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## Mexico's Performance Evaluation System: Critical comments and thoughts about international perspective\*

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### Introduction

On January 7<sup>th</sup>, 2010, the Organization for Economic Co-operation and Development (OECD) presented a study about the evolution of the budgetary process in Mexico<sup>1</sup>, in which it expresses its opinion about the advances of the amendments implemented in this issue in our country. One of the chapters is dedicated to the Performance Evaluation System and its relationship with account rendering.

The study was requested by the Mexican finance authorities, as member of the OECD. The exact purpose of the study was to have an integral panorama of the budgetary process, an evaluation of the national experiences and specific political recommendations. In this sense, and from the OECD point of view, the implemented amendments are analyzed by the Mexican Government regarding budget and management with foundation in performance and the Performance Evaluation System (SED) as its main component. This article has the purpose of analyzing the data and perspective offered by the study of the international organism, as well as some important questions in the development of Mexican SED for placing it in a more precise and comprehensible context.

The work is divided into four sections, the first is an inventory of the study and includes objectives and challenges of the SED as well as

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1 OECD, Estudio de la OCDE sobre el proceso presupuestario en México. Paris, Ediciones OCDE, 2009, 170 pp. ISBN 978-92-64-07342-5. It is the study presented at the Presidency of the Republic on January 7th, 2010.

amendments made to the Federal Law of Financial Responsibility and Budget; the second section discusses lack of precision in the study in regard to the regulations which originated the evaluation system. In the third section the way in which SED operates from the judicial dispositions around a budget based on results is discussed. Last, the conclusions section which raises some reflections for debate.

## 1. OECD Study

From the OECD<sup>2</sup> report, we can highlight those issues which clearly describe the vision of this organism and its experts have about the recent development of the Mexican budgetary system. In first place, for the authors of this work, the SED is the main component in a set of budgeting and management amendments based on performance, whose goals are to improve the efficiency and efficacy of the Mexican public sector at state and federal levels, as well as improving account rendering before the citizens and legislative organs.

As part of the historical context offered by the book, the first interpretation of budget based on performance goes back to the 1970's when the Federal Public Expense, Accounting and Budget Law was published. Later, during the administration of Ernesto Zedillo, the Public Administration Modernization Program 1995-2001 (PROMAP) proposed a series of transformations for strengthening the account rendering mechanisms, through the design of a modern system of performance and evaluation control. In 1998, the budgetary frame incorporated a chapter about evaluation which established the social programs to be evaluated, such as PROGRESA. During this period, the Development Financing National Program (PRONAFIDE) 1996-2000 introduced the New Programmatic Structure (NEP) with a focus on strategic planning around budget elaboration, evaluation improvement and program follow-up.<sup>3</sup>

During the period of Vicente Fox (2000-2006) the Presidential Goal System (SIMEP) was established and it required that each member of the cabinet was committed with the President, through a follow-up system and supervision.<sup>4</sup>

2 *Ibid.*

3 For a detailed description of the evolution of administrative amendments in Mexico, consult the work of María del Carmen Pardo, La modernización administrativa de México 1940-2000, recently published by the Colegio de México, cited in the bibliography.

4 José Mejía Lira "La evaluación como herramienta para una gestión pública orientada a resultados La práctica de la evaluación en el ámbito público mexicano". Caracas, CLAD, 2005, p. 11.

The implemented amendments by the administration of President Felipe Calderón (2006-2012) until now, are being delivered under a new budgetary and management system based in performance and, unlike the others, they are different in the first place because they were put into force in the legislation, given the legalistic nature of the Mexican public administration<sup>5</sup>, and in second place, they search to amend not only the Federal Government, but they also include the State level.

The amendments were made through the Federal Law of Finance Responsibility and Budget (LFPRH) published in 2006, which establishes for the institutions which exercise expenses: i) the responsibility of creating an amendment for results; ii) establish goals and objectives for their programs, and iii) evaluating results. The latter will be done with the help of external assessors. These amendments contemplate two additional instruments: An Annual Evaluation Program (PAE) and a Management Improvement Program (PMG).<sup>6</sup>

The evaluation component of the amendments, defined as the Performance Evaluation System (SED) consists of two elements: The first is the evaluation of programs and policies related with the budget, which is made as part of an Annual Evaluation Program in charge of the SHCP and CONEVAL (CONEVAL for the social programs and the SHCP for all the others); the second is centered on the evaluation of the public services and management process. These indicators are known as management indicators and the activity is carried out by the PMG.

About this issue, the perspective of the OECD says that SED as a whole is in function of the institutions which coordinate the amendment implementation of the budgetary system and points out: "The first component of SED (budgetary programs evaluation) which are the responsibility of the Secretariat of Finance and Public Credit (SHCP) and the National Council of Social Politics Evaluation (CONEVAL); the latter for the social programs and the SHCP for the rest of

5 José Sosa, "Tendencias vigentes en el sistema de relaciones intergubernamentales de México", in Cuadernos de Gobierno y Administración, Nos. 3-4 (march 2003) Madrid, Universidad Rey Juan Carlos, pp. 57-81.

