Effective Intergovernmental Planning and Budgeting for better Outcomes

Eddie Rakabe

Table of Contents

List of Tables

List of Figures

1. Introduction

Globally public sector performance management is undergoing radical changes, as internal and external forces converge to make governments more accountable. Governments are increasingly under pressure to demonstrate results to electorates who are no longer just interested in inputs and outputs, but also want to see the actual outcomes and positive impacts of public expenditure. Governments continue to grapple with questions such as whether policies, programmes, and projects lead to the desired developmental goals; whether policy implementation is on the right track, how to detect problems along the way, and how to correct them as and when detected; and, more importantly, how to measure progress and to tell if programmes are a success or failure?

South Africa recently adopted the National Development Plan (NDP), which emphasises state capability as a precondition for development and an outcomes oriented approach to service delivery and Monitoring and Evaluation (M&E). The fundamental aim of the outcomes approach is to ensure that government derives value for money from public expenditure, and public services bring the desired developmental impact. The approach is premised on the Medium Term Strategic Framework, derived from the election manifesto, which outlines ten key priorities of government including job creation, education, health, food security, infrastructure, crime, rural development, public service improvement, regional integration, sustainable resource management and communities (The Presidency, 2010).

Through the outcomes-based approach, government intends to measure various elements of the performance value chain, from inputs to budgets, activities, service delivery outputs and ultimately outcomes. In addition to measuring the impact, the outcomes-based approach seeks to advance the implementation and assessment of various policies. Furthermore, the system seeks to integrate the plethora of other existing public management processes, including policy-making, strategic and operational planning, budgeting, in-year and annual reporting.

To underpin these changes, the government has put in place new structures to entrench and implement a new M&E system throughout the spheres of government. In the 2010 State of the Nation address, the President announced the creation of a dedicated national Department of Performance Monitoring and Evaluation (DPME), as a practical demonstration of government's commitment to an impact-oriented public service. The department's role is to set expectations of improved outcomes and drive a results-oriented approach across the three government spheres and other organs of state. It is also responsible for reviewing the data architecture of government, so that the required performance information is generated, collected and used in the process of intergovernmental planning and resource allocation.

Experiences elsewhere (of outcomes-based delivery and M&E systems similar to that in South Africa) suggest that successful implementation in a decentralised environment can be undermined by problems of coordination, weak accountability, sectoral interdependence, policy ambiguities and rivalry. For instance, Provinces determine their programme budgets independently, within the respective nine provincial treasuries and legislatures, in light of the existing policy vacuum on national minimum norms and standards and lack of enforcement. At the micro level, individual accounting officers also determine their programme budgets independently from the rest of a specific clusters, even if each of the outcomes require several departments to work in concert. Thus efforts to achieve and evaluate the shared performance outcomes may be undermined by the inherent lack of inter- and intra-sphere coordinated planning, incompatible data and, more importantly, misalignment of fiscal allocations across provinces.

This study assesses how the outcomes-based M&E system can be used to promote intergovernmental planning, budgeting and effective fiscal leverage. The effective implementation of outcomes oriented delivery system requires budget reforms to directly link outcomes and budgeting, especially where multiple organisations are responsible for a single outcome.

2. Managing for results in the public sector

Enhancing public sector performance has taken on a new urgency in South Africa as the government face mounting demands on public expenditure and in some case calls for higher quality services demonstrated by ongoing incidents of public protests (Curristine, 2005). The, desire to improve performance is however not new as government have always claimed to seek maximum benefits from its spending. Perhaps what is new is the fact that the overall fiscal constraint is increasing and therefore more attention must be given to achieving maximum outputs with limited inputs.

However, building and sustaining an effective, results-based delivery system is neither a luxury nor an easy task, as Kusek and Rist (2004) are quick to note. Such a system is a vital necessity for development and requires continuous commitment, time, effort, resources and champions. Once built, the system must be sustained through a political rather than a bureaucratic or technical process. A performance assessment framework, which allows public scrutiny of delivery information, can alter political power, challenge conventional wisdom on policy design, drive new resource-allocation decisions and call into question those in positions of power.

2.1. Facts and misconceptions of results driven performance management

Performance M&E addresses the fundamental question of accountability and feedback to key stakeholders on the outcomes and impact of government spending. Outcomes-based M&E seeks to close the gap within the traditional accountability framework, which was driven by compliance with regulation and managerial deliverables rather service delivery outputs (The Presidency, 2009). Moreover, performance M&E tells public sector managers and oversight bodies what progress has been made towards achieving set targets and goals and provides crucial evidence as the basis for reviewing policies, programmes, or projects (Kusek and Rist, 2004).

Performance orientation holds many promises for governments in developing economies that have already improved their economic capacity. For many countries undergoing rapid development, the pace of state modernisation (characterised by weak accountability, bureaucratic rigidities, corruption and low professionalism) tends to lag behind and slow down development. However, as the economy matures and personnel income rises, expectations of what government can or should do for its people increases. Citizens pay more attention to government matters and demand better services, which increases the drive for enhanced performance and attention to results (Schick, 2003).

The focus on managing for results and performance is embedded within principal-agent literature and widely studied problems of imperfect contracts within institutional economics. Accordingly, Robinson (2007) views performance measures as the means by which principals can inform themselves on the extent to which agents are meeting their contractual obligations. Similarly, performance measures can play a role of informing agents themselves of the degree to which they are fulfilling objectives to which they have internalised commitments.

This conjuncture manifests in many ways, including through managerial and political performance. Without political leadership, managers may have difficulty focusing on what their work is supposed to accomplish. Likewise, without committed managers, politicians cannot progress in implementing their visions. However, politicians and managers often speak different languages and have differing interests, which makes it hard to get the interface between them right. When breakdowns in performance occur, the culprit is often confusion or misunderstanding over the respective roles and responsibilities of principals and agents. Perfecting the relationship between the two thus becomes a pre-condition for a result oriented performance management process.

Another pertinent issue regarding what managing for result mean for government relates to interminable arguments about what to measure and how to apply such measurements. Much of the attention has been placed on what to measure, with decades of work on measurement methodologies and unresolved arguments about what constitutes an output or outcome, whether a particular indicator is an intermediate or end outcome, or whether goals, objectives or targets mean the same thing or not. Despite this attention, governments that have invested in measuring performance rarely use the results in managing programmes (Schick, 2003). In rare cases, civil service salaries, allocation of resources and accountability are based on performance. Equally futile are efforts to budget on the basis of performance and reforms aimed at linking performance and pay. Instead, performance information is published in budgets and annual reports, as disguise for genuine use.

