Chapter 3.

Strategic planning and the monitoring and evaluation of public policies in Peru

This chapter focuses on Peru’s national strategic planning and monitoring and evaluation systems. Peru has taken important steps over the last decade to improve the government’s capacity to monitor policy and spending performance. The chapter stresses as key challenges the lack of sufficient information available at regional and local level and the insufficient experience in defining key strategic national indicators, analysing data and using monitoring and evaluation. The chapter closes with a set of recommendations to address these issues.
Introduction

This chapter focuses on Peru’s national strategic planning and monitoring and evaluation systems. The capacity to engage in sound strategic planning, to adjust policy responses to multi-dimensional challenges using robust performance information, and to report to parliament and citizens on progress in solving societal challenges with public-policy interventions implies an ability on the part of the state to identify policy challenges accurately and set a course of action and take decisions to implement them using sound evidence to achieve quantifiable outcomes and results for people. Strong monitoring and evaluation foster transparency and accountability, and provide the public with performance information on the progress that the government is making in pursuing its goals and achieving results for people.

Strategic planning and monitoring and evaluation are key functions of the state in all countries. Normally carried out by centre of government (CoG) institutions, notably the Ministry of Finance and the CoG institution serving the head of government and the Council of Ministers, these functions aim to guide the successful pursuit of the strategic policy priorities of governments.

In Peru, notwithstanding efforts made over the last decade to improve the government’s capacity to monitor policy and spending performance – notably in performance-based budgeting – the Peruvian authorities have identified this area as an important priority:

• the need to define clearer and more measurable strategic objectives that take into account the needs of the population in each region of the country to close gaps in regional performance and improve outcomes for people in those regions

• limitations in monitoring and evaluation is a challenge that needs to be overcome if the government is to be able to measure the performance of its development and decentralisation strategies in a way that will allow it to change course when results are not being achieved satisfactorily.

Evidence suggests that decision-making information is not necessarily the subject of rigorous quality control; data do not appear to be consolidated in an orderly and reliable fashion. This leads to high information costs and to inadequacies in the quality of information, which in turn hinders access to the type of information required to evaluate policy management and results, along with the ability to take timely decisions based on sound evidence. Improving the use of performance information to influence the strategic planning process is particularly important because it enables governments to adjust policies when results are being achieved sub-optimally, when the policy implementation process is behind schedule or when the policy initiative is simply insufficient to resolve the issue at hand. As discussed below, this is particularly important in countries facing acute and persistent regional disparities, as is Peru.

A solid long-term strategic framework whose performance can be measured and shared with the public can increase citizens’ trust and confidence in the state’s institutions. In OECD countries, these frameworks tend to integrate strategic planning and some form of performance-based or results-based budgeting to obtain a coherent picture of whether, and if so how, the government is achieving its strategic policy objectives through its spending decisions and budget execution strategy so that it can adjust policy and service design and delivery to optimise the achievement of targets and results for people on the ground in each region of the country.
Historical context: Creation of a strategic planning system

In Peru, the first attempts at modernising planning capacity occurred in 1962 with the creation of the National Economic and Social Development Planning System and the National Planning Institute. Over the ensuing two decades, this institution led the definition and implementation of important public policies, strategies and development plans of a medium- and long-term nature at the national, sector-based and regional levels.

In 1992, the institute was discontinued with Decree Law 25548 by President Fujimori, who assigned its functions to the Ministry of Economy and Finance (MEF), which integrated them into its own institutional arrangements. During this period, the former Directorate of Multiyear Programming (today the DGIP) was responsible for providing guidelines for setting and monitoring the implementation of multi-year sectorial strategic plans and institutional strategic plans (PESEM/PEI). This framed planning for several years until the publication of Directive 001-2014-CEPLAN and SINAPLAN’s General Directive on Strategic Planning Process.

In 2002, a new wave of reforms was carried out: the then recently-created National Agreement Forum (Acuerdo Nacional, see Chapter 2) identified within the 5th National Policy the importance of strategic planning, foresight and transparent procedures as a national priority. This led to the creation of a national system of institutional strategic planning, with clear setting of sector-based strategic and operational objectives, establishing short-, medium- and long-term goals, along with performance-based budgeting indicators.

In 2008, SINAPLAN (Perú’s National Strategic Planning System) was established along with the National Strategic Planning Centre (CEPLAN) as its governing body (see Chapter 2).

Legal framework

The current Peruvian legal framework for planning is framed by the Political Constitution of 1993. The specific regulation concerning the planning function is codified in the Law on the Creation of SINAPLAN and CEPLAN (Legislative Decree 1088). Under this law, the two main functions of SINAPLAN are to:

1. formulate and disseminate a shared vision of the future of the country in the different levels and sectors of the general government, through the elaboration and update of the National Strategic Development Plan (PEDN in Spanish)

2. regulate the strategic planning process in all public sector entities.

These functions are led and co-ordinated by CEPLAN, which published in 2014 the General Directive on the Strategic Planning Process – SINAPLAN¹ to organise and integrate the planning process in the public administration. This directive is framed by a modern vision of public planning and management as a key element in the development of good governance. Peru considers its main benefit as having articulated an integrated and flexible regulatory framework to guide civil servants in strategic planning; it modernises the strategic planning process by adding the requirement to conduct prospective analysis (foresight analysis) as a core element while presenting a whole-of-government standardised methodology; it also supports capacity building for senior officials in strategic planning.

Performance-based budgeting and multi-year programming were instituted through General Law 28411 on the National Budgeting System and the annual Law of the Public Sector Budget’s Financial Balance. According to Article 16 of the General Law, budget
allocation priorities are developed in accordance with the objectives and priority goals of each sector; thus, it is up to the sector to establish the scale of priorities contained in the proposed budget for each entity. The sectoral policy makers design the budget programmes, which are assigned against a sector target (result) linked to specific competencies if allocated at the subnational level in a territory. The budgetary programmes are identified within the context of the National Strategic Development Plan and its associated final results.

**Institutional planning framework**

The core system and institutions of the planning architecture in Peru are managed in a context in which different actors with different roles interact with each other, sometimes using different methodologies and time frames.

**CEPLAN**

To increase the effectiveness of public policies in reducing inequalities and boosting productivity, which are key strategic priorities for the government of Peru, the CoG needs to be able to offer vision and leadership while actively encouraging and supporting innovation in policy and service design and delivery across the public administration. In Peru, this is especially challenging as the country faces high levels of political and public sector fragmentation. The lack of enforcement of a multi-year National Development Plan affects strategic policy-making capacity as well as the service delivery capacity of the state. In addition, CEPLAN’s relative institutional fragility hinders medium-term policy co-ordination (OECD, 2015c).

As described in Chapter 2, CEPLAN is the body that manages SINAPLAN:

- It is integrated within the Presidency of the Council of Ministers (PCM).
- It formulates the National Strategic Development Plan (PEDN).
- It advises government entities (especially the PCM) and regional and local governments in the definition, monitoring and evaluation of policies and strategic development plans, to ensure coherency with the objectives of the PEDN.
- It also develops methodologies and technical tools to ensure consistency in planning; it works to ensure the harmonious and sustained development of the country and strengthen democratic governance.
- It promotes the professional development and technical training of specialists in strategic planning, forecasting, and in the definition and evaluation of public policies and plans at the three levels of government, including in higher education institutions.
- It carries out the monitoring and evaluation of the government’s strategic management.

However, in practice, although CEPLAN has the technical capacity to undertake research and analysis, it does not have the capacity or political clout to exercise a steering role in SINAPLAN’s activities government-wide.

**Ministry/entity resolution authorities**

The resolution authority is the highest executive or regulatory authority in each public ministry/entity. It has jurisdiction to approve sector strategic plans, in accordance with its governing rules. Two bodies can be cited with explicit responsibility in strategic planning:
1. The Strategic Planning Authority is the unit in each ministry/entity with explicit responsibility for strategic planning. It is the technical body that supports the methodology applicable to the strategic planning process.

2. The Strategic Planning Commission co-ordinates, guides, supports and validates the strategic planning process of the entity, with the technical assistance of the Strategic Planning Authority. The commission is temporary, active only during the preparation of the entity’s strategic planning document. Depending on the type of strategic plan being developed by the entity’s senior management, the commission consists of members from the line agencies in the entity’s portfolio in charge of providing advice and support in developing the strategic plan.

SINAPLAN

The planning process is set out in the above-mentioned Directive 001-2014-CEPLAN on the Strategic Planning Process. This directive is being applied progressively since 2015. The different phases of the planning process include (Figure 3.1):

- **Prospective analysis (foresight/horizon scanning):** a conceptual model is defined in the directive to enable an understanding of the evolution of a sector or territory over a medium-term planning horizon. The environment is analysed to identify trends and other external factors; variables are identified, analysed and prioritised on the basis of which scenarios are built; an analysis of risks and opportunities is carried out. This generates futures scenarios for the PEDN’s vision framed by a medium-term planning horizon. This activity is conducted using different tools:
  - definition of a conceptual model for understanding the sector or territory
  - environmental analysis identifying trends for the time frame of the PEDN and other external factors
  - identification of variables through discussions with experts
  - prioritisation of strategic variables
  - diagnosis of variables and/or analysis of facts, for scenario-building
  - analysis of risks and opportunities: definition of scenarios.

- **Strategic phase:** a central scenario for the PEDN time frame is defined, with the vision, mission, strategic objectives, indicators actions and goals. Furthermore articulation mechanisms are developed at the level of objectives and chain of strategic plans.

- **Institutional phase:** the institutional mission and strategic objectives are determined, together with their corresponding indicators and goals. Additionally, institutional strategic actions are identified, broken down into activities and linked to the public budgeting system.

- **Monitoring phase:** continuous monitoring of the pursuit of strategic objectives is performed through indicators in order to provide feedback to the planning process in order to anticipate risks and delays.
## Types of plans

Plans are the main tools used in strategic planning:

- **Multi-Year Sectorial Strategic Plan (PESEM):** prepared by ministries for each sector under their supervision, using a five-year planning horizon. It is put together during the strategic phase.

