

# Performance Management and Policy Evaluation in the Netherlands

## *Towards an Integrated Approach<sup>1</sup>*

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In June 1999, the Netherlands government presented its new proposals on the structure, content and presentation of budget documents. The new style government budget should give answers to three simple questions: 'What do we want to achieve? What will we do to achieve it? What will be the costs of our efforts?' After the budgetary year, the government annual report will have to answer the logical equivalents to these questions: 'Have we achieved what we intended? Have we done what we should have done in achieving it? Did it cost what we had expected?'

The general purpose of the proposals is to make budget documents, and hence the budgetary process, more policy-oriented by presenting information on (intended and achieved) policy objectives, policy measures or instruments, and their costs.

In this article, I will focus in on the merits of the new style budget from a performance management and policy evaluation point of view. The central question is: will the new style budget indeed allow for a better geared employment of periodic (annual or cyclic) and less frequent information on policy outcomes and management output? And, if so, what are the chances of enhancing the utilization of the results of evaluation research by tuning its employment to the systematically available data of performance-oriented systems of planning and control?

**KEYWORDS:** accountability; new public management; organizational learning; performance indicators; policy effectiveness; results oriented budgeting

## **Financial Management Ambitions in the Netherlands: Efficiency and Effectiveness**

Society demands increasingly more of Government. It is therefore necessary that we are decisive in purposefully and efficiently seeking to turn policy plans into results. That is one of the reasons why Government is working hard to improve its organization and working methods. A decisive government, effective policy and efficient management:

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that is how we might sum up the objectives of the Cabinet in the area of financial management. (Ministry of Finance, 1998)

As this excerpt may illustrate, financial management of the Netherlands Central Government is in a constant state of flux. Ever since the middle of the 1980s, much has been done to improve the legitimacy and efficiency of the use of public funds. Both the ambitions and instruments of the State's financial managers and controllers are increasing. In the middle of the 1980s, the need to control government expenditure could not be stressed enough. Since then, much has been achieved. Because of this, the Ministry of Finance was able to develop and implement the results-oriented management model and to harmonize the budget and policy cycles.

During recent years the focus has shifted from regularity to efficiency and effectiveness. The key to this development lies in the improvement of management of government organizations. The Government Agreement of the second Kok Cabinet is crystal clear in this respect:

In order to promote efficient and successful government action, the development of more transparent policy and management will be vigorously continued. . . . The broad implementation of the results-oriented management model will be further promoted during the term of this Government, inter alia, by systematically carrying out inter-departmental policy research into the planning and management of Public Services. (Rijksvoorlichtingsdienst, 1998)

The objective of the results-oriented management model is not just to 'save money' but foremost to improve government performance by clarifying the relation between the deployment of resources, products and services and the effects to be attained, *and* to take this as a starting point in both policy making and implementation. This will result in greater transparency of the budgetary processes, which is beneficial to the external control of Government agencies by the Court of Audit and Parliament. As a norm – of results-oriented management as well – government must do the *right things* and has to do those things *right*: i.e. cost-efficient and meeting certain quality standards, while at the same time providing insight in what it is doing to achieve which objectives.

To fulfil these rather classic (or 'modern', as opposed to more *laissez faire*, *laissez passer* 'post modern') ambitions of good governance, the Netherlands central government has a tradition of employing both performance and effect indicators (as exponents of performance management) and policy evaluation research.

### **Performance and Effect Indicators and Policy Evaluation in the Netherlands: Parallel Lines**

Bridging performance management and policy evaluation is *en vogue* (Blalock, 1999). In Holland, the importance of 'teaming up' performance management and policy evaluation research was first acknowledged in the 1991 government position paper 'Policy Evaluation Studies in Central Government' and the following 'Frame-of-reference for Policy Evaluation Instruments' (Ministry of Finance,

1994/1998). Since the early 1990s, the following categories' complementary 'evaluation instruments' are distinguished in the Netherlands Central Government:

1. systems of *performance and effect indicators*, which provide periodic insight or 'monitoring information' into government performance and the extent to which policy makers have achieved their aims;
2. (project-based) *policy evaluation research*, which usually takes place less frequently than once a year and focuses on the *net (societal) effects* of policy programmes; and
3. *organizational auditing*, in which the operational management and performance of specific organizations are reviewed.

