

Policy Brief

Improving Public Administration Performance in WB: An Achievable Goal



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Linking Performance Audit and Policy Evaluation – Why Does it Matter?

Performance of public sector organisations is an indispensable feature of every administrative system that intends to improve the achievement of its objectives and service delivery to its citizens. Managing performance in public sector can be done using different tools, techniques and functions that are performed or coordinated by state institutions. At the same time, improved performance is expected to lead to improved policies.

Two functions that stand out as the ones that clearly connect performance management and policy learning are **performance audit and policy evaluation**. Despite the institutional differences, both processes assess the worth of government actions by comparing final results to the initially defined goals. It then becomes paramount to ensure their maximum coordination and synergies, in order to maximise efficiency, to the extent allowed by those institutional differences. Consequently, existing as well as potential synergies and connecting spots between these two functions should be used for the benefit of public sector performance in **Macedonia, Montenegro and Serbia**.

The reasons for this claim are twofold. Firstly, **EU conditionality is putting our countries under pressure to introduce performance audit and policy evaluation** functions into their systems, yet **they are struggling to implement them due to scarce resources and lack of performance oriented administrative culture**. Secondly, despite country differences, performance audit and policy evaluation are **nascent concepts and making synergies early on would help bypass these obstacles** by using the resources at hand.

Struggling to Perform: Cases of MK, MNE and SRB

Performance audit and policy evaluation in Macedonia, Montenegro and Serbia are novel concepts that are still to be significantly improved. **In Montenegro and Serbia there is no systemic approach to policy evaluation** and policies are evaluated on an **ad hoc basis often driven by the external pressures** (e.g. technical assistance projects). As the formal requirement, **internal policy evaluation is introduced in Macedonia but only for legislation** as the obligation of the ministries to ex-post evaluate at least two legal acts annually.

In all three countries **performance audit is developing in the overly legalistic administrative cultures**, which influence supreme audit institutions (SAIs) to focus more on traditional accountability aspects of audit, whereas audit of effectiveness of government undertakings is still far from reach. There is also huge gap in experience in conducting performance audits - whereas **Macedonia conducted the most of them, in Montenegro and Serbia only two have been performed** so far. Poor experience coupled with legalistic administration cultures limited the potential of performance audit to make a positive change.

In such circumstances, there is **little evidence on the existing links between performance audit and policy evaluation**. However, a positive finding from all three countries is that major stakeholders, despite certain specific reservations, have strongly supported the idea that the two fields and their actors should be brought closer together.

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HARD LAW APPROACH that proposes binding regulatory activity is seen as the most suitable option if a sustainable link between performance audit and policy evaluation is to be established in WB countries.

Modalities of Establishing Links

Inspiration and evidence for establishing links between performance audit and policy evaluation is found in practices and experience of selected EU member states. The five modalities below, describe the different approaches in establishing linkages and synergies between performance audit and policy evaluation. They are structured so as to present a progression from the less to more challenging and complex ones in terms of their implementation:

Communication and professional cooperation (Dutch model)

- The first modality seeks to connect the two professions and inspire networking as much as possible using resources at hand. It would require more proactive role of the actors involved in performance audit and policy evaluation processes.

SAIs develop an evaluation culture through systemic audits (Dutch model)

- The second modality envisages proactive role of the SAIs in fostering evaluation culture through the execution of systemic performance audits that would identify the gaps in public performance management and measurement of the government.

SAIs conduct meta-evaluations (UK model)

- According to the third modality, SAIs occasionally conduct meta-evaluations of policy evaluation systems or individual evaluations in respective countries, which essentially means assessing the quality of government's evaluations.

Policy evaluators systematically use performance audit reports (Estonian model)

- The fourth modality envisions that policy planning units, or specific units in charge of policy evaluation within the ministries, actively use performance audit reports and their findings in conducting their analyses.

Evaluation as a distinct activity of the SAI (French model)

- The fifth modality introduces policy evaluation as a standalone activity of SAIs, alongside performance audit. This modality entails two parallel but complementary evaluation processes (one conducted by the SAI and another by governmental institutions).

Options for Implementation of Modalities

Implementation options that policy makers can consider with the view to institutionalize these previously described modalities are defined in terms of the policy instruments through which the modalities can be implemented:

The first implementation option relies on the **STATUS QUO APPROACH**. This option does not require new policy instruments to be adopted since it is solely based on the willingness and preparedness of stakeholders and actors on both sides to increase their communication and exchange.

The second implementation option requires the **SOFT LAW APPROACH**. This option would require certain regulatory activity, however non-binding in nature (e.g. guidelines, recommendations etc.).

The third implementation option is that of **HARD LAW APPROACH**. This option proposes more complex and binding regulatory activity, i.e. adoption of primary and/or secondary legislation. If a sustainable link between performance audit and policy evaluation is to be established, this option would be the most suitable given that non-binding soft instruments are falling short of achieving desired results in administrative systems of the three countries in question.

What Do We Need to Consider?

In conceiving the strategies for interlinking performance audit and policy evaluation, and choosing between modalities of interaction and implementation options, it should be highlighted that there are no predefined concepts for achieving that objective. Selected approaches would have to be mainly contextually driven in order to satisfy domestic needs and align with institutional arrangements. Few common features for Macedonia, Montenegro and Serbia should be kept in mind.

Independence, as the critical feature of SAIs, is safeguarded by the international standards and is a major concern of SAIs in the studied Western Balkan countries. The idea to bring performance audit and policy evaluation closer together should be embraced as long as this relation does not thwart the institutional role of SAIs.