- **Concerted Regional Development Plan (PDRC):** prepared by the regional governments, using an eight-year planning horizon. It is put together during the strategic phase, taking into account the PEDN and PESEM objectives and the multi-year macroeconomic framework.

- **Concerted Local Development Plan (PDLC):** prepared by local governments, also using an eight-year planning horizon. It is also put together during the strategic phase, taking into account the PEDN and PESEM objectives and the multi-year macroeconomic framework.

- **Institutional Strategic Plan (PEI):** prepared by each public entity based on the sector and/or regional plan’s objectives, and cascades down from these documents. It is prepared during the institutional phase, using a three-year planning horizon. It develops the entity’s strategic actions to achieve the goals set in the PDRC and/or in the PESEM.

- **Institutional Operational Plan (POI):** also prepared by the public entities during the institutional phase, on an annual basis. It contributes to the management of the entity to achieve its strategic objectives.

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**Source:** CEPLAN, General Directive on Strategic Planning Process – SINAPLAN.
In addition, the directive establishes levels of strategic planning objectives and their corresponding indicators and targets, as shown in Figure 3.4.

**The National Strategic Development Plan**

Approved in 2011 by Supreme Decree 054-2011-PCM, the National Strategic Development Plan (Plan Estratégico de Desarrollo Nacional, PEDN) is the long-term plan
in force that includes national policies to be pursued over the course of the decade. It was conceived as an open and flexible tool, subject to ongoing improvement and updating. The PEDN reflects a participative process involving all levels of government, institutions and stakeholders, including public, online consultation and workshops.

In the context of the update of the PEDN, CEPLAN published a Methodological Guideline for the Update Process of the PEDN, with four specific themes:

1. the consolidation of growth with democracy and social inclusion
2. the alignment of equal rights opportunities and social goals with the Sustainable Development Goals
3. the achievement of economic and social co-operation at the regional and local levels
4. the attainment of an historical encounter with rural Peru.

The updated plan, approved by CEPLAN’s governing body, keeps the six strategic national objectives that have been supplemented with corresponding intermediate target and indicators.

Table 3.1. Six national strategic objectives

<table>
<thead>
<tr>
<th>Pillar</th>
<th>National strategic objective</th>
<th>Lead indicator</th>
<th>Source</th>
<th>Baseline 2016</th>
<th>Target 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Effective exercise of human rights and dignity of persons with social inclusion from the poorest and most vulnerable part of the population.</td>
<td>Human Development Indicator (HDI)</td>
<td>UNDP</td>
<td>0.737 (2013)</td>
<td>0.739</td>
</tr>
<tr>
<td>2</td>
<td>Guaranteeing access to quality services that will allow for the full development of the capacities and rights of the people, under fair and sustainable conditions.</td>
<td>Multi-dimensional Poverty Indicator</td>
<td>UNDP</td>
<td>0.043 (2012)</td>
<td>0.040</td>
</tr>
<tr>
<td>3</td>
<td>Development and consolidation of democratic governance and of strong public institutions.</td>
<td>Government Effectiveness Indicator</td>
<td>World Bank</td>
<td>2.73 (2014)</td>
<td>2.90</td>
</tr>
<tr>
<td>5</td>
<td>Territory knitted and organised in sustainable cities with guaranteed provision of quality infrastructure.</td>
<td>Share in the departmental gross value added (except for Lima) vis-à-vis the total value</td>
<td>INEI</td>
<td>50.84 (2014)</td>
<td>50.71</td>
</tr>
<tr>
<td>6</td>
<td>Efficient, responsible and sustainable use of biological diversity, ensuring adequate environmental quality for a healthy life of the people and a sustainable development of the country.</td>
<td>Environmental Performance Indicator (EPI)</td>
<td>Yale University</td>
<td>45.05 (2012)</td>
<td>46.37</td>
</tr>
</tbody>
</table>


The updated PEDN has not yet been formally approved.

This is generating uncertainty in the strategic alignment among entities that participated in the updating process. CEPLAN was also preparing a progress report on national objectives, to be published in 2016.
National policies

According to Article 4.1 of the Organic Law of the Executive Branch, national policies define the priority objectives, guidelines and main content of public policies, the national standard of compliance in service provision that shall be achieved, and oversight over the development of public and private activities. The national policies constitute the general policy of the government, are designed to align with the general interest of the country, and aim to reflect the diversity of regional and local realities, contributing to the unitary but decentralised organisation of the country.

The formulation of the national policies requires that the government co-ordinate effectively with the regional and local governments, as eventually all levels of government are responsible for their implementation. These policies are approved by supreme decree by the Council of Ministers. From a strategic planning point of view, it is thus crucial that the PEDN align with, and not contradict, the national policies. To this end, the Presidency of the Council of Ministers is preparing general guidelines for the formulation and approval of national policies.

Ministry of Economy and Finance

Sixty per cent of Peru’s national budget is allocated to programming which is required to align with the strategic objectives of the government. The programming, by its nature, may be sector-specific or multi-sector, and is implemented by the institutions of the three levels of government. The MEF proposes methodologies applied by public bodies for the identification, design and implementation of the budget programming as part of the performance-based budget. This requires evidence (diagnostic information) and a link between the services to be delivered and specific outcomes. In the budget process, it makes budget allocations linking the provision of goods and services to the achievement of results.

Performance-based budgeting in Peru

The efficient allocation of fiscal resources is key to implement the reforms proposed in this review. Budgetary restraints pose obstacles to timely and efficient public service delivery, as do the growing demands for results from the citizens. That is why Peru implemented the Reform of the National Budget System (Reforma en el Sistema Nacional de Presupuesto), in 2007. Similar to many OECD countries, the MEF provides only a very general definition of performance-based budgeting as “a strategy of public management which links the allocation of resources and products and measurable results for the benefit of the population” (Ministry of Economy and Finance, n.d. a).

Peru’s strategy for performance-based budgeting is implemented using four instruments: budgetary programmes, initiatives for performance monitoring on the basis of indicators, independent evaluations and incentives to improve management monitoring, defined by the MEF’s General Directorate of Public Budget (DGPP), in co-operation with the other entities of the state (Ministry of Economy and Finance, n.d. a) (see Box 3.1). The country’s strategy to manage financial and budgetary resources more efficiently is presented in the General Law of the National Budget System (Ley General del Sistema Nacional de Presupuesto) No. 28411. Performance-based budgeting is further defined in Chapter 4 of the law, with a special reference to “complementary norms for budgetary management”.2
Table 3.2. Peru’s performance budgeting conceptual framework

<table>
<thead>
<tr>
<th>Concept</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final result (impact)</td>
<td>This is a change in conditions, qualities or characteristics inherent in a population identified in the environment in which it operates or in organisations that serve both the public and private sectors. It corresponds to an objective of national policy.</td>
</tr>
<tr>
<td>Specific result (result)</td>
<td>This is the change that seeks to solve a problem on a target population, which in turn contributes to a final result. The specific result is not an end in itself.</td>
</tr>
<tr>
<td>Product</td>
<td>This is the hinge co-ordination (delivery) of goods and/or services received by the beneficiary population in order to bring about change. The products are the consequence of having carried out, according to the technical specifications, relevant activities to the expected extent and timing.</td>
</tr>
<tr>
<td>Activity</td>
<td>This is an action on a specific and complete list of inputs, which, in conjunction with other activities, guarantees the provision of the product.</td>
</tr>
<tr>
<td>Supply</td>
<td>Goods and services necessary and sufficient to carry out the activity.</td>
</tr>
</tbody>
</table>

Source: Presidency of the Council of Ministers, Government of Peru.

As highlighted in the OECD Multi-Dimensional Review of Peru (OECD, 2015c), “at the central government level, [Peru’s] public investment framework (Sistema Nacional de Inversión Pública), fiscal framework projections and budgeting process are more effective and transparent.” Nevertheless, applying the PpR consistently in order to improve the budgeting process and overcome the traditionally slow nature of budgeting to execute expenditures which benefit the population requires implementing the following commitments, identified by the MEF itself:

- steer support to institutions which sincerely aim to achieve their proposed results
- communicate responsibility in achieving results and products to enable accountability
- produce performance information about results, products and production costs
- use the generated performance information throughout the decision-making process on budget allocation and make this information transparent for institutions and citizens (Ministry of Economy and Finance, n.d. a).

The thorough application of these commitments is reflected in the budget allocation of the past fiscal years. For fiscal year 2015, it was foreseen that 65-70% of public expenditures be implemented using programmes with a performance-based budget focus (Ministry of Development and Social Inclusion, 2014). In 2016, this share is to increase to 80%, according to the co-ordinator of the working group on performance-based budgeting and Multiannual Budget Congress (Andina, 2014).

In order to further improve the budgeting process, the Ministry of Economy and Finance identified certain key issues and developed the following commitments:

- overcoming the traditionally slow nature of traditional budgeting in order to cover expenditures which benefit the population
- establishing institutions which sincerely aim at achieving their proposed results
- achieving results and products which enable accountability
- producing performance information on results, products and the production costs.
- using the generated information throughout the decision-making process on budget allocation and making this information transparent for the institutions and citizens (Ministry of Economy and Finance, n.d. a).
The whole process is encountering difficulties, however, linked to the weak knowledge of strategic planning methodologies, insufficient capacities and co-ordination gaps (OECD, 2014).

Certain elements within Peru’s budget processes reflect medium-term expenditure framework practices. For example, line ministries have the ability to carry over unused funds or appropriations from one year to another, which facilitates multi-year budgeting for discretionary, operational and investment spending. Taking into account Peru’s commitments to strengthen the PpR, Peru’s budgetary practices appear to be more in line with an informed or indirect linkage performance budgeting definition (Box 3.1).