### ***The Development of Performance and Effect Indicators***

One of the earliest forms of performance measurement in the Netherlands was 'performance budgeting' (Sorber, 1999). Since the 1970s, ministries have provided annual performance data in their budgets (Klaassen and Van Nispen, 1998). The main functions of this approach to performance budgeting were:

- to increase Parliament's insight into the budget estimates in order to improve decision making on the appropriation of funds (the allocation and control function); and
- to foster efficiency and effectiveness of the various policy programmes (the management and control function).

These functions are still very relevant. The availability of reliable and timely information on government performance is of vital importance to the development of more efficiency and effectiveness through transparency. Following Osborne and Gaebler's principle that 'if you don't measure results you can't tell success from failure' (Osborne and Gaebler, 1992: 147), one of the major efforts in the field of public management in the Netherlands Government in the 1990s was the systematic development of indicators on the performance and effects of government management and policy measures. To stimulate development, a step-by-step approach was used, tuning in to the ambitions of good governance: expenditure control, efficiency and effectiveness (Ministry of Finance, 1999). Up to and including the 1996 Budget, the emphasis was put on 'estimate key figures', i.e. data that provide insight into the factors upon which budget *estimations* are based.

This information, however, was largely restricted to data on price and quantity aspects of budget estimates, the so-called 'P(rice) × Q(uality) approach' (Sorber, 1999). Relevant as they may be for budgetary purposes, estimate key figures as such only partially provide insight into actual government performance. One reason for this is that it was endorsed that they included either output or input factors (e.g. the number of civil servants employed). For this reason, in the preparations of the 1997 and 1998 Budgets, the emphasis shifted to real performance indicators. Through the inclusion of the costs and quality of government products and services, much insight was gained into *efficiency*, i.e. the

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resources–performance ratio. The main figure to assess efficiency is ‘cost per unit output’, combined with quality indicators. By comparisons over time, cross-sectional analysis (bench marking) and comparisons with specific norms or targets, insight into efficiency improvement can be acquired (Ministry of Finance, 1994/1998). The insertion of efficiency information in ministry budgets paralleled the introduction of the *state agency* model (see Conclusions).

The possibilities of qualifying and quantifying output, however, differ greatly per Ministry. Also, it is easier to do so in organizations of a more administrative, policy implementation nature (such as the state agencies), than in organizations that are involved in more policy development orientated activities. Still, over recent years, much progress has been made, both in quantitative and qualitative terms.<sup>2</sup> At the moment, 93 per cent of eligible government expenditure is validated by means of information on the costs (and quality) of products and services rendered.<sup>3</sup>

In 1998, during the preparation of the 1999 Budget, the first steps were taken to develop key figures on effectiveness. The objective was to provide insight into the effects of policy measures within society, both the aims and, *ex post*, achieved net effects. In 1998 and 1999, ministries started to include target figures on the effectiveness of policy measures in their budgets. Nevertheless, information of this kind is still very rare. By putting the objectives of policy measures first, the new proposals on the structure, content and presentation of budget documents do correct this inadequacy (see the next section ‘All Things are Obedient to Money’).

### *Policy Evaluation*

With respect to information on the effects of policy programmes, it is important to make a distinction between *effect indicators* (literally: clues, pointers or signs) and the (*net*) effects of policy programmes. Effect indicators offer a sign or an indication that the pursued aims are, or – less certain – will, or even may be attained. Policy effects are ‘the real thing’: they represent the actual change in society (or in an organization, a target group, etc.). When measuring the ‘net effects’, the interference of factors outside the policy programme concerned is excluded. When it comes down to acquiring information on the net effects of policy measures, policy evaluation research – the second ‘evaluation instrument’ – often seems to be the sole option. Contrary to estimate figures and the costs of products or services rendered, measuring the effectiveness of policy programmes requires thorough, methodologically sound, in-depth evaluation research.

Within the category of evaluation research, the usual distinction is made between *ex ante* and *ex post* evaluation studies. *Ex post* evaluation studies are defined as studies in policy measures which are assessed retrospectively. This type of study may relate to the following aspects:

- method of implementation (in relation to the planned method of implementation), possibly in conjunction with cost aspects;
- the output/services/products supplied (in relation to the intended production; both quantity, costs, and quality are researched); and/or

- (most frequently:) the net effects and side-effects resulting from the policies pursued in society (in relation to the intended effects or efforts to avoid undesired side-effects).

*Ex ante* evaluation studies (evaluation in advance) are defined as future-oriented studies, aimed at gathering information on and analysing:

- two or more policy options (entailing a different method of continuing present policy); and
- their expected effects and side-effects within the implementing body and/or in society.

