



SYSTEMS OF MANAGEMENT CONTROL AND RESULTS-BASED BUDGETING

THE CHILEAN EXPERIENCE

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MANAGEMENT CONTROL SYSTEM

OBJECTIVE: Providing performance information and introducing practices to improve the quality of public expenditure

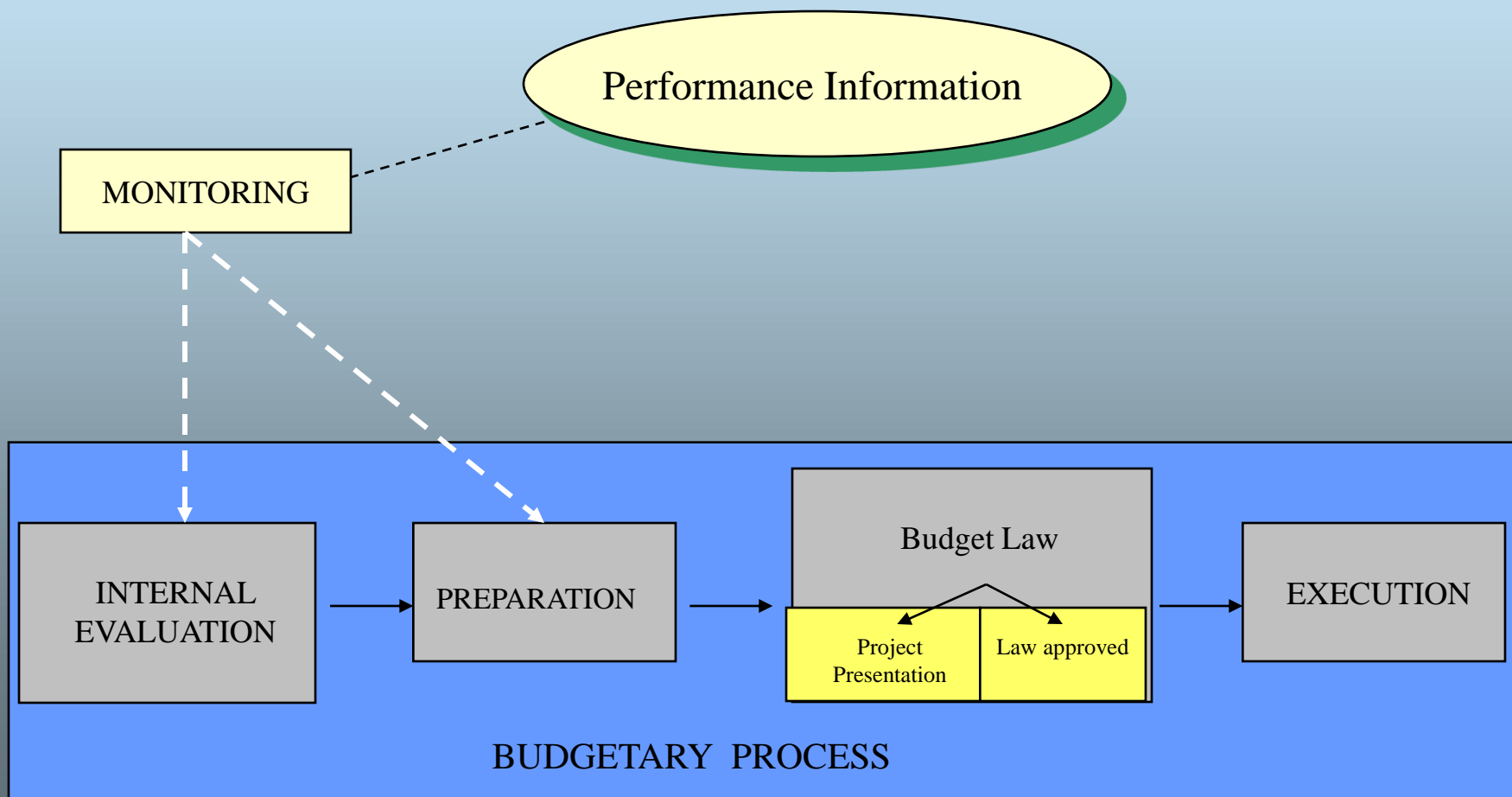
- Improving resource allocation
- Improving the use of resources
- Improving transparency

MANAGEMENT CONTROL INSTRUMENTS





INCORPORATING PERFORMANCE INFORMATION INTO BUDGET-CYCLE



PERFORMANCE AND BUDGETARY INFORMATION

- Not Direct relation (not mechanical)
Use together with other categories of information
 - Political Priorities
 - Financial Restrictions
- Presentation to the Congress along with the Budget Law