Box 3.1. Performance budgeting: Definition and classifications

There is no one single definition of performance budgeting. It is subject to numerous interpretations and the term is used to describe diverse approaches. It is possible, however, to distinguish three different categories of performance budgeting in accordance with the use of outputs and/or outcomes measures in resource allocation.

The first category can be referred to as presentational – simply that performance measures are presented in budgeting documents or other government documents. In this category performance information is included, at best, as background information only. It does not play a role in decision making on allocations nor is it necessarily intended to do so.

The second grouping is performance informed budgeting. This is a form of budgeting that relates fund allocation to measurable results in the form of outputs and/or outcomes. Resources are related to results in an indirect manner. Indirect linkage implies that results – along with other information – are being actively and systematically used to inform budget decisions. Performance information is very important in the decision-making process but it does not necessarily determine the amount of resources allocated.

The third category is direct performance budgeting. Direct linkage involves the allocation of resources directly and explicitly to units of performance. Appropriations can thus be based on a formula/contract with specific performance or activity indicators. Funding is directly based on results achieved. This form of performance budgeting is used only in specific sectors in a limited number of OECD countries.


Peru’s application of performance budgeting is on the average for the region and, therefore, subject to further development, as shown in Figure 3.5.

International experience shows that the introduction of performance information usually results in greater emphasis on long-term planning and improves public management, as the information helps senior officials to better implement programmes to achieve results. It has also been proven that performance budgeting increases transparency and accountability, by the means of the publication performance reports and results, thus helping to inform the parliament and civil society. Finally, benchmarking also shows a positive impact in the efficient use of fiscal space and resource allocation (OECD, 2007).
Indeed, in OECD countries and beyond, the national budget is seen first and foremost as a key strategic decision-making tool. The Peruvian government is aware that it needs to be comprehensive, covering all government revenue and expenditures, for three levels of government so that the necessary policy trade-offs between options can be made based on hard evidence from the government’s fiscal framework. The budget supplies critical information that constitutes a *sine qua non* condition for implementing strategic decisions rationally. This is in the nature of the strategic tools governments use to affect change. Lacking a modern, responsive, transparent and outcome-focused budget process thus significantly restricts a government’s ability to perform and deliver strategic results to citizens and businesses efficiently and effectively.

OECD experience suggests that the purpose of introducing performance budgeting is to improve policy delivery to citizens by managing the country’s public finances in a way that enables the government to assess whether spending is achieving strategic outcomes. This is the first of Peru’s two objectives in introducing performance budgeting. Performance budgeting strengthens allocative and operational efficiency, multi-year fiscal planning capacity, and transparency and accountability of government. Of course, in practice, the degree to which performance budgeting works relates as much to the stability over time of what is being measured and the results that are supposed to be achieved, along with the degree to which this is cascaded down to operational levels within ministries, as it does to the robustness of the government’s overall performance budgeting framework.

**Interaction between planning bodies**

As seen above, national strategic planning in Peru is conducted from the CoG; in particular, by CEPLAN. However, the MEF is in charge of national budget programming, which uses a multi-year programming horizon (three years) based on the evolution of the economy and financial situation of the country. These two processes are not aligned; formal co-ordination instruments are not as effective as they could be. No mechanisms exist to ensure that CEPLAN’s planning process is informed by, and aligned with, the fiscal sustainability analysis and budget programming carried out by the MEF.
This has been acknowledged by the Peruvian government; it has generated the need to find better mechanisms to ensure an adequate degree of coherence between the PEDN and the multi-year budgetary programming through greater co-ordination between CEPLAN and the MEF on an ongoing basis. In fact, this is not an issue faced solely by Peru, but rather a common challenge that many countries face, and not only in Latin America. The solution requires *inter alia* a high level of co-ordination, exchange of information, alignment of priorities, and a clear delineation of duties and enforcement mechanisms. In addition, the lack of enforcement of the National Strategic Development Plan puts pressure on strategic policy-making and service-delivery capacity.

In Peru, managers of public entities play a key role in this respect, as they are responsible for ensuring, through effective co-ordination, alignment of the goals in their entity’s operative institutional plan with the institutional budget. Both documents need to align with the strategic institutional plan. In fact, the planning process is not a justification for not fulfilling the financial balance rule, meaning that the strategic objectives, risks and opportunities identified in the planning process have to be managed within the framework of the entity’s assigned budget ceiling.

**Peru’s national monitoring and evaluation system**

Independent offices responsible for the monitoring and evaluation (M&E) of government strategy and programming are recognised as international good practice, better than atomising this responsibility across the public administration. However, such offices are not yet universally in place in Latin American countries, as they require a number of pre-requisites and conditions, including good information generation tools and strong technical capacities.

Monitoring activities consist in following up on progress in implementing public policies and programmes, and using this performance information to inform the government, parliament and the public, and to alter course and improve policies and programming when performance is sub-optimal in achieving results. Evaluation means using sometimes complex tools to analyse the final effects and causes of the public interventions. Table 3.3 provides more details on the differences between these two interconnected control activities.

<table>
<thead>
<tr>
<th>Monitoring</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports on progress in achieving the public goals.</td>
<td>Analyses the reasons of the actual results of the public policies.</td>
</tr>
<tr>
<td>Links activities and resources with goals.</td>
<td>Studies the connections between activities and results of a public intervention.</td>
</tr>
<tr>
<td>Translates targets into indicators that provide information to assess progress.</td>
<td>Assesses if the defined strategy is adequate for the desired results.</td>
</tr>
<tr>
<td>Provides systematic and regular feedback to managers on the progress on expected results.</td>
<td>Analyses and explains undesired and indirect results.</td>
</tr>
<tr>
<td>By early detection of obstacles and deviations, provides valuable information for decision making.</td>
<td>Discloses the significant contribution of the public action to cover social needs.</td>
</tr>
</tbody>
</table>

In Peru, the original PEDN had 91 indicators. Many of them generated alignment challenges and were not very representative. In the updated plan, this figure was halved, to 46, of which 6 of them are lead indicators to facilitate monitoring:

- To define the system of monitoring, evaluation and accountability of the PEDN, CEPLAN has developed a methodology, oriented to produce follow-up reports on the achievement of the strategic objectives.
- According to Article 10.16 of Legislative Decree 1088, CEPLAN develops “the monitoring and evaluation of the government’s strategic management, which involves the monitoring and evaluation of plans and policies, target objectives, programmes and priority projects for national development, in co-ordination with the relevant bodies of the system and reports on their progress, obstacles and opportunities and the level of completion of expected outcomes and results to the President of the Republic and the President of the Council of Ministers on a regular basis”.
- This links planning and budget execution, as explained later in this chapter.
- The CEPLAN Directive 001-2014-CEPLAN sets a very important milestone, not only for strategic planning, but for M&E as well. It:
  - Fosters a culture of monitoring and evaluation to be implemented in the entities which make up SINAPLAN, using standardised criteria both internally and externally in accordance with the context and current needs for information, to enable greater levels of transparency in terms of accountability, focusing management toward results and improved decision making.
  - Establishes the coherence of strategic objectives with the national objectives established in the PEDN.
  - Contributes to the development of an effective integrated information system to serve as operational support to the SINAPLAN.

The idea is to carry out continuous monitoring of the strategic objectives using indicators and targets in order to provide feedback to the planning process and to anticipate risks and opportunities. Therefore, the indicators primarily seek to determine if the objectives proposed at the national, sector and territorial levels are being achieved, in the framework of the public value chain.

Table 3.4. Articulation of strategic objectives with indicators and goals

<table>
<thead>
<tr>
<th>National goal</th>
<th>Specific national goal</th>
<th>Sector strategic goal</th>
<th>Regional/local strategic goal</th>
<th>Institutional strategic goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
<td>Target</td>
<td>Sector</td>
<td>Territorial</td>
<td>Institutional</td>
</tr>
</tbody>
</table>

Source: National Strategic Development Plan (PEDN), Peru.

As a result of intermediate measurement results, decisions can be adjusted to optimise the achievement of objectives and goals. Having accurate and timely information can lead to a proper measurement of the reality of policy and programming implementation, and can expose gaps between the plan and actual progress. CEPLAN is currently preparing monitoring guidelines for sectors and regions to establish and standardise follow-up procedures and mechanisms among the SINAPLAN entities. Measurement guideposts could include:
The triple E approach:

- economy, to reduce the cost of resources used for an activity while maintaining quality
- efficiency, to increase the output for a given input or minimise the input of a given output while maintaining quality
- effectiveness, to achieve successfully the intended outcomes of an activity.

Value for money: the optimum combination of whole-life costs and quality to meet the user’s requirement (Jackson, 2012). It can be assessed using the triple E criteria.

FOCEVAL is an intergovernmental strategic partnership that has had a positive effect on raising awareness and promoting a culture of evaluation and transparency as a basis for public policy decision making in Latin America. Promotion and training activities have been conducted at all levels as part of the programme, including in the central government, Congress, civil society, programme and project directors, and public institutions that directly execute planning and M&E. Technical assistance has been provided to produce manuals and specialised training for experts and technicians in specific areas. Key elements of the evaluation system include:

- citizen engagement in the planning and evaluation processes
- coherence and co-ordination between institutions
- increased training and capacitation
- relations between strategic planning and evaluation
- credibility of evaluations
- communication and interaction tools inside National Evaluation System (SINE)
- delimitation of evaluation functions
- capacity of civil servants in evaluation analysis
- technical leadership
- allocation of resources for evaluation
- level of co-operation between key players
- common terminology and methodology
- political will and support
- organisational arrangements for evaluations in the institutions
- institutionalisation of the evaluation in the management cycle
- role of a central co-ordinating institution for planning and evaluation.

**Integrated Information System**

According to Legislative Decree 1088, the Integrated Information System (SII), managed by CEPLAN, integrates all the relevant data and information concerning strategic planning processes; it represents the foundational support of the planning, monitoring and evaluation process. The SII is a pilot that includes three entities of the central government and five regional governments and aims to be a record and
management system of the information from the strategic planning process, enabling the
generation of reports for decision making and permitting the monitoring of the level of
completion of the objectives and goals established in the strategic plans and their
articulation with the PEDN. The SII includes three components:

1. The designed Information System for Management of Strategic Planning
(SIGPLAN), which enables the entities of the public administration to record,
manage and monitor the primary data of the strategic plans oriented toward
completing the PEDN.

