante evaluations of public investment projects, but these evaluations are carried out by the PIOJ based on needs identification surveys. Furthermore, a committee composed of the PIOJ and the sector ministries determines project feasibility. The system's other key component is the Public Expenditure Division, the body responsible for the operative, programming and investment budgets.

Jamaica lacks management contracts and staff assessment and remuneration systems that promote results achievement. In spite of this, attempts have been made to gather information concerning customer satisfaction levels with regards to the goods and services they use.

Monitoring and Evaluation

The Ministry of Finance and Public Services and the Public Sector Modernization Program carry out some monitoring activities and, at present, the Ministry of Housing, Transport, Water and Works is conducting a pilot program entitled the Institutional Performance Monitoring and Evaluation System. Although there is available social and economic data, there is no information available regarding its quality and reliability. Monitoring and evaluation information is not divulged.

Conclusions

Jamaica faces the following challenges in building its MfDR capacity: i) strengthening the planning system to produce medium-term national plans that fully express government priorities, ii) developing a system of performance indicators to monitor the medium-term plan and iii) modifying budget instruments and practices to make the budget more results-oriented.

Mexico

PES Executive Summary (2008)

Mexico is one of only four countries in the high MfDR-capacity group. Its greatest strength lies in its financial management, auditing and procurement pillar, and the other pillars are being strengthened. The RBP and M&E pillars have developed reliable instruments and methodologies and have highly qualified personnel; however, the link between planning and the budget, and the use of monitoring and evaluation in public policy management, are areas in which the country still needs to improve. Implementation of the program and project management pillar is still in its infancy. Results-based budgeting is the weakest area, notwithstanding the important progress made since 2008.

Results-Based Planning

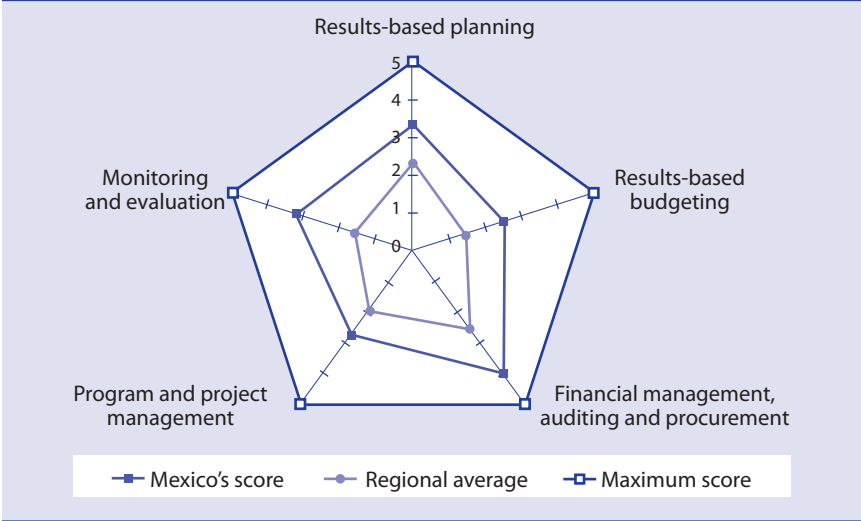
Mexico is experienced in central government planning. The 1982 *Planning Act* determines the national priorities and goals and establishes the role of legislative and societal participation, among other things. The current government prepared a National Development Plan (PND) for the 2006–2012 term of office within the six-month period stipulated by the law. Afterward, and before a year of government had been completed, all sectors had developed a plan based on the PND that establishes the objectives to be achieved and the indicators to be used to verify compliance.

The least solid aspect of planning is operations because the programs intended to achieve the objectives are specified only in certain cases. There

TABLE 4.19 | Mexico's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 3.4 | 2.3 |
| 2. Results-based budgeting | 2.5 | 1.4 |
| 3. Financial management, auditing and procurement | 4.0 | 2.5 |
| 4. Program and project management | 2.7 | 1.9 |
| 5. Monitoring and evaluation | 3.3 | 1.6 |
| MfDR Index | 3.2 | 1.9 |

FIGURE 4.18 | Development of MfDR Pillars in Mexico and the LAC Region



is also a noticeable lack of consistency between the plan's goals and the financial needs that these involve. Both the PND and the sector plans establish objectives and goals for the entire government term of office, but there is no annual desegregation of the objectives. It is also noticeable that planning is highly participative, with the legislative branch empowered to examine the PND and express opinions and the citizens consulted during the PND formulation process.

Results-Based Budgeting

Mexico is currently working to improve the connection between the programs of the national plan and the budget, as well as improving the definition of objectives and annual goals for both instruments. Furthermore, the country has advanced considerably toward consolidating a medium-term national plan, as it already has a medium-term fiscal framework on which the annual budget is based.

The 2006 *Federal Budget and Tax Responsibility Act* (LFPRH) provides for setting up a performance evaluation system, preparing macroeconomic scenarios for budget formulation and rules on transparency and information, and establishing funds for excess revenue. Moreover, the Act forbids a budgetary deficit.

With regard to evaluating expenditure quality, there is a system of performance indicators; however, this system is currently under review because the number of indicators is too high. There are no budgetary allocation mechanisms that stimulate efficiency and effectiveness in institutional management.

Financial Management, Auditing and Procurement

The extraordinary revenues recorded in the past three years, which are a result of increased petroleum prices, enabled higher spending than was initially set out in the budget without generating adverse effects for the fiscal accounts.

The Treasury and Public Credit Secretariat (SHCP) analyzes financial risks and sets out the debt management strategy and the policies designed to tackle the risks arising from direct obligations. It also carries out debt structure projections and has financial cost and risk indicators. However, SHCP does not conduct comprehensive risk analysis of contingent liabilities, nor does it have mechanisms to deal with possible risks arising from these contingencies (except for basic products and natural disasters).

Although Mexico's accounting system does not yet fully adhere to international rules and standards, work is underway in this direction. For example, an annual report is prepared on government revenue and expenditures, which is first subject to audit and then submitted to the legislative branch within five months of the end of the fiscal year.

There is a legal framework for public procurement that regulates the procurement process, but which suffers from an excess of rules, making revision and harmonization a necessity. The Public Function Secretariat (SFP) is the ruling body for state public acquisitions. Likewise, a legal process exists for resolving complaints, which is executed by the SFP and through the corresponding legal channels. Furthermore, the country has Compranet, an electronic government contracting system that provides ample information and is easily accessible. This system reports on invitations to tender and contract awards. The use of Compranet is obligatory for all public entities.

There is a legal framework for internal auditing that is controlled by the executive branch, but the SFP is in charge of carrying out this function. The constitution and the *Federal Supreme Oversight Act* provide the legal framework for external auditing. The body responsible for executing external audits is the Federal Supreme Audit Office, which audits the executive branch, central government resources earmarked for federal entities, the Bank of Mexico and PEMEX, the state petroleum enterprise. The Federal Supreme Audit Office is

designed by the legislative branch, which, as well as financial and physical audits, also conducts some performance audits.

Program and Project Management

State entities must register each investment project in the SHCP portfolio and are thereby obliged to carry out ex-ante evaluations. The SHCP can demand evaluations by an independent expert to determine the project's appropriateness in relation to the national plan and sector strategies. It is worth noting that this secretariat applies formally established technical rules and methodologies. In addition, the *Federal Transparency Act* demands that the details of all public investment projects, including the ex-ante evaluations, be published on the Internet.

Medium-term planning is the area displaying greatest development among all the State secretariats. Each secretariat has a sector plan with objectives and goals that coincide with the PND and that were drafted with significant civil society collaboration. With regard to management of goods and services and sector information systems, the most advanced sector is agriculture, whereas the areas furthest behind are education, communications and transport. These systems gather data from customers, use consultation mechanisms and formulate some production and quality indicators, but the information provided is not used with the aim of improving service quality or as part of a wider MfDR strategy.

Monitoring and Evaluation

There are various state entities that monitor the achievement of government goals and objectives: the SHCP, through its budgetary performance indicators; the SFP, via a civil servant performance assessment system; and the executive branch, via its system of presidential goals, currently used only for internal purposes. The reform of the *Federal Budget and Tax Responsibility Act* in September 2007 should enhance program monitoring based on greater institutional coordination and on new performance indicators.

There are two laws governing policy and program evaluation: the *Federal Budget and Tax Responsibility Act* of 2007, which establishes evaluations for results and programs as part of the budgetary process, and the *General Social Development Act*, which makes the National Council for Social Development Policy Evaluation (Coneval) responsible for auditing policies and programs. These evaluations can be conducted by experts or by national or international

entities with relevant experience in the respective programs. One of the weaknesses of financial management, auditing and procurement in Mexico is that there is no mechanism to deal with goals and objectives that are shown by the evaluations to have not been achieved, and thus there are no technical, administrative or financial actions taken to correct the challenges.

Conclusions

The principal challenge to building MfDR capacity in Mexico is coordinating and integrating the planning, budgeting, and monitoring and evaluation systems. Although these pillars exhibit a degree of maturity, they must function in a more synchronized manner if results-based management is to be improved. Furthermore, sector management reforms and mechanisms should also be promoted to enable ministries to improve their results capacity via effective public program, project and services management. As some of these programs are executed in conjunction with the subnational governments (the states), it is also important to reinforce institutional capacity in these entities.

Nicaragua

PES Executive Summary (2008)

Nicaragua is in the group of medium MfDR-capacity countries. Its profile is consistent with the regional average: its strength lies in the financial management, auditing and procurement pillar, whereas its weakest areas are results-based budgeting and monitoring and evaluation. Although the country has a medium-term national plan, the degree of operational planning and, consequently, the coordination between the plan and the budget, is very poor. Likewise, although there is an institutional framework for monitoring and evaluation, the methodologies, procedures, resources and personnel required to put it into practice are all lacking.