This type of reporting tends to reinforce the misconception that government is transformed by having information on how well it is doing. However, organisations often assimilate or deflect data on results without changing policies or programmes. Operating on the basis of performance require political and managerial will, change in organisational culture and allocation of resources to steer the organisation toward responding to information on what it seeks to accomplish.

2.2. Performance M&E in a decentralised system

The question of decentralisation features prominently in the discourse of public sector performance. Decentralisation theories advocate for dispersing the central functions as manageable activities across spatially distributed and semi-autonomous units of sub-central governments or institutions. The potential for decentralisation to address shortcomings of intergovernmental relations has attracted considerable interest in most democracies (Hutchinson and LaFond, 2004). Justifications for decentralisation range from fostering social and political cohesion, increasing allocative efficiency, bringing government closer to its constituents (subsidiarity) and increasing oversight by communities.

Decentralisation is purported to be associated with a number of other significant benefits, such as improved governance, flexibility, accountability and technical efficiency. These benefits are mutually reinforcing. For example, improvements in technical efficiency increase accountability for performance, which in turn creates incentives for the public and oversight institutions to act on their evaluation of performance. The occurrence of these benefits depends on the existence of pre-requisite conditions, the form and design of decentralisation, and the level of institutional and resource support devoted to its implementation. Until recently most benefits of decentralisation were formulated in the context of experiences from developed countries. For developing countries, Mullins (2003) argues that the benefits of decentralisation may not always be obvious because of the underlying unsuitable conditions. These include mobility obstacles, weak accountability mechanisms, poor managerial and technical capacities, cultural characteristics, unclear division of responsibilities and inadequate funding.

However, decentralisation does not always have positive effects and is sometimes associated with certain costs and risk. These include hazards associated with poor electoral accountability and corruption, suboptimal sub-national spending, failures in geographic harmony and inter-jurisdictional spill-overs, inter-regional disparities, destructive competition and impaired macroeconomic stability, and fiscal perversity (Mullins, 2003). Decentralisation can also lead to severe coordination problems in government (Spahn, 1998) encompassing the extent to which one institution's activities and policy choices take into account those of other organisations.

Decentralisation makes policy formulation and implementation, budgeting, and M&E more complex because of concurrent functions: policies are set by one sphere of government, while budgeting and implementation take place within another sphere of government. The result is a misalignment of policies and budgets across and within sectors. A decentralised system introduces complexity and requires intensive sectoral, intergovernmental, coordination across the policy-making, planning, budgeting and implementation processes.

The task of achieving political cohesion, policy consistency and administrative coherence is an impossible feat, given the organisational fragmentation, policy complexity, resource scarcity, sectoral interdependence, conflicting values, competing interests, departmental rivalries, increasing specialisation and the sheer scope and scale of government activity. Moreover, an ever-more pressing concern for government is the growing complexity and interdependence of policy problems and their solutions, and how to allocate collective responsibility, over different authorities that are more or less autonomous and accountable to different constituencies but responsible for joint implementation of programmes (Canadian Task Force, 1996).

In this regard, the challenges of developing effective performance M&E mechanisms within a decentralised system should be viewed in the context of managing and coordinating across interrelated and semi-autonomous jurisdictions (Nalwadda, 2008). For the most part, the concept of coordination in government has been an elusive ideal, presenting challenges of compartmentalisation and assignment of inputs and outputs to widely diverse institutions with cross-cutting roles yet responsible for a single outcome. M&E is especially difficult "when two organizations perform the same task (redundancy), when no organization performs a necessary task (inertia), and when policies with the same clients (including the entire society as the clients) have different goals and requirements (incoherence)" (Peters, 1998).

Diamond (2003) makes a similar observation, that aggregated programmes, whose implementation cut across agencies, divide responsibility, and so specific activities, accountability and end products are difficult to assign to individual organisations. This is especially true in cases where fiscal parameters affect the design of horizontal initiatives – particularly when considering options and action plans for the achievement of shared outcomes. When resources are not explicitly tied to a given government-wide outcome, lead departments may be required to invest considerable time and effort to motivate other departments to participate. Equally, funding that is attached to interdepartmental initiatives often becomes the focal point, leading to competitive scramble for funds and undermining of interdepartmental collaborations (Canadian Task Force, 1996).

For M&E, the challenges are whether outcomes should be expressed in terms of specific major policy areas, rather than as a catch-all for an unrelated set of activities; whether programmes can capture activities that produce homogeneous outcomes; and whether outputs can be clearly specified across space and time in a measurable manner.

Furthermore, coordination induces M&E problems within principal-agent relationships, which are inherently characterised by hierarchical supremacy and information asymmetries. For example, if the principal set arbitrary targets to which the agent do not buy into, the latter may exploit the fact that the former has insufficient information and capabilities to monitor performance fully (Robinson, 2007; Helmuth, 2011). These relationships have implications for who monitors performance and how information is subsequently reported.

Literature on the principal-agent problem predicts that agents always find ways to subvert contracts and monitoring by manipulating performance information. An example is the case of secondary schools where performance is measured in terms of pupils' achievement. To improve performance, agents may select out potentially poor performers and attract potentially good performers. This behaviour potentially distorts the overall outcome of education (the overall aim of the system) but produces the required results for the principal. Once this behaviour starts, contractual obligations have to be tightened, making them more complicated and costly to enforce (Flynn, 2004).

According to the Organisation for Economic Cooperation and Development (OECD), the introduction of performance-oriented budgeting (including performance-based grants) leads to the reconciliation of policy objectives, planning and implementation and more importantly, reported performance and actual delivery. Performance-oriented budgeting seeks to shift the emphasis of budgeting, management and accountability away from controlling inputs towards achieving results. Other solutions to coordination and principal-agent problems rest within the system of performance management itself, including moving towards complete contracts and introducing incentives and sanctions (Flynn, 2004). In the interest of space the following discussion is only limited performance budgeting.

2.3. Performance budgeting as a coordinating tool

Performance-based budgeting has long been a recommended reform in both developed and developing economies. It was first introduced in the United States during the 1950 reforms, which until today are regarded as a failure (Diamond, 2003; Schick, 2003). Considerable ambiguity remains on how to define and implement this approach (World Bank, 2003).

Results/performance-based budgeting is subject to many interpretations. In its simplest form, performance-based budgeting can be defined as any budget that depicts information on what government has done or plans to do with the money provided (Schick, 2003). This can simply refer to performance information, presented as part of the budget documentation, or to a budget classification in which appropriations are divided by groups of outputs or outcomes. A strict version of performance-based budgeting is budgeting that links allocated funds to measurable results. These results are measured as outputs and/or outcomes, and resources are matched either directly or indirectly to results. A stricter version of performance-based budgeting requires full disclosure of all relevant budget information in a timely and systematic manner by spheres responsible for a particular outcome (Morris, 2006). To work, this version of the budget must be supported by cost measurements that enable government to link increments in resources to increments in results (Schick, 2003).