The need for mutual learning and institutional awareness-raising is relevant regardless of differences in experience in the three countries. Stakeholders' perceptions are dominantly influenced by limited experience in communication between performance auditors and policy evaluators and have resulted in a narrower understanding and misconceptions about each other's roles. Given that the support from within the relevant institutions is a key to the sustainability of any links created between the two fields (regardless of the modality or the approach chosen), it is crucial for the institutions in charge for performance audit and policy evaluation to communicate to each other more closely their objectives, approaches and tools applied, so as to get the most out of potential synergies.

Complementary policy developments in respective countries should be taken into consideration and synergies created. For example, programme-based budget is officially introduced in all three WB countries and there are efforts to improve implementation. If properly implemented in the future, programme budget will represent a strong connecting spot between PA and policy evaluation. The logic is clear: programme budget is the only government document which fully connects goals and indicators with financial resources in a binding manner and whose execution is regularly monitored.

General Recommendations

General recommendations highlight the steps that need to be taken in all three countries in order to ensure efficiencies through connecting PA and policy evaluation. Recommendations are based on the performed research and analysis as well as on the contributions gathered during the 9-10 September 2015 regional conference in Belgrade.

Recommendation to SAIs:

- It is recommended that SAIs monitor the developments in the area of policy evaluation and collect and analyse information about the conducted evaluations, as part of their PA planning methodologies and processes. Information from evaluation reports could indicate risks and uncertainties in the execution of government programmes as well as lack of reliable data. This in turn, could increase the relevance to take up performance audit;
- SAIs should devote a part of their performance audit work to system-oriented issues or causes of failures of policy implementation. Orientation towards such topics could increase the level of usefulness of the performance audit reports for the improvement of policy implementation, i.e. for policy evaluation and be more relevant for policy makers and the overall policy cycle. One may argue that shifting the focus from the performance of individual institutions to the policy/programme performance is beneficial in terms of avoiding the "name and blame" game or pure accountability check, and instead ensuring better understanding of underlying policy problems;



There are no predefined concepts leading towards creating links between performance audit and policy evaluation. Selected approaches would have to be mainly contextually driven in order to satisfy domestic needs and align with institutional arrangements. It is important to keep in mind:

- *Independence as the critical feature of SAIs;*
- *The need for mutual learning and institutional awareness raising;*
- *Complementary policy developments in respective countries should be taken into consideration and synergies created.*

- It is important to establish follow-up mechanisms for monitoring implementation of performance audit recommendations that are distinct from other types of audit and sensitive to specific approaches of the three SAIs and to stakeholders needs in these countries.

Recommendations to SAIs and governments:

In order to create the basic preconditions for linking PA and policy evaluation, the image of PA needs to be changed and made more distinct from financial audit:

- Stakeholder consultations among auditees and performance auditors should be organized as often as possible, before the audit starts and throughout the stages of performance audit process provided that independence of SAI remains intact. It helps stakeholders understand the concept and goals of performance audit and respond to performance audit requirements in a more meaningful manner;
- The process of preparation of the final performance audit reports should be made inclusive by including the concerns and remarks of auditees in collaboration with performance auditors. The focus should be less on procedural aspects and more on substantive aspects of communicating findings.

Recommendations to governments:

- Consulting performance audit reports should be applied in the work of ministries and other administration bodies in the process of designing and evaluating policies, taking into account country-specific conditions. The need to consult performance audit reports specifically should be emphasized and integrated into current and future reform processes, especially performance management related reforms, including policy planning and policy management reforms;
- The formal requirement for conducting ex-post policy evaluations should be clearly emphasised by the legislation (primary or secondary), stipulating general types of ex-post evaluations to be performed, level at which they will be conducted (policy, budget programme, law...) and their scope and frequency;
- It is recommended to transfer evaluation competence to a single institution at the centre of government. This institution would not be in charge of conducting evaluations but acting as the “driving engine” behind the development, implementation, oversight and quality assurance. This institution would assign roles and responsibilities to lower tiers of the evaluation structure. A clear hierarchy of competences would facilitate monitoring of the functioning of the evaluation system.

* Country-specific recommendations can be found in the Policy Study.

This policy brief is based on the policy study produced within the project “Performance Audit and Policy Evaluation in the Western Balkans – On the Same or Parallel Tracks” in the framework of the Regional Research Promotion Programme in the Western Balkans (RRPP). The study is the result of research performed by think tank organisations of Think for Europe Network (TEN).

Policy study is available at:

www.ten.europeanpolicy.org

About Think for Europe Network (TEN)

“Think for Europe” is Network of Think Tanks and EU Policy Research Centres in South East Europe (TEN). Evidence based policy making and promotion of EU integration lie at heart of TEN. Its members are non-profit, independent think-tank or policy research organisations focusing on the EU integration process and committed to the evidence-based policy making and advocacy. The founding members of TEN are:

European Policy Centre (CEP), Belgrade, SRB

www.europeanpolicy.org

European Policy Institute (EPI), Skopje, MK

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Institute Alternative (IA), Podgorica, MNE

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The RRPP promotes social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia). Social science research aids in the understanding of the specific reform needs of countries in the region and in identifying the long-term implications of policy choices. Researchers receive support through research grants, methodological and thematic trainings as well as opportunities for regional and international networking and mentoring. The RRPP is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). The programme is fully funded by the Swiss Agency for Development and Cooperation (SDC), Federal Department of Foreign Affairs. The views expressed in this policy brief are those of the authors and do not necessarily represent opinions of the SDC and the University of Fribourg.