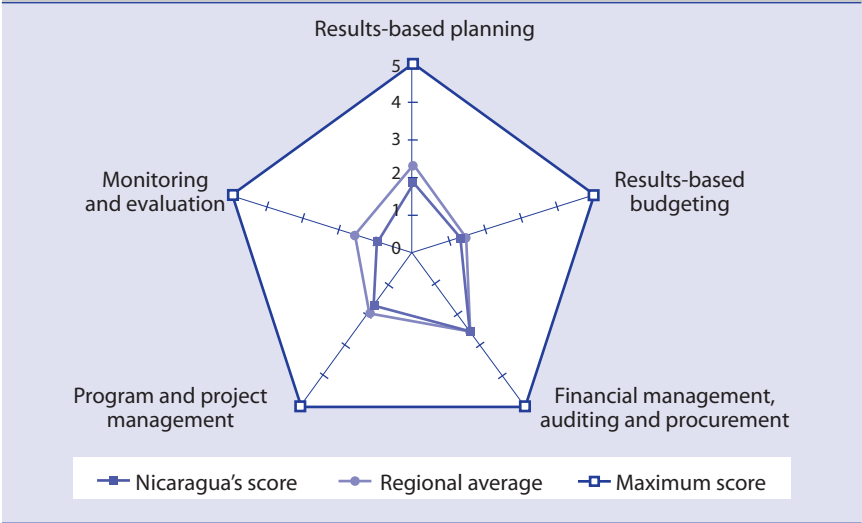
Results-Based Planning

The institutional framework for the national planning system is composed of various public organizations coordinated by the Presidential Technical Secretariat for Citizen Empowerment. *Act No. 550* assigns major importance to the existence of medium- and long-term strategic frameworks. Similarly, the

TABLE 4.20 | Nicaragua’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 1.9 | 2.3 |
| 2. Results-based budgeting | 1.3 | 1.4 |
| 3. Financial management, auditing and procurement | 2.5 | 2.5 |
| 4. Program and project management | 1.7 | 1.9 |
| 5. Monitoring and evaluation | 1.0 | 1.6 |
| MfDR Index | 1.7 | 1.9 |

FIGURE 4.19 | Development of MfDR Pillars in Nicaragua and the LAC Region



National Development Plan (PND) focuses on combating poverty and other development themes and includes goals and indicators to be achieved during the current government term of office. Coordination between the plan, the programs and the budget, however, is still weak and excludes the decentralized public institutions. Even though civil society participated in discussions concerning the PND, the legislative branch has yet to play a part in formulating or debating the plan.

Results-Based Budgeting

Nicaragua's budgetary system attempts to break down the historical practice of incrementalist resource allocation and orient the budget toward results. However, only part of the budget is structured by programs, and the budget does not include information on objectives and goals. In addition, no evaluation is made of expenditure effectiveness and, as a result, there is no basis on which to create an institutional incentives system to promote management effectiveness. With regard to data dissemination, the information is available on the Internet, but the budget's orientation cannot be clearly identified by the categories that coincide with government objectives. The same problem arises with regard to the financial statements.

Financial Management, Auditing and Procurement

The level of extra-budgetary expenditures is relatively low, and the legislative branch punctually approves the budget. Also, a medium-term budget framework has been introduced in the past two years. Development of the Integrated Financial, Administrative and Auditory Management System (SIGFA) is underway, although it has yet to reach full capacity.

The entity in charge of public procurement, the Contracting Directorate General, is governed by *Act No. 323* (2000), which establishes contracting procedures as well as the mechanisms to challenge or annul contracts. However, information relating to awarded contracts is not divulged to the general public. Furthermore, as the World Bank pointed out in its *Report on Procurement Evaluations*, it is vital to ensure that procurement unit personnel are adequately qualified, as the units are "currently made up of staff who are motivated, but who lack the necessary skills and training."

Government auditing is the responsibility of the General Audit Office (CGR), which supervises the internal auditing units of each public institution and conducts external monitoring of revenue, expenditures, liabilities, fixed assets and contracts. These functions are laid down in the *CGR Founding Act, Decree No. 86* (1979) and complementary provisions. Although the CGR carries out financial audits, it does not conduct management audits.

Program and Project Management

The national public investment system (SNIP) is defined within an adequate institutional framework. It is, however, a young system, which means that its

tools and procedures have yet to be fully developed and integrated. The SNIP is a programming tool for investment projects under execution; however, it does not focus on pre-investment analysis, and ex-ante project evaluation is thereby weak. Furthermore, the ex-ante evaluation findings are not incorporated into budgetary programming.

With regard to sector planning, all sector ministries have medium-term plans, but these bear no relation to the objectives and goals set out in the National Development Plan and, moreover, were not drafted with the participation of civil society.

The ministries' situation with regard to MfDR capacity is varied and on the whole precarious. There is much to do to improve goods and services management in education and infrastructure and, to a lesser degree, in health, the Ministry of Family Affairs and the Social Investment Emergency Fund (FISE). It is worth noting that no results-based strategy has been implemented in any of the ministries, although some instruments, such as management contracts, have been applied in isolation. Furthermore, there are no formulas to stimulate results-based staff assessments and thus reward the most highly motivated personnel. Moreover, the sector information systems are weak and do not produce reports concerning the opinions of public service customers.

Monitoring and Evaluation

Although SETEC, and to a lesser degree the treasury, are principally responsible for monitoring, this is limited to financial execution and ignores management results. Moreover, only those projects financed with international cooperation funds are monitored.

Furthermore, the extant statistical information concerning the country's social situation suffers from various problems, such as a lack of timeliness and reliability. However, the statistical information regarding the economic situation provided by the central bank and by the National Statistics and Census Institute (INEC) is of better quality. The SIGFA and the SNIP sector information systems, however, are not fully integrated.

There are notable shortcomings with regard to evaluation. Among other aspects, there is no legislation to enforce evaluations of public expenditures, and there are no institutions responsible for systematic evaluation of public programs and projects. Likewise, there is an observable lack of methodologies and rules, and not enough civil servants are fully qualified to do evaluations.

Conclusions

To build MfDR capacity, Nicaragua must tackle the challenge of improving operative planning, which would provide the country with an instrument that enables results-based planning to be linked to the budget, and thereby advancing simultaneously toward results-based budget implementation. Additionally, this process will help create the performance indicators necessary for a system to monitor and evaluate plan and budget outcomes and thus provide feedback to the public management process.

Panama

PES Executive Summary (2008)

Panama is in the medium MfDR-capacity group of countries. It has a long-term national vision; however, this vision is not adequately integrated with the medium-term national plan. Although the national plan is strategic, its operative component is weak. Furthermore, Panama has advanced very little in developing the RBB and the M&E pillars. It is worth noting that the strongest pillar is financial management, auditing and procurement.

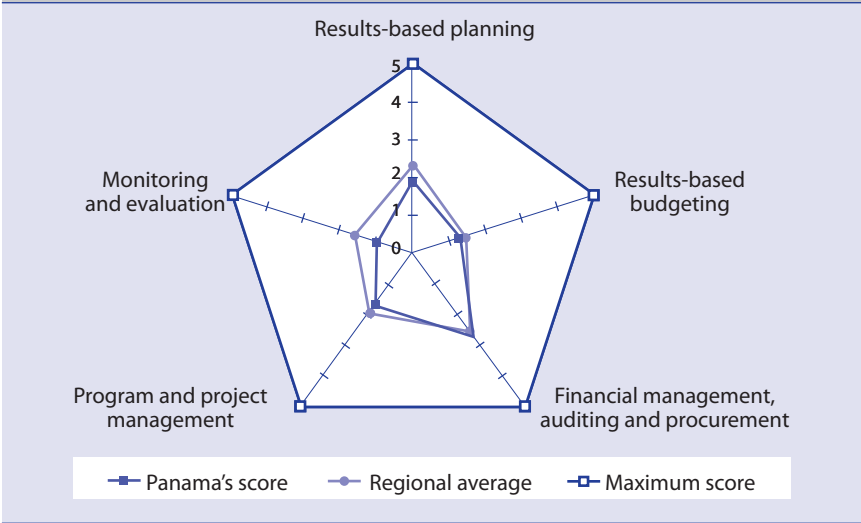
Results-Based Planning

A document entitled *National Consensus Agreements on Development* was drafted halfway through the government's term of office (2004–2009). It presents a vision of the country in 2025, formulated with the participation of representatives of diverse sectors of the population. This long-term vision, however, is not currently linked to the medium-term planning set out in the document drafted by the Ministry of Economics and Finance, entitled the *Strategic Vision of Economic Development and Employment, 2009*. The *Strategic Vision* contains many of the necessary attributes of a medium-term national plan, including strategic objectives and the quantitative goals to be achieved in five years; however, the goals are not broken down into annual goals. Furthermore, although the *Strategic Vision* establishes programs to achieve some of the priority objectives, it does not explicitly describe the products to be generated or name the functionaries responsible for these programs. In addition, although no sector plans are directly associated with the *Strategic Vision*, the Secretariat for Presidential Goals sets out the objectives and goals for each of the ministries. Finally, it is worth noting that there are no laws that

TABLE 4.21 | Panama’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 1.9 | 2.3 |
| 2. Results-based budgeting | 1.3 | 1.4 |
| 3. Financial management, auditing and procurement | 2.7 | 2.5 |
| 4. Program and project management | 1.7 | 1.9 |
| 5. Monitoring and evaluation | 1.0 | 1.6 |
| MfDR Index | 1.7 | 1.9 |

FIGURE 4.20 | Development of MfDR Pillars in Panama and the LAC Region



stipulate participation in national plan formulation by either the legislative branch or civil society.

Results-Based Budgeting

Most of the budget is structured according to programs, but these programs do not include information concerning objectives and goals. Moreover, there

is no coordination between the budget programs and the national plan, which is short and lacking in detail.

Although Panama prepares projections of five-year fiscal balances, a greater degree of desegregation, more systematic formulation and more public accessibility are needed. Further, there is no detailed medium-term fiscal framework that would permit pluri-annual operative budgeting. The National Budget Directorate (Diprena) planned to implement a pluri-annual budget from 2009 onward.

The Social Fiscal Responsibility Act (LRSF), which received legislative approval in May 2008, is comprehensive and determines, among other things, the Pluri-annual Financial Programming and Financial Limits. Regarding financial limits, the LRSF stipulates that the nonfinancial public sector deficit cannot exceed 1 percent of GDP. One strategic challenge that Panama needs to tackle is to establish regulations for the LRSF that integrate the various processes for allocating budgetary resources, which are currently disconnected.

