

ANALYTICAL CAPACITY FOR IMPROVED PRIORITISATION AND M&E

Strategic planning has become increasingly popular in the public sector around the world, and is generally understood to mean “a systematic process of strategy formulation during which an organization’s environment is analysed and strategic goals are defined” (George, 2017, p 527). In theory, plans should be matched with accurate and relevant budgets, and implemented in a manner that ensures that the desired goals are achieved. In reality this ideal situation is seldom achieved in its entirety. There are general concerns that plans are often disconnected from the reality of their implementation, particularly the budgets that are required to give them effect. In particular, these plans are often silent about the choices that have to be made in an environment of limited fiscal resources (“prioritisation”), and how these choices can be made in a coordinated and complementary manner across the public sector (“alignment”). In addition, while considerable resources have been allocated to developing monitoring and evaluation and performance management systems, it is not always clear how these can be linked to and support prioritisation and alignment.

A great deal has been written about the importance of achieving prioritisation in public sector planning, and even more has been written about how this could be done, but most of the latter work focuses on the **theory** of how this is to be achieved (the assumed characteristics of a successful prioritisation system, the suggested components of a performance management system, etc.). There is little systematic work that considers critically what works, what doesn’t work and why, and how these conclusions might be relevant in the Southern African context. Consequently, Twende Mbele commissioned a literature review focusing on two areas:

- approaches, processes and tools that could support more effective plan prioritisation and budget alignment; and
- the utilisation of monitoring and evaluation systems and information to support better prioritisation and alignment.

A review of literature – drawn from a wide range of disciplines – suggests that there are a number of factors that are positively correlated with long-term and sustainable improvements in the process of prioritisation as well as monitoring and evaluation in the public sector. Substantial improvements in the planning environment, and the ability of the public sector to prioritise effectively in that planning environment, generally require politically difficult, slow and incremental changes to the wider institutional environment shaping the public sector.

A number of countries have managed to make notable improvements through the development of strong capabilities in a number of areas. One of the capabilities that appears strongly correlated with improvement across a number of countries is an **improved analytical capacity within the state**.

This analytical capacity is a function of a range of factors, including the supply of strong technical expertise in various fields in the education and professional system; a function of the extent to which this expertise is then located within the state (as opposed to contracted out); a function of the space provided for identifying political problems that may bedevil a particular sector (how a powerful group might block reform for example); and a function of stability within management and leadership in a sector and relevant agencies (time is required to develop experience in a field, to experiment at a smaller scale with different type of interventions, and adapt according to programme evaluation data).

This policy brief considers the following questions in this regard:

- What exactly is meant by “improved analytical capacity” in different planning and M&E environments?
- What kind of capacity to do what kind of analysis is required?
- How can countries go about assessing and improving their analytical capacity in their particular domestic contexts?
- What tools are available to support improved analytical capacity, and in what circumstances can these be used?

In answering these questions – and based on the findings of the literature review – we have focused on the issue of **causality** as the key focal point for improved analysis; that is, the ability to understand the relationship between programmes and their outcomes (impact). In principle, all programmes should be designed on the basis of a detailed theory of change, which details exactly how the programme is expected to generate the desired outcomes. Thus, in this conversation, “improved analytical capacity” is analogous to an improved ability to understand what works, what doesn’t work, and why – that is, a good understanding of the causal relationship between programme and outcome. Across a number of reviewed countries, a better understanding of these causal relationships is correlated with better programme design (i.e. increasing the likelihood that programmes will actually achieve their planned outcomes), better selection of priority programmes, and a more effective monitoring and evaluation framework.

Improved analytical capacity is not just key to programme design and optimum priority selection, but is a pre-requisite of good monitoring and evaluation (M&E). Good M&E requires that some degree of analytical capacity is established within the sector or relevant agencies: in order for M&E to fulfil its goal of improving organisational performance and programme design it must be able to provide detailed feedback on exactly *why* and *how* particular outcomes were achieved, or not achieved. In more advanced prioritisation systems – such as that found in Chile – detailed evaluation information of this kind is used to inform budgetary allocations, so that more effective (in terms of the ability to use budgeted resources to deliver expected outcomes) programmes are prioritised, while less-effective programmes are either restructured or scrapped entirely.

