Monitoring & Evaluation in the Government of Korea: An Overview & Lessons

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Contents

- Global View of the Korean Government M&E
- M&E System of Budgetary Programs
- Lessons
Global View of the Korean Government M&E
History of M&E System in Korea

- Monitoring system has been in place since 1961
  - Corresponding to the economic development plan
  - Focused on input and process monitoring
- Monitoring focus has moved from process to output/outcome over time
- M&E has been reinforced by the public financial management reforms in mid 2000s
  - Explicit introduction of outcome-oriented M&E
  - Explicit Integration into budget process
  - The Asian financial crisis in 1997/1998, aging population, and a political need provided a momentum for the reform.
M & E in the executive branch

Prime minister’s Office
- Overall policy monitoring and in-depth examination of some policy issues
- Trying to consolidate all the M&E activities in the government → “the Government Policy Evaluation Framework Act”

Ministry of Strategy and Finance (MoSF)
- Developed Monitoring, Review and Evaluation systems of budgetary programs with the PFM reforms in mid-2000s
- Evaluates managerial performance of public entities including state enterprises and quasi-government entities

Ministry of Public Administration & Security (MoPAS)
- Reviews financial management of local governments

Line ministries
- Perform their own monitoring and evaluation
M&E capacity in the executive branch

- M&E capacity in the executive branch is typically supplemented by the public research institutes and external experts
  - Although the relevant central ministry provides key inputs into evaluation process, most evaluation activities are conducted by the public research institutes or evaluation committees consisting of experts.
  - Some line ministries have their own evaluation unit, but many of them rely on the public research institutes and experts
## Korean Government M&E System

### Local Governments

<table>
<thead>
<tr>
<th>Self-Assessment</th>
<th>Assessment of local governments’ policies by local government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment by Central government</td>
<td>Assessment of local governments’ performance by central government (Ministry of Administration &amp; Security, and other relevant Ministry)</td>
</tr>
<tr>
<td></td>
<td>Focused on the performance evaluation of the mandated policies by the central government</td>
</tr>
</tbody>
</table>

### Central Government

<table>
<thead>
<tr>
<th>Comprehensive Assessment</th>
<th>Comprehensive Assessment of line ministries/agencies’ policies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PM Office: focused on policies</td>
</tr>
<tr>
<td></td>
<td>Ministry of Strategy and Finance: focused on budgetary programs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focused Assessment</th>
<th>Assessment of Selective Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>① Key Policies</td>
</tr>
<tr>
<td></td>
<td>② Job Creation Policy</td>
</tr>
<tr>
<td></td>
<td>③ Low-income Family Policy</td>
</tr>
<tr>
<td></td>
<td>④ Green Growth Policy</td>
</tr>
<tr>
<td></td>
<td>⑤ Policy Management Capacity</td>
</tr>
<tr>
<td></td>
<td>⑥ Regulatory Reform</td>
</tr>
<tr>
<td></td>
<td>⑦ Public Relation Management</td>
</tr>
<tr>
<td></td>
<td>⑧ Citizens’ Satisfaction</td>
</tr>
</tbody>
</table>

### Public Entities

- Performance Evaluation of Public Entities including state enterprises, quasi-government entities, and other public entities
- MOSF conducts evaluation.
M & E in the NAO & Legislature

- The National Audit Office
  - Quasi-independent office within the executive branch
  - Traditional audit
  - Performance audit
  - Examination of annual performance report from the central government

- The National Assembly Budget Office
  - Examination of annual performance plan/report from the central government
  - Its own evaluation of budgetary programs
  - Expresses its own opinion on the M&E systems of budgetary programs
M&E System of Budgetary Programs
Sequence of PFM Reforms

- Big bang approach with PFM reforms since 2003
  - Medium term fiscal plan (2003*, 2005**)
  - Top down budgeting (2003*, 2004**)
  - Performance budgeting (2000*, 2005**)
  - Digital budget and accounting system
    - Program budgeting (2006**)
    - Accrual accounting (2009*, 2010**)
    - IT system (2007**)

(Note) *: pilot project, **: comprehensive implementation
Efforts towards PB

**Performance Budgeting (Pilot Project)**
- Developed Strategic Goals, Performance Objectives and Performance Indicators
- Designed after GPRA

**Performance Goal Management System**
- Expanded “Performance Budgeting” to all ministries and agencies
- Annual performance plan and report are required