MANAGEMENT CONTROL INSTRUMENTS

Gradually implemented

- Performance Indicators (1994)
- Program Evaluation (1997)
- Comprehensive Management Report (1997)
- Management Improvement Programs (1998)
- Standard Presentation of Initiatives to Budget (2000)

PERFORMANCE INDICATORS

- Aimed at telling how a government organization is performing over time
- Agencies compete with their past record
- Ongoing, periodical information
- Measure performance in different:
 - Dimensions (effectiveness, efficiency, economy, service quality)
 - Delivery levels (process, output, outcome)
- Need reliable data collection methods
- Support from strategic plan, management information system recommended
- Chilean experience:
 - Started 1994
 - Incrementalist approach, starting on voluntary basis
 - Budget-related (public agencies presents their indicators and its goals during budget preparation)
 - Disclosure policy: Congress and general public
 - Subject to growing quality standards

PERFORMANCE INDICATORS 2005

Functions	Number of Indicators			Accomplishment	Percentage (%)	
	Compromised		Total		Evaluated Respect Total	Accomplished with respect to evaluated
	Evaluated	Not Evaluated				
Recreational activities, Culture and Religion	53	4	57	51	93%	96%
Defense	23	0	23	20	100%	87%
Education	78	1	79	73	99%	94%
Law, order and Security	55	0	55	49	100%	89%
Environment Protection	32	0	32	30	100%	94%
Social Protection	319	3	322	270	99%	85%
Health	118	20	138	92	86%	78%
Economic	471	5	476	433	99%	92%
Generals	388	3	391	340	99%	88%
Housing and Communitary Services	15	0	15	12	100%	80%
Total	1,552	36	1,588	1,370	98%	88%

PROGRAM EVALUATION

- Aimed at telling whether government is doing the right things
- Assess programs against their stated aims and expected results on their beneficiaries
- Requirements: relevance, independence, timeliness, transparency, public, reliable, efficient.
- Agreement with Congress and Financial Management Law and its Regulation (2003)
- Chilean experience:
 - Started 1997
 - Budget-related (the results of the evaluation are taking into account in the budget preparation)
 - Programs selected with Congress
 - Performed by independent evaluators through panels of experts or universities and consulting firms.
 - Counterpart in ministries/agencies in charge of programs
 - Based on logical framework methodology (desk) (1997)
 - Impact and comprehensive evaluations (2001)
 - Delivered in 4 to 10 months
 - Reported to Budget, Congress and the public
 - Commitments to incorporate recommendations from the evaluation
 - Follow up of commitments compliance

EVALUATIONS 1997-2006

Number of Evaluation and Programs Evaluated

PROGRAM EVALUATIONS 1997 – 2006

	1997-99	2000	2001	2002	2003	2004	2005	2006	Total
Desk Evaluation	80	20	18	14	13	13	14	13	185
Impact Evaluations									
- N° Evaluations			2	4	4	4	2	2	18
- N° of Programs			5	4	4	14	6	6	39
Comprehensive Expenditure Reviews									
- N° Evaluations				1	2	2	1	2	8
- N° of Institutions				8	2	4	5	2	21
Total	80	20	20	19	19	19	17	17	211

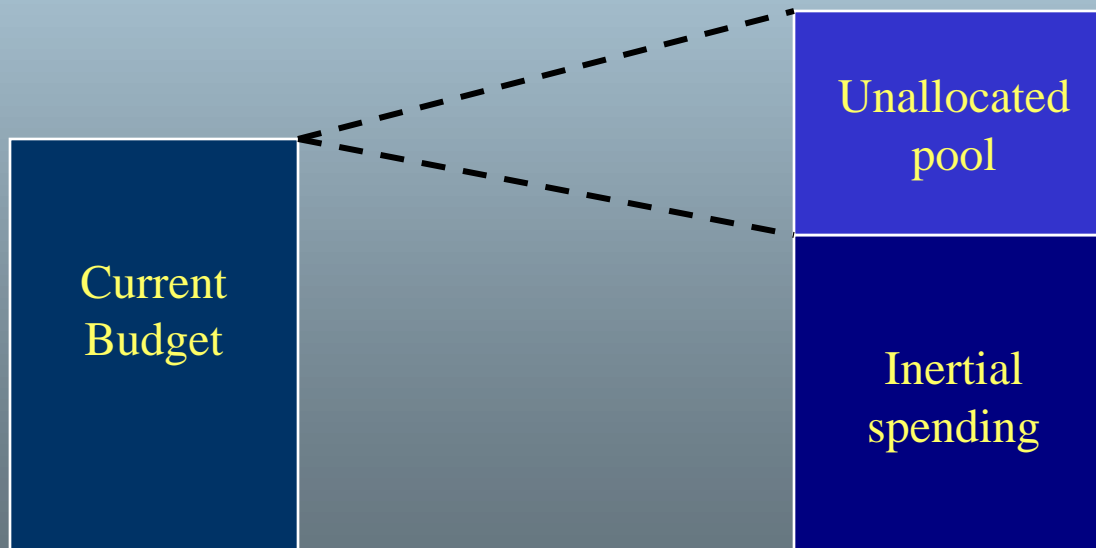
PROGRAMS EVALUATION (EPG - IMPACT)