Based on the US experience, the World Bank (2003) cautions that performance-based budgeting is not necessarily an appropriate tool for providing a mechanical link between budgets and outcomes. This is not to say performance budgeting cannot offer benefits, but they can only do so after acknowledging that the links between performance measures and budgets are not automatic and are subject to political choices. In other words, the linkages depend on who else sit at the table, i.e. the performance orientation of politicians and managers who make the budget.

For performance budgeting to work better in a decentralised environment performance information must be introduced into budget negotiations at micro level rather than the systematic reporting of performance in the budget document voted for in Parliament. Since the budget document is mainly an after-the-fact codification of political negotiations that have already taken place, performance-based budget formats can easily become a futile bureaucratic exercise (Van Dooren, 2008). A study of Melkers and Willoughby (2005) found the strongest usefulness of performance measures within a budget cycle is during budget development, with decreased utility as the budget process moves up the value chain. For Robinson (2007) performance budgeting can succeed in better calibrating agency performance targets to the level of funding provided, only if it improves the credibility of the targets and therefore their motivational force.

Recognising the limitations of performance budgeting, most governments have taken a wider perspective, choosing instead to “manage for results”. Managing for results is similar to other approaches that emphasise government performance, such as results-oriented management and evaluation, results-based management and governing for results. The main idea behind managing for results is that performance information should be used in a number of ways, including (but not limited to) strategic planning, increased public accountability and resource allocation (Moynihan, 2006). Performance budgeting attempts to link resources and allocations, whereas managing for results calls for a looser link between the two, with performance information guiding (not determining) allocations. It is premised on the assumption that performance will improve when the following occurs:

- Managers have clear goals, with results measured against these goals.
- Managers are given flexibility in using resources.
- Operational authority is devolved from central agencies to operating levels and units.
- Government decisions and controls focus on outputs and outcomes rather than on inputs and procedures.
- Managers are held accountable for the use of resources and the results produced

3. International lessons on managing for results

3.1. Australia

Australia’s long history of performance M&E has generated keen interest from countries around the world on how to create systems that support evidence-based decision making and performance-based budgeting. After leading the world in the introduction of what is known today as medium-term expenditure and forward estimates, in 1996 Australia adopted a formal evaluation strategy. The primary intention of the strategy is to focus on providing Cabinet with information on programme performance, encouraging programme managers within departments to use evaluation to improve their programmes' performance and, most importantly, to strengthen accountability in a devolved environment.

The evaluation strategy has three formal requirements for departments. First, all programmes must be evaluated every three to five years, and each line department must prepare a Portfolio Evaluation Plan consisting of major programme evaluations with substantial resource implications. Second, ministers need to include in new policy proposals a statement of proposed arrangements for future evaluations. Lastly, all evaluation reports must be published and incorporated in the annual budget documents tabled in Parliament. The success of Australia's M&E system depends largely on powerful ministers, who become advocates of the value of evaluation in government, and central championing by senior officials in the Department of Finance.

In 1998 the evaluation strategy was abolished, following a change in government and notable weaknesses in the system, such as methodological weakness and low evaluation skills levels. This coincided with the downgrading of finance in areas of policy advising and large budget surpluses, which undermined priority spending discipline. The older system was replaced by an Outcomes and Outputs Framework based on a system of performance indicators. The framework encountered many conceptual and data difficulties. It also suffered from severe implementation problems by line departments and agencies and from a lack of effective oversight by the finance department. The indictors-based M&E framework's major limitation is its failure to explain the reasons for performance in a way that enables performance lessons to be implemented elsewhere (MacKay, 2011).

3.2. Canada

In 2010 Canada introduced a policy on Management, Resources and Results Structures (MRRS) to support the development of a common, government-wide approach to the identification of programmes and the collection, management and reporting of financial and non-financial performance. The expected results of the MRRS are to improve managing, decision making and accountability for results. Among other things, the MRRS requires line departments to develop a programme-alignment architecture (PAA) reflecting how departments allocate and manage resources to achieve intended outcomes. The purpose of PAA is to:

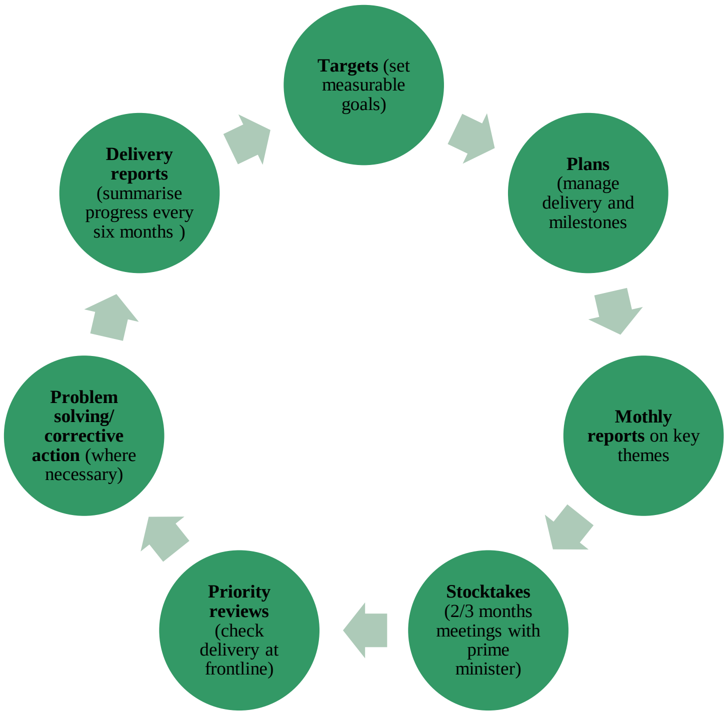
- Identify and group related activities and link them logically to the strategic outcomes they support;
- Provide the framework to link planned resource allocations to each programme at all levels and against which financial results are reported;
- Provide the framework to link expected results and performance measures to each programme at all levels of the PAA and for which actual results are reported;
- Provide the framework for those responsible for programmes at each level of the PAA, so they can commit to the results they intend to achieve with the resources they have been allocated and for which they report inside and outside the department;
- Establish the structure for estimates display and parliamentary reporting;
- Serve as the basis for resource allocation by Parliament, the Treasury Board and departmental management; and
- Form the foundation of any horizontal programme-activity architectures involving more than one department.

