



M&E System in the Korean Government : Overview and Lessons

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- Country Background
- Overview of M&E System in Korea
- Performance Management of Budgetary Programs
- Impact of Performance Budgeting
- Challenges

Contents



COUNTRY BACKGROUND

Geography, population, political system, &
government structure



Map of South Korea

- Located on the Korean peninsula in North-East Asia
 - 44.6% of the peninsula belongs to South Korea
 - Total land area of the peninsula is 223,170 km²
 - The size of S. Korea is about the size of Portugal or Hungary
 - 70% of land are uplands and mountains
 - Population of South Korea is about 50 million
 - Combined population of the Koreans is about 73 million
 - Aging population
 - Ratio of people older than 65: 5.1%(1990) → 7.2%(2000)
→ 12.2(2013) → 15.7%(2020) → 24.3%(2030) → 37.4%(2050)
- * Aging society: 7-14%, Aged society: greater than 14%

Geography and Population

- Political system
 - Presidential system with 5-year single term
 - Unicameral legislature
 - Direct vote for president, national assembly men/women, governor of local governments, local assembly men/women
- Government Structure
 - Three independent branches of government
 - Executive, Judiciary, Legislative branch
 - Central executive offices
 - Supreme audit office, prime minister's office, 10 commissions, 18 ministries, 22 agencies(5 small ministries & 17 sub-ministries)
 - 8 special-cities and 9 provinces

Political System & Government Structure



OVERVIEW OF M&E SYSTEM

M&E within the executive branch

M&E by the NAO and the legislature

- 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, reflecting increasing complexity of policy issues
- 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.

History of M&E System in Korea

- 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 (MoPA)
 - Reviews financial management of local governments
- Line ministries
 - Perform their own monitoring and evaluation function

M & E in the executive branch 9

- 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

M&E capacity in the executive branch

Monitoring System (2017)

PM Office
(Evaluation Committee for Government Policy)

Local Governments		Central Government		Public Entities
Self-Assessment	Assessment of local governments' policies by local government	Comprehensive Assessment	Comprehensive Self-Assessment by line ministries PM Office: Policy Self-Assessment Ministry of Strategy and Finance: Budgetary Program Self-Assessment Ministry of Public Administration: Administrative Capacity Self-Assessment	Performance Evaluation of Public Entities including state enterprises, quasi-government entities, and other public entities MOSF conducts evaluation.
Assessment by Central government	Assessment of local governments' performance by central government (Ministry of Administration & Security, and other relevant Ministry) Focused on the performance evaluation of the mandated policies by the central government		Assessment of Selective Policies ① Key Policies(100 policies) ② Job Creation Policy ③ Regulatory Reform ④ Public Relation Management ⑤ Citizens' Satisfaction ⑥ Common Agenda (Presidential task management, Conflict management, Human rights, Social responsibility)	

- 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 in the NAO & Legislature₁₂



M&E FOR BUDGETARY PROGRAMS

- 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

Sequence of PFM Reforms

2000 ~ 2002

Performance Budgeting (Pilot Project)
Developed Strategic Objectives, Performance Goals
Performance Indicators

2003 ~

Performance Goal Management System (PGMS)
Expanded PBB to all ministries and agencies
Annual performance plan and report are required

2005 ~

Budgetary Program Assessment (BPA)
1/3 of major budgetary activities are evaluated every year
Designed after the US PART (Program Assessment Rating Tool)

2005

In-Depth Evaluation
Selected activities are subject to evaluation
About 10 sets of activities selected every year

2018

In-year Monitoring of Major Programs
Quarterly monitoring & Annual Assessment of 80 programs