A system of performance indicators has yet to be successfully implemented to evaluate the effectiveness of expenditures; however, *Act No. 51* (2007) establishes that budgetary execution reports must include management indicators. The government intends to apply these indicators within a framework of institutional budgetary management modernization from 2009 onward. At present, there is also a lack of mechanisms to allocate resources in such a way that institutional management efficiency and effectiveness might be encouraged.

Financial Management, Auditing and Procurement

With regard to budgetary and financial management, in recent years, government expenditures have exceeded those established by law. Information is not reported, nor is there a policy to record or manage contingent liabilities. However, the budgetary classification system includes administrative and programmatic dimensions and produces information that is more or less consistent with international standards. Moreover, the Integrated Financial Management System of Panama (Siafpa) comprises the budget, the treasury, accounting and public procurement.

Panama has new legislation regarding public procurement and a recently created state regulatory body for acquisitions, the Directorate General for Public Contracting (DGCP). The majority of acquisitions are carried out by public tender, based on most appropriate values, and there is a simplified mechanism for lower-value acquisitions. There is, moreover, an established

process for presenting and resolving complaints about the process of awarding contracts. The electronic public procurement process, PanamaCompra, became operational in 2006, and the law obliges its use by all public institutions. Although this system has an adequate Internet portal, it is still unfamiliar to the majority of civil servants and contractors.

The General Audit Office, an autonomous entity governed by its own statute, performs external auditing. This office conducts both ex-ante and ex-post monitoring, mostly of a financial nature. Internal auditing of central government entities has a policy framework that is established by the General Audit office and is based on international rules. It is worth noting that all central government entities have internal audit units, but that these units generally lack the necessary resources to correctly carry out their function.

Program and Project Management

The Ministry of Economy and Finance's (MEF) Investment Programming Directorate (DPI) is in charge of the national public investment system (SNIP), which is not yet operating fully because of shortcomings in the training and knowledge among its users. These deficiencies mean that project analyses are inadequate and, consequently, do not represent true ex-ante evaluations. In addition, the SNIP's weaknesses represent an obstacle to integrating current and investment expenditures.

The social ministries have no medium-term sector plans, no annual goals for providing goods and services, and no incentives scheme aimed at achieving results. Thus a results-based management strategy is not being applied at the sector level. On the other hand, the social ministries do have systems to provide information and simplify paperwork. PanamaTramita, for example, is a procedures system that works via the Internet. Information systems, however, only occasionally conduct opinion-gathering exercises aimed at improving the provision of public goods and services. Finally, there is no adequate system of social indicators.

Monitoring and Evaluation

The Secretariat for Presidential Goals monitors the achievement of government objectives and goals. This secretariat was reinforced by legislation introduced in February 2008 that approved the Monitoring and Verification Mechanism for the National Consensus Agreements on Development. At present, the statistical information can be deemed reliable, but its main problem is that much

of the data is out of date. Furthermore, there is no legal and institutional framework for evaluating government management, and there are no state entities in the country that carry out evaluations.

Conclusions

The challenges that Panama must tackle to enhance its MfDR capacity are i) developing operative development capacity to achieve the objectives established in the long-term vision and the medium-term plan, ii) formulating performance indicators that allow monitoring of government objectives and goals, iii) implementing results-based budgeting, iv) drafting a medium-term fiscal framework and v) strengthening sector management capacity by using performance indicators.

Paraguay

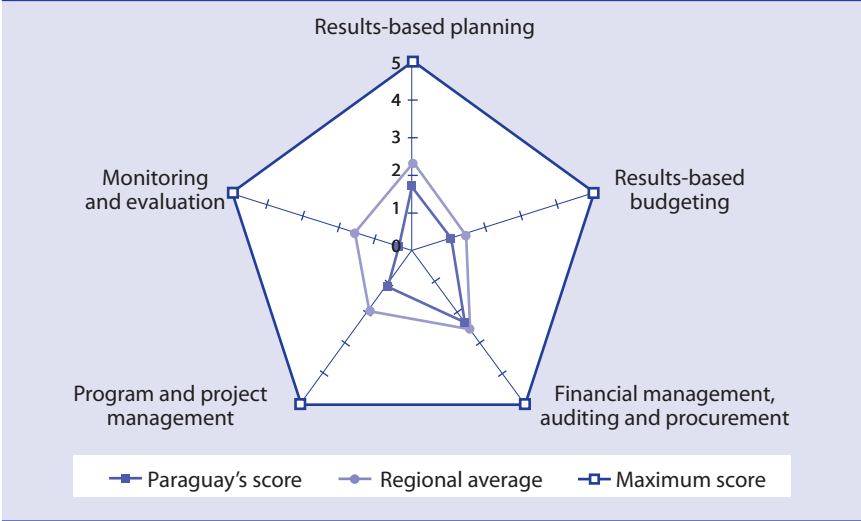
PES Executive Summary (2009)

Paraguay belongs to the group of low-level MfDR development countries because of the limited institutional capacity of its national public management systems. The country does not have an institutional framework for results-based planning or M&E. As a result, its planning instruments are weak and incomplete and lack public management monitoring and evaluation mechanisms. The financial management, auditing and procurement pillar is the most developed of the pillars and the only one that has institutionalized systems with some degree of management capacity.

TABLE 4.22 | Paraguay's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 1.7 | 2.3 |
| 2. Results-based budgeting | 1.1 | 1.4 |
| 3. Financial management, auditing and procurement | 2.3 | 2.5 |
| 4. Program and project management | 1.1 | 1.9 |
| 5. Monitoring and evaluation | 0.4 | 1.6 |
| MfDR Index | 1.3 | 1.9 |

FIGURE 4.21 | Development of MfDR Pillars in Paraguay and the LAC Region



Results-Based Planning

In Paraguay, the regulatory and institutional frameworks for state planning are weak. The rules of the Technical Planning Secretariat date from 1962 and no longer correspond to those that should regulate a modern-day organization with the responsibility of strategic planning.

Although the law establishes that the Technical Planning Secretariat is responsible for drafting the national development plan, the country's medium-term policies and strategies have been created by other institutions: the Treasury formulated the Economic Growth with Fairness Plan, and the Social Cabinet drafted the Strategy for Combating Poverty.

Both documents lay down the government's strategic guidelines, but their operative elements are very limited; goals are not established for all the objectives, the goals set are not annual but rather pluri-annual and the necessary indicators are not always presented for monitoring purposes.

In addition, there are no rules that establish participation by either the legislative branch or civil society in the debate on the national plan. The government conducted a brief civil society opinion poll during the formulation of the Economic Growth with Fairness Plan.

Results-Based Budgeting

Paraguay currently has no plan to implement a results-based budget and still needs to develop certain basic budgetary management conditions before beginning to build an RBB. Consequently, the budget is not policy-based and therefore there is no clear link between the plan and the budget. In addition, although the budget has a programmatic classification, it is not compatible with the national plan. Furthermore, as pluri-annual budgetary planning is still in its infancy, there are no fiscal responsibility rules. Finally, it is worth noting that there is no evaluation system for expenditure quality.

Financial Management, Auditing and Procurement

During the past three years, differences of 10 percent and more have been recorded between real and budgeted expenditures, which demonstrates the problems facing the budget as a public management instrument. Moreover, debt sustainability analysis is not conducted annually but on an ad hoc basis and includes only the central administration's internal and external debt. Likewise, there is no risk analysis on direct and contingent obligations. On the positive side, the level of undeclared extra-budgetary spending is less than 1 percent. Moreover, during the past three years, the legislative branch has approved the budgets within the time limits set by the law, which is before the beginning of the following fiscal year. Additionally, the accounting system adheres to international standards, although the formulation of new specific public accounting rules is required. Accounting is carried out on both an accruals and a cash basis.

The Directorate General of Public Planning (DGCP) is the ruling body for state procurement. Paraguay's legal framework is adequately recorded and organized hierarchically and covers all goods and services contracts that are funded from the national budget. Likewise, laws and regulations are published and are easily accessible to the general public. However, compliance with the law requires improvement because there are notable inefficiencies in contracting, discretion in contract awards, administrative and political vulnerability displayed by staff at the DGCP, and inefficiency in financial contract management. In addition, although there is a clearly established protocol for presenting and processing complaints arising from the contracting process, there is no possibility of taking a complaint to an external authority higher than the contracting institution. Furthermore, the DGCP has an electronic

system entitled the Public Contracting Information System that fulfills the functions of receiving, processing and making the necessary information available regarding state contracting; however, this system does not permit buying and selling transactions.

The *State Financial Administration Act* (LAFE) is the legal framework for internal auditing. However, the manuals and rules of this Act are not aligned with international standards. Each public entity has an Internal Audit Unit that is required to perform financial and ex-post performance audits. However, some previous assessments indicate that internal auditing is one of the greatest challenges facing Paraguay in improving public management.

The legal framework for external auditing is formed by the constitution of the Republic and the *National Audit Act* (1993). The General Audit Office (CGR) is responsible for auditing all public sector institutions, and the law guarantees its financial and institutional independence. An annual audit is conducted of the central government entities responsible for at least 50 percent of total expenditures. The audits predominantly examine records of transaction, although the findings also identify the existence of significant problems. The audits' monitoring effectiveness, however, is limited. The CGR audits only about 25 percent of all central government entities.

Program and Project Management

Ex-ante public investment evaluation instruments are incipient. *Act No. 1,535*, State Financial Administration, does not formally establish ex-ante evaluation as an activity of the public investment system. However, both the treasury and the Planning Secretariat carry out analysis, just not systematically. The majority of public investment is undertaken using funds from external donors and from international financial institutions that conduct pre-investment studies in accordance with their own policies. Projects financed internally or directly from the budget, however, are not supported by rigorous ex-ante evaluations.

The health and education sectors do not have medium-term plans and therefore lack management goals and indicators. No programs aimed at improving service have been implemented and customer opinion is not sought. Furthermore, these sectors' information systems are not up to date and do not produce reliable management information. In the social development sector, there is a Strategy for Combating Poverty, a program assigned to the Social Action Secretariat that involves participation of various social ministries and constitutes the government's most important instrument in

social development. Furthermore, the strategy includes quality parameters that facilitate monitoring the services it generates. However, there is no provision to establish management contracts, and there are no evaluation and personnel remuneration mechanisms that might stimulate the achievement of results.