3.3. United Kingdom

In 2001 the United Kingdom government established the Prime Minister’s delivery unit (PMDU) to monitor progress and government performance on key services and public sector management. Located first in the Office of Prime Minister and later in the Treasury, PMDU uses public service agreements (PSAs) to drive the delivery of 30 government priorities. A lead secretary of state (cabinet-level position) in each ministry is accountable for the delivery of each PSA, supported in turn by a lead department (board-level official) and a board composed of other department heads. The main activities of the PDMU are to accelerate lagging programmes, unblock selected delivery outputs, and design effective and efficient delivery systems through a customer-journey mapping. Unlike other delivery units, which focus on collecting performance information, the PDMU takes a more hands-on approach to addressing delivery blockages. A dedicated eight-week process, by a team of internal and external members, reviews performance bottlenecks and culminates in a report to the Prime Minister. Since 2010 the government has increased the focus of PMDU to include efficiency and transparency (World Bank, 2010).

The UK's M&E approach is widely regarded as successful and particularly unique, in its emphasis on delivery and focus on three pillars: public service productivity including outcomes, customer service and efficiency savings (Barber, 2006. The unit follows a simple implementation approach summarised in Figure 1:

Figure 1: UK PMDU Performance M&E approach



Source: Adopted from Barber (2006)

During implementation, the unit persistently and calmly asks fundamental questions when evaluating delivery plans. Such questions include: what is the service delivery chain, who is accountable at the top, what are the key milestones and timetable, who are the key stakeholders, what are the major risks, what impact will the actions have on the key outcomes and what data is required. The unit follows an evidence-based approach to answer these questions informed by certain principles (Haglund, 2011). Michael Barber, one of the key champions behind the UK's M&E system, attributes the success of the PMDU to increased ministerial focus and sharper accountability, introduction of incentives, provision of tailored and targeted support, collaboration across government, and capacity to intervene where it is necessary. It also important to note that the PMDU began from the premise of pre-existing inter-ministerial collaboration, around centrally led objectives, through a robust programme budget and cabinet system. As such the delivery unit was never overwhelmed by broader civil service reforms problems, such as fostering the linkage between policy planning and budgeting (World Bank, 2010).

4. Outcomes-oriented M&E in South Africa

Until recently South Africa did not have an overarching government-wide M&E (GWM&E) policy framework. Prior to 2010, M&E was carried out unsystematically, mainly by National Treasury, The Presidency and a handful of sector departments and premier's offices using different systems. The initial thrust of National Treasury M&E was financial, growing to encompass non-financial data following the enactment of the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA). Under the PFMA/MFMA, national, provincial and local governments are required to table their annual budgets concurrently with strategic plans and Annual Performance Plans (APPs) for scrutiny and approval. The intention is to make a more explicit linkage between outputs and resource allocation in budget programmes, through institutionalised and streamlined reporting requirements, and more importantly to improve accountability. Both the PFMA and MFMA place accountability for financial performance with the administrative heads of government departments or municipalities.

Throughout the PFMA/MFMA reform process, National Treasury has sought to persuade departments to put in place a system of standardised five-year strategic plans, APPs and quarterly performance reports, which monitor the progress of actual service delivery and spending against plans. In the same year that Cabinet approved the GWM&E policy framework, National Treasury published a framework for managing programme performance information, to clarify standards and definitions for performance information and in preparation for the performance (information) auditing that resumed in 2011 (National Treasury, 2007).

Despite the above reforms, coordinated planning and performance-linked budgeting remain an impossible feat. A major deficiency in the current architecture of South Africa's intergovernmental system is that the dual responsibility of national government and provinces, in relation to concurrent functions, creates multiple points at which executive and legislative decisions can be (and are) taken over the same mandate (National Treasury, 2008; The Presidency, 2009). The conventional line-function culture of budget votes per department, specialist ministerial mandates, and rewards and sanctions (to a lesser extent) for individual performance create disincentives for joint implementation and accountability for shared outcomes (Public Service Commission, 2010). Layman (2003) attributes these problems to weak or absent alignment of strategic plans, within and between spheres, and disjuncture in the placement and enforcement of administrative and political accountability.

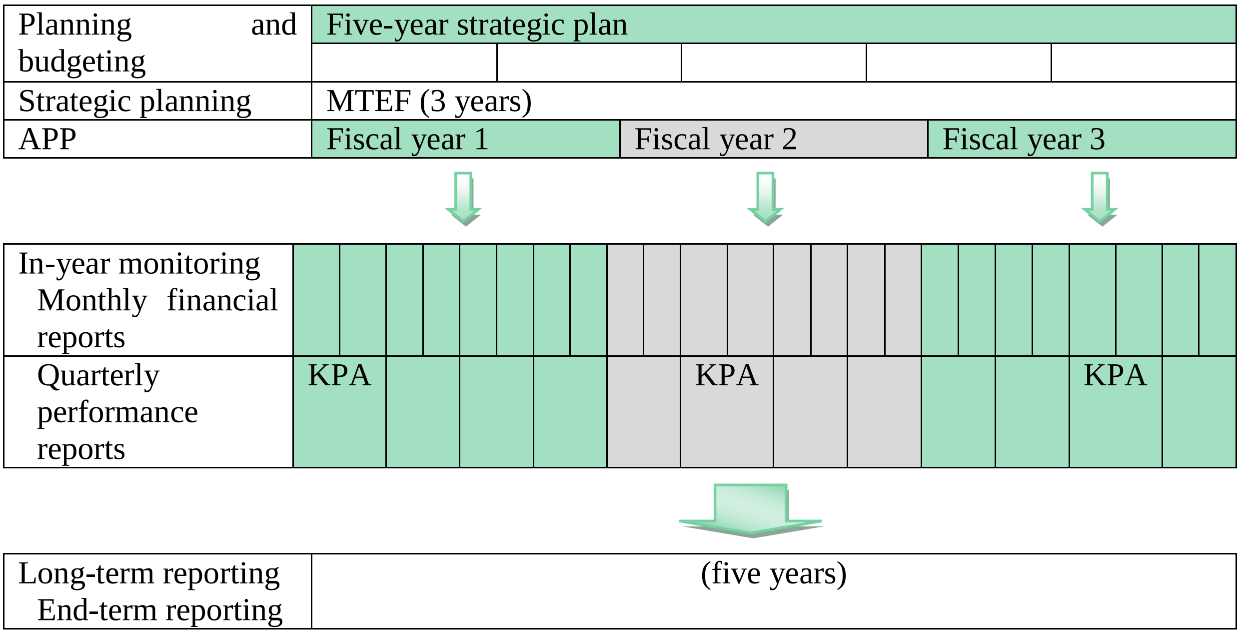
Since 2007 missing building blocks for a well-functioning M&E system have been slowly laid out, culminating in the creation of a new dedicated ministry – the Department of Performance Monitoring and Evaluation (DPME) – in 2009. The DPME has sought to enhance public sector performance monitoring by adopting a range of new levers and approaches to managing and delivering performance information. These include the re-introduction of a government-wide, outcomes-based performance M&E system, underpinned by performance agreements between the president and ministers/premiers/Members of Executive Councils (MECs), inter-sectoral service delivery agreements and forums. This new approach is seen as an integral part of coordinating the different policy and programme areas across the three spheres, contributing to shared outcomes (The Presidency, 2009).