6 México "Ley Federal de Presupuesto y Responsabilidad Hacendaria", published in the Diario Oficial de la Federación (DOF) on December 31st, 2008; and México, Secretaría de Hacienda y Crédito Público. "Sistema de Evaluación del Desempeño". México, SHCP, 208 Available at: <http://www.apartados.hacienda.gob.mx/sed/>

them. The second component (management process evaluation) is implemented through the PMG and the Public Function Secretariat (SFP) is responsible for it”.<sup>7</sup>

In the year 2007, the SHCP and CONEVAL published the “General Outlines for evaluating the federal programs of the federal public administration” which establish the type of evaluations, and they also require the Logic Frame Methodology (Result Indicator Matrix (MIR)). Both institutions have the role of leaders in the implementation of the evaluation component of SED, and receive the evaluations made by external experts. In regard to SED implementation in the year 2007, the advance is fast as to the evaluation of budgetary programs. The second component (PMG) is still in initial phase.

Training faced some challenges so an ambitious training and assistance program was developed for government officials. This program was in charge of the SHCP and CONEVAL, in collaboration with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and the Inter-American Development Bank (IDB), through the Implementation Program of the External Pillar for the Medium Term Effectiveness in Development (PRODEV).

The external assistants also received training for analyzing the MIR. At the end of year 2008, state governments were trained too. From this process and the evaluation results, the CONEVAL summed them up for grading the programs as part of the “traffic light system”<sup>8</sup> and recommendations were sent for improving the programs through the evaluation units of the State Ministries. Reports were also created in regard to the program design and were sent to the SHCP, Presidency and Congress.

There are some signs of advance in the use of the information about performance in the process of decision making. Another advance which is emphasized by the study is that during the budgetary exercise of the year 2009, 70% of the federal programs had their MIR. This represents a 70% advance of the total expenditure of the federal organisms and ministries which operate these programs; there has also been advance in the use of the Logic Frame Methodology.

In the 2009 budget, information about performance for lining up budgetary decisions and political priorities for its creation began to be

7 Grading system where a traffic light was given –red, yellow, green– to each program.

8 Mexico. Secretariat of Finance and Public Credit. Plan Nacional de Desarrollo 2007-2012. México, SHCP, 2007

used. This information was combined with auto evaluation from the ministries and the “traffic light system” for generating a summarized panorama of the performance of ministries and programs; however, the information about performance is used with other data about fiscal priorities.

The President of the Republic has shown great interest in improving public sector and result measurement performance favoring the goals in the National Development Plan 2007-2012<sup>9</sup> (PND) and Vision Mexico 2030<sup>10</sup>. In the Presidency of the Republic there is a unit which is in charge of following up the performance of the ministries according to 30 high level result indicators and 260 priority indicators established by the PND.

A common problem of the presidential government systems is the design of a separate set of indicators at presidential level which are not related with those published in the budget. If both sets of indicators are not linked together, there could be the need for greater information requirements from the state ministries.

The Mexican Congress does not use these evaluations very often because they have a bad quality or because they contain too much information.<sup>11</sup> In spite of this problem and in comparison with other OECD countries, there is conscience about the follow-up systems in the Audit and Budget commissions of the Lower House which have already taken note. This type of information should be considered as a means for urging towards the achievement of performance improvement with the finality of benefiting citizens, more than an instrument for controlling the Executive. In the long run it will be necessary to institutionalize some of the current practices and integrate performance evaluation more deeply into the decision making process.

The more significant conclusions of the OECD study are resumed in the four challenges they identify for the consolidation of the SED's budgeting system. In first place, improvement of institutional

9 Mexico. Secretariat of Finance and Public Credit. Plan Nacional de Desarrollo 2007-2012. Mexico, SHCP, 2007.

10 During the change of government period, President Felipe Calderón entrusted a long range study called Mexico Vision 2030. Its results can be seen on <http://www.gobier-nofederal.gob.mx/Vision2030>

11 Within the OECD context this is not strange, only 8% of politicians in the budget commissions of the legislature frequently use information about performance for making decisions.

cooperation and coordination are emphasized, considering Mexico is not a very common country among the members of the OECD, by having three institutions (SHCP, SFP and CONEVAL) which have functions and responsibilities which overlap in terms of these amendments. The SHCP and CONEVAL are responsible for the first component of SED (evaluation of budgeting programs), the SFP is responsible for the second component (management process evaluation)<sup>12</sup>. Currently, a coordinating council led by the SHCP is being created and it includes the Presidency, the SFP and the CONEVAL. The SHCP would focus on the budgeting process based on results, designing strategic indicators and applying the so called “*performance informed budgeting*” through the Budgeting Evaluation Unit.

From this vision, the role of the SFP would concrete through the Government Performance Evaluation Unit and would work with the “Special Program for Improving Management 2008-2012” and would validate management indicators. The Presidency function would be to supervise and follow-up the correct lineup between PND and budgeting programs.<sup>13</sup>

A second challenge is to improve quality and significance of performance information. Previous amendments in Mexico have focused on quantity, sacrificing quality; the 2009 budget included 246 indicators, an important reduction in relation to the more than 1000 which figured more than 10 years ago. It would be very useful to lineup the budget performance information more closely with the PND, as well as presidential priorities, and if possible, with a medium term expense frame, as well as having a feedback system for Secretaries of State where it is possible to receive opinions about the quality of their evaluations and facilitate follow up of the recommendations.