Monitoring and Evaluation

Generally speaking, Article 29 of *Act No. 1,535* establishes that the treasury is responsible for the public investment system, which is responsible for monitoring and evaluating, both quantitatively and qualitatively, the programs carried out by state organizations and entities, and draft recommendations to optimize performance levels. However, there is no government entity responsible for monitoring the achievement of government objectives and goals by using performance indicators, nor is any organization in charge of evaluating policies, programs or projects.

Conclusions

The challenges facing MfDR capacity-building in Paraguay can be summarized as i) institutionalizing the planning function in three dimensions (strategic, operative and participative) to provide the country with a medium-term national plan that guides government management and includes performance indicators to measure and analyze its progress, and ii) reforming the institutional framework for the budget so that the principles of results-based budgeting can be adopted and coordinated with planning.

Peru

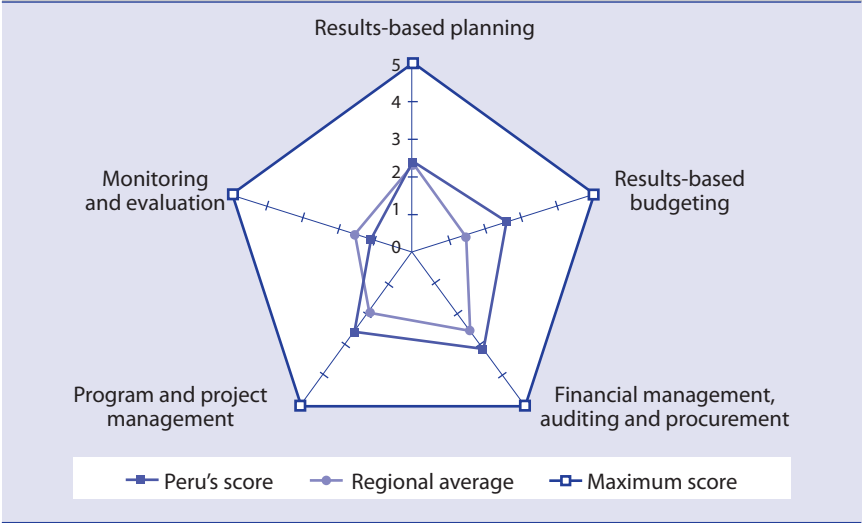
PES Executive Summary (2009)

Peru is one of the medium MfDR-capacity countries. Its greatest strength lies in financial management, auditing and procurement, whereas its weakest pillar is M&E. One of Peru's peculiar characteristics is that its RBB capacity is similar to that of Mexico and Colombia, countries that are in the high MfDR-capacity group. The reasons for this particular strength are the systematic actions Peru has undertaken in recent years to develop a results-based budget. As a result, the country has seen gradual improvement in performance in other areas.

TABLE 4.23 | Peru’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.4 | 2.3 |
| 2. Results-based budgeting | 2.6 | 1.4 |
| 3. Financial management, auditing and procurement | 3.1 | 2.5 |
| 4. Program and project management | 2.6 | 1.9 |
| 5. Monitoring and evaluation | 1.2 | 1.6 |
| MfDR Index | 2.4 | 1.9 |

FIGURE 4.22 | Development of MfDR Pillars in Peru and the LAC Region



Results-Based Planning

The Peruvian planning system is in a time of transition. Up until 2005, the planning process was led by the Vice-Ministry of Economy (VME) and its principal instruments were the pluri-annual strategic sector plans (Pesem), which were, in turn, coordinated with the government’s plan. New legislation, passed in 2005, created a new planning body, the National Center for Strategic Planning (Cepplan), which took over the functions previously performed by the VME. The incoming government (which assumed power in July 2006) has not yet

implemented Ceplan or drafted a government plan. The sectors therefore continue to rely on the Pesem from the previous period, without the aid of the new plan. These factors have temporarily restricted the state's planning capacity.

The Pesem has up until now been the main sector planning instrument and, although a standard methodology is used for its formulation, not all plans have the same levels of quality and the detail expressed in goals and indicators is variable. Additionally, the Pesem takes only investment resources into account, which detracts from the global nature of the planning exercise.

On the other hand, construction of operative capacity within the planning structure is still ongoing. In effect, the quality of the diverse Pesem with regard to definitions for programs, products and responsibilities is unequal among the sectors. However, the VME's Directorate General for Pluri-Annual Planning (DGPM) is currently promoting the development of new planning instruments and processes within a pilot group of ministries. The fruit of these labors should be seen shortly.

It is worth noting that the new planning law incorporates ample civil society engagement through various entities. Article 4 establishes that "The private sector should participate in the strategic planning process via the National Agreement Forum, the National Center for Strategic Planning's Management Committee, the Sector Consultative Councils, Regional Coordinating Councils and the Local, Provincial and District Coordinating Councils at the corresponding levels." Although participatory spaces are yet to be created at the national level, such as the Ceplan Management Committee, subnational planning entities such as the Local, Provincial and District Coordinating Councils exist and civil society participates in their planning processes. In addition, the *Participative Budget Act* guarantees civil society's role in budget formulation at the regional and local levels. The law does not, however, provide for legislative branch participation in the debate on government objectives and goals.

Results-Based Budgeting

During the current decade, Peru has undertaken various activities aimed at constructing a results-based budget. Among these actions, the following stand out: i) the inauguration of a multi-annual planning system, ii) the creation of a public expenditure monitoring unit, iii) the construction of performance indicators and iv) the drafting of the Pesem. Although the budget is not currently structured based on programs, the sector investment plans (Pesem) are. Moreover, a decision has been made to adopt a programs-based structure for the budget as a whole from 2008 onward.

An important step toward implementing a results-based budget was made in December 2006 when the *Budget Act* (2007) was enacted, the aim of which is to coordinate the strategic sector plans with budgetary programming. The Act establishes a results-based budget within a pilot group of ministries (education, health, women's affairs and social development, and transport and communications), as well as in the National Identity Register, the Civil Register and the regional governments. Furthermore, the Act made the National Public Budget Directorate responsible for implementing the Act, provided the necessary means to carry it out and established the mechanisms for its execution. The introduction of this legislation lays a solid foundation for implementing a budgetary process that is linked to planning and open to evaluation.

Peru is also developing its capacity to develop a pluri-annual budget. The fiscal framework, which is updated annually, is the benchmark for annual budget formulation and includes the economic and functional classifications. Although the rules establish a structural link between the fiscal framework and the budget, and quantitative fiscal management goals are described in the *Financial Transparency and Prudence Act*, budget modifications mean that the proposed ceilings are not always adhered to in practice.

With regard to budgetary allocation mechanisms aimed at achieving management effectiveness, Peru created the Results-Based Management Agreements, which have been drafted periodically since 2001. Although the proportion of public entities subscribing to these agreements is still low, a recent study revealed that they have been useful in improving local government management.

Financial Management, Auditing and Procurement

As a result of legal changes adopted on monitoring and auditing (2002), financial administration (2003) and contracting (2004), among others, financial management, auditing and procurement has become Peru's strongest pillar. These regulatory changes have encouraged institutional transformations aimed at building the Peruvian State's capacity to implement results-based management.

As far as financial management is concerned, in the past three years there has been a 6 percent deviation of real expenditures from budgeted expenditures. Moreover, there is a noticeable lack of extra-budgetary spending, as all expenditures are reflected in the national budget.

Budgetary formulation and execution is based on the Functional and Programmatic Classifier, which has a level of desegregation similar to that of

the Classification of Public Administrative Functions. Although its name might suggest otherwise, the budget is not classified according to programs, as the programmatic aspect refers only to the segregation of functions. As mentioned previously, however, the Ministry of Finance proposed establishing a programmatic budget from 2008 onward.

Although Peru conducts risk analysis on its direct obligations and has put mechanisms in place to mitigate possible adverse effects, it still does not analyze contingent obligation risk.

The General Audit Office (CGR) performs the external auditing, a function regulated by the *Monitoring System Act*, enacted in 2002. The CGR audits annual revenue, expenditures, assets and liabilities for central government entities. Although the Act established that the CGR should also perform management audits, the application of this system is still at a very early stage. Furthermore, it should be noted the CGR includes a department responsible for implementing permanent staff training strategies.

As far as public procurement is concerned, the country has a comprehensive law that promotes transparency and competition. The Supreme Council for State Procurement and Contracting (Consucode) is the body that regulates public sector procurement. Peru also has the Electronic State Contracting System (Seace), administered by Consucode, which disseminates information regarding tenders and awards and allows suppliers to become registered officially. The ministries are not obliged to use the system, but the Act does establish procedures to present and resolve complaints.

Program and Project Management

The education, health, public works and social protection sectors show uneven capacity development in program and project management. All sectors, however, demonstrate weakness in both information systems and goods and services management. Effectively, no results-based management implementation strategies are currently underway, the remuneration and evaluation systems do not include outcomes, and strategies to upgrade services do not include accessing customer opinions. On the other hand, all sectors have managed to develop a medium-term strategy, albeit without the support of citizen participation. This pillar's greatest strength is the national public investment system, which carries out project feasibility studies under the aegis of the Ministry of Finance and Economy. This system is based on standard evaluation procedures and is formally linked to the budget.

Monitoring and Evaluation

There is, at present, no institution for monitoring and evaluating the achievement of government objectives and goals. The *Ceplan Act*, however, provides for setting up a State Strategic Management Monitoring and Evaluation Subsystem. The Public Expenditure Monitoring System, currently under construction by the Ministry of Finance and Economy, is set to become the favored instrument for monitoring and evaluating government management.

The ministerial information systems, which enable the plan monitoring system to function adequately, display uneven levels of quality and reliability. In general, the information systems relating to economic data work better than those for social data; however, considerable variations can be detected even within the social sectors. Furthermore, the body responsible for gathering national statistics, the National Statistics Institute, depends on the Presidency of the Council of Ministers, thereby compromising the independence of its output.