4.1. Taxonomy of available performance m&e processes

4.1.1. National Treasury

National Treasury's budget office has been at the forefront of institutionalising the collection of performance information and linking planning to budgets, albeit at departmental or programme level (Engela and Ajam, 2010). As part of the budget process, departments are required to submit a number of accountability documents, with clear service delivery targets and performance indicators for each expenditure programme, that each department should produce at each stage of the planning, budgeting, implementation, reporting and monitoring and evaluation cycle. This information is used mainly by (national and provincial) treasuries when making budgetary allocations to different expenditure line items and, most importantly, by Parliament/legislatures for oversight purposes. Figure 2 below demonstrate the current planning, budgeting and reporting cycle followed by National Treasury.

Figure 2: Planning, Budgeting and Reporting Cycle



Source: Own compilation from National Treasury (2010)

4.1.2. Presidency and premier's offices

Prior to 2009, both the Presidency and selected offices of the premiers played an integral role in collecting performance information, with the Presidency undertaking periodic performance reviews (such as 10-year and 15-year reviews and development indicators), using information from official statistics, government databases (annual reports) and research by local and international institutions. Other notable initiatives from the Presidency for tracking the implementation of government priorities – also referred to as the Programme of Action (PoA) – include the central repository information management system developed in 2005 and an early warning system for assessing the functionality of national government departments. The latter has since evolved into what is called the Management Performance Assessment Tool (MPAT) – a self-assessment tool against a range of management standards – carried out annually by individual departments and overseen by the DPME. The annual Development Indicators report is one of the most important documents that shows early signs of outcomes-based performance orientation. The report groups information into 10 broad themes for which the impact of government interventions is tracked over time (Engela and Ajam, 2010).

4.1.3. National departments

Some departments have long-established, sector-specific M&E systems that focus mainly on outputs. For example the Department of Education has institutionalised an Education Management Information Systems and periodically carries out national standardised testing in selected grades. In other departments, performance monitoring is undertaken as part of normal management of line function through ad-hoc policy reviews, Minister Committees (MinMecs) and other intergovernmental forums.

4.1.4. Public Service Commission reports

The South African Constitution empowers the Public Service Commission (PSC) to oversee and evaluate the functioning of public service. The PSC carries out evaluation exercises, such as citizen satisfaction surveys and miscellaneous programme reviews, and publishes regularly a report on the state of public service, which assesses adherence by national and provincial departments to core principles of public administration. Some of the many things monitored by the Commission are whether funds are spent economically, whether supplier payments are made on time, whether APPs are submitted on time and the time taken to fill vacancies.

4.1.5. Auditor-General

At the very tail-end of M&E chain, the office of the Auditor-General performs an audit of performance information (AoPI), which assesses reported information by departments against compliance with reporting requirements, usefulness and reliability. In particular, the AoPI monitors variance between planned and actual performance, as well as logical linkages and consistency objectives, plans, delivery targets and annual performance reports. Departments and entities are required to submit annual performance information for audit purposes with their annual financial statements by end of May each year. The Auditor-General also carries out sector-specific performance audits, which focus on economy, effectiveness and efficiency (Auditor-General, 2011).

4.1.6. Statistics South Africa

Statistics South Africa is not entirely considered to be part of the intergovernmental M&E institutional framework but plays an integral role in collecting complementary information (through the General Household Survey, Non-financial Census of Municipalities and National Census) for measuring outcomes and setting standards for assessing and certifying statistics produced by government departments and other state entities.

5. Emerging practices in managing for results

In 2009 managing for results in South Africa took a new step, with the introduction of the DPME. The establishment of this ministry was precipitated by the growing concern that massive increases in expenditure on services over 15 years had not always brought the results anticipated (The Presidency, 2011). The outcomes (e.g. related to quality education and health) produced in many areas have often been below standard, unidentified and not tracked consistently.

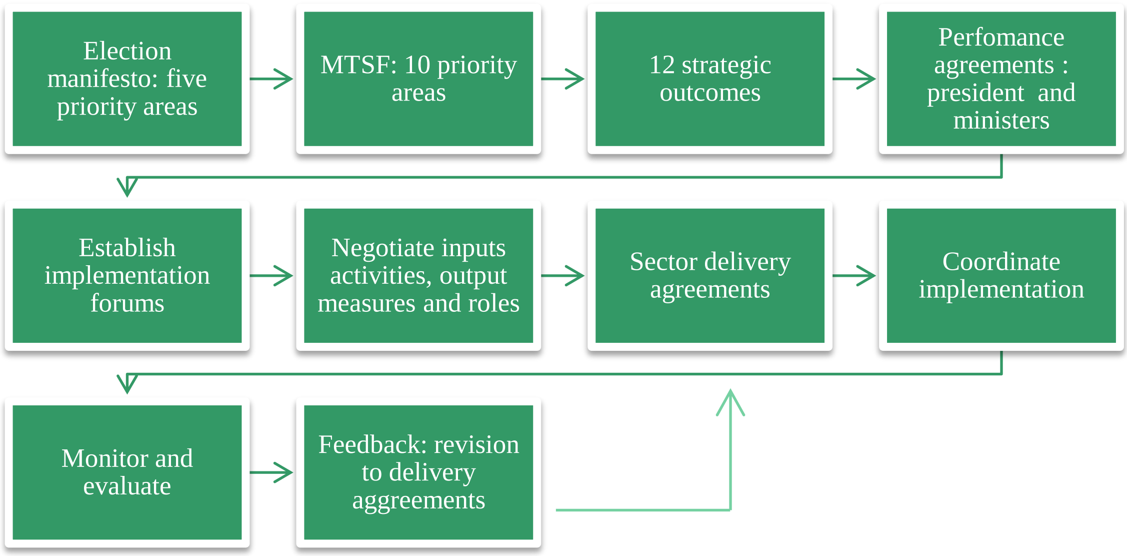
Unlike the existing input/output based M&E, the new approach is outcomes-oriented, monitoring 12 strategic areas for which responsibility for implementation lies with a collective of numerous ministries. It attempts to circumvent challenges related to the alignment of government planning, budgeting, activities, reporting and accountability for shared outcomes by introducing new institutional mechanisms, such as performance agreements between the President and the Minister or group of Ministers, sector delivery agreements and delivery forums.