The Superior Auditor of the Federation (ASF) has an important role in the analysis of performance information for improving the evaluation indicators and their quality; however, it is important that no penalties are inflicted upon individuals or organizations, as in the case of financial auditing.

A third challenge is integrating the performance information in the budgeting process and it can be done in three stages. First at

12 In most of the OECD countries, only one institution has the main responsibility, although the specific institution changes depending on the country.

13 The previous attempts (2007) of the Presidency for having an Informal Coordination Committee which included the SFP and the SHCP for discussing amendments failed because not all parties continued going to the meetings.

internal level of the SHCP (DGPYP and the UPCP); second, with the secretaries of State and the SHCP, where the goals should be agreed upon instead of imposed; third, in the negotiations between the SHCP and the secretaries of State in regard to expense limits, they should incorporate the resume of performance results and the performance proposals for next year.

The fourth challenge would be to attract participation of the Secretaries of State through the creation of a position of performance coordination in each Chief Clerk's Office. The SED and its information requirements should concentrate in the relevant and important indicators and the information frequency should be less than the financial information. In Mexico, while the number of indicators has been reduced, other initiatives and amendments have introduced more requirements for different program indicators related with planning, budgeting, evaluating and auditing functions.

The last challenge, but not the least important is going from a fulfillment to a performance focus. The change requires modifications in the incentive structure at every government level as well as in account rendering systems. The Mexican public has a profound legalistic tradition which underlines the adhesion to rules and dispositions and punishes individuals which don't do it.<sup>14</sup> Because of this it is necessary to rationalize the internal rules and dispositions, to increase flexibility in budget execution as well as in management and personnel themes and change the incentive structures. Some elements for success considered by the OECD are:

- i) Disposition of the central secretaries for relaxing controls and delegating responsibilities;
- ii) Disposition from the Secretaries of State for moving these responsibilities to their civil servers and organisms and avoiding imposing additional controls; and
- iii) Incentives (financial rewards or penalties, management and management flexibility and public acknowledgement) for public servers for using the new flexibility and their disposition for doing it.

## **II. Inaccuracies in OECD study**

In this study there are some affirmations which have to be specified as to understand the way in which SED was structured. There is

14 José Sosa, art. *cit.*



no doubt that SED was implanted during the current administration in spite of being a strategy made in previous years which was strengthened from the amendments made to LFPRH (before Federal Public Expense, Accounting and Budget Regulation); however, its design differs from what is mentioned by the OECD when it asserts that the amendments required the creation of the Management Improvement Program, currently known as Management Improve Program (PMG).

In fact, the Decree by which the Management Improve Special Program in the Federal Public Administration 2008-2012<sup>15</sup>, highlights SED association in one of its clauses<sup>16</sup>. In the same way, one of its clauses in the introduction<sup>17</sup>, mainly the one mentioned in the Judicial Frame, third paragraph –*It is important to point out that the Program is associated with the Performance Evaluation System established on article 111 of the Financial Responsibility and Budget Federal Law, with the medium-term program foreseen on article 61 of the code for its implementation and follow-up and with the actions mentioned in the Decree which establishes the Federal Public Administration Expense Discipline and Austerity Measures.*

Without lessening the goals proposed by the PMG, what is addressed on article 111 of the LFPRH<sup>18</sup> does not establish the creation of the Management Improve Program; however, it foresees “the result evaluation emphasizing the quality of the public goods and services as

15 Published on the DOF on September 10th, 2008.

16 It is important to mention the linking that the Performance Evaluation Program will have with the medium term program foreseen on articles 111 and 61 of the Finance Responsibility and Budget Federal Law, respectively; as well as with the actions established in the “Decree which establishes the Federal Public Administration Expense Discipline and Austerity Measures”, published on the DOF on December 4<sup>th</sup>, 2006.

17 The purpose of PMG is to become the influence which helps every public activity to achieve the best effects possible. In an articulate manner with the Performance Evaluation System, the Management Improve Program will measure and evaluate the advances in the internal development of the institutions of the Federal Public Administration, as well as the efficiency of its programs and services with the finality of finding and promoting the best way for fulfilling their mission.

18 “The Secretary and the Public Function, in the scope of their respective competitions, will periodically verify, at least every two months, the collecting results and the execution of programs and budgets of the agencies and entities, with base in the Performance Evaluation System, among others, for identifying efficiency, economy, efficacy and quality in the Federal Public Administration and the social impact of the public expense exercise, as well as applying the proper measures. Such system will incorporate indicators for evaluating the results presented in the bimonthly reports, disclosing them month by month emphasizing quality of the goods and services, citizen satisfaction and... The results mentioned in this article should be considered for programming, budgeting and resource exercising effects”. Text from the LFPRH.



well as citizen satisfaction”, whose actions are linked to one of the three objectives of PMG –Maximize the quality of goods and services supplied by the Federal Public Administration–.