Conclusions

Peru's greatest challenge in building its MfDR capacity is related to its capacity for medium-term results-based planning. In contrast to the majority of countries that have a medium-term national plan that prioritizes objectives but lacks operative elements, Peru has developed an operative instrument for a combination of specific strategic programs but lacks a medium-term national plan. Another challenge is institutionalizing and extending the coverage of the results-based budgeting model, which has been implemented in some strategic programs, to the whole of central government. Likewise, the country must institutionalize a monitoring and evaluation system that serves not only the budgetary process, but also sector management.

Suriname

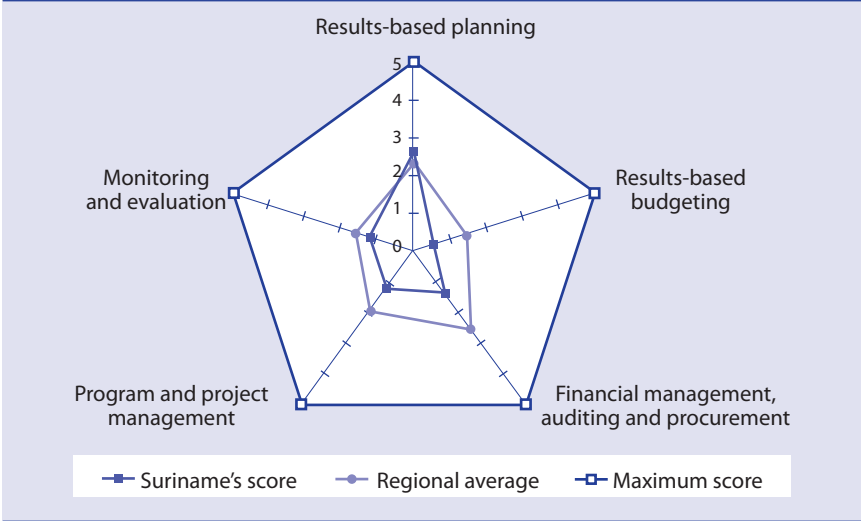
PES Executive Summary (2009)

Suriname is among the low MfDR-capacity group of countries. The results-based planning pillar is the most developed, although difficulties concerning coordination with the budget are evident. The FMAP, PPM and M&E pillars all have limited capacity to contribute to public results-based management. The results-based budgeting pillar is the least developed of all.

TABLE 4.24 | Suriname’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.6 | 2.3 |
| 2. Results-based budgeting | 0.5 | 1.4 |
| 3. Financial management, auditing and procurement | 1.4 | 2.5 |
| 4. Program and project management | 1.2 | 1.9 |
| 5. Monitoring and evaluation | 1.2 | 1.6 |
| MfDR Index | 1.4 | 1.9 |

FIGURE 4.23 | Development of MfDR Pillars in Suriname and the LAC Region



Results-Based Planning

Suriname has a quinquennial plan that sets out the government’s objectives. The Ministry of Planning and Development Cooperation (PLOS, according to its initials in Dutch), which is regulated by the *Planning Act*, is responsible for this plan. The legislative branch is responsible for approving the plan, and in some cases it makes modifications or amendments to the plan. Furthermore,

Suriname has sector plans for the education, health, justice, social development and agriculture sectors, although only the plans corresponding to the first three describe the planned outcomes.

Results-Based Budgeting

Of the budget, 60 percent is structured according to programs; however, these do not include information relating to objectives and goals, which means that its links with political strategies are not entirely clear. In addition, there is no fiscal responsibility law, nor are there rules that establish clear quantitative fiscal management goals. Furthermore, Suriname does not have either a medium-term fiscal framework or a system of indicators to evaluate the quality of expenditures.

Financial Management, Auditing and Procurement

The average deviation between real and budgeted expenditures over the past three years is 7 percent. There are no extra-budgetary expenditures because the *Audit Act* does not authorize them. The financial reports include all information relating to projects financed by donor countries. It is worth noting, however, that although there is no fiscal responsibility law, Suriname has the *Public Debt Act*, which was enacted in 2002. Although this Act does not include rules about public expenditures, it requires analysis of some debt-related variables. The country, however, does not conduct other kinds of risk analysis for direct or contingent liabilities.

As far as public procurement is concerned, the principal conclusions drawn by the CPAR are that i) there is no consistent legal framework because the existing laws do not provide common procurement policies and procedures, which gives rise to overlapping functions among the institutions involved; ii) there are multiple entities responsible for deciding procurement policy while, at the same time, they do not enjoy an adequate hierarchical level; iii) there is no public procurement planning system; and iv) there is no electronic procurement system.

Suriname's constitution requires both internal and external auditing of all public institutions. The country's *Audit Act* lays down the rules for monitoring and adheres to INTOSAI standards. The Central National Accountants Agency (CLAD) is responsible for internal public institution audits. In contrast, the Supreme Audit Institution (SAI) carries out the external audits. There is, however, no monitoring of the number of institutions audited, and the SAI does not conduct management audits of central government entities.

According to SAI reports, the country's accounting system complies with INTOSAI standards but does not rigorously apply them. On the other hand, the accounting system reflects all the budgetary classification categories. Expenditures are organized on an accruals basis, whereas revenue is dealt with on a cash basis.

Program and Project Management

The country has no system for conducting ex-ante evaluations of investment projects, and the projects financed by international cooperation agencies are evaluated by the agencies themselves. Likewise, some government-financed projects are analyzed by independent consultants contracted on a task-by-task basis.

Generally speaking, the sector ministries have medium-term plans that are aligned with the quinquennial national plan. With regard to community engagement in planning, the education and health plans are formulated with contributions from civil society organizations. Finally, the precariousness of ministerial information systems must be mentioned.

Monitoring and Evaluation

The PLOS is responsible for supervising the achievement of goals established in the quinquennial national plan. This ministry, however, does not have the required methodologies and instruments needed for this purpose and, consequently, does not obtain institutional performance data.

The Statistics Office of Suriname is a semi-autonomous organization that gathers and centralizes social and economic information. Although the information it provides is reliable, it is not used for monitoring the achievement of government objectives and goals.

Suriname has no legal framework to regulate public management evaluation and it also lacks official documents describing evaluation methodologies and instruments. Every ministry, therefore, has its own evaluation policy and develops its own methodologies.

Conclusions

This assessment reveals that Suriname faces challenges in every component of the management cycle. Given that the planning pillar is the most developed, it could be used to lay the foundation for a plan-monitoring system, and

thereafter contribute to establishing a policy-based budget. The country also needs to make progress in various components of the financial management, auditing and procurement pillar.

Trinidad and Tobago

PES Executive Summary (2008)

Trinidad and Tobago is a medium MfDR-capacity country. Its most solid pillar is results-based planning, given that it has a medium-term national plan based on a long-term vision. The MTNP is structured according to programs, each with corresponding goals and indicators. The RBB and the M&E pillars both score badly, which seriously limits the country's capacity to introduce results-based management.

Results-Based Planning

Trinidad and Tobago has defined its strategic objectives in a plan entitled *Vision 2020*. This plan has been implemented according to the medium-term programming set out in the Operative Plan 2007–2010. Although the Ministry of Planning is responsible for this function, it is not formally established and there is no law to regulate its functioning. The operative plan is made up of programs with corresponding goals and indicators. With regard to community engagement in the planning process, citizen participation in plan formulation was low, even though the government has tried to increase this via the creation of an Advisory Council to oversee implementation of *Vision 2020*.

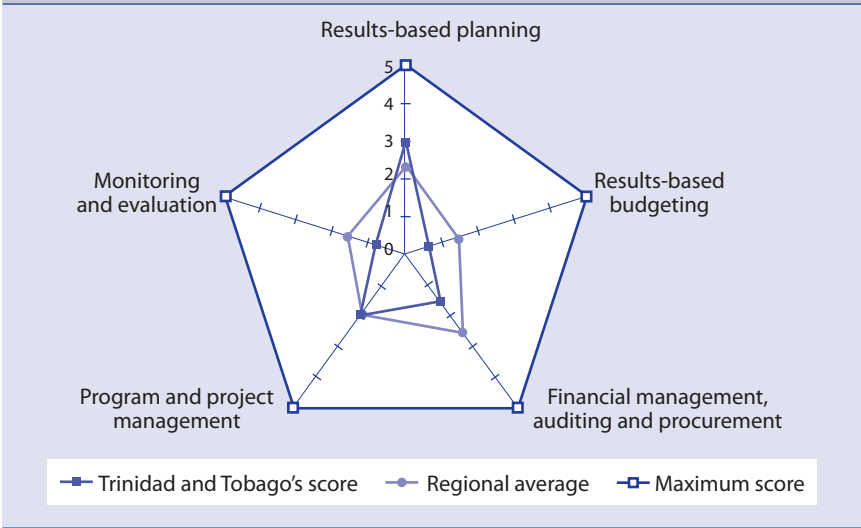
Results-Based Budgeting

Although Trinidad and Tobago does not have a fiscal responsibility law, it does have some fiscal protection mechanisms. For example, the government has created more than 13 funds to save some of the resources arising from oil exploitation, including the Heritage and Stabilization Fund and the Green Fund. The Ministry of Finance does not, however, have a performance indicator system that would enable the efficiency of public expenditures to be measured and evaluated, whereas the Ministry of Social Development has developed a system of this kind. Generally speaking, there are no budgetary allocation mechanisms that promote efficiency and effectiveness in public management because budgetary decision-making does not take into account the results of the use of public resources.

TABLE 4.25 | Trinidad and Tobago’s Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.9 | 2.3 |
| 2. Results-based budgeting | 0.6 | 1.4 |
| 3. Financial management, auditing and procurement | 1.5 | 2.5 |
| 4. Program and project management | 2.0 | 1.9 |
| 5. Monitoring and evaluation | 0.8 | 1.6 |
| MfDR Index | 1.6 | 1.9 |

FIGURE 4.24 | Development of MfDR Pillars in Trinidad and Tobago and the LAC Region



Financial Management, Auditing and Procurement

The Auditor General carries out external audits of all central government entities and of the funds not included in the budget. Similarly, 80 percent of government entities conduct internal audits.