The difference between *ex post* and *ex ante* evaluation studies lies, of course, in the fact that the latter are future-oriented (prospective versus retrospective). This distinction has implications mainly for the quality criterion 'empirical content'.

### ***Organizational Auditing***

Organizational audits are carried out throughout central government to review the operational management and performance of individual (parts of) government organizations and services. Since 1997, this third evaluation instrument has been actively promoted throughout government by carrying out interdepartmental policy research into the planning and management of public services. Its main goals were: (1) to review the degree to which existing administrative and management systems could be characterized as 'results-oriented'; and (2) to put forward improvement proposals (see Conclusions). In 1999, the Ministry of Internal Affairs started to carry out 'visitations': audits carried out by interdepartmental working groups, meant to give 'fraternal advice' to colleague professionals. In addition to these government-wide initiatives, each ministry carries out its own organizational and/or operational audits.

### ***The 'Best Mix' Approach***

In what situation and/or with what frequency should which evaluation instrument be used? Complex as government and public policies are (or seem to be), it is surprisingly easy to give an answer to this question. As a pragmatic principle, the 'Frame-of-reference for Policy Evaluation Instruments' advocates using 'the best mix of categories, and ensure that they are well matched'. Today, with the implementation of the new style budget, the conditions for effectuating this mix seem better than ever (see Table 1). But already by 1994, some general criteria had been advanced (Ministry of Finance, 1994/1998):

## **'All Things are Obedient to Money': Towards a More Policy-Oriented Ministry Budget and Annual Account**

### ***Linking Budgets to Policy: the 1999 Budget Reform***

It is clear that departmental budgets and annual accounts fulfil essential roles in the relation between Government and Parliament. The budgetary process constitutes the basis for allocating resources to all kinds of policy priorities.

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Moreover, it is a precondition for an efficient and effective policy implementation and, as such, enables the States General to give effective substance to its decision-making and controlling tasks. Next to the budgetary process, however, public policy tends to have its own cycle (in scholarly terms: that of formulating objectives, developing policy programmes, implementation, assessing results, re-adjusting objectives and/or programmes). A key feature of the policy cycle is that it is generally longer than the budget cycle and that several policy cycles coalesce in the budgetary cycle.

Still, over the past two years, several initiatives have been taken to connect budget cycles (better) to policy cycles. The most important initiative by far is the current reform of ministry budget documents and annual accounts. Under the title 'From Policy Budget to Policy Annual Account', the Netherlands Government published its proposals to improve the information value and accessibility of budget documents and annual accounts (Parliament, 1999). The general purpose of the proposals, which were sent to Parliament in May 1999, is to make budget documents and the budgetary process more policy-oriented. It is believed that Parliament (and other users of the budgetary documents) are interested in both (1) the objectives of policy and the way those objectives are being pursued; and (2) the amounts of money spent by ministries in doing so. More policy-oriented budgets provide better information and will be better accessible.

### *From Input to Output and Outcome*

The ideas behind the current budget documents date from the mid 1980s. At that time, the regularity and controllability of government spending were still high on

#### *Box 1. When to Use Which Evaluation Instrument: Some General Criteria*

##### **Ex ante evaluation research**

It is advisable to carry out *ex ante* evaluations of new policy measures if the expected level of risk is high and/or in the case of major policy changes.

##### **Performance indicators**

The setting up of a system of performance indicators is often not worthwhile in the case of 'one-off matters'. Other evaluation instruments are more appropriate in such cases. Some policy areas are unsuitable for certain types of indicators. For example, if the output is not measurable, it is impossible to develop efficiency indicators.

##### **Ex post evaluation research**

As a rule of thumb, systems of performance indicators do not provide a reliable insight into causality: information on the causal relationship between policy measures and the actual net effects of those measures in society (outcome) often requires a project-based *ex post* evaluation study. As a guideline, project-based *ex post* evaluations should be carried out for each policy area at least once every five years. A higher frequency is required in the case of matters that are of significant financial or social risks and/or if negative signals have been received regarding the outcome pursued. Performance indicators play a pivotal role in determining the need for such a higher frequency.

the agenda (see first section of this article). This is reflected, *inter alia*, by the fact that many input data were included in the budget documents (e.g. personnel, materials). In addition, from a control-oriented point of view, there are obligatory articles or sub-articles for advisory bodies, guarantees, 'open end schemes', loans and participations. Since the 1980s, however, much has been achieved in this field (and must be preserved). The problem with the 'old-style' budget documents, however, is that the main lines of policy are often difficult to recognize. Frequently, there is no direct relation between the financial proposals and the underlying policy plans. It is often hard to find a direct connection between policy, performance and resources (Van der Knaap et al., 1999).