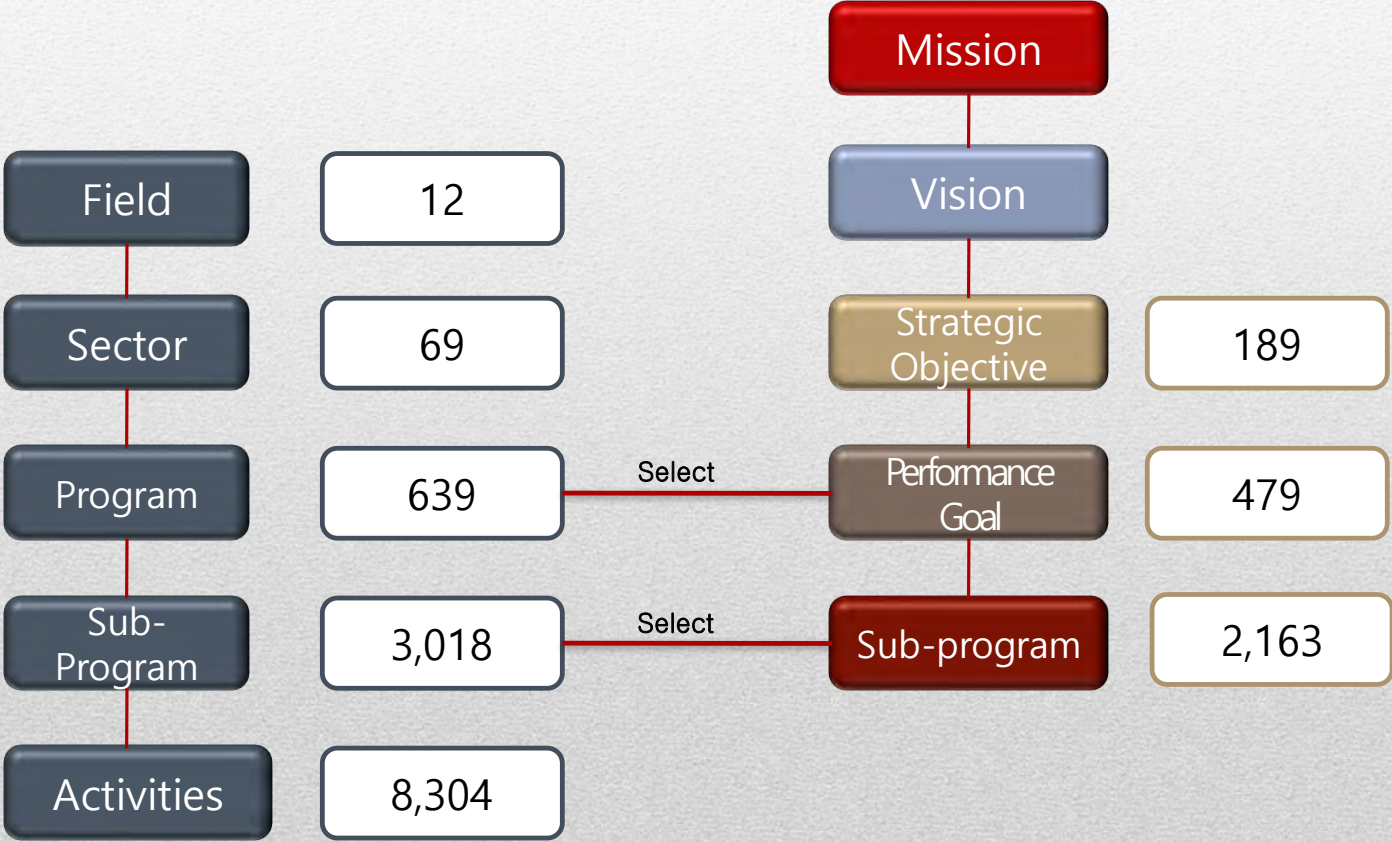
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History of PB in Korea

- 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.

Program Structure

Annual Performance Plan/Report (2012)





Four layers of M&E System

- 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.
- Recently, introduced in-year monitoring activities with emphasis on problem solving

Design and Planning (30)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • Monitoring efforts • Obstacles of program implementation • Implementation as planned • Efficiency improvement or budget saving
Results and accountability (50)	<ul style="list-style-type: none"> • Independent program evaluation • Results • Utilization of evaluation results

Contents of Checklist



IMPACT OF PB

- 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
 - Recently it gained visibility by formalizing the reporting process.

Year	Total	Effective	Adequate	Ineffective
2008	384 (100)	55 (14.4)	226 (58.9)	103 (26.8)
2009	440 (100)	36 (8.2)	311 (70.7)	93 (21.2)
2010	552 (100)	26 (4.7)	393 (71.2)	133 (24.1)
2011	482 (100)	33 (6.8)	317 (65.8)	132 (27.4)
2012	474 (100)	32 (6.8)	330 (69.6)	112 (23.6)
2013	597 (100)	29 (4.9)	424 (71.0)	114 (24.1)

Program Review Results

Year	No. of Ineffective Programs	Total Budget in FY (t)	Total Budget for FY (t+1)	Budget cut (%)
2008	103	5.7	4.6	-19.3
2009	93	2.8	2.6	-6.8
2010	133	3.9	3.4	-12.5
2011	132	4.3	3.9	-10.0
2012	112	1.9	1.5	-18.4

Budget Cut for Ineffective Programs²⁴

- 329 recommendations are produced from the in-depth evaluation between 2008 and 2012.
 - 166 are finished with follow-up actions
 - 144 are in progress
 - 19 are delayed
- Program consolidation, program design and implementation improvement, improvement of performance management
- Example: Program for the improvement of energy efficiency
- ESCO (Energy Service Company) program
 - Government provides subsidy and tax exemption to the company renovating facilities to improve energy efficiency.
 - 20% of the expense was exempt from corporate income tax.
 - The problem was government subsidy was counted as expense, which means double-counting.
- One of the in-depth evaluation's recommendation was the elimination of the double-counting practice, which was implemented by the Ministry of Strategy and Finance

- 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 that needs to be addressed.



RECENT DEVELOPMENT & FURTHER CHALLENGES

- Integration of performance information into budget documents
 - Consolidation of budget document and annual performance plan and report
- Introducing in-year monitoring and assessment process
 - Targeting strategic 80 programs
 - Quarterly monitoring based on quarterly milestones
 - Annual assessment reported to the vice prime minister
 - Monitoring process is operated with the participation of the sectoral experts and representatives from civil society organizations.
- Improving autonomy of line ministries for self-assessment process
 - The MoSF only provides guidance including assessment criteria
 - Line ministries can customize the guidance and conduct the assessment through the self-assessment committee which includes external experts and representatives from civil society organizations.
 - The use of assessment results are up to line ministries with the following requirement.
 - If they do not cut the ineffective programs, they are required to submit a program improvement plan.

- Lack of government-wide evaluation policy
 - Too much centralized evaluation activities
 - low quality evaluation activities among line ministries
 - Weak professionalization of PFM function
- Persistent confusion about the role of M&E system
 - Accountability tool vs. Managerial tool vs. Budgeting tool
- M&E system's limited challenging function

Further challenges



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