With regard to procurement, there is a Central Tender Board (CTB) to guarantee the principles of equity and free and fair competition in awarding

government contracts. Some agencies, especially state enterprises, are permitted to grant contracts by referring to procedures not included in the CTB regulations. The procurement agencies are supported by the legislative branch in directly awarding contracts for significant sums to state enterprises, which, in turn, hand out subcontracts according to their own internal procedures. These irregularities have generated doubts as to the transparency of the process and created the perception that these practices are unfair since the laws apply only to tenders handled by the CTB.

The CTB is governed by a clearly defined legal framework, whereas state enterprises are governed by a document drafted by the Ministry of Finance. This organization is, however, currently drafting outline legislation aimed at unifying procedures in both entities.

Program and Project Management

The quality of program and project management is very uneven among the different ministries. The Ministry of Health has a medium-term sector plan (2007–2009) that was, however, formulated without participation of civil society. On the other hand, the Ministry of Education has an Institutional Plan (2006–2010) that is updated every year and corresponds with both *Vision 2020* and the medium-term national plan. During formulation of the education plan, input was sought from both the Unified Teachers Association and the National Parent-Teacher Association. Likewise, the Social Sector Investment Plan includes annual and pluri-annual goals for services. Finally, the Ministry of Transport also has a plan that was formulated with participation from civil society.

Monitoring and Evaluation

Trinidad and Tobago does not have an institution that is legally responsible for monitoring government management or a system designed to carry out this task. The Ministry of Social Development does have a monitoring system for social programs. The country also lacks an evaluation system, even though this function is formally a part of the responsibilities of the Ministry of Planning.

Conclusions

Although the challenges faced by Trinidad and Tobago in building MfDR capacity involve all components of the management cycle, the relative strength

of its planning and financial management pillars might be used to develop a performance indicator system that lays the foundation for a medium-term plan and, at the same time, supports evaluation of expenditure quality.

Uruguay

PES Executive Summary (2008)

Uruguay belongs to the group of countries with medium MfDR capacities. Its strongest pillar is FMAP and its weakest pillars are RBB and M&E. It is worth noting that Uruguay is the only country in the region that has a quinquennial budget that, at the same time, acts as a medium-term national plan. However, the absence of monitoring and evaluation systems for public management and expenditures means that the country does not produce information regarding the results achieved by the public sector with the resources used.

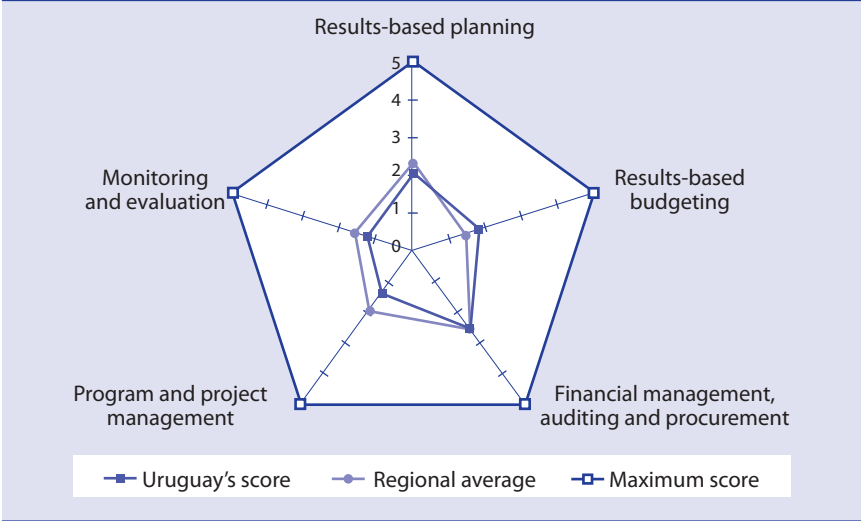
Results-Based Planning

Although Uruguay does not have a strategic government plan, the concept of planning is not entirely absent from public management. The Planning and Budget Office (OPP) is responsible for advising the executive branch on the definition of the government's economic and social strategy and on plan formulation. The government's program guidelines are thereby recorded and monitored by the OPP. Furthermore, the fact that Uruguay has a quinquennial budget for the entire government term of office endows this instrument with a certain resemblance to a medium-term national plan. Another notable aspect

TABLE 4.26 | Uruguay's Score for each MfDR Pillar and the Regional Average

| Pillar | Country score | Regional average |
|---|---------------|------------------|
| 1. Results-based planning | 2.1 | 2.3 |
| 2. Results-based budgeting | 1.8 | 1.4 |
| 3. Financial management, auditing and procurement | 2.5 | 2.5 |
| 4. Program and project management | 1.4 | 1.9 |
| 5. Monitoring and evaluation | 1.3 | 1.6 |
| MfDR Index | 1.8 | 1.9 |

FIGURE 4.25 | Development of MfDR Pillars in Uruguay and the LAC Region



is the constitutional mandate given to the OPP to form sector committees with a high proportion of social representation to support the executive branch in formulating plans and programs. In spite of this, the strategic plan should be more formally and systematically structured, and mechanisms should also be established whereby the legislative branch and civil society can fully participate in plan formulation and debate.

Results-Based Budgeting

Even though the budget is not results-based, it does have some strengths. The following stand out: the programmatic structure, the existence of a medium-term perspective provided by the pluri-annual nature of the budget and the wide dissemination of budgetary data. The main shortcomings are the lack of evaluation of expenditure quality and effectiveness, the limited coverage and suitability of performance indicators, and the lack of a clear commitment to introducing incentives for management effectiveness. Furthermore, there is no fiscal responsibility law. The country does, however, have clear fiscal discipline criteria and parameters based on an annual increment of current primary expenditure compatible with macroeconomic stability and sustainable public accounts.

Financial Management, Auditing and Procurement

Financial and budgetary management present a positive picture. Management is orderly and transparent and the established limits for annual report presentation are respected. Likewise, the budget and the accounts are classified according to international rules. On the other hand, fiscal risk analysis needs improving given that there is no recording or assessing of contingent liabilities and, consequently, the necessary instruments and mechanisms to mitigate the possible effects of the risks that these obligations represent are nonexistent.

With regard to procurement, the country has a good legal base, but it is not always complied with given that a considerable number of transactions are carried out directly. There is no sole policy or regulatory body for public procurement. Three separate entities are involved in the system, and all perform distinct roles: i) the OPP's State Procurement and Contracting Department, ii) the State Reform Executive Committee (CEPRE) and iii) the Court of Auditors. Appeals are remitted to the latter tribunal in the event that the procuring unit does not resolve a complaint. Although the country has an electronic procurement system and intends to provide training for its users, it is unclear exactly what proportion of central government entities makes use of it. In addition, insufficient information is given to citizens concerning transactions.

With regard to the public auditing system, there is a comprehensive and consistent legal framework with clearly defined roles. Internal auditing is the responsibility of the Ministry of Economy and Finance's National Internal Audit Office. In contrast, external auditing is carried out by the Court of Auditors, which reports on accountability annually to the legislative branch. There are, however, various areas in which further progress should be made. For example, the auditing functions should be oriented more toward efficiency-seeking rather than toward mere compliance with the rules.

Program and Project Management

Uruguay's public investment system presents serious limitations. There is no obligation to conduct ex-ante investment project evaluations, even when pre-investment funds are available to invest in this kind of undertaking. Nor are there standardized methodologies designed for this purpose. Additionally, ex-ante evaluation findings are not disseminated.

For its part, program and project management displays serious shortcomings at the sector level. In medium-term planning matters, the situation is uneven. There are sectors that display acceptable performance levels (health

and social development) and others with more limited development (education, transport and public works). With regard to goods and services management and sector information systems, the situation in all ministries is, generally speaking, deficient. For example, there is a lack of staff incentive schemes, service quality improvement strategies are not implemented and management efficiency indicators are not used.

Monitoring and Evaluation

Even when public social and economic statistical information systems are reliable and of good quality, they are not used for monitoring the achievement of government objectives and goals. There is still a long way to go with regard to public management results evaluation: i) there is no law that establishes policy, program and project evaluation requirements, ii) there are no methodologies or instruments to carry out said function and iii) the necessary human and financial resources are not made available for this activity.

Conclusions

The challenges that Uruguay must tackle to strengthen MfDR capacity require the country to use its experience in budgeting, particularly with regard to the pluri-annual budget, to develop greater strategic, operative and participative planning capacities. Likewise, performance indicators should be incorporated into the annual and quinquennial budgetary process, thereby taking fuller advantage of existing institutional information systems. Additionally, Uruguay must improve sector management and orient it toward results.

APPENDIX 1

Scoring Criteria

| TABLE A.1.1 Scoring Criteria | |
|---|-------|
| Criteria | Score |
| Nonexistent – If the requirement either does not exist or is not observed. | 0 |
| Proposed – If the requirement has been formally proposed by a legal rule, decree, law or resolution or is an approved project. | 1 |
| Initiated – If the requirement is at the initial stage of implementation. | 2 |
| Developing – If the requirement is at the development stage, meaning that not all its elements are operative, are not operating at full capacity or suffer from problems or weaknesses that hamper good performance. | 3 |
| Implemented – If the requirement is operating with all elements at full capacity but performance could still be improved. | 4 |
| Consolidated – If the requirement is operating at optimum capacity, its performance is satisfactory and its sustainability is envisaged. | 5 |

If the answer is expressed as a percentage, then these are the equivalents:

| TABLE A.1.2 Criteria Scores as Percentages | |
|--|-------|
| Criteria | Score |
| 0 percent | 0 |
| From 1 percent to 20 percent | 1 |
| From 21 percent to 40 percent | 2 |
| From 41 percent to 60 percent | 3 |
| From 61 percent to 80 percent | 4 |
| From 81 percent to 100 percent | 5 |

APPENDIX 2

**Pillars and Components of
the PRODEV Evaluation System**

TABLE A.2.1 | PES Pillars and Indicators

Results-Based Planning

- Existence of a government plan
- Consistency of the government plan
- Integration of plan→program→budget
- Coordination of medium- and short-term objectives
- Participation by the legislative branch
- Participation by civil society

Results-Based Budgeting

- Programs-based budget structure
- Medium-term fiscal framework
- Fiscal responsibility law
- Evaluation of expenditure effectiveness
- Incentives for management effectiveness
- Information dissemination