In line with the higher ambitions of financial management described earlier, the employment of efficiency and effectiveness as guiding design and classification principles in the budget and accountability process is a logical next step. In short, departmental budgets must answer the questions: '*What do we want to achieve, what steps will we take to achieve it and what should it cost?*', and in the counterpart of the budget, the annual account: '*Have we achieved what we intended, have we done what we should have done in achieving it and did that cost what we had expected?*' (Ministry of Finance, 1999).

The purpose of the redesign of the departmental budget and annual account is to make the budget more in line with actual policy objectives and measures. Wherever possible, a direct connection must be made between (1) policy objectives; (2) the policy instruments employed *casu quo* the products and services rendered by those instruments; and (3) the resources required to do so. In the new style budget, the policy objectives are decisive for the structure of the Ministry budget documents. The intention is to attain a classification of policy articles in which the policy areas are clearly recognizable, sufficiently homogeneous and whereby the above link – between objectives, measures and money – can be made.

### ***Budget Outline: Policy Objectives are Leading***

In the new style budget, every line item is based on a general objective of government policy: the simple questions 'what do we want to achieve; what are the intended (final) effects in society?' are leading. Still, making a general policy objective and target values explicit and manageable (or 'steerable'), will not always be possible. As an example, we may take the objective to 'integrate recently immigrated people from an ethnic background into Dutch society'. To be specific, the general policy objective must be translated in one or more specific operational policy objectives. This may take in two, often parallel ways:

1. formulating *intermediary effects*: manageable and quantifiable effects that contribute to the realization of final policy effects (in our example, the percentage of newcomers taking part in a naturalization course); and
2. formulating further crystallized effects that give an good indication of the final policy effects (such as the number of people from an ethnic background in paid employment).

In this way, general policy objectives can be put into further operation: an

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indication is given of what the target group is and what the desired target values are.

To increase the comparability of policy articles, a universal structure is used. This takes the following form in both ministry budgets and annual accounts:

#### *Box 2. The General Structure of Policy Articles*

- general policy objective
- policy objectives put into further operation
- budgetary consequences of policy
- explanation based on performance and effect indicators
- information on budget flexibility
- underlying assumptions concerning effectiveness, efficiency and estimates

### *Explanation on the Basis of Performance and Effect Indicators Wherever Possible*

As stated, performance and effect indicators play a pivotal role in – the explanatory memorandum to – policy articles. In the new style budget, they fulfil the function of target figures. In the annual account, the realized performance and effects are presented in the context of those target figures. In both ministry budget and annual account, performance and effect indicators are given for a number of years. To promote readability and identifiability, they are presented in separate tables or diagrams. In addition, to aid understanding it is important to clarify the meaning of the data with a thorough policy-oriented explanation (Ministry of Finance, 1999).

The new style budget proposals assume a clear-cut distinction between periodic (annual or cyclic) and less frequent information on government (output) and policy effects (outcome). The reason for this is a rather pragmatic one: covering every aspect of policy information every year would be either too expensive or simply impossible. This especially holds for the final net effects of policy programmes. As a general principle, performance and effect indicators (signs or indicators of policy effectiveness) are included on an annual basis. After all, most of this information is (or should be) available as a ‘by-product’ of results-oriented policy and management systems (OECD, 1999). Information on the net effects of policy should be included in budget documents every four or five years or, when there are significant financial or other risks or in the case of negative feedback (‘alarm bells’), more frequently. Table 1 summarizes the ‘best mix’ inclusion of performance and effect indicators and the results of evaluation research.

On paper, everything looks clear. The key question, of course, is: will everyday practice allow for a well-considered combination of performance management and policy evaluation? Here, the mother of wisdom may well be earlier experience with results-oriented policy and management.



## From Development to Utilization: Integrating Performance Management and Policy Evaluation

Despite the fact that much progress has been made in the inclusion of performance indicators in ministry budgets, the actual utilization of this information still leaves much to be desired. In recent years, some Members of Parliament complained about the 'bureaucratic' and detailed nature of the performance indicators (Ministry of Finance, 1998). The Netherlands Court of Audit, a clear supporter of performance indicators, has expressed serious doubts about the value of the 'top down' approach of the Ministry of Finance's step-by-step policy of the 1990s. Some ministries actually stated that they developed performance indicators 'to please the Ministry of Finance', but that they are of little use in the actual decision-making processes on policy and budgets (Court of Audit, 1997).