Improved analytical capacity is a function of a range of factors, including the following:

- The availability of credible base data across a wide range of functional areas and in a wide variety of categories. It is virtually impossible to do credible programme planning without such base data: how will we measure progress or lack thereof, and how will we determine the achievement of programme outcomes in the absence of rigorous data?
- The supply of strong technical expertise in various fields, including statistical analysis and detailed sector knowledge. This, in turn, is an outcome of the domestic education and professional system.
- The extent to which this available expertise is then located within the state (as opposed to being contracted out to consultants). Successful countries were notable for focusing on ensuring that much of the required expertise was not outsourced.
- Stability within management and leadership since time is required to develop experience in a field, to experiment at a smaller scale with different type of interventions, and adapt according to programme evaluation data.
- Political support for reducing or scrapping non-performing programs.

Analytical “capacity” is based on two key foundational pillars:

- The first is information – the data sets and other inputs that are needed to undertake an analysis of any kind. Required data varies enormously, based on the level of analysis that is required and the selected analytical tool, but the most important components include accurate national statistical data on a range of demographic indicators, such as population and household attributes, and accurate, consistent and objectively verifiable programme data reported by the entity under analysis (such as the Department of Housing), and accurate and comparable financial information for each program. Without these basic informational building blocks, it is very difficult to develop detailed and useful analyses. The literature highlights the importance of institutions such as a national statistics office and an auditor general in building the requisite credible data foundation, as well as the entrenchment of sound practices around regular and standardised reporting across government departments.
- The second is the skills and resources required to analyse that data effectively. One key issue is around the location of analytical capacity within the public sector, motivated in large part by the recognition that such skills are both scarce and expensive. Although the most desirable outcome is to have this expertise within the state, in many instances advanced analysis of data is outsourced to specialist consultants, often at considerable cost. It often does not make sense to replicate advanced technical expertise across all public sector institutions: as a result, many states have opted for a two-tier system, where more basic data collation and analysis (such as the regular valuation of indicators) is undertaken by all entities responsible for designing and implementing programmes, while more advanced analysis is undertaken centrally.

The literature review indicated clearly that developing effective analytical capacity – particularly capacity that is located within the state – is best approached on an **incremental** basis, over a period of time: successful countries begin by entrenching basic functions, such as indicator development and measurement, and once these are in place progress to more advanced systems. The key point here is that this progression cannot be made successfully if there is not a solid data system in place to accurately and regularly measure a wide range of performance indicators. This is the reason for the emphasis placed on a well-functioning reporting and statistics collection function within the state, and the importance of a strong working relationship between these entities and those responsible for programme analysis within the state.

Chile’s analytical capacity – as described above – is focused on a relatively sophisticated interrogation of causality, but has been built over an extended period of time. In more basic analytical systems – which is where successful countries started before progressing to more advanced systems – analysis is focused on the objective measurement of whether or not programme goals were achieved (for example, whether the planned number of public housing units has been delivered). Once this base is reliably in place (i.e. when there is a high level of confidence in the accuracy of indicators), more sophisticated analysis of how and why the outputs were produced or not produced can begin.

In terms of “how” analysis is done in practice, there are a large range of analytical tools that can be used to increase analytical capacity within the public sector.

The following summary table published by the World Bank suggests the most suitable technical tools to use in the planning, prioritising, monitoring and evaluation process, based on the particular question(s) that the entity in question wishes to answer, either in terms of a prioritisation exercise or monitoring and evaluation or both.