Financial Management, Auditing and Procurement

- Relationship between budgeted and executed expenditures
- Risk analysis
- Budget transparency
- Classification of budget expenditures
- Approval of the budget by the legislative branch
- Accounting
- Integrated financial management system
- Legal and institutional framework for procurement
- Transparent electronic procurement system
- Legal and institutional framework for internal auditing
- Legal and institutional framework for external auditing

TABLE A.2.1 | PES Pillars and Indicators**Program and Project Management**

Ex-ante evaluation rules and institutions

Ex-ante evaluation coverage

Information use and dissemination

Medium-term sector vision

Results-based management in goods and services production

Sector information systems

Monitoring and Evaluation

Monitoring institutions

Scope of program and project monitoring

Use and dissemination of monitoring information

Statistical information systems

Legal and institutional framework for M&E

Scope and collaboration of the M&E system

Actions arising from the nonachievement of goals

Dissemination of evaluation findings

APPENDIX 3

**PRODEV Evaluation System:
An Analytical Instrument for Results-Based
Public Sector Management**

Results-Based Planning

Results-Based Planning Capacity

| RBP1 Existence of a Government Plan | |
|---|--|
| 1. | The country has a plan or vision extending beyond one government term of office. |
| 2. | The government has a strategic medium-term national plan that establishes objectives and goals to be achieved during its tenure. |
| 3. | The government has sector plans. |
| 4. | The national plan (or the sector plans if there is no national plan) incorporates the Millennium Development Goals (MDGs). |
| 5. | There is a central government agency responsible for the national plan (or the sector plans if there is no national plan). |
| 6. | There is a legal framework that sets out and regulates the management of government strategic planning. |
| 7. | The complete document containing the medium-term national plan is available on the Internet. |
| RBP2 Consistency of the Government Plan | |
| 1. | The national plan's objectives establish the goals to be achieved during the government term of office. |
| 2. | There are indicators that verify compliance with the national plan's objectives and goals. |

Planning Operations

| RBP3 Integration of Plan→Program→Budget | |
|---|--|
| 1. | The national plan (or the sector plans if there is no national plan) establishes programs aimed at achieving objectives. |
| 2. | The programs of the national plan (or the sector plans if there is no national plan) identify the products (goods and services) they generate. |
| 3. | The national plan (or the sector plans if there is no national plan) identifies the institutional units responsible for implementing each one of the programs. |
| 4. | The percentage of national plan programs (or the sector plans if there is no national plan) that are financed by the budget. |

RBP4 Coordination of Medium- and Short-Term Objectives

1. The goals of the national plan (or the sector plans if there is no national plan) are broken down into annual goals.

Participation in Planning

RBP5 Participation by the Legislative Branch

1. There is a law that establishes the legislative branch's participation in discussions about the national plan.
2. The law includes mechanisms to support participation by the legislative branch.
3. The law is obeyed or, in the absence of a law, the government has implemented participatory mechanisms not set down in legislation.

RBP6 Participation by Civil Society

1. There is a law that establishes participation by civil society in discussions about the national plan.
2. The law includes mechanisms to support participation by civil society.
3. The law is obeyed or, in the absence of a law, the government has implemented participatory mechanisms not set down in legislation.

Results-Based Budgeting
Programs-Based Budget Structure

RBB1 Programs-Based Budget Structure

1. The percentage of total budgeted expenditures that are structured by programs.
2. There is correlation between the budgetary programs and the programs of the sector or national plans.
3. The budgetary programs include information on objectives and goals.

Medium-Term Budgetary Perspective

RBB2 Medium-Term Fiscal Framework

1. A medium-term fiscal framework (minimum three years) is drafted in accordance with the government plan.
2. The medium-term fiscal framework is updated annually.
3. The medium-term fiscal framework includes the principal economic and administrative classification categories.
4. The medium-term fiscal framework includes the functional or programmatic categories.
5. The annual budget is legal and effectively integrated with the medium-term fiscal framework.

RBB3 Fiscal Responsibility Law

1. There is a fiscal responsibility law.
2. The law specifies quantitative fiscal management goals.
3. The law is obeyed or, in the absence of a law, there are other legal dispositions that foster fiscal discipline.

Evaluation of Expenditure Effectiveness**RBB4 Evaluation of Expenditure Effectiveness**

1. There is a law that establishes evaluation of expenditure outcomes and fosters quality public expenditures.
2. There is a series of performance indicators to measure expenditure results.
3. The system of performance indicators is applied to x percent of total expenditures (excluding debt servicing).
4. The performance indicators have been drafted in conjunction with the ministries or secretariats.
5. The system of performance indicators has been internally evaluated.
6. The system of performance indicators has been externally evaluated.
7. Budgetary resource allocation is carried out based on the findings provided by the system of performance indicators.

Incentives for Management Effectiveness**RBB5 Incentives for Management Effectiveness**

1. There are budgetary allocation mechanisms that encourage effectiveness and efficiency in institutional management.
2. The institutions, programs and projects to which the mechanisms encouraging effectiveness and efficiency in institutional management are applied represent x percent of the total budget (both investment and current).

Information Dissemination**RBB6 Information Dissemination**

1. The outline budget is made available to citizens via the Internet at the same time it is presented to the legislative branch.
2. The available budget information is comprehensible to the public and demonstrates that the budget is targeted at the priorities identified in the national plan (or in the sector plans if there is no national plan).
3. The fiscal year-end report is placed at the public's disposal on the Internet within six months of the external audit being completed.

4. The fiscal year-end report is placed at the public's disposal, is comprehensible to the general reader and enables expenditures to be identified according to the priorities defined in the national plan (or in the sector plans if there is no national plan).

Financial Management, Auditing and Procurement

Budgetary and Financial Management

FMAP1 Relationship between Budgeted and Executed Expenditures

1. There is an average deviation of x percent between budgeted and executed expenditures during the previous three years (debt-servicing expenses are excluded, as are externally financed projects).
Equivalences: less than 3 percent = 5, between 3 percent and 6 percent = 4, between 6 percent and 9 percent = 3, between 9 percent and 12 percent = 2, between 12 percent and 15 percent = 1, more than 15 percent = 0.

FMAP2 Risk Analysis

1. Risk analysis is conducted for direct obligations such as sovereign debt (loans and bonds) and long-term expenditure obligations (pensions).
2. There are mitigating instruments and mechanisms for the possible effects of risks from direct obligations.
3. Risk analysis is conducted for contingent obligations such as state guarantees (for example, loans to subnational governments, accrued liabilities, legal rulings) and state insurance.
4. There are mitigating instruments and mechanisms for the possible effects of risks from contingent obligations.

FMAP3 Budget Transparency

1. Nondeclared extra-budgetary expenditures (which are not recorded in the fiscal reports) represent x percent of total expenditures.
Equivalences: less than 3 percent = 5, between 3 percent and 6 percent = 4, between 6 percent and 9 percent = 3, between 9 percent and 12 percent = 2, between 12 percent and 15 percent = 1, more than 15 percent = 0.
2. Comprehensive information about revenue and expenditures corresponding to x percent of the projects financed by donors (except for inputs offered in kind) to be included in fiscal reports.

FMAP4 Classification of Budget Expenditures

1. Budget formulation and execution are based on administrative and economic classifications, in accordance with Government Finance Statistics rules.
2. Budget formulation and execution are based on a functional classification (at the subfunctional level) by observing the Classification of the Functions of Government rules.
3. Budget formulation and execution are based on classification by programs and applied with a level of detail not inferior to that of the functional classification at the subfunctional level.

FMAP5 Approval of the Budget by the Legislative Branch

1. In the previous three years, the legislative branch has approved the budget:
 $\text{Year 1 ()} + \text{Year 2 ()} + \text{Year 3 ()} = \text{TOTAL}$
Before beginning of the fiscal year = 1.66, delay of up to two months = 1, delay of between two and four months = 0.5, delay of more than four months = 0.

FMAP6 Accounting

1. The accounting system adheres to international rules and standards.
2. Accounting reflects all the budgetary classification headings.
3. Accounting is organized on an accruals basis.
4. Accounting is organized on a cash basis.
5. An annual consolidated financial report is drafted by government and contains information on revenue and expenditures.
6. An annual consolidated financial report is drafted by government and contains information on financial assets and liabilities.
7. The consolidated financial reports (points 5 and 6) are externally audited within six months of the end of the fiscal year.

FMAP7 Integrated Financial Management System

1. There is an electronic information system that integrates the following areas of state financial administration: budget, tax administration, public credit, treasury and accounting.
2. The public investment system is integrated with the electronic financial management system.
3. The electronic procurement system is integrated with the electronic financial management system.
4. Financial information provided by subnational governments is integrated with the electronic financial administration system.

Procurement System**FMAP8 Legal and Institutional Framework for Procurement**

1. There is a legal framework, with the corresponding execution mechanisms, that consistently and comprehensively regulates the country's public institutional procurement and contracting process, based on fair competition and transparency in awarding public contracts.
2. The legal framework is applied.
3. There is a regulatory body responsible for state acquisitions, or the regulatory functions are clear and are legally assigned to various units within the government.
4. The regulatory body does not participate directly in procurement.
5. There is a department that provides accessible procurement statistics to public institutions.

6. A legally established process is applied to presenting and resolving complaints arising from the procurement process.
7. The resolution of complaints arising from the procurement process is executed by an organization external to the purchasing body.

FMAP9 Transparent Electronic Procurement System

1. There is a so-called “e-procurement” system to gather and disseminate procurement data. This includes the dissemination of the law, the rules, the invitations to tender, the requests for proposals and information pertaining to contract awards.
2. The electronic system is used for transactions representing x percent of total state procurement (except for autonomous institutions).
3. The electronic system is accepted by the IDB.
4. There is a sustainable training and information strategy for contracting entities and the private sector regarding the rules for public procurement and their application.

Internal and External Auditing

FMAP10 Legal and Institutional Framework for Internal Auditing

1. There is a common legal framework for internal auditing of all public institutions.
2. The legal framework adheres to international auditing rules.
3. All public institutions have departments responsible for internal auditing.
4. Internal auditing is conducted on x percent of the central government entities.