From a normative point of view, the question of how performance and effect indicators *should* be used in allocating resources, orchestrating networks and managing policy implementation processes can be answered easily. They should be: open; results-oriented; and embedded in decision-making processes, whilst at the same time taking account of each actor's specific capabilities and responsibilities. From an empirical point of view, too, there is ample experience with results-oriented policy and management or 'new public management' in the Netherlands (Leeuw, 1997).

Table 1. Linking Performance and Effect Indicators to the Result of Evaluation Research in the New Ministry Budgets and Annual Accounts

Ambition	Information	Example	Source
<b>effectiveness/ net impact</b>	(net) effects of programme X	the 'real' integration of people from an ethnic background in Dutch society due to policy programme X	<i>ex post</i> evaluation research
<b>intermediate effectiveness</b>	intermediate (gross) effects	number of people from an ethnic background in paid employment	annual figures from the Ministry of Social Affairs (annual cycle of planning and control)
<b>indicative effectiveness</b>	effect indicators	number of students graduated with a certain degree of knowledge of Dutch language and culture	annual figures from the schools (annual cycle of planning and control)
<b>efficiency</b>	costs indicators on the quality of output	the 'production costs' per student (meeting specified quality conditions)	annual figures from the schools (annual cycle of planning and control)

***Using 'New Public Management' Experiences***

In 1991, the agency model was introduced, intended to increase the efficiency within central government by means of results-oriented management.<sup>4</sup> Currently, there are 19 agencies with an overall turnover of approximately NLG 3.5 billion. The number of personnel amounts to around 27,500, more than a quarter of the total number of public servants within the Netherlands central government. In 1997, a national assessment was carried out to examine whether the above-mentioned objective of the agency model has been attained. The most important conclusions were that the agency model has proven its value for results-oriented management and that there are indications to suggest that (result-oriented management based on) the agency model has increased efficiency within central government (Ministry of Finance, 1997). In addition, experience with the utilization of information on the costs and quality of products and services was gained, with 13 interdepartmental policy research projects into the management of large government services. Several large inspectorates and the tax service were reviewed on the possibilities of a more output-oriented management (within the organizations concerned) and a more results-oriented way of governing and controlling these organizations by the ministries.

The lesson of experience is clear: results-oriented policy and management revolve around the causal relation(s) between measures and effects. Let me take the Agricultural and Fisheries Inspectorate (AFI) as an example. The Ministry of Agriculture and Fishery wants to achieve certain objectives concerning fish stock. The causal relationship between: (1) the output of the AFI (inspections at sea, in number, costs and quality); and (2) the outcome (compliance with fishery rules and, hence, the amount of undersized fish illegally caught and, hence, the development of fish stock) provides a logical 'steering point' for the relation between the ministry and the Inspectorate. After 10 years of state agencies and other new public management experience, the conclusion is justified that the only way to really start using performance and effect indicators is to apply these instruments in terms of:

1. devising policy measures;
2. allocating appropriate resources;
3. managing policy implementation processes (i.e. steering and controlling actors involved in policy implementation); and
4. rendering account of one's intents, performance and effects.

***Fostering Utilization: 'Vanguard Projects'***

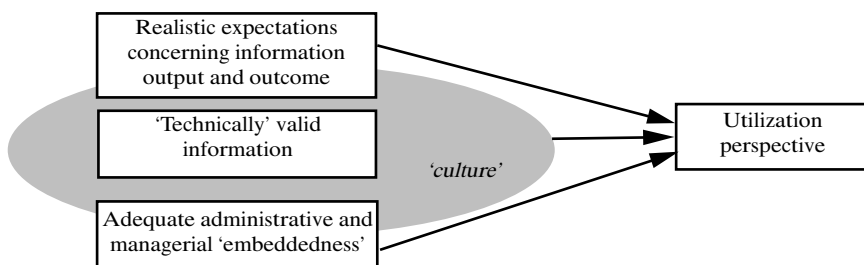
In order to improve the actual utilization of performance indicators and the results of evaluation research, it was deemed necessary to further explore the political and management dimensions of policy information. In 1999, seven 'vanguard projects' were launched to further stimulate the actual use of performance and effect indicators and the results of policy evaluation research in management and the decision-making and budgetary process. For this purpose, a special analytic framework (see Figure 1) was drafted, focusing in on four dimensions of utilization of performance indicators and the results of policy evaluation research:

1. a clear-cut understanding of information on management output and policy outcome (pertaining to efficiency and effectiveness respectively);
2. the methodological quality and presentation of indicators and (the results