On the other hand, article 61<sup>19</sup> of the mentioned law decrees the establishment of a medium-term program, not the implementation of a Management Improve Program and that for fulfilling this precept, the SHCP formally orchestrates it through the Medium-Term Program<sup>20</sup> (PMP) and for SED purposes the same objectives are approached according to their respective competitions, supported by previsions such as the *Federal Public Administration Expense Discipline and Austerity Measures*, according to the transitory dispositions of article second of the LFPRH, published in the Official Gazette of the Federation (DOF) on October 1<sup>st</sup>, 2007, for which it is essential to create synergies at the interior of both institutions (SHCP-SFP).

This omission is repeated when the SED components are detailed “the second is centered in the management process and public services evaluation, these indicators are known as management indicators and the activity is made through the PMG... and is SFP responsibility”. For formulating such supposition, an approximation to the PMG operation is needed, and its goals are:

- a) Maximize the quality of goods and services rendered by the federal public administration;
- b) Increase effectiveness of the institutions, and
- c) Minimize operation and administration costs of dependencies and entities.

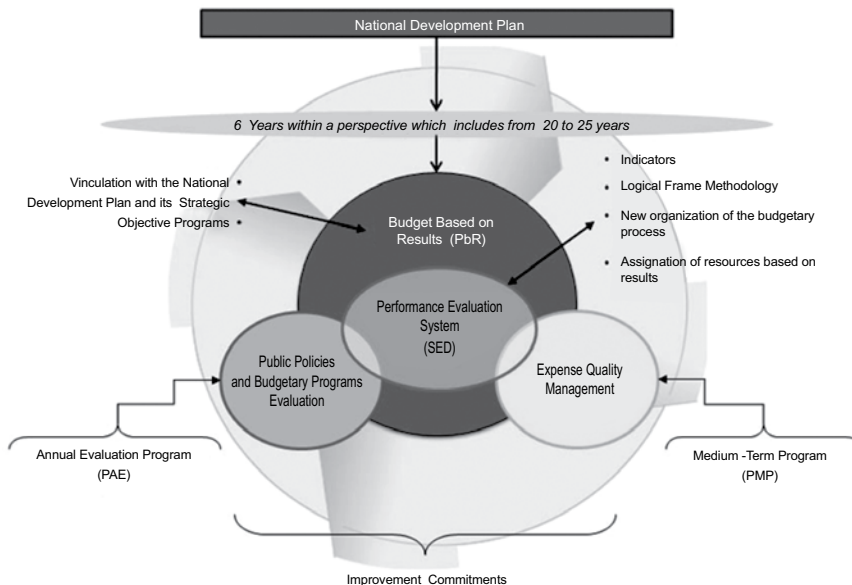
In strict sense, the PMG has effectively foreseen an integral evaluation of its global results: “The evaluation will be made taking

19 The expense executors... The Federal Executive, by means of the Public Function Secretary will establish a medium-term program for promoting the efficiency and efficacy in the public management of the Federal Public Administration, through actions which modernize and improve public service rendering, promote productivity in the performance of the entities and agencies functions and reduce operational expenses. Such actions should be oriented to achieve continuous medium-term improvement which allows to measure their progress at least each year... Such compromises should be formalized by the holders of the dependencies and agencies and its advance will be reported on the quarterly reports. *Ibid.*

20 The PMP is formed by the set of actions oriented to improve quality of public expenses through the modernization of public service rendering, promotion of the efficiency and efficacy of agencies and entities, as well as the reduction of expenses destined to support and administrative activities. The PMP also articulates with the Budget Based on Results, the Performance Evaluation System and the PMG with the purpose of achieving an integral scheme of indications and results.

into consideration the characteristics of the different Management Improvement Integral Projects<sup>21</sup> as well as the conditions in which the involved institutions operate: “(...) With this addition we will be able to know the success degree reached by the management improvement orientation in institutions which share similar performance conditions”.

It is obvious that there is a connection between the PMG and SED; however, what really describes the second SED component is the management for expense control<sup>22</sup> through a Medium-Term Program as it is mentioned in the graphic and whose actions influence the results of the public institutions.



**Source: SED, Public Finance and Treasury Secretariat**

21 On Section VII. In General Operation of PMG the integration of a Management Improvement Integral Project (PIMG) is established and it will include the medium-term actions which will allow the annual measurement of its progress and the results which the institution commits to reach.

22 SED has two main components: i) Evaluation of the public policies and budgetary programs, through which the degree of fulfillment of objectives and goals will be measured, with foundation in strategic management indicators, and ii) Expense quality management, through which actions which influence in the functioning and results of the public institutions will be put to work in order for them to increase their efficiency and efficacy; modernize and improve service rendering at their charge and promote productivity in the performance of their functions and reduce their operation costs.