Under the new approach, the President signs performance agreements with ministers and intergovernmental protocols with Provincial Premiers, which outline outcomes for a specific sector, input activities and output measures. Both the Ministers and Premiers report back to the president on predetermined output indicators at their six-monthly performance review meetings.

In addition to individual performance agreements, the new approach requires groups of departments, spheres or sectors responsible for a particular outcome to have sector delivery agreements signed by the relevant Ministers, Provincial Ministers (MECs) and local mayors. These agreements describe in detail the desired sectoral outcomes, output indicators, service delivery chain (who does what, and who is accountable at the top and along the delivery chain), agreed delivery norms and standards, timelines, budget prioritisation and alignment to delivery agreements, capacity required, consultation process followed in negotiating service delivery agreements and conflict resolution processes. For each outcome indicator, delivery agreements must also include national targets, baselines, data sources, quality assurance processes, frequency of reporting and minimum required changes per output indicator.

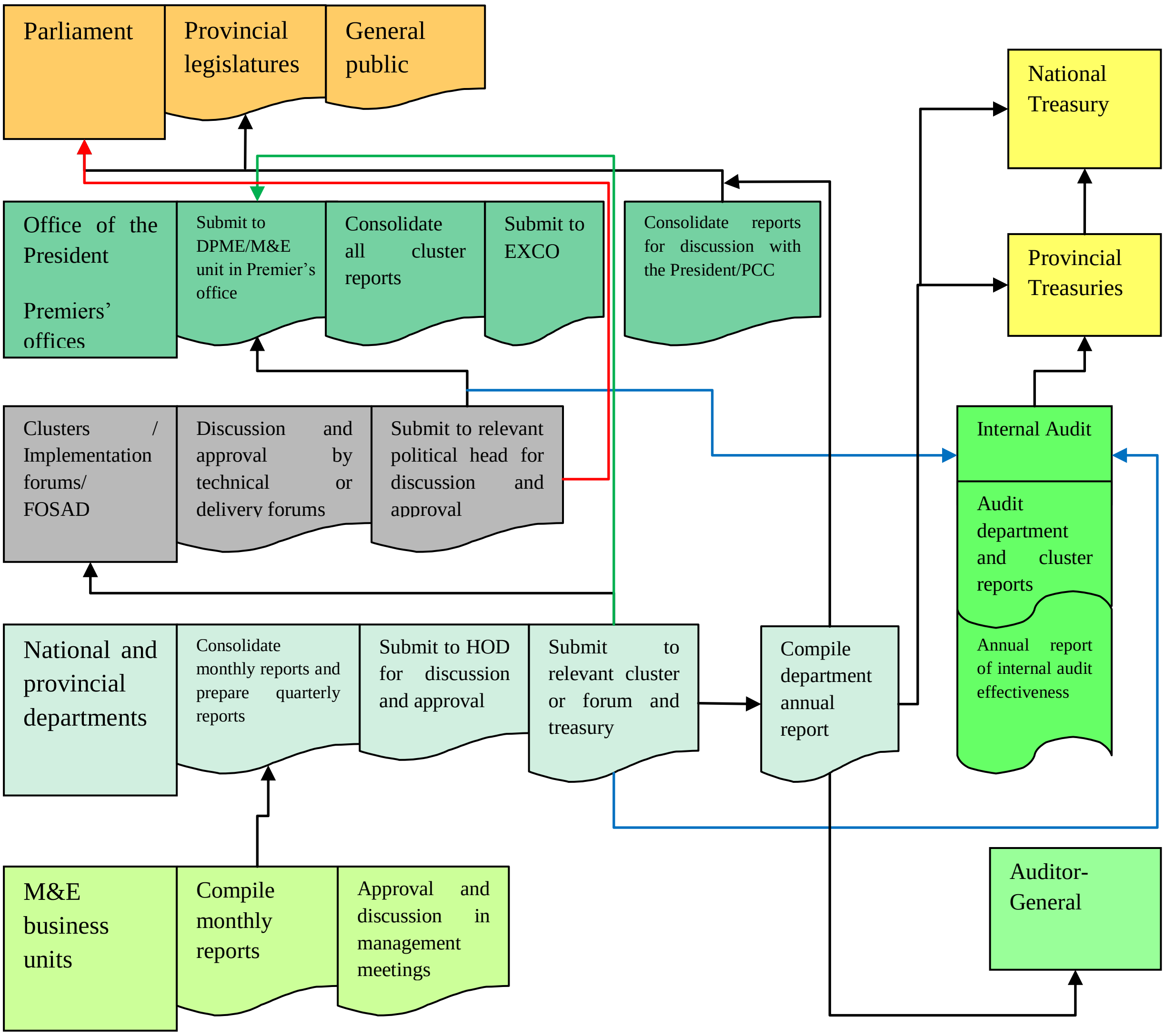
Sectors are further required to set up executive and technical implementation forums for each outcome area. These forums are required to coordinate government work for achieving the outcome, negotiate delivery agreements, agree on the implementation process and activities underpinning outcomes and, most importantly, specify how each institution contributes to the outcome, within a specified timeframe and budget. Figure 3 depicts the outcomes-oriented performance management process and reporting framework.

Figure 3: Outcomes-oriented Performance Management Process



Source: Own compilation from National Treasury (2010)

Figure 4: Outcomes Reporting Framework



Source: Own compilation based on The Presidency, 2010

As Figure 4 shows, the current M&E framework has multiple points of reporting with some degree of duplication. Superimposing an additional M&E institutional mechanism (such as implementation forums and M&E business units) on an existing framework invariably increases the frequency of reporting and compliance costs. Emerging evidence suggest that M&E will take up an inordinate amount of time, as all departments have to generate monthly, quarterly and biannually reports. By implication, monitoring will be one of the biggest functional units with the largest staff establishment.

6. Practicality of new approach and implication for budget process

Notwithstanding the good policy intentions outlined in the outcomes oriented M&E framework and guideline documents, evidence on-the-ground practices reveals severe anomalies and raises substantial concerns about the budget process. The new approach, which promotes joint responsibility for outcomes, could potentially render the process of negotiating delivery agreements unworkable because of the need to coordinate activities and budgets across many delivery partners. For example, the Department of Basic Education has identified at least 17 national and nine provincial departments as delivery partners and contributors to Outcome 1(education). A similar pattern can be discerned from other outcome areas (see Table 1). In order for these delivery agreements to be implemented in the manner envisaged, certain budget process reforms may be required.