QUESTION	METHOD	COMMENT
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Design and Planning

<p>If this policy is implemented, who will be the winners and the losers, from our group of identified stakeholders?</p>	<p>Ex Ante Distributional Analysis: Provides an analysis of both likely intended and unintended consequences on a range of stakeholders of a particular program or policy.</p>	<p>This method is particularly useful for new or redesigned programs that have no or only limited information about target populations and other stakeholders. In spite of its upfront costs, investment in this method can be very cost effective in the long run, allowing for the adjustment and refinement of programs before implementation, because programs are likely to be better targeted as a result. Distributional analysis can also provide invaluable information about the political consequences of new programs.</p>
<p>From a welfare perspective, given limited public resources, should we invest in this program, or select another?</p>	<p>Cost-Benefit Analysis: Quantitative study that compares the expected benefits over the life of a program with its expected costs. Both costs and benefits are calculated in monetary terms.</p>	<p>This method is most often used for investment programs where benefits and costs can be easily expressed as a monetary value, such as in infrastructure or agricultural projects. However, there have been many innovations in cost-benefit analysis to address this monetary value limitation. Cost-benefit analysis relies heavily on assumptions and forecasting; it may thus be less suitable for programs planned to be operating in unstable and unpredictable environments.</p>
<p>What results do we wish to achieve for a particular program, and how do we plan to achieve them?</p>	<p>Causality Frameworks: Causality frameworks require program designers to interrogate the assumptions that lie behind program design, and to test various scenarios about relationships among program variables.</p>	<p>This method is suitable for all programs; the development of a good causality framework is a vital foundation for good program design and M&E. The process underlying the development of the causality framework is important and often involves multiple stakeholders in discussions and training of program staff if they are not familiar with the method. Therefore, developing good causality frameworks can be time and labor intensive, and requires a particular set of skills.</p>
<p>Who/what can provide lessons to improve the program indicators throughout the program cycle?</p>	<p>Benchmarking: Although benchmarking is commonly used, its value derives from careful consideration of which comparisons are, in fact, relevant in a particular local context.</p>	<p>This method is suitable for programs that rely on performance indicators to guide management decisions. It is often used by higher-level policymakers to identify well and poorly performing programs that are suitable for comparison. Benchmarking supports the adoption of realistic and challenging targets in programs. It can be difficult to find appropriate benchmarks because of data constraints or lack of cooperation from affected programs. It may also be difficult to identify suitable comparisons to use as benchmarks (local context).</p>

Implementation and M&E

<p>Have operational mechanisms supported the achievement of program objectives? That is, how well does the selected implementation process 'fit' with the desired objectives?</p>	<p>Process Evaluations: The aim is to assess whether operational mechanisms in implementation are supporting/ not supporting the attainment of program objectives.</p>	<p>This method is very useful to inform decision making at both the implementation and follow up stages of the policy cycle, since it highlights challenges/successes in implementation which can be used to refine program design and management. However, without accepted standards of quality and its necessary contextual nature (operations vary in each locale) implementing this method can involve high costs in developing an appropriate design and ensuring quality. Process evaluations tend to be very affordable once quality is ensured and can provide excellent value-for-money information.</p>
<p>Has the program performed from a comprehensive (high-level) perspective?</p>	<p>Executive Evaluations: These provide a high-level 'snapshot' of the overall performance of a particular program, rather than a detailed analysis.</p>	<p>This method is suitable in the context of larger evaluation initiatives, driven by central agencies, such as the office of budgeting or the planning department, when these for example have a desire (i) to complement other more focused and in depth evaluations used in government with a rapid evaluation method and (ii) provide overall performance information to stakeholders other than those directly involved in a program such as budget offices, congress, and the public.</p>
<p>Has participation in the program resulted in planned impacts on target groups?</p>	<p>Impact Evaluations: These analyse if the intended impacts have been achieved, calculating both the size of the impacts, and their distribution.</p>	<p>This method is known to produce very reliable statistical results and has been instrumental in transferring knowledge internationally. Issues have been considerations of the ethical and political consequences of using randomized trials. Budget constraints are also a limitation to the use of this method because these evaluations require a significant time and resource investment. As such the method is most suitable for larger programs with high coverage.</p>
<p>Is the information from M&E reliable for decision making?</p>	<p>Assessment of Indicators & Assessment of Evaluations: Are the selected indicators relevant to desired impacts/outcomes? Are evaluations effective?</p>	<p>These methods can be very cost effective, helping in particular to enhance M&E capacity in organizations and ensure sustainability of M&E initiatives. A barrier to the use of these methods is that in the context of limited budgets there is often little money left for M&E quality control after evaluations have been completed.</p>