FMAP11 Legal and Institutional Framework for External Auditing

1. There is a comprehensive and consistent legal framework that governs external auditing of the public sector.
2. The legal framework adheres to international rules for public sector auditing (INTOSAI).
3. There is an autonomous public organization that performs timely and reliable audits for all central government entities.
4. The external audit organization performs annual audits of central government entity revenue and expenditures representing x percent of total expenditures.
5. The external audit organization performs annual audits of central government entity financial assets and liabilities representing x percent of total expenditures.
6. The external audit organization performs timely and reliable management audits of all central government entities.
7. X percent of audited institutions provide a formal written response to the audit findings, indicating how the problems encountered will be solved.
8. The external audit reports (points 4 and 5) are presented to the legislative branch within four months of the audit being carried out.
9. The external audit reports (points 4 and 5) are available to citizens via the Internet within four months of the audit being carried out.

Program and Project Management

Ex-ante Evaluation and Prioritization of Investment Projects

| |
|--|
| PPM1 Ex-ante Evaluation Rules and Institutions |
| 1. There is a public investment system or a government entity in charge of ex-ante evaluation of investment projects. |
| 2. The public investment system or government entity that conducts ex-ante evaluations operates with regard to a law that establishes its functions, responsibilities and resources. |
| 3. The public investment system or government entity that conducts ex-ante evaluations has formally established technical rules and working methodologies. |
| 4. The public investment system or government entity that conducts ex-ante evaluations primarily evaluates an investment project’s contribution to achieving the objectives and goals described in the government’s national plan (or in the sector plans if there is no national plan). |
| PPM2 Ex-ante Evaluation Coverage |
| 1. Ex-ante evaluations of x percent of central government projects are carried out. |
| 2. Ex-ante evaluations of x percent of subnational government projects are carried out. |
| PPM3 Information Use and Dissemination |
| 1. Ex-ante project evaluation findings are used during budgetary programming. |
| 2. Ex-ante evaluation findings are available to the general public on the Internet. |

Goods and Services Production Management
(Applied to Education, Health, Social Development and Infrastructure)

| |
|---|
| PPM4 Medium-Term Sector Vision |
| 1. There is a medium-term sector plan. |
| 2. The plan was formulated with civil society participation. |
| 3. The sector plan’s objectives and goals coincide with the national plan’s objectives and goals regarding the sector. |
| PPM5 Results-Based Management in Goods and Services Production |
| 1. There are annual and pluri-annual goals for goods and services production. |
| 2. There are units responsible for the annual goals. |
| 3. The units and programs sign management contracts with the secretariat or ministry. |
| 4. The remuneration and staff assessment systems encourage the achievement of organizational goals. |
| 5. An explicit results-based management strategy (with defined programs, responsibilities and resources) is being implemented at the secretariat or ministry. |
| 6. There is a strategy to improve service quality. |

7. Information is regularly gathered regarding customer opinions about the goods and services delivered (customer surveys, complaints boxes, telephone helplines, etc).
8. Regular opinion polls are conducted among civil society organizations to improve delivery of goods and services (public consultations, participation in sector councils, etc).

PPM6 Sector Information Systems

1. There are up-to-date and reliable information systems regarding goods and services production.
2. There are up-to-date and reliable information systems that report on the quality of goods and services produced.
3. There are annually updated efficiency indicators regarding goods and services costs.
4. There are annually updated efficiency indicators regarding goods and services coverage.
5. Up-to-date information on secretariat or ministry management outcomes is available to the citizens via the Internet.

Monitoring and Evaluation

Governmental Management Monitoring

ME1 Monitoring Institutions

1. There is a government entity responsible for monitoring achievement of the government's objectives and goals using performance indicators.
2. The monitoring entity has formally established technical rules and working methodologies.

ME2 Scope of Program and Project Monitoring

1. The programs monitored represent x percent of total expenditures (excluding debt servicing).

ME3 Use and Dissemination of Monitoring Information

1. Institutionalized criteria and procedures are applied to analyze and correct the executive failures detected by monitoring.
2. Up-to-date information regarding the monitoring of government objectives and goals is available to citizens on the Internet.

Statistical Information Systems

ME4 Statistical Information Systems

1. There are state statistical information systems that regularly produce information regarding the country's social situation.
2. The information regarding the country's social situation is reliable.

| | |
|----|---|
| 3. | The information regarding the country's social situation produced by the statistical information system enables the achievement of government objectives and goals to be monitored. |
| 4. | The state statistical information systems regularly produce information regarding the country's economic situation. |
| 5. | The information regarding the country's economic situation is reliable. |
| 6. | The information regarding the country's economic situation produced by the statistical information system enables the achievement of government objectives and goals to be monitored. |
| 7. | To guarantee that information is impartial, the organization(s) that provide social and economic statistics must be free from government control. |

Evaluation of Governmental Management

| ME5 Legal and Institutional Framework for M&E | |
|--|--|
| 1. | There is a law that requires ex-post evaluation of government policies and programs. If there are various laws, they should be coordinated and complementary. |
| 2. | The law establishes the organization(s) responsible for ex-post monitoring of government policies and programs, with their respective objectives, functions and resources. |
| 3. | There is a government entity responsible for evaluating public policies and/or sector strategies. |
| 4. | There is a government entity responsible for evaluating programs and projects. |
| 5. | There is an official document that establishes methodologies for and the technical aspects of evaluations. |
| 6. | X percent of evaluations are carried out by external consultants (external evaluations). |
| 7. | The entity in charge of evaluation has stable human and financial resources for that purpose. |
| 8. | The organization responsible for evaluation has personnel specifically dedicated to training evaluators. |
| ME6 Scope and Coordination of the M&E System | |
| 1. | The programs and projects evaluated during the year represent x percent of total expenditures. |
| 2. | Coordination exists between evaluative and executive institutions, which is expressed in the joint drafting of evaluation terms of reference. Further, the evaluation report takes into account the comments of the executors. |
| 3. | X percent of the evaluated programs complied satisfactorily with their objectives and goals. |

ME7 Actions Arising from the Nonachievement of Goals

1. The nonachievement of objectives and goals detected by evaluations leads to corrective actions of a technical, administrative and/or financial nature.
2. Those in charge of evaluated programs and policies must respond formally to the evaluation's findings regarding achievement of objectives and goals.

ME8 Dissemination of Evaluation Findings

1. Evaluation findings are delivered to the legislative branch.
 2. Evaluation findings are available to the general public via the Internet.
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APPENDIX 4

The Most Commonly Used National Public Management System Analysis Instruments in LAC Countries

Country Financial Accountability Assessment (CFAA)

This instrument, designed by the World Bank in 2002, provides information regarding the strengths and weaknesses of a country's public financial management systems. Generally speaking, it analyzes the following elements: budget formulation, execution and monitoring; external financial reports and transparency; internal and external auditing; and legislative oversight of the budget. Evaluation findings permit the country, the World Bank and other agencies to build a common understanding regarding the public financial management system's performance. This understanding facilitates identification of the priority actions needed to strengthen the country's institutional capacity. The IDB and the World Bank have jointly applied this instrument since 2002.

Public Expenditure Review (PER)

This instrument is a combination of diagnostics designed to support countries in establishing transparent mechanisms for the use and distribution of the public resources that promote economic growth and poverty reduction. The diagnostics examine the expenditure policy and its management, as well as the financial management system, the civil service and internal revenue systems. Given that no formal guide is employed in this document's formulation, the aspects covered vary from one case to another.

Reports on the Observance of Standards and Codes (ROSC)

This report, adopted by the International Monetary Fund in 1998, is principally intended to draft a diagnostic of a country's situation regarding compliance with international standards in various financial areas, such as accounting; auditing; combating the financing of money laundering, smuggling and terrorism;

financial and monetary policy transparency; the payments system; insurance and banking-sector monitoring.

Public Financial Management Performance Measurement Framework (PFM)

This instrument, created for the Public Expenditure and Financial Accountability program, is sponsored by the World Bank, the European Commission, the IMF and other multilateral and bilateral cooperation agencies. It includes a combination of indicators for evaluating diverse aspects of budgetary structure and management, accounting and auditing.

Latin American Budgetary Transparency Index

This index, which has been compiled by Mexico's Fundar center since 2001, is made up of budgetary transparency diagnostics of various LAC countries. It is based on an instrument that examines the following issues: i) the perceptions of users and experts regarding the utility and degree of implementation of the legal rules governing transparency and participation, and ii) legal framework analysis aimed at detecting legal vacuums amid government responsibilities toward its citizens with regard to decision making and accountability.

OECD Budget Practices and Procedures Survey

This questionnaire was drafted by the Organisation for Economic Co-operation and Development (OECD). It analyzes the practices and procedures followed by countries during the following phases of the budgetary process: formulation, approval, execution, independent evaluation and accountability. Furthermore, it investigates the procedures available to evaluate expenditure outcomes. This questionnaire was applied to 13 Latin American countries in 2005.

Methodology for Assessment of National Public Procurement Systems

This indicator-based methodology was created in 2004 under the auspices of the OECD's Development Assistance Committee (DAC). It was designed so that countries could measure the strengths and weaknesses of their public procurement systems and have at their disposal an instrument capable of monitoring improvement initiatives.

Country Procurement Assessment Report (CPAR)

This instrument was designed by the World Bank to assess the characteristics of a country's procurement system and thereafter develop a plan of action to improve it. It includes analysis of the legal and institutional systems, and risk analysis of the procurement process that, in turn, identifies the practices deemed unacceptable for use by projects financed with Bank resources. Additionally, analysis of the private sector competitive climate is conducted, alongside its commercial practices in relation to the public procurement process.

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DEVELOPMENT EFFECTIVENESS

Results-based management (RBM) is a public management strategy that involves decision making based on reliable information regarding the effects of governmental actions on society. It has been adopted in various developed countries as a way of improving efficiency and effectiveness in public policy. In Latin American and Caribbean (LAC) countries, governments and public managers show increasing interest in this management strategy. Given the relative novelty of RBM in the region, however, there is scant literature on the subject. This book is intended to fill this gap in two ways. First, it seeks to describe some of the basic RBM concepts and adapt them according to regional characteristics. Second, it presents an assessment, based on studies carried out in 25 countries, of the challenges facing LAC countries and their capacity to implement results-based public management.



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