There is a link which connects the evaluation process with management improvement. On one hand, the Annual Evaluation Program refers the Follow-up Mechanism of the improvement susceptible aspects derived from reports and evaluations to federal programs of the Federal Public Administration<sup>23</sup> and has the purpose of:

- i) Establishing the procedure for following up aspects which are susceptible of improvement;
- ii) Integrating the improvement susceptible aspects in the design of public policies and the corresponding programs;
- iii) Articulating the evaluation results with SED;
- iv) Defining those responsible for establishing the instruments for following-up the improvement susceptible aspects, and
- v) Establishing the diffusion mechanisms of the evaluation results.

Within the *Mechanism*, the section "Instruments for following-up the improvement susceptible aspects"<sup>24</sup> mentions the proper for the findings related with "management improvement" which should be registered in the PMG and its implementation mechanic.

On the other hand, the PGM articulates the aspects susceptible for improvement derived from the *Mechanism* through the "specific component" (See Institutional Module) whose finality is systematizing the actions and projects made by the Federal Public Administration institutions for taking care of the evaluations and diagnosis which are practiced by different evaluating and/or investigating instances.

Because of the previously described, PMG is not part of the SED components and in regard to the responsibility implied by the management process evaluation, it is not only linked to SFP. For backing up this fact, the PAE 2010 is planning the coordination of some process evaluations on behalf of the SHCP<sup>25</sup> and CONEVAL (social ambit) for the current fiscal year, which is not congruent under the premise that it will only be coordinated by the SFP.

In regard to PAE creation, the SHCP, the SFP and CONEVAL are jointly responsible for the evaluation. It is through this instrument,

23 Two versions of the *Mechanism* have currently been published..... during 2008 and the one issued on February 17<sup>th</sup>, 2010.

24 Numeral 12. For the specific and institutional aspects which according to the participating parties in this mechanism have a relationship with management improvement, its solution and follow-up must be made according to what is mentioned on the Management 2008-2012 Improvement Special Program.

25 See PAE 2008 attachment 1 – Federal programs subject to evaluation coordinated by the Secretary.

that the types of evaluations according to the budget program are determined each year, and evaluation coordination will depend on the competition scope of each coordinating instance. Additionally, the intervention of the SFP is omitted in the subscription of the *General Guidelines for the evaluation of federal programs of the Federal Public Administration*<sup>26</sup>, a document which regulates the evaluation process for consolidating the SED. In the same way the participation of the SFP is excluded when the procedure for sending the finished evaluations is specified.

In regard to the challenges, the first one “improve institutional coordination and cooperation” mentions –*Mexico is not a very common country among the members of the OECD... who have responsibilities which overlap in terms of these amendments...* It is very obvious to perceive the “fragmented institutional responsibility” in this way, as the organism mentions, considering that, on one hand the SHCP is responsible for the Performance Evaluation System<sup>27</sup> proposal, which was materialized in the current administration but has been planned for a long period of time.

On the other hand, the SFP who since the year 2009 and with the modifications made to its internal rules<sup>28</sup> mentions the specific attributions on evaluation issues granted on article 37 of the Public Administration Organic Law<sup>29</sup> which are exercised through the Government Performance and Management Evaluation Unit and in this coordination process still appears as a secondary actor but

26 Published on the DOF on March 30th, 2007.

27 The sixth transitory of the LFPRH (DOF 31/12/2008) mentions: The Federal Executive, through the Public Function Secretariat, in the scope of their respective jurisdiction must conclude the implantation of the Performance Evaluation System mentioned on article 111 of the Law, not later than the 2008 fiscal year. This system must include participation mechanisms of the Chamber of Deputies, through its Ordinary Commissions, coordinated by the Public Account and Budget Commission. For the effects of this article, the Secretariat must present its proposal of the performance evaluation system to the Chamber on March, 2007 at the latest. The Public Account and Budget Commission will deliver its observations to the proposal on June, 2007 at the latest, for which it will make consultations with the different ordinary Commission of the Chamber.

28 Article 24 of the Internal Regulations of the SFP (DOF, 15/04/2009).

29 Article 37, fraction I. *Organize and coordinate the Government Evaluation and Control System; inspect the exercise of the federal government spending and its cohesion with the expense budgets; coordinate together with the Public Credit and Finance Secretariat the evaluation which shows the results of the federal public resources application, as well as reconciling with the dependencies and agencies of the federal public administration and validate the management indicators in terms of the applicable dispositions.*

assuming the political situation of the SFP during the year 2009<sup>30</sup>, has a very important role in regard to evaluation.

However, the attributions of the SHCP and the SFP are perceived as similar in operation, because there is no distinction which allows to clearly identify the scope of action in regard to coordination evaluation established in the PAE, which in the CONEVAL case are clearly conferred in the Social Development General Law and the Decree by which the National Council Evaluation of Social Development Policy is regulated, but it is not specified for the rest of the budgetary programs.

In addition, the study mentions the future creation of a coordinating council or working group, led by the SHCP, Presidency of the Republic, the SFP and CONEVAL, which act as links and are the center in which the State secretaries can raise their doubts and receive assistance in the implementation and improvement of their budgetary and management initiatives based on performance. This SHCP group would focus in applying the *performance-informed budgeting* through the Budgeting Evaluation Unit. The SFP, through its Government Performance Evaluation Unit would work in the PMG, validate management indicators and help in management issues.