2. The upcoming monitoring system of the government’s strategic management
(Government Dashboard) for monitoring the level of completion of the
government’s policy goals.

3. The future Geographical Information System (SIG CEPLAN), which aims to
contribute to the M&E of the indicators of the PEDN and supporting the analysis
of data related to the regional strategic planning.

In relation to the monitoring system of the government’s strategic management,
CEPLAN is working on a three-tier system of indicators:

- indicators at a national scale (national key indicators), already defined, which are linked
to the completion of the national strategic objectives established in the PEDN

- indicators at the sector level, which measure progress in completing the sector strategic
plans

- regional indicators, which aim to measure progress in achieving regional development
objectives.

The monitoring process proposed by CEPLAN is being implemented gradually. Thus
in the evaluation of public policies, monitoring information will be used to assess the
level of completion of strategic objectives and to provide corrective and preventive
recommendations. To date, CEPLAN has been working with most of the sectors to
implement the prospective and strategic study stages and has worked to raise awareness
of these activities in many regional governments. That said, there have not been any
evaluation studies of sector-based or regional development plans carried out. CEPLAN’s
intention is that the evaluation be based on the assessment of the impact and effectiveness
of policy and programming in achieving the national, sector and regional development
objectives as presented in their respective plans.

The information gathered through evaluations will be used to assess the suitability of
the proposed strategic objectives. With regard to interventions through programmes and
projects, evaluations will enable the government to measure and assess the effects and
impacts on the population in addition to enabling an assessment of the programme’s
design, processes, cost-benefit and other relevant aspects as applicable.

**M&E in the budgeting process**

In Peru, as described above, the national budget system is developed by the MEF’s
General Directorate of Public Budget and benefits from contributions from sector budget
units in the ministries and public entities. Budget performance information is collected by
the MEF through the PpR:
Performance information is a powerful tool to enhance accountability, transparency and civil engagement in the implementation of the budget and on fiscal performance in achieving the objectives outlined in the budget.

It is being gradually implemented through the budget programmes, monitoring actions of performance based on indicators, the evaluations and performance incentives, among other instruments determined by the MEF, through the General Directorate of Public Budget, in co-operation with the other state entities.

Monitoring and evaluation conducted by the MEF commenced in 2008 and since 2010 has been incorporated into the Annual Budget Law. Currently it includes the monitoring of budget programmes (mentioned above), the evaluation of budget design and execution, and budget impact evaluations. The 2015 Budget Law establishes that “the fulfilment of signed commitments will be a condition for evaluating an application for resources in the budget formulation stage corresponding to the public sector budget for fiscal year 2016. For applications involving greater levels of resources that are tied to actions subject to performance improvement commitments, these cannot be granted without showing evidence of progress in the completion of such commitments.”

The performance budget is gradually being implemented by the MEF through its General Directorate of Public Budget in co-operation with other state entities. It focuses on the budget itself and monitors performance-based indicators, performance evaluations and performance incentives.

The objectives of these M&E instruments are:

- Monitoring: information about the performance of programmes to inform and use the information in the programming formulation phase. The main outputs are:
  - Monitoring of financial and physical execution: twice a year, based on the information registered in the Integrated System of Financial Administration. It shows the percentage of execution by programme and is sent to parliament and the Comptroller General of the Republic (CGR).
  - Monthly monitoring reports of the financial execution of budget programmes.
  - Annual monitoring of the performance indicators. The number of programmes included in this report has progressively increased.
  - Additionally, the computer software application RESULTA allows interactive access to performance information and the location of any specific indicator. The responsible unit for each programme should ensure the quality of information on indicators sent to the MEF, as well as define baselines and targets, and the cost structure.

- Evaluation: information available concerning the performance of public interventions will be reported and used in decision making on budget allocation. Annual independent evaluation covers 10% of the budget programmes. During 2015, public entities that were the subject of independent evaluations within the framework of performance budgeting had a period of up to five months to determine and validate the performance improvement commitment matrix, as of the date on which the MEF submits its final evaluation report to the relevant entity. The main evaluation instruments are:
  - Evaluation of budget design and execution (EDEP): analysing the logic in the design of a programme and its implementation and performance in terms of
efficiency, effectiveness and quality in the provision of goods and services (Ministry of Economy and Finance, 2015). Since 2008, around 50 EDEPs have been carried out.

Impact evaluation: measuring the final effects of programmes by using complex analysis tools (Ministry of Economy and Finance, n.d. b), including statistical and econometric methodologies to exclude exogenous impacts. To date, six have been completed and nine are ongoing. The General Directorate of Public Budget is implementing two types of impact evaluations:

1. Retrospective, mainly through satisfaction surveys.
2. Prospective, i.e. engaging in a forward-looking evaluation before the implementation or expansion of a public intervention.

The implementation of these independent evaluations and, in particular, the EDEP, is considered by the MEF a success and has led to substantial changes in the context of results-oriented management. The EDEP constitutes a tool to correct existing problems in public interventions throughout the whole process (Jaramillo Baanante and Gracia, 2015).

Performance indicators should be suitable. A constant review of the design and measurement of indicators is carried out in order to comply with the following SSMART characteristics:

- **Simple**: the indicator should be easy to prepare.
- **Specific**: indicates specifically what is measured. Be clear about what, where, when and how they will be measured.
- **Measurable**: able to quantify the desired changes.
- **Appropriate and valid**: they must have the ability to actually measure the phenomenon being measured and not others according to the programme logic.
- **Realistic**: it is possible to measure with the available resources and expertise of the institution in charge.
- **Temporary**: allows advancing the goals reflected within a specified period.

From a performance standpoint, the dimensions should be:

- **Effectiveness**: measures the degree of compliance with the objectives, including coverage, targeting and capacity to meet current demand.
- **Efficiency**: measures the productivity of resources used and the relationship between the output and the inputs used.
- **Quality**: measures the ability of the intervention to respond quickly and directly to the needs of the target population. For this measurement can be used as reference standards for delivery of goods and services. It includes timeliness, accessibility, accuracy and continuity in the delivery of services, and user satisfaction.
- **Economy**: measures the ability to properly manage financial resources.

Figure 3.6 summarises the budget performance indicators process involving the different actors and activities.
Evaluation

Evaluation is the systematic and objective analysis of a public intervention, which requires information concerning the performance indicators to report and to be used in decision making on budget allocation. In Peru, annual independent evaluations fulfil three main goals:

1. learning, as managers may improve performance by using the data on design and implementation
2. feedback, to back the allocation decision in the budget formulation process
3. transparency, as they are publicly available to citizens.

Medium-term fiscal framework

In 2013, Peru approved a new macro-fiscal framework incorporating medium-term fiscal objectives and introducing counter cyclicality into the budget planning process by focusing on the structural balance. As mentioned in Chapter 2, the 2016-18 budget (Documento Marco Macroeconómico Multianual) was approved in August 2015. This multi-year approach is referential and is adjusted annually. In addition, fiscal transparency has been enhanced by frequent and efficient fiscal reporting. According to Shack (2008), medium-term fiscal frameworks aim at extending the planning horizon of public policies beyond the annual budget cycle but without the characteristic deficiencies of medium-term development plans. This is a major budgetary reform that is being implemented by many OECD countries. The majority of Latin American countries have only adopted it in the last 10-15 years, to complement the classical fiscal rules.

In the presence of sizeable increases in revenue windfall in Chile, Colombia, Mexico and Peru, the introduction of medium-term fiscal and expenditure frameworks created the
necessary budget discipline to manage expenditure in an anti-cyclical manner. In the case of Peru, public entities try to improve the link between the budgeting and strategic planning processes, in particular at the institutional level. However, co-ordination between CEPLAN and the General Directorate of the Public Budget remains weak.

Figure 3.7. **Indicators by level of objective**

![Diagram of indicators by level of objective](image)

*Source: Ministry of Economy and Finance.*

In sum, while all entities make the effort to improve the link between budgeting and strategic planning, in particular at the institutional level, co-ordination between CEPLAN and the MEF’s General Directorate of the Public Budget remains weak; the PEDN and the MEF’s multi-year fiscal framework, and their M&E processes, have yet to be meaningfully linked. Performance information on national spending under the budget programmes is not used to inform the PEDN or successive iterations of the transparency and accountability framework, thus underscoring their ultimately limited utility for the government, the Congress and citizens.

**Other key actors in the M&E process**

**The Comptroller General of the Republic**

The Comptroller General of the Republic (CGR) was created in 1929. In Peru, the framework governing the public control system is established in the Constitution: external control institutions are completely independent from the government. According to Article 82 of the Constitution, the CGR is a decentralised and autonomous public entity. It is the superior body of the national control system, supervising the legality of the execution of the budget and the public actions. The CGR also directs and oversees the public audit system, in order to strengthen public management and the transparency and accountability of the administration.
The CGR is further regulated by Organic Law 27785 of the national control system of 2002 with respect to its scope, organisation, competencies and functioning to ensure a correct, efficient and transparent use of public resources; the honest behaviour of the authorities and civil servants; and compliance with the goals established to pursue the general interest of the nation. In addition, according to its webpage, its mission is to promote effective and modern management of public resources to the benefit of citizens. It develops these functions according to the principles of honesty, justice and prudence. The CGR has also focused on increasing public transparency. Its work in this field has been useful to develop transparency tools such as online platforms.

The Comptroller General is appointed by Congress, on proposal of the executive branch, for a period of seven years. Regional and local governments are also subject to the control of the CGR, which has organised a permanent and decentralised control system. Its role has evolved from strict administrative legal posterior control to management audit (strategic, management and operational processes).