Firstly, lead departments would have to run mini-parallel budgeting process, to motivate other delivery partners to make budgetary allocations towards their respective activities within the outcome. This is inconsistent with findings by Melkers and Willoughby (2005), that budget coordination is best achieved during the early stages of budgeting value chain. The current configuration of intergovernmental budget and policy forums, such as MinMecs, 4X4s and 10X10s, are not structured to deal with determining interdepartmental/sectoral budgets. Furthermore, both the envisaged executive and technical implementation forums are neither statutory nor part of the institutional forums responsible for budgeting. These forums are perhaps not entirely new institutional bodies, which is cause for further concern, and will expected to be based on existing structures, such as MinMecs, technical MinMecs, Headcoms, cabinet clusters and FOSAD[1]. Over the past years, the performance of these structures has been rather suboptimal with respect to coordination.

An alternative is to attach funding to interdepartmental initiatives through National Treasury's budgeting process. In other words, delivery partners will need to demonstrate that they have allocated budgets to collaborative work during Medium Term Expenditure Committee (MTEC) and bidding processes. However, this approach is not without problems, as evident in the ongoing feud between national and provincial governments over the funding of national priorities. Other likely problems may involve competitive scrambles for additional funds by departments/delivery partners, on the grounds that joint work falls outside their direct mandate.

[1] The Forum of South African Directors-General

An early signal of the aforementioned budget coordination problems is found in the delivery agreements that have been signed. Four of the 12 delivery agreements reviewed do not show the individual delivery partners' budgetary allocations/contributions towards the applicable outcome (See Table 1). Many reasons can explain this deficiency. (1) The timing disparity between when the budget process is completed and when agreements are signed. (2) The nature of outcomes, wherein responsibility cuts across almost every government function, which increases the intensity of consultation process for lead departments. (3) The weakness of delivery agreements to outline the full service delivery chain, with inputs, activities and outputs assigned to various delivery partners. Holding delivery partners collectively accountable to an outcome (and the M&E of such an outcome) will be difficult without individual departmental allocations to key activities within an outcome.

Table 1: Summary of delivery agreements by outcome area

Outcome	Lead department/s	No of strategic/ delivery partners	No of output measures	Budget allocations per delivery partner
(1) Improved quality of education	Department of Basic Education	17 national departments and nine provincial department of education	4 (37 indicators)	Not provided
(2) Health	Department of Health	11 national departments nine provincial departments of health and social development, NGOs, CBOs and international health organisations	4 (31 indicators)	Not provided
(4) Decent employment	Different department by different output	16 national departments, nine provinces and 283 municipalities	7 (21 indicators)	Not provided
(8) Sustainable human settlement	Department of Human Settlements	Six national departments, nine provinces and 283 municipalities and banking industry	4	Not provided

Source: Own compilation; The Presidency (2011)

7. Interface between planning, budget process and outcomes value chain

In the current outcomes-oriented M&E value chain, the interface between planning, budget and outcomes is not strong. Process issues and underlying inherent coordination problems explain much of the weakness. The outcomes approach was introduced late in the process and superimposed on an existing performance management and budgeting framework, which has a history of unilateralism. As a result, the interface has largely been carried out retrospectively: delivery partners or departments are requested to link their APPs to a relevant outcome, and the DPME assesses whether such linkage takes place or not. For the most part this linkage exercise is theoretical, since individual APPs do not subsequently inform the contents of service delivery agreements or the other way round.

Furthermore, the MTEC budgeting process still follows a sectoral approach, where individual departments bid for additional resources, separate from the other delivery partners responsible for the same outcome. Hence the responsibility for allocating such funds to different activities within a single outcome becomes the prerogative of each individual delivery partner. The implicit expectation is that departments will allocate sufficient resources to meet their respective activity within an outcome. However, preliminary evidence suggests that delivery partners use the situation as an excuse for additional funding. In other words, delivery partners do not internalise their contributory activities to an outcome or make allocations to activities other than those they consider to be their core responsibility.

As mentioned earlier, the new outcomes approach envisages that executive implementation forums will foster the linkages between planning and budgeting through delivery agreements. For such forums to be effective, certain budget reforms may be required in order to institutionalise participation and align forum activities in the budget process. The Guide to Outcomes Approach notes that the Presidency, National Treasury, DPSA and the Department of Cooperative Governance and Traditional Affairs (CoGTA) will align their strategic planning and individual performance management guidelines to the 12 outcomes (The Presidency, 2012). Delivery partners must include commitments made in delivery agreements in their strategic plans, which National Treasury uses as inputs into the budget process. The underlying assumption is that the treasuries will persuade delivery partners to allocate funding to agreed outcomes. However, the reality is that programme budgets are determined independently within respective departments and spheres. More importantly, when delivery agreements do not clearly assign activities among delivery partners, treasuries will have difficulty ensuring or monitoring budgetary allocations. Operational and organisational structures do not always map budget programme structures, thus masking the purported linkage between inputs, outputs and outcomes. The disjuncture between operational structures and budget programmes is especially evident in the absence of identifiable expenditure programmes (i.e. conditional grants) associated with a particular outcome. The existing conditional grant framework follows a line-item approach, with a multi-level classification scheme that focuses predominantly on inputs and spending at the macro level.

7.1. Programme or portfolio budgeting

Reconciling the difference between planning, budgets and outcomes is not an easy task nor a problem confined only to South Africa. Literature is littered with numerous examples of failed reforms to put into practice the idea of linking broader government outcomes to budgets. According to Kim (2000), the solution to this elusive ideal lies in adopting and vigilantly implementing programme or portfolio budgeting – whereby expenditure is classified by broad functions or programmes aggregated across ministries. An important principle underlying programme budgeting is that the programme structure may transcend organisational boundaries but must still be accounted for at programme level. Programme budgeting is especially suited to the new outcomes approach, which by nature disregards organisational boundaries.

7.2. Incentives

Countries that have successfully implemented results-oriented budgeting have simultaneously introduced incentives to influence decisions and guide actions towards improving efficiency. Incentives that change behaviour are required for budget decisions to be influenced by the information contained in performance indicators (Jackson, 1993). A public sector management framework, which provides such incentives to achieve a strong focus on performance and outcomes, in turn allows management the flexibility to achieve results in any manner it chooses. The strengthening of performance measurement and great accountability for results provides scope to give departments greater autonomy and flexibility (MacKay, 1998).

Existing performance incentives in South Africa are not directly linked to the achievement of an outcome. Instead incentives are formulated around individual performance agreements and a handful of conditional grants. As mentioned earlier, conditional grants are not tied to any specific outcome, and their incentives are meant to trigger spending performance rather than expenditure outcomes.