(2000 - 2006)

EFFECTS	% PROG.
1.- MINOR ADJUSTMENTS	24%
2.- IMPORTANT MODIFICATIONS IN THE DESING OF THE COMPONENTS AND PROCESSES	38%
3.- MAJOR REFORMULATIONS	25%
4.- INSTITUCIONAL RELOCATION	5%
5.- PROGRAM FINISHED	8%
TOTAL PROGRAM (138)	100%

STANDARD FORMAT

- Started 2000 with preparation of 2001 Budget
- Competitive bidding mechanism to improve rationale of budget allocations (2001 - 2003)
- Aimed at moving away from incrementalist practices
- Inertial spending strictly constrained
- Standard format to submit public programs for funding (2005 – 2006)



STANDARD FORMAT

- Ministries submit new initiatives or programs
- Submission based on logical framework matrix (aims, goals, expected results, components, indicators, target population)
- Finance makes proposal on basis of quality, consistency with government priorities and strategies, President makes final decision
- Provides benchmark for future assessment

COMPREHENSIVE MANAGEMENT REPORTS

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

MANAGEMENT IMPROVEMENT PROGRAM (PMG)

- The achievement of management objectives are associated to a monetary incentive to all employees in the public institution (Law 19.553, 1998).
- The percentages of achievement are:

Percentage of Incentive Institutional Performance	Percentage of Achievement of Management Objectives
5%	90% - 100%
2,5%	75% - 89%
0%	< 75%

MANAGEMENT IMPROVEMENT PROGRAM (PMG)

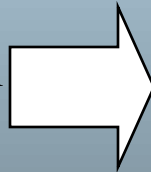
The PMG has three period of development clearly defined. In each of these period the accomplishment of the management objectives committed was associated to:

- ✓ Performance indicators. Period 1998/2000.
- ✓ Management Systems established in a Basic Framework Program. Period 2001/2004.
- ✓ Management Systems established in a Advance Framework Program including the requirements of ISO 9001:2000. Period 2005 until now

FRAMEWOK PROGRAM MANAGAMENT AREAS

Areas

- Human Resources
- Customer Service
- Management Planning and Control
- Financial Management
- Gender Focus



Framework Program

- The management areas are common to all public institutions
- Each area of the framework program is composed by management systems that area related to the public sector modernization
- Each system has different stages of development. Each stage is defined by specific contents and technical criteria

MANAGEMENT IMPROVEMENT PROGRAM (PMG)

■ Basic Framework Program

5 areas and 11 management systems with 4 or 6 development stages. The evaluation of the accomplishment of each stage is done by an Expert Network (public institutions in charge)

■ Advance Framework Program

The advanced framework program incorporates the objectives of the Basic Framework Program and the requirements of standard ISO 9001:2000, these last in order to certificate each PMG system

EXAMPLE PMG ADVANCED FRAMEWORK PROGRAM 2007

Areas	Systems	Objectives of Management										Priority	Weight
		Development Stages											
		I	II	III	IV	V	VI	VII	VIII	IX	X		
Human Resources	Training						o					high	11%
	Performance Evaluation					o						medium	9%
	Hygiene, Security and Improved work environment				o							medium	10%
Customer Service	Integral Customer Service system						o					high	15%
	e- government					o						high	11%
Management Planning and Control	Internal audits								o			high	11%
	Integrated territorial management					o						high	12%
	Planning/ Management Control				o							low	5%
Financial Management	Government Procurement							o				medium	10%
	Financial Accounting							o				medium	10%
Gender focus	Gender focus				o							low	5%

MANAGEMENT IMPROVEMENT PROGRAM (PMG)

Achievement Results 2001 - 2005 (Number of institutions)

Percentage of Achievement	2005		2004		2003		2002		2001	
	N°	Percentage of Participation	N°	Percentage of Participation	N°	Percentage of Participation	N°	Percentage of Participation	N°	Percentage of Participation
90% - 100%	152	85,4%	134	74,9 %	132	75,0 %	139	79,4 %	116	66,3 %
75% - 89%	22	12,4%	35	19,6 %	36	20,5 %	28	16,0 %	29	16,6 %
< 75%	4	2,2%	10	5,5 %	8	4,5 %	8	4,6 %	30	17,1 %
	178	100%	179	100%	176	100%	175	100%	175	100%

END OF PRESENTATION

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