**Ministries’ responsibility in M&E in budget planning**

Ministries’ functions include “responsibility for formulating, co-ordinating, implementing, executing, supervising and assessing national and sector policy under its competence at all levels of government” (Article 23 of Organic Law 29158 of the Executive Branch). However, this provision has not yet been fully implemented in each ministry.

External oversight and audit help to ensure that the strategic vision and its implementation stay on track and that the CoG – together with the other relevant actors – remains accountable for progress, and can be challenged if progress is lacking. In OECD countries, courts and administrative tribunals also usually provide valuable independent perspectives on the efficiency and effectiveness of government policies.

Co-ordination issues frequently arise in many countries regarding control activities. The objective is to co-operate to avoid duplication and overlap in audit and evaluation exercises. A good benchmark in the Latin American region is the Mexican case (Box 3.2).

**Recent developments: Unified System of M&E in Government (SURE)**

SURE is the proposed integrated system in Peru consisting of a set of principles, rules, procedures and instruments to organise the M&E activities within the framework of the performance budget reform. The system aims to ensure the effectiveness of the M&E policy in order to register, assess, evaluate and manage performance evidence to be able to correct course to achieve the expected outputs and outcomes that have been prioritised by the government and are mandatory for all public entities of the three levels of government.

- To this end, a proposal was made to produce guidelines for a strategic axis of monitoring to define the value chains of the main policy objectives and their link to the budget programmes, criteria for the definition of goals and national indicators, mechanisms to correct inadequate trends, and monitoring tools.
- In parallel, guidelines for the evaluation axis would include a definition of the objective of the evaluation and analysis, planning the evaluation accordingly, analysing the main components, defining the evaluation tools, and identifying the baselines and main gaps.
A specific unit in the CoG would be in charge of managing the SURE system, with adequate sector and territorial co-ordination (stocktakes) across the planning system, respecting the functions of the existing actors in defining the goals and indicators within the framework of their sector/region, and producing information relevant to M&E in the performance budget. The evidence obtained from the M&E activities would be reflected in technical notes, proposals and action plans, to contribute to correcting deficiencies and improving the public provision of goods and services.

Box 3.2. Mexico’s control system and it recent reform

In Mexico, a significant number of control institutions within the public administration exercised internal and external audits: the Public Service Secretary, the internal control bodies of the federal administration, the Auditor General’s Office, the Supreme Federation Audit Office, the supreme local audit offices and the internal audit units of the independent constitutional bodies.

However, insufficient co-ordination between these institutions resulted in sub-standard performance. The Auditor General’s Office confirmed that the opacity and corruption in public resource management had not been curbed due to the atomisation and disparity in efforts on the part of the different audit institutions at the three levels of government. The diagnosis was clear: Mexico had proper audit institutions but due to a lack of co-ordination and a wide range of methodologies, results were not as expected. Key challenges were: 1) disengagement between institutions; 2) different legal frameworks and roles; 3) the level of independence; 4) technical aspects regarding the planning of the audits, the methodologies and the different deadlines to present the results.

In 2010, Mexico launched a reform called the “National Auditing System” (Sistema Nacional de Fiscalización, SNF). The reform examined in detail the public management and use of public resources within the control system. The reform was framed by a set of interrelated principles and activities to establish effective co-ordination between all institutions exercising auditing and control functions in Mexico. The key outcomes sought by the reform are:

- eliminate overlaps, omissions and contradictions
- boost the effectiveness and broaden the scope of performance evaluations.

The implementation of the National Auditing System seeks to provide certainty to those public entities being audited and to guarantee to citizens that the evaluation of the management of public resources is exercised in a more organised, systemic and comprehensive way. The plan to implement the National Auditing System has six strategic objectives, as outlined below.

**Implementation Plan for the National Auditing System**

**Objective 1: To define standards for the audit planning, execution and reports**

- To define a common regulation to develop the audits at all levels of government, in line with international rules.
- To revise the internal control process through appropriate patterns, highlighting the importance of prevention and early detection of irregularities.

**Objective 2: Personnel trainee**

- Establish trainee programmes covering all the fiscal institutions and peer reviews, with the aim of improving the professional quality of the public auditors.
- The trainee programme will be based on the areas in which the members of the National Auditing System are most interested.
Box 3.2. Mexico’s control system and its recent reform (continued)

**Objective 3: Exchange of information and joint work**

- Identify common areas to exercise joint audits or co-ordinated audits between institutions. Use this information to define annual programmes of audits involving all audit institutions.
- Promote internal control in the entities audited, through technical assistance and institutional support.
- A peer review plan to exchange experiences and best practices between the audit institutions should be part of the system.

**Objective 4: Changes to the legal framework related to audit**

- Conduct a survey to identify the necessary changes to the legal framework from the point of view of the members of the system.
- Amend laws and regulations in order to encourage continuous improvements in the performance of supreme fiscal audit offices and internal control offices.
- Make a new law on the National Auditing System to make the implementation of principles, methodologies and audit regulation binding.

**Objective 5: Boosting the achievements of the fight against corruption**

- Define and approve a common framework with general criteria for prevention, detection, deterrence and punishment regarding corruption behaviours.
- Promote public management transparency and evaluation, incorporating best practices.

**Objective 6: Strengthen the role of audit institutions in defining public employees’ responsibilities**

- Define effective disciplinary mechanisms, taking into account the disciplinary competences of each member audit institution of the system.
- Lay down common guidelines about the disciplinary proceedings.

The Mexican reforms are in their early implementation phase. It is still too early to assess the results. However, a strategy to monitor their impact has been designed in order to evaluate the results achieved.

*Notes:*
1. In Spanish, Auditoría Superior de la Federación. 2. On 17 February 2010, during the presentation of the Auditing Results of the Public Accounts for 2008 in the parliament, the Auditor General’s Office mentioned for the first time the need to set up a National Auditing System. Later, due to the importance of the implementation of a National Auditing System in Mexico, the Auditor General’s Office included that target in the Strategic Plan for 2011-17.

*Source: OECD (2013a), Colombia: Implementing Good Governance, [http://dx.doi.org/10.1787/9789264202177-en](http://dx.doi.org/10.1787/9789264202177-en).*

This system may help optimise the resource allocation of the budget process in accordance with government priorities. However, to achieve this goal, the link between the budget and the national strategic plan needs to be clearly sustained by integrating CEPLAN’s activities into the whole MEF process at all stages; this is not an obvious conclusion of the SURE report.
Planning and M&E capacities at sub-national level

The decentralisation process has not been successfully completed in Peru (see Chapter 4). Co-ordination problems with the central government, weak subnational institutions, political fragility and an inefficient allocation of resources have reduced the effectiveness of the decentralisation process. The current decentralisation framework was initiated in 2002 with constitutional reforms aimed at increasing the fiscal resources and the political power of regional and local governments. However, as shown in Figure 3.8, it has not succeeded in reducing regional disparities.

Figure 3.8. Regional income disparities in Peru
Gini Index of inequality of GDP per capita, 2012 or latest available data


Given the limited institutional capacity in subnational institutions, better co-ordination with the central government is needed to improve the effectiveness of regional public expenditures in achieving policy outcomes and results for citizens. The fiscal transfer system lacks the co-ordination between different levels of government that is needed for efficient resource allocation. In practice, a discretionary framework at the vertical level defines the subnational allocation of resources.

Subnational authorities require effective support from the central government to improve the efficiency of expenditures from regional transfers. Furthermore, fiscal transfers are not accompanied by a clear definition of the responsibilities of the different levels of government and the political and strategic goals they are to pursue with the transfers.

The institutional framework governing decentralisation lacks internal controls and checks and balances on decisions taken by mayors. Weakness not only in capacity issues at the regional level to generate robust regional performance data on policy and service being executed regionally, but also in the planning of public policies by the political and administrative level actors, limits the efficiency of subnational expenditures, particularly those at the provincial level. This affects the planning and prioritisation of policies at the subnational level. This is described in detail in Chapter 4, as well as in the OECD Territorial Review of Peru (OECD, 2016).
Assessment

**OECD Principles of Performance Management**

International experience suggests that strategic planning works better when it is built on clear objectives, quality data and a culture of continuous improvement. If indicators are not complemented with in-depth qualitative analysis or are imprecise, there is a risk that an exclusive focus on “what is measurable” leads to the non-measurement of other important performance objectives. The OECD has developed guidance to support governments to put in place a successful central management system (Box 3.3).

<table>
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<th>Box 3.3. OECD Principles of Performance Management: From setting objectives to measuring results: A seven-step process</th>
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</table>
| Performance measurement and evaluation need to be integrated into all major policy initiatives both *ex ante* and *ex post*. These tools are critical to evaluate policies so as to identify successes and failures, and to improve policies accordingly. The process of performance measurement includes the definition of concrete and measurable objectives and an evaluation of whether they have been achieved. It helps to ensure that strategies inform daily decision making, to enhance accountability and credibility, and to communicate progress. Performance measurements work best if they build on clear objectives, good-quality data, and are embedded in a culture of constant learning and improvement.

There are risks, however. If measurements are not complemented with more in-depth qualitative analysis these indicators lead to a situation in which reward is given to programming that is not achieving its intended result, or is achieving perverse outcomes. Moreover, an exclusive focus on “what is measurable” leads to the discounting or non-measurement of other important performance objectives.

The OECD has developed a seven-step methodology to help policy makers set objectives for their policies and assess whether they have been achieved. Figure 3.9 provides a concrete illustration of the application of the seven-step method to a policy on strengthening the enforcement of traffic regulation to reduce traffic causalities.

**Step 1: Establish priority policies**

For indicators to provide valuable information, they must be properly rooted in policy itself. At the same time, it is unrealistic, and perhaps undesirable, to link indicators to all policy initiatives. Thus, policies need to be prioritised according to their ability to help government meet its strategic objectives. A priority policy should be articulated as a consistent course of action expressed as a causal and concrete statement (see Figure 3.9).

**Step 2: Define the targets**

A target is a concrete goal that states the degree or level of achievement expected with respect to its associated priority policy. Targets are most directly linked to results indicators, and the degree or level of achievement that a target measures can be based on a variety of comparative parameters, depending on the base comparator and the results being sought.

**Step 3: Identify key activities**

An activity is a specific programme, initiative or project that clearly supports reaching a target. Activities must be systematically and clearly linked to targets and should be expressed as action verbs. Thus, “train”, “implement” and “build” all work well to lead an “activity statement” but “improve”, “strengthen” or “enhance” for example, do not.
Box 3.3. OECD Principles of Performance Management: From setting objectives to measuring results: A seven-step process (continued)

Step 4: Build output indicators

An output indicator measures progress with an activity, and thus these two components should be clearly linked. A well-constructed output indicator is measurable. Thus, it must be quantitative (i.e. expressed in physical or monetary units) and time bound (i.e. limited to the lifetime of the corresponding activity). One key question to ask when establishing an output indicator is what will be produced by the activity being measured?

Step 5: Build results indicators

A results indicator measures the results of activities in terms of their contribution to corresponding targets. Thus, they are closely associated with targets.

Step 6: Identify the desired impact

An impact indicator sets a longer term perspective and provides insights on the effect that one or more key activities have on the priority policy, and ultimately on the strategic objective. Impact indicators are particularly difficult to develop because attribution or causality is hard to establish – i.e. making a direct and complete link between the activity’s impact and policy objective can be difficult. This is because other factors, often not within the control of government, may be involved with meeting a strategic or policy objective. Thus, it may be more rewarding and appropriate to identify desired impact – the desired impact of an activity on a priority policy, and more fundamentally the desired impact of a priority policy on a strategic objective. Such a conversation can: 1) help focus policy thinking by providing a framework or an orientation within which other decisions can be taken; 2) inspire extended institutional and individual effort.

Step 7: Identify appropriate qualitative research methods

There are many approaches to determining the effectiveness of activities and/or priority policies. Output, result and impact indicators may signal problems and trigger governments to “dig deeper” to find the causes of the problem and identify the appropriate actions. Qualitative research methods can add value to the indicators and an understanding of policy effectiveness. Such research methods can include case studies, focus groups, interviews and reviews (e.g. OECD peer reviews).

![Illustration of the seven-step methodology](http://dx.doi.org/10.1787/9789264193543-en)
Another element to take into account is the distinction between policy or spending outputs and outcomes. Outcomes differ from outputs in that they focus on achieving the intended impact of policies. It is common that the evaluation of a policy or a spending decision focuses on the output rather than on actually measuring the ultimate impact of the public policy or spending decision over the short, medium and long term. Indeed, measuring performance against strategic outcomes implies a multi-year perspective. Moreover, a whole-of-government approach is needed to measure outcomes, as they are frequently multi-dimensional, crossing administrative boundaries and involving more than one administrative entity or ministry in their identification and definition. Some examples of public policy outcomes are: quality of life, satisfaction with goods and services provided, policy fairness, the rule of law, or the benefits of citizenship. The interaction between different elements in a performance measurement framework is outlined in Figure 3.10.

Figure 3.10. Performance measurement framework

Contextual information: Political; legal/administrative; cultural; socio-economic, etc.

Inputs
- Revenues
- Expenditures
- Public employment and compensations

Processes
- Budgeting
- Open government
- Human resources management
- Integrity
- Regulation

Outputs
- Education
- Health
- Tax administration
- Justice

Outcomes
- Rule of law
- Fiscal sustainability
- Trust in government institutions
- Fairness
- Service quality
- Quality of life

Inputs - Revenues
- Expenditures
- Public employment and compensations

Processes
- Budgeting
- Open government
- Human resources management
- Integrity
- Regulation

Outputs
- Education
- Health
- Tax administration
- Justice

Outcomes
- Rule of law
- Fiscal sustainability
- Trust in government institutions
- Fairness
- Service quality
- Quality of life


Strategic foresight in OECD countries

Long-term scanning and foresight provide governments with the information needed to achieve strategic insight, incorporating future concerns and contexts into medium-term strategic planning. From these efforts, governments can be in a better position to articulate a strategic vision for the country and for the government’s plans to implement such a strategic plan – based on available information and input from citizens, businesses and civil society, and aware of future opportunities and risks.

A strategic vision is the expression of a government’s desired or intended future for the country. In a context of less and less predictability and greater complexity in identifying future challenges and priorities properly, governments need to engage in long-term visioning with an increasing multiplicity of internal and external actors if medium-term strategic planning is to reflect emerging trends, challenges and opportunities effectively. Strategic foresight helps governments look ahead to identify future risks and opportunities as a means of prioritising and focusing government policies over the medium term. Indeed, many OECD countries undertake strategic foresight activities.
Table 3.5. Examples of foresight programmes

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Australia has recently begun to use government foresight systematically. The Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia’s national science agency, has a dedicated team (CSIRO Futures) working on foresight in energy, transport and other fields. It produces “Our Future World” updates every two years on global megatrends. Multiple other departments do some foresight work. Every five years the Treasury department produces a report on long-term issues (40-year forecast) to help short-run decision making. The establishment of the Strategic Policy Network with representatives from every department, led by the Department of the Prime Minister and Cabinet, may impact foresight use for strategic policy.</td>
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<td>Canada</td>
<td>Multiple government departments have used foresight, and this has increased in the last few years with the creation of Policy Horizons Canada (PHC), a centralised agency for doing foresight work and building foresight capacity in government. The PHC is directed by a high-level steering committee of deputy ministers and reports to the Privy Council. Parts of the Department of National Defence, including the Directorate of Future Security Analysis, use foresight for capabilities and personnel planning, primarily for internal audiences. Multiple other departments pursue some foresight work on economic, social and technological issues within their policy departments.</td>
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<td>Finland</td>
<td>Foresight is well-integrated into Finnish policy planning. The Government Foresight Report, prepared through wide consultation by the Prime Minister’s Office, is prepared at the start of the mandate for a new incoming government. During the mandate, the Government Foresight Network develops a report on the Finnish policy-making environment and each ministry has dedicated staff to develop Ministries Futures Reviews. The Finnish parliament’s also has a Committee for the Future to pursue and review foresight work.</td>
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<tr>
<td>France</td>
<td>France has, together with Finland, the longest-established foresight programme in Europe, with policy-focused foresight services in almost every department. The Centre d’analyse stratégique works directly under the Prime Minister to advise on policy formulation and implementation. The Senate has a delegation dedicated to foresight to reflect on socio-economic transformations through scenario-building. The French Ministry of Defence has a Délegation aux affaires stratégiques which carries out regular analyses of long-term international geostrategic issues.</td>
</tr>
<tr>
<td>Germany</td>
<td>Over the last 20 years, Germany has developed a decentralised mix of foresight projects in departments at federal and Länder levels. The Federal Ministry of Education and Research (BMBF) is the main government agency involved in foresight, including through its “Futur” project on research planning. At both the national and regional levels, particularly in Bavaria and Baden-Württemberg, foresight projects (both internal to government and by external agencies) study a wide range of technological, industrial and social science issues.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Government foresight in the United Kingdom is dominated by the UK Foresight Office, a central agency of government that reports directly to Cabinet, and is headed by the Chief Scientific Advisor. It was originally dedicated to technology and industry but now has a broader thematic mandate to look at challenges for the future, pursuing major foresight projects, horizon scanning and training activities across government. Separately, the Development, Concepts and Doctrine Centre (DCDC) and the UK Defence Science and Technology Laboratory (DSTL) do foresight and horizon scanning for the Ministry of Defence.</td>
</tr>
<tr>
<td>United States</td>
<td>Well-established, but decentralised, foresight programmes are scattered throughout the US government. Many agencies (state, the Federal Emergency Management Agency, Defense, Treasury, Energy, Office of Management and Budget and especially the Government Accountability Office) have strategic planning capacities that use foresight to varying degrees. The National Intelligence Council produces major Global Trends Reports every four years. As the world’s foremost producer and user of foresight work in the last half century, the US military has an array of strategic planning and intelligence organisations, in which foresight work is well entrenched to inform planning.</td>
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In Peru as in other countries, the central government needs to be able to tackle the more complex policy challenges of the future with the contribution of as broad a range of expertise as possible, including with buy-in from the subnational level. It therefore needs to consult genuinely with municipal and regional public authorities and their local civil society representatives, and encourage their participation in the selection of foresight topics and in generating results from foresight activity. For instance, Australia held a summit in 2008 that brought together a wide range of individuals from different national, regional and local backgrounds, and with different expertise and experience to brainstorm the long-term challenges affecting the country’s future (Box 3.4).
Box 3.4. The Australia 2020 Summit

In April 2008, the Australian government convened the Australia 2020 Summit to foster a national conversation on Australia’s long-term future. The summit aimed to harness the best ideas for building a modern Australia ready for the challenges of the 21st century. The summit brought together 1,000 participants – “some of the best and brightest brains from across the country” – to think about long-term challenges confronting Australia’s future, requiring responses at a national level beyond the usual electoral cycle period.

The summit, held in Canberra, the nation’s capital, generated more than 900 ideas over two days. Participants debated and developed long-term options for Australia across ten critical areas:

1. the productivity agenda – education, skills, training, science and innovation
2. the future of the Australian economy
3. population, sustainability, climate change and water
4. future directions for rural industries and rural communities
5. a long-term national health strategy – including the challenges of preventative health, workforce planning and the ageing population
6. strengthening communities, supporting families and social inclusion
7. options for the future of Aboriginal and Torres Strait Islanders
8. towards a creative Australia: the future of the arts, film and design
9. the future of Australian governance, renewed democracy, a more open government (including the role of the media), the structure of the federation and the rights and responsibilities of citizens
10. Australia’s future security and prosperity in a rapidly changing region and world.

The summit had the following objectives:
• to harness the best ideas across the nation
• to apply those ideas to the ten core challenges for Australia identified by the government
• to secure the long-term future of Australia through 2020
• to provide a forum for free and open public debate in which there were no pre-determined “right” or “wrong” answers
• to produce options for consideration by the government for each of the summit’s ten areas following the meeting
• to allow the Australian government to produce a public response to these options with a view to shaping the nation’s long-term direction from 2009 and beyond.

The Department of the Prime Minister and Cabinet provided the secretariat for the summit and was responsible for co-ordinating the development of the summit report and the Australian government’s response to the summit, as well as the implementation of forthcoming policies and programmes.

Although Peru has established a ten-year planning horizon for its medium-term National Strategic Development Plan, CEPLAN has identified time horizons of 2030 and 2050 for its long-term vision. This initiative is still being developed in open consultation with stakeholders (citizens, sectors and regional governments), seeking their views on a vision for 2050; the government does not yet use long-term foresight to assure the strategic objectives articulated in the PEDN.

The government of Peru could therefore consider building on its current strategic planning instruments to identify emerging policy challenges and long-term trends to enable it to define long-term strategic objectives which could be used to inform the PEDN.

Poland’s experience in embedding the results of long-term strategic forecasting into medium-term planning might be instructive here (OECD, 2013d). In 2004, Poland’s accession to the European Union not only generated new opportunities for its social and economic development, but obliged its governments to meet a number of membership-driven conditions. One initial basic governance condition was the requirement to implement efficient strategic management mechanisms to apply EU policies successfully (and absorb the considerable amounts of EU funding the policies deliver). Accordingly, an initial key challenge facing Poland’s central government was the design and adoption of legal, institutional and organisational arrangements enabling the harmonisation of its national social and economic development policy framework with the policy and administrative requirements of the EU’s Cohesion Policy.

In 2006, the government of Poland initiated the development of a strategic whole-of-government development management framework. The first step was the adoption of the Act on Development Policy (2006), which established a government responsibility centre to shape and co-ordinate Poland’s development agenda. This legislation used a set of interconnected action plans to sustain permanent and balanced national development along with regional and spatial socio-economic cohesion, all the while enhancing competitiveness and stimulating job creation nationwide, regionally and locally.

During the lead-up to preparing the development management framework, the government conducted a review of its stock of development strategies, programmes and plans. It determined that between 1989 and 2006, the Council of Ministers had adopted no fewer than 406 national strategies, all with different formal status, rank, co-ordination mechanisms and degrees of implementation. The government concluded that 140 were already useless; a further 146 had ceased to be binding owing to the expiry of their programming periods; while only the remaining 120 were still relevant. Hence, in November 2009, Poland’s Council of Ministers passed the Development Strategy Rearrangement Plan, updated in April 2011, as a means to reduce the number – and rearrange the importance – of binding strategies. Since 2010, only strategic initiatives compatible with the new system have been developed by ministries and agencies and approved by the Council of Ministers.

In compliance with Poland’s development management framework, development policy is now executed by the Council of Ministers as well as by subnational governments at the voivodship level (equivalent to Peru’s departamentos) and local levels. The development management framework broke from the narrow, sector-based approach of traditional strategies by identifying interrelationships between various policy issues and focusing on enhancing policy integration as a means to build synergies between strategic plans to optimise the achievement of integrated development policy.
outcomes. Table 3.6 presents the three basic categories of strategic initiatives developed within the development management framework.

The key national, long-term development strategy for the country is articulated in *Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy*. This strategy identifies key domestic and international challenges that are affecting Poland’s development. It then presents a comprehensive long-term vision for Poland’s national social and economic development that takes into account the country’s social, economic, environmental, territorial and institutional dimensions.

How the government intends to implement this long-term vision is presented in its key medium-term strategic framework entitled the Medium-Term National Development Strategy 2020, using a ten-year time horizon. This medium-term implementation framework integrates the European Union’s policy objectives under its Europe 2020 strategy for growth, and identifies the fundamental policy drivers, objectives and directions for national development. It focuses on achieving an effective and efficient state, a more competitive economy and greater social and territorial cohesion:

- National Development Strategy objectives are implemented through a series of nine theme-based, multi-dimensional medium-term strategies (e.g. on innovation; the national transportation system; environmental sustainability; labour force development, education and training; etc.)
- designing and implementing each theme-based strategy requires extensive, close, ongoing collaboration between different ministries whose mandates, policy tools and programming resources relate to the theme
- this co-ordination across administrative silos is assured by the lead ministry responsible for the strategic theme
- strategies are implemented under the oversight of the Council of Ministers or a dedicated committee of the council established for this purpose.

Peru is pursuing improvements to its strategic planning and M&E instruments. This presents an important opportunity to strengthen strategic planning as a key policy instrument to set priorities, allocate resources, and set measurable goals and objectives, taking as a starting point clear and relevant baselines.

As stated in Chapter 2, whole-of-government policy co-ordination led by the centre of government could be strengthened significantly. This general statement is also fully applicable to strategic planning activities. This is particularly valid for the interaction between CEPLAN and the Director General of the National Budget. Indeed, separation and lack of common vision between these two key bodies is recognised by the authorities, and needs to be addressed. The PEDN is conceived using a planning horizon of a decade, but financial resources for its implementation are not secured or integrated into the plan, as budgetary programming is a parallel process led by the MEF using a much shorter time period: three years. In addition, CEPLAN’s and the MEF’s M&E systems do not appear to be linked. Peru could hence also enhance the use of financial performance information in strategy setting and implementation, and policy performance information in budget formulation and execution, ensuring that this information is integrated simultaneously into the PEDN and budget formulation, execution and update processes.
Table 3.6. Profiles of strategic initiatives in Poland’s strategic development management framework

<table>
<thead>
<tr>
<th>Category</th>
<th>Time horizon</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term national development strategy entitled: Poland 2030. The Third Wave of Modernity. A Long-term National Development Strategy</td>
<td>15-year (long-term) implementation perspective – a horizontal, comprehensive strategic framework</td>
<td>Specifies the main trends and challenges that arise from the internal development of Poland as well as changes in its external environment. Includes a comprehensive idea of national social and economic development viewed from a long-term perspective in consideration of its social, economic, environmental, territorial and institutional dimensions.</td>
</tr>
<tr>
<td>National Spatial Development Concept</td>
<td>20-year perspective (long-term)</td>
<td>The most important document dealing with Poland’s spatial management. Its strategic objective is to use the available space effectively in consideration of its differentiated development potential in order to improve: competitiveness; the employment rate; effectiveness of the state; social, economic and spatial cohesion in a long-term perspective.</td>
</tr>
<tr>
<td>National Spatial Development Plan</td>
<td>In accordance with the National Land-Use Development Perspective</td>
<td>An operational plan of spatial development formulated in accordance with the National Spatial Development Concept.</td>
</tr>
<tr>
<td>Medium-Term National Development Strategy</td>
<td>Four- to ten-year development perspective – a horizontal and comprehensive document, includes provisions of the Long-Term National Development Strategy</td>
<td>Specifies the fundamental determinants, objectives and directions for national development along the social, economic, regional and land-use dimensions implemented via the development strategies with the aid of development programmes. The medium-term perspective permits the formulation of more specific objectives as well as tools for their implementation.</td>
</tr>
<tr>
<td>National Strategic Reference Framework (National Cohesion Strategy)</td>
<td>Corresponds to the EU programming period (medium-term)</td>
<td>Determines development activities to be undertaken in order to achieve strategic objectives of European Cohesion Policy. It is a guideline for using Structural Funds and the Cohesion Fund and provides framework for the preparation of operational programmes.</td>
</tr>
<tr>
<td>Operational programmes</td>
<td>Implementation of the EU Cohesion Policy</td>
<td>Developed and implemented at national and regional level in order to utilise the EU Structural Funds and the Cohesion Fund. Operational programmes achieve the objectives set by the National Cohesion Strategy and development strategies. Operational programmes include: – national operational programmes – regional operational programmes.</td>
</tr>
<tr>
<td>Programmes</td>
<td>Pursuant to national legislation</td>
<td>Operational documents for the development strategies, including: – multi-year programmes – voivodship programmes.</td>
</tr>
</tbody>
</table>


There is also a need to reinforce the links between the PEDN and planning at the regional and local levels. Coherence and alignment of objectives in strategic and operational plans need to be ensured at all levels. It is also important to generate proper robust regional performance data and use them to target resources to improve outcomes on the ground, in particular in the poorest regions and communities of the country.
Peru also displays limited capacity for strategic foresight to improve evidenced-based decision making. Efforts have been made with the update of the PEDN; 2016 and 2021 objectives are still pending approval. But strategic foresight refers to the long term (exceeding ten years), including planning scenarios based on horizon scanning. CEPLAN aims to finalise its public consultation soon and develop a country vision to 2030 and 2050.

In the area of M&E, despite progress made and notwithstanding upcoming improvements, there is a consensus among senior officials and observers of the need to improve significantly the culture of evaluation in the public administration, as well as of M&E methodologies, dissemination and training, as highlighted above. Some of the weaknesses identified by the authorities are:

- poor record keeping and quality of information in the public entities
- lack of experience in defining long-standing national key indicators and analysing data
- insufficient information available, and limited M&E capacity, at the regional and local levels
- insufficient timeliness in receiving information and feedback
- reactive approaches, passive corrective actions only driven by regulatory requirements
- weak effective co-ordination, both vertical and horizontal, among entities in the public administration at all levels
- insufficient technical capacities and M&E tools.

An interesting example of a comprehensive, integrated, government-wide evaluation tool is the government of Colombia’s SINERGIA. For over 20 years Colombia has been developing information management tools to implement performance-based budgeting. The genesis of performance management in Colombia is its 1991 Constitution, which established the obligation to monitor and evaluate public policies. To fulfil this mandate, the government developed SINERGIA (Box 3.5), a set of M&E tools (the National System of Public Management Results Evaluation).

**Box 3.5. Colombia’s SINERGIA**

Colombia has developed and refined a comprehensive system of information to monitor and evaluate the country is reaching its main goals. This system, inspired by international experiences such as the Delivery Unit in the United Kingdom and the White House Dashboards, has allowed the country to discuss its priorities as well as identify its biggest challenges. Through this system, Colombia has integrated all of the information from the different entities and sectors, with diverse indicators, clear guidelines and targets. Through a complete set of indicators it has developed user-friendly dashboards and traffic lights to display the information.

The Colombian Constitution requires that all public policies be monitored and evaluated, and SINERGIA is the national system responsible for doing so. SINERGIA is led by the Direction of Public Policy Evaluation within the National Planning Department and the Presidency of the Republic. It must be implemented by all subnational governments, with the aim of aligning municipal and departmental policy interventions and investment agendas with those of the National Development Plan (this monitoring component is called SINERGIA TERRITORIAL). SINERGIA measures the progress and goals of the projects included in the National Development Plan through three main tools.
Box 3.5. Colombia’s SINERGIA (continued)

1. SISMEG (monitoring): a set of performance indicators which measures policy outputs and outcomes as identified by the National Development Plan. It is built following a pyramidal structure with three main levels: strategic, sector and management. Strategic indicators are at the top and are related to the main government pillars as stated in the National Development Plan. These are followed up by the President and the Council of Ministers. Sector indicators describe sector-specific goals and are monitored by the President and each minister in bilateral meetings and within each ministry. Finally, management indicators are standard indicators that are measured for all of the entities to track institutional efficiency.

2. SISDEVAL (Sistema Nacional de Evaluaciones) is a system to evaluate the outcomes of the main public policies and programmes implemented within the framework of the National Development Plan. Every year, the policies that will be evaluated are elected by a committee of the National Planning Department and approved by the National Council on Economic and Social Policies. Policies are evaluated by a recognised, experienced third party (consultancy) so as to guarantee objectivity and transparency in the process. Since the creation of SISDEVAL, the number of evaluations has increased significantly, from 1 in 2003 to 32 in 2011.

3. Polls: nationwide polls are carried out periodically so as to compare public perception and government results. The results of the polls are public and can be found on the SISDEVAL website. Surveys measure perception of the way the government is achieving the goals that it set.

In the beginning, SINERGIA focused on central government management only; in 2004, its scope was broadened to include the monitoring of territorial management and decentralised entities. It now provides information on the overall performance of public policies across all levels of government in Colombia. However, at the territorial level, performance management implementation remains relatively underdeveloped. In 2009, methodological guidelines were approved focusing on performance management at the subnational level; a network of regional officials was created to encourage the exchange of best practices in the field of performance management.

Through SINERGIA, follow-up is readily available. The Presidency, the government and citizens can follow up on the government’s performance. It is an essential tool for building trust in government.

This system is generally recognised as already being one of the strongest in Latin America. For more information see: https://sinergia.dnp.gov.co/Paginas/inicio.aspx.


Based on the example of SINERGIA in Colombia, the government of Peru could consider:

- strengthening its evaluation capacities, and the dissemination of its results
- promoting stakeholders’ and citizen’s involvement in the M&E process through surveys to measure the public’s perception of the way the government is achieving national objectives
- increasing the integration and co-ordination of budget performance information with SINAPLAN
- reinforcing its set of performance indicators to better measure policy outputs and outcomes as identified by the PEDN.
Recommendations

1. Use the results of strategic foresight and long-term horizon scanning to inform planning

- The government (the PCM and MEF together) could lead the process of identifying a set of long-term strategic objectives for the country supported by an accurate interpretation of emerging challenges, trends and opportunities along with sound evidence on the achievement of past results, to inform its medium-term strategic objectives and programming in the PEDN.

- Harnessing contributions from all sectors of society, using existing institutions to facilitate the process (for instance, the National Agreement Forum), could perhaps enhance the utility of this exercise. In so doing, CEPLAN and the MEF could develop mechanisms to facilitate the use of performance information in strategic planning. Inform the medium-term PEDN with the results of this exercise. Many OECD countries seek to embed shorter term plans within longer term strategic objectives. Bulgaria, the Czech Republic, Poland, Romania and the Slovak Republic are cases in point. The government of Peru could consider reinforcing its current strategic planning instruments by identifying emerging policy challenges and trends over a longer term planning horizon, upon which long-term strategic outcomes could be identified. This could then be used to inform its medium-term strategic objectives as articulated in the PEDN.

2. Integrate strategic planning and outcomes-based management

- Strengthen capacity in the planning offices of the SINAPLAN, including the regulatory framework, human resources, training and the information system. Strategic public planning could be reinforced to include the decision-making process of the strategic programmes, making it more in-depth and with enhanced feedback.

- Improve co-ordination between the budgeting, planning, monitoring and evaluation systems. Efforts could be deployed to set up an integrated system to strengthen all three areas and managerial capacity, linking the institutional, sectorial, regional and local processes, and the planning timetables (short, medium and long term).

- Use performance information generated by the outcomes-based management system to enhance transparency and accountability: the engagement of both parliament and citizens could be enhanced in both planning and evaluation by establishing a mechanism to provide information and feedback channels (see Chapter 6).

- Evaluation is not only a tool for administrative control, but one for analysis and feedback for management. In spite of the progress made by Peru in the area of M&E and control, challenges remain regarding the impact and effect of the reports. Moreover, there is a weak application of the liability regime relative to public policy outcomes and ineffective accountability processes. Therefore, Peru might continue to face challenges and additional efforts in enhancing the performance audit function in terms of volume, relevance and timeliness. It should be outcome- rather than output-oriented, looking for efficiency and savings. In addition, feedback could be better used in the decision-making process.
3. Strengthen links between the strategic plan and the national budget framework

- Ensure ongoing partnership-based co-operation between the PCM/CEPLAN and the MEF to work jointly on an integrated approach to setting and implementing the government’s planning and budget frameworks in a co-ordinated fashion.

- Harmonise medium-term planning horizons so that the CEPLAN’s PEDN and the MEF’s planning frameworks and time frames converge:
  - The lack of enforcement of the National Development Plan in the long term puts pressure on the strategic policy-making and service delivery capacity due to uncertainty. This could be improved, for instance, by including public hearings, debate and voting in the Congress. Stronger links between the CEPLAN and the MEF could enhance internal coherence and reinforce the PCM’s whole-of-government mission and broad vision.
  - Notwithstanding the need for institutional operational flexibility, ministries and regional and local governments should specify, year by year, their programmes to achieve the goals identified by CEPLAN in the PEDN, identifying activities and realistic targets.
  - As in the case of independent evaluation of the PrP, evaluation reports should be integrated in a summary document and presented in parliament and published. This would enhance transparency and accountability vis-à-vis the Peruvian population.
  - In order to exercise its functions in this area as efficiently as possible, provide CEPLAN with greater human and financial resources.

- Integrate performance measurement/evaluation more deliberately into both strategic planning and budget decision making, and reinforce inter-institutional co-ordination to reduce gaps between strategic planning and budgeting:
  - The existing gap between planning and budgeting is a major challenge that needs to be addressed. Both CEPLAN and the MEF have to work closely together to establish stronger co-ordination and links between their processes. Two options could be considered:
    - establish a joint CEPLAN-Director General for the National Budget Commission
    - extend the mandate of the Inter-ministerial Commission on Economic and Financial Affairs for fiscal issues.
  - The government needs to address the challenge of linking planning and budgeting by promoting evaluation efforts, using them as strategic input to long-term public policies. This could be done within the commission, but also by embedding the M&E information into the planning and budgeting process in a co-ordinated way.
  - These efforts should be reflected not only at sectoral level but also at subnational level with a more integrated approach.

4. Improve government information systems to include performance information

- Information systems could be strengthened to include performance information. One of the most important obstacles for implementing performance-based management is the lack
or deficiency of statistics or insufficient information systems in some public institutions. Tools currently used such as RESULTA and the Integrated Information System (SII) are a good basis but should be extended and enlarged as a whole-of-government tool.

- The role of the National Institute of Statistics and Informatics (INEI) in that context is also crucial and should be reinforced in line with what is recommended in Chapter 2 on the centre of government to assure reliable performance information. Ongoing cooperation between the INEI, the MEF and CEPLAN could be reinforced to strengthen the reliability of performance indicators and data.

5. Strengthen sector-based co-ordination

- In order to make better use of M&E information, sector co-ordinators require stronger authority to stimulate discussion and take decisions relative to the attainment of PEDN goals for their policy area, based on the reports and results issued by SII and RESULTA. The SII reports are not always used in decision making, political control or budget approval.

6. Strengthen territorial capacity and co-ordination for M&E:

- Subnational governments have financial and human resource limitations to carry out strategic planning M&E. In most cases, they only use M&E instruments to meet formal requirements rather than for decision making or to improve performance in their region. This situation is caused in part by weak capacity in regional administrations. Therefore, despite some efforts made by the MEF and CEPLAN, financial and human resources in regional and municipal institutions should be reinforced in order to strengthen territorial strategic planning and M&E.

- Effective ongoing co-ordination across levels of government is needed to use performance information more effectively for medium-term planning purposes and to improve policies and service delivery over time in a way that addresses the specific needs of each region and improves the effectiveness of regional public expenditures on improving outcomes for people on the ground.

- CEPLAN and the MEF could jointly support building capacity in regional and local entities in this area through sharing expertise and transferring knowledge to subnational administrations. The regional development agencies proposed in Chapter 4 could be the place to consolidate this practice.

- Strengthen internal controls of national expenditures executed in the regions: weakness in the planning of public policies and programming that are implemented regionally limits the efficiency of subnational expenditures. This affects the planning and prioritisation of policies at subnational level.

- Co-ordination between audit or control entities is still a challenge: co-operation is essential to avoid duplication or overlap in audits and assessments. Using international standards, the CGR could consider enhancing its leadership role at the subnational level, especially by verifying checks and balances in service delivery.
Notes


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