To make this point clear, it is necessary to examine the recent amendment made to the LFPRH<sup>31</sup> Regulation, which formalized the creation of a work group regarding the SED, article 304-A of the Regulation mentions: *The Secretariat and the Public Function will coordinate, in terms of the Federal Public Administration Organic Law, in a permanent work group for evaluation issues and follow-up of the budget performance, as well as its results... The dependencies and agencies can participate in such group when it is considered convenient in virtue of the issues to be treated and, invariably, the President's Office and the National Evaluation Council of the Social Development Politic, with the character of permanent guests.* Up to date, this group has not begun sessions formally, but it varies in regard to the initial proposal.

30 Decree initiative by which several dispositions of the Federal Public Administration Organic Law are amended, added and derogated, which included the SFP disappearance as a dependency with the distribution of its main attributions to the SHCP, Presidency of the Republic and the Comptrollership (new creation).

31 Decree by which several dispositions are amended, added and derogated from the Finance Responsibility and Budget Federal Law Regulation (DOF, 04/09/2009).

It is a mistake to say that the Government Performance and Management Evaluation Unit “would work in the PMG”. Such affirmation is incorrect because the coordination function of such program belongs to the Public Management for Improvement Politics Unit and as we have mentioned, the Evaluation Unit has other functions among which we can stand out the validation of management indicators for promoting the SED.

The last challenge mentions the importance of making the pertinent corrections in the incentive structures at every government level. For this case, the PMG considers within its functions<sup>32</sup> the promotion of incentives with economical character for compensating and stimulating the good performance of institutions and public servers before the SHCP, being congruent with the SED and according to the dispositions. This is how the Public Management for Improvement Policies Unit participates in this process, which has not been developed yet and requires from specific actions in coordination with the SHCP.

### III. Integral Perspective of the Performance Evaluation System

In this section we show another SED perspective for facilitating its understanding. The SHCP implemented SED as one of the main components of Budget based on Results (PbR) which start from the more extensive *Management for Development Results or Management for Results (GpR)*<sup>33</sup> which puts emphasis in the results and not in the procedures and its finality is based on the creation of “public value”. Hintze<sup>34</sup> states this concept as “reasonable satisfaction of human needs, it can be represented in planning, in terms of future scenarios which were previously imagined and observed once they have been verified”.

In SED context it is defined as –generating the conditions so every member of society enjoys the opportunities for a dignified life, job and welfare, and guarantee access to such opportunities; that is to say, when there are effective and useful answers to the present and future demands of the population– and it is from this objective, that GpR is part of the creation process of that “public value”.

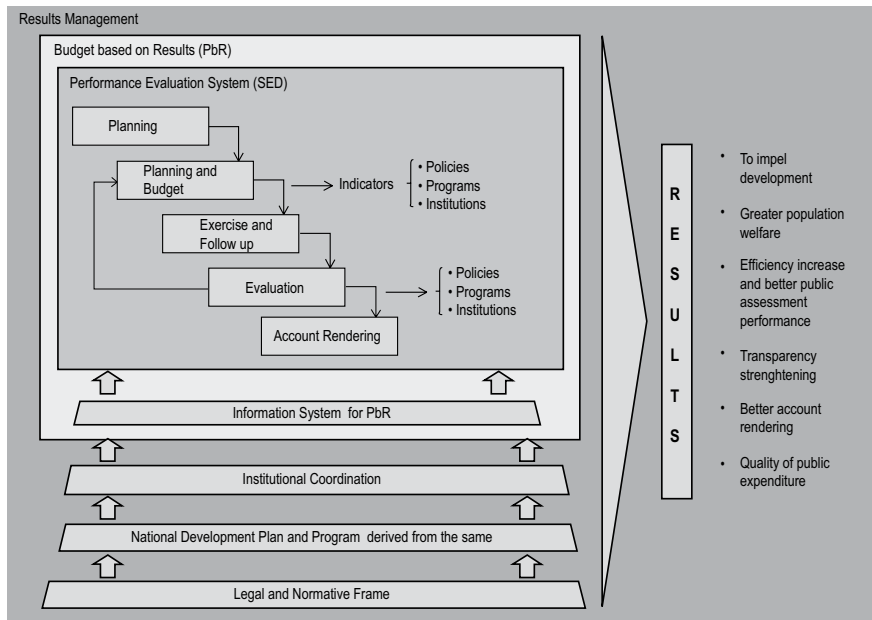
32 Function 2.4 from section I (Participants and functions) of the PMG.

33 Strategy impelled at international level by the UN, the World Bank, the OCDE Organization for Economic Cooperation and Development, for fulfilling the *Millennium Development Objectives* for reducing poverty, inequality and accelerating growth.

34 Hintze, Jorge. “Instrumentos de evaluación de la gestión del valor público”. Caracas, CLAD, 2003.

These concepts are mentioned in the special program of the SHCP “Development Financing National Program (PRONAFIDE) 2008-2012”, where one of the objectives of the fiscal policy establishes –*the improvement of expenditure assignment and execution, through result evaluation, greater transparency and accounting rendering*– whose planning is coherent with those emanated from SED.