8. Conclusion

Efficient and effective public sector management is the mantra of modern-day public sector institutions, especially in the light of the South Africa's newly adopted NDP. The need to demonstrate value for money increases pressure on governments to introduce new and better forms of management. More often these reforms overlay existing performance management system and are underpinned by inherent country-specific institutional, systemic and process weaknesses.

The introduction of outcomes-oriented M&E in a decentralised government system requires numerous practical considerations relating to rules, leadership, accountability and most importantly design. Complex contractual obligations mean that information asymmetries between the principal and agent need to be minimised. Performance orientation also requires a strong and committed political leadership that can drive and inculcate a culture of performance across all government spheres. What is important is to be clear on who is ultimately accountable for outcomes between administrators and politicians, and what levers are used to hold people accountable. The continuous inability to meet performance targets, or to comply with basic guideline requirements without reproach, undermines the credibility of the system and breeds inertia.

The design of an outcomes-oriented M&E approach needs to be aligned to existing country-specific circumstances. When new reforms are superimposed on existing processes without making adjustments, the result is often confusion, duplication and a low take-up rate. Introducing new reforms alone is a necessary, but not sufficient, condition for reorienting public sector performance management. The culture and other resources, and behaviour or management need to be recast and primed to perform well. It may also be appropriate to review organisational structures and responsibilities, bureaucratic rules and controls, how various administrative tasks are carried out, current management practices, the delivery of public services, and modes of accountability.

For South Africa, public sector management reforms need to be broadened significantly, beyond outcomes M&E, to include budget and accounting reforms in order to improve the interface between planning, budgeting and outcomes. Such reforms would entail synchronising organisational structures, budget classifications, and accounting systems. Most importantly would be synchronising the timing of the start of the budget process and the signing of the service delivery agreements.

9. References

Auditor General. 2011. Report of the Auditor General of South Africa to Parliament on a performance audit of the infrastructure delivery process at the provincial departments of Education and Health. Auditor General. South Africa.

Barber, M. 2006. Instruction to Deliver: Fighting to Transform Britain's Public Services. Methuen Publishing, London.

Canadian Task Force. 1996. Managing Horizontal Policy Issues. Ottawa, ON: Canadian Government.

Curristine, T. 2005. Government performance: lessons and challenges. OECD Journal on Budgeting, 5(1).

Diamond, J. 2003. From program to performance budgeting: the challenge for emerging market economics. IMF Working Paper. International Monetary Fund, Fiscal Affairs Department. Washington, DC: IMF.

Engela, R and Ajam, T. 2010. Implementing a Government Wide Monitoring and Evaluation System in South Africa. ECD Working Paper Series. World Bank, Washington DC.

Flynn, N. 2004. Performance measurement and governance in the public sector in the United Kingdom. EGPA Conference, 2004, University of London

Hanglund, R. 2011.We're from the government. We're here to help. A review of Instruction to Deliver. Tennessee Department of Education.

Helmuth, U. 2011. The Impact of Performance Budgeting on Public Management. Dissertation. St. Gallen, Switzerland: University of St. Gallen.

Hutchinson, P and LaFond, K. 2004. Monitoring and Evaluation of Decentralization Reforms in Developing Country Health Sectors. Bethesad, MD: The Partners for Health Reformplus, Abt Associates Inc.

Jackson, P M. 1993. Public Service Performance Evaluation: A strategic Perspective. Public Money and Management, Blackwell publishers, Cambridge

Kim, MJ. 2000. From Line item to Program Budgeting. Global lessons and The Korean Case. The World Bank. Washington DC.

Kusek, JZ And Rist, RC. 2004. Ten Steps To A Results-Based Monitoring And Evaluation System. A Handbook For Development Practitioners. Washington, DC: World Bank.

Layman, T. 2003. Intergovernmental Relations and Service delivery in South Africa. A Ten Year review. The Presidency. South Africa

Mackay, K. 1998. Public Sector Performance-The Critical Role of Evaluation. Selected Proceedings from World Bank Seminar. The World Bank. Washington DC.

Melkers, J., & Willoughby, K. 2005. Models of Performance-Measurement Use in Local Governments: Understanding Budgeting, Communication, and Lasting Effects. Public Administration Review, 65(2), 180-190.

Morris, C. 2006. A Results-Based Monitoring and Evaluation System to Support Good Public Management. Pretoria: Meraka Institute.

Moynihan, P. 2006. Managing for results in state government: evaluating a decade of reform. Public Administration Review . University of Wisconsin-Madison.

Mullins, D. 2003. Accountability and Coordination in a Decentralized Context: Institutional, Fiscal and Governance Issues. Washington, DC: World Bank.

Nalwadda, R. 2008. Challenges of developing monitoring and evaluation mechanisms for HIV/Aids interventions within the context of decentralization and local governance. Paper presented at the 9th Session of ALGAF VIII, Uganda.

National Treasury. 2010. Framework for Strategic Plans and Annual Performance Plans. National Treasury, Pretoria, South Africa.

National Treasury. 2007. Budgeting for concurrent functions and challenges of intergovernmental coordination. National Treasury, Pretoria, South Africa.

National Treasury. 2008. Intergovernmental fiscal review. National Treasury, Pretoria, South Africa

Peters, BG. 1998. Managing horizontal government: the politics of co-ordination. Public Administration 76 (Summer): 295–311.

Public Service Commission. 2010. Consolidated Public Service Monitoring and Evaluation Report. Public Service Commission. Pretoria. South Africa.

Robinson, M. 2007. Performance Budgeting – Linking Funding and Results. International Monetary Fund, London.

Schick, A. 2003. The performing state: reflection on an idea whose time has come but whose implementation has not. OECD Journal on Budgeting, 3(2).

Spahn, PB. 1998. Policy Coordination and Control with Decentralized Government. Paper presented at the 1997 IIFP Conference in Kyoto, Japan.

The Presidency. 2010. Guide to the Outcomes Aproach. The presidency, Pretoria, South Africa

The Presidency.2011 Delivery Agreements. Accessed 15 August 2012,< http://www.thepresidency.gov.za/pebble.asp?relid=2456>

The Presidency. 2009. Improving Government Performance: Our Approach. Pretoria: The Presidency.

The Presidency. 2012. Guide to the Outcomes Approach. Pretoria: The Presidency. South Africa

Van Dooren, W. 2008. Better Performance Management : Some Single and Double Loop Strategies. Antwerp, Belgium: University of Antwerp.

World Bank. 2010. Challenges in Monitoring and Evaluation. An Opportunity to Institutionalise M&E systems. World Bank. Washington DC.

Word Bank. 2003. What do Monitoring and Evaluation have to Offer Government. World Bank. Washington DC.