**Self-Assessment of Budgetary Program (SABP)**
- 1/3 of major budgetary programs are evaluated every year
- Designed after PART

**In-Depth Evaluation**
- Selected programs are subject to program evaluation
- About 10 programs are subject to program evaluation
Act was enacted in December, 2006
  ◦ To provide a legal basis for public financial management reforms

Includes articles on PB
  ◦ Annual performance plan and report become legal requirement for line ministries/agencies
  ◦ Program review & in-depth evaluation are stipulated

It gave stability & continuity which tend to be a problem to PB.
Characteristics of PB in Korea

- **Purpose of PB**
  - Emphasis on making link between performance information & budget allocation
    - Going beyond performance monitoring system
    - Periodic review process is developed

- **Outcome–oriented PB**

- **Executive branch–initiated reform**
  - However, its nature evolves with involvement of the National Audit Office and the National Assembly.
Framework of PB in Korea

- Performance monitoring
  - “Performance Goal Management”
  - Monitoring based on the performance indicators
  - Monitoring unit is program and sub-program

- Program review
  - “Self-Assessment of Budgetary Program”
  - Review based on the checklist
  - Review unit is usually sub-program and 1/3 of sub-programs are evaluated each year.

- Program evaluation
  - “In-depth Evaluation of Budgetary Program”
  - Program evaluation for selected programs
  - Evaluation unit is usually sub-program, but cross-cut issues are sometimes evaluated
# Contents of Checklist

| Design and Planning (30) | • Program purpose  
|                         | • Rationale for government spending  
|                         | • Duplication with other programs  
|                         | • Efficiency of program design  
|                         | • Relevance of performance objectives and indicators  
|                         | • Relevance of performance targets  
| Management (20)         | • Monitoring efforts  
|                         | • Obstacles of program implementation  
|                         | • Implementation as planned  
|                         | • Efficiency improvement or budget saving  
| Results and accountability (50) | • Independent program evaluation  
|                            | • Results  
|                            | • Utilization of evaluation results  

Use of performance information from performance budget system

- Information from monitoring system (performance plan and report) has not been systematically utilized so far.
  - For internal use, they are useful information
  - From the viewpoint of central budget authority, they provide limited information

- Information from review system are actively used in budget negotiation process.
  - Programs rated as ineffective are in danger of suffering budget cut
  - Its use is systematically built into the budget process

- Information from program evaluation is usually useful
  - Their use in budget process depends on the quality of evaluation and the will of central budget authority
  - It is not systematically utilized in the budget process
Monitoring & evaluation activities become essential elements of program design and management.
  ◦ Many big programs set up M&E system. In particular, subsidy or grant programs are implicitly required to operate M&E system.

Performance contracts are tried in some programs to improve program performance.
  ◦ The initial evidence shows big improvement of performance.
  ◦ However, contract management capacity is an issue to be addressed.
Lessons
In theory, performance information should be used as **one of important factors** for budget allocation.

In practice, consider setting specific targets for budget reshuffling, in order to secure fiscal space where PI can be more directly used.

- Reshuffling 5% of budget mostly based on PI may not cause serious unintended problems.
Lesson 2

- Consider focusing on selective areas/programs that are important and easily subject to performance budgeting at the initial stage of reforms
  - Since producing meaningful PI for every program takes time, it can be a good strategy to start with selective areas/programs to demonstrate the impact of performance budgeting.
Consider moving beyond performance indicators and targets, particularly if outcome indicators are used

- Outcome indicators need interpretation to be used in decision-making purpose due to external factors
- Therefore, consider developing program review process to have more systematic performance information, unless communication between central budget authority and line ministries are easily facilitated
Consider using output indicators in some areas
  ◦ If link between output and outcome is very tight, output indicator can be a good proxy for outcome
  ◦ If quality of services can be properly controlled, output-based budgeting can be useful
  ◦ In some areas, above mentioned condition can be met
  ◦ Then, consider using output measures for the selected areas, such as public health, education, social welfare and so on.
Lesson 5–7

- Capacity building is important
  - The central budgetary authority’s evaluation capacity
  - Line ministries’ evaluation and data management capacity
  - If outside resources, such as research institutes and universities, are available, cooperate with them

- Location of evaluation unit is important
  - If evaluation unit is separated from budget office, performance information is less likely to affect the budget allocation

- Develop proper incentive scheme for line ministries
  - Flexibility of management
  - Sanctions for poor performance
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