For evaluating those results, the PbR foresees the creation of SED as the system which integrates the set of efforts directed to the systematic follow-up and evaluation of the policies and programs of the entities and dependencies of the Federal Public Administration, for contributing to the achievement of established objectives in the PND and the programs which derive from it, and it has two components:



Source: SED, Secretariat of Finance and Public Credit.

- i) Evaluation of the public policies and budget programs, through which the degree of fulfillment of objectives and goals will be verified, based on strategic and management indicators; and
- ii) Management for quality spending, through which actions will be put into operation for influencing public institutions functioning and results, so they substantially increase their



efficiency and efficacy, modernize and improve service rendering and promote productivity in the performance of their functions as well as reducing their operational costs.

The *Budget based on Results*<sup>35</sup> considers more components; however, for document purposes we only present those relative to SED.

i) *Evaluation of the budgetary programs and public policies.*

Within the first component, programming and budgeting activities established by the LFPRH<sup>36</sup> should be considered in a first stage, and as a result of this disposition, the examination and actualization of the MIR with base in the Logic Frame Methodology (MML) for insuring line-up of the “budgetary” programs to the institutional, special, sector/region and National Plan of Development, begins. This activity is made by the units responsible of the programs in coordination with the planning and/or evaluation areas, which are generally located in the Chief Clerk’s Office or similar. This process implies the approval of MIR which according to the competition ambit is validated by the CONEVAL (social development programs), the SHCP and the SFP (programs outside the social development ambit). This exercise can be simultaneously developed in case improvement, precision or modification is recommended as a result of an evaluation in the construction of MIR.

At the same time and derived from the ruling normativity<sup>37</sup>, each year the SHCP, the SFP, and CONEVAL, and as a whole, issue the PAE, making emphasis in the actualization and approval/validation process of the MIR, the types of evaluation according to the budgetary program, execution time, delivery terms, coordinating instance of the evaluation, mechanism for following the recommendations and diffusion of the results.

As part of this process, the hiring of external evaluators in charge of the dependencies or entities responsible for the programs which

35 Performance Evaluation System.

36 Article 22 of the Federal Law of Financial Responsibility and Budget (DOF 04/09/2009).

37 *Political Constitution of the United States of Mexico*, Federal Law of Financial Responsibility and Budget, Organic Law of the Federal Public Administration, Planning Law, Social Development General Law, Fiscal Coordination Law, general Line-ups for the evaluation of the federal programs of the Federal Public Administration, Line-ups about the indicators for measuring the physical and financial advances related with the federal public resources, Internal Regulations of the SHCP and SFP, Decree which regulates CONEVAL.

will carry out the evaluations with basis on the reference term model according to the corresponding evaluation is done<sup>38</sup>. The coordinators (SHCP, CONEVAL and SFP) of the evaluations can make some type of evaluation to a specific program, a set of them, or a policy, by hiring an external evaluator or by themselves.

The evaluation results (final report) is the other part of the process whose relevancy resides in the “objective” recommendations made by the evaluator and from which improvements are made and for doing so, they use an additional instrument, the *“Mechanism for following the improvement susceptible aspects derived from external evaluations and reports to federal programs”* and in the same way as PAE, it is issued every year and has the purpose of classifying the recommendations, actors involved in the problematic solution (specific, institutional, inter-institutional and inter-governmental), actions and terms for giving answers by order of priority (low, medium, high).

This process allows that the unit responsible for the evaluated program can give an institutional opinion –through a document specifically defined for it– in regard to the quality of the evaluation and the evaluator as well. The evaluation results and the work program (work and institutional document) together with the actions for giving attention to the recommendations must be published in the Internet pages and send them to the Chamber of Deputies, the Federation Superior Audit, the SHCP, the DGPYP, the SFP and the CONEVAL. Finally, the evaluation closes the cycle by adopting the design and operation recommendation of the programs or politics.

In regard to the budgetary process and specifically for the budget assignment, the evaluation considered is the Performance Specific Evaluation (EED)<sup>39</sup>. The final report is delivered each year on the month of June for incorporating it to the budgetary process<sup>40</sup>. The EED shows the results of each program through the advances in the management and strategic indicators, as well as the findings of

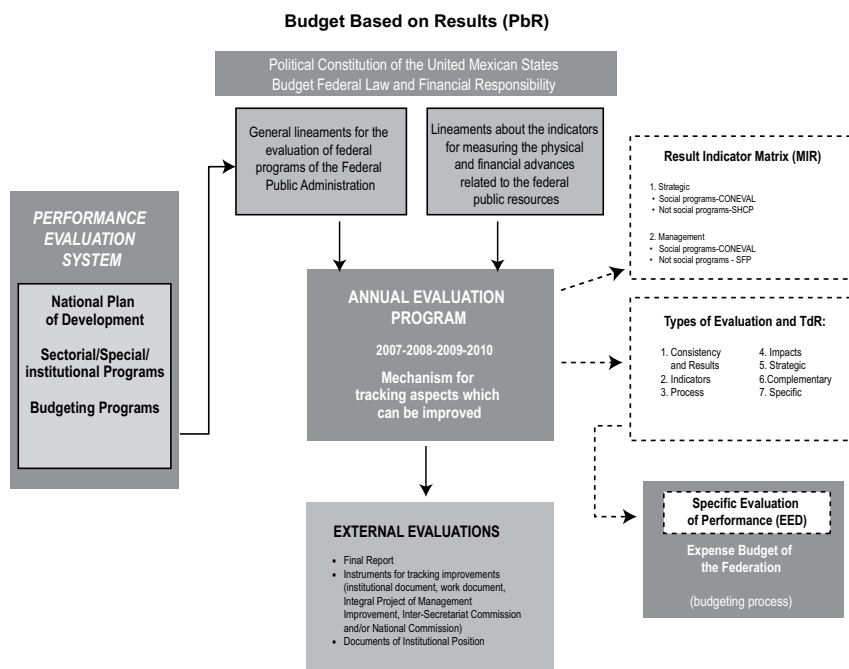
38 The models of Reference Term (TdR) for the evaluations are made together by the three instances (CONEVAL, SFP and SHCP) and currently, the ones made by the CONEVAL are the ones used, in agreement with article 28 of the Federation Expense Budget Decree for the fiscal exercise 2010.

39 Article 110, IV paragraph –Performance evaluation will be made through the verification of the fulfillment degree of objectives and purposes, with foundation in strategic and management indicators will allow to know the results of the application of the federal public resources...–

40 Article 22 of the Federal Law of Financial Responsibility and Budget (DOF, 04/09/2009).

the external evaluations and it generally implies to make a previous evaluation of consistency and results and on some occasions a design<sup>41</sup> evaluation for concluding with EED.

This phase has logic under the assumption that the design, consistency, process and results evaluations are a tool for supporting the design (vertical and horizontal construction and logic of the MIR) and execution problems, as well as the program operation, among the most important ones. So, EED is the evaluation of results from improvements made to the program. The following scheme shows the process.



## ii) Management for quality expenditure.

From the second component of SED, the PMP arises, and its purpose is –the PMP is formed by the set of actions oriented to **improve the quality of public expenditure through the modernization of public service rendering, the promotion of efficiency and efficacy of dependencies and entities, as well as the reduction of expenses destined to administrative and support activities**–.

41 The design evaluation is not classified as such in the *General Outlines for the evaluation of federal programs of the federal public administration*.

The set of actions which comprised the PMP are five:

1. Politics, strategies and measures for improving the public expenditure quality and management;
2. Performance indicators;
3. Results compromises;
4. Rationality measures which comprise savings and austerity, and
5. Adjustment mechanisms and measures based on the periodical follow-up.

The actions defined by the dependencies and agencies must be determined in services/products, process and activities with their corresponding performance indicators, in an order from one to five indicators, which will be oriented to measure attributes such as: volume, quality, efficiency, productivity, economy, cost, chronogram and quantity; these indicators can become part of the PMG or the MIR; finally they will integrate to the PMP Module through the Application Website of the Secretariat of Finance and Public Credit (technological platform denominated PASH). Currently, this process is just beginning and needs to improve coordination through the executors.

## Final Conclusions

The strategy proposed by SED has two meanings. In a comprehensive sense, it “implies a new dynamic which links the budgeting process with the planning activities, as well as those of politics, programs and public institutions evaluation and execution”. In a strict sense, considering the SHCP promotes this strategy, evaluation adjusts to the budgeting process in function of a better expenditure quality, in spite of the difficulties (PMP), as it is mentioned by PbR –it is the process based in objective considerations for fund assignation...–, this fact is confirmed in the way the “budgeting program” is the basic unit for evaluation, excluding the rest of the programs, areas, units and/or areas which are not qualified according to the SHCP.

In this context the strategy is valid, but if it is pretended to guide it to a *Management for Results or Management for Development Results* it must advance in two ways, on one hand, to take the strategic planning cycle, which requires guaranteeing the effective application of the forgotten Planning Law<sup>42</sup>.

42 Article 3°, second paragraph of the Planning Law, published in the DOF on June 13<sup>th</sup>, 2003.

*“... Thanks to planning, objectives, goals, strategies and priorities will be established; resources, responsibilities and execution times will be assigned, actions will be coordinated and results will be evaluated –where the evaluation exercises will be connected in an integral way as part of the planning process of the units responsible for the programs, with the institutional mission, policy, section, special, specific and/or institutional program, for the functioning of the Democratic Planning National System, where the “evaluation” is the last link of the chain, but not the least important.*

Evaluation, under the premise of creating *public value*, and in the context of *Management for Results*, finds the foundations for analyzing and verifying result achievement (satisfaction of the population’s needs) of the programs, policies and public management.

On the other hand, as we have mentioned, the programs which are not catalogued as “budgeting” must be incorporated to the model in a progressive way for comprising the activity carried out by the public administration in an integral way. Besides, the SED implementation strategy must privilege the PbR fundamental principle, where results are important and procedures (Report Generation System) are secondary. When public administration perceives this model as part of their daily job and not as an imposition, a culture oriented to obtaining results will be created, therefore obtaining the success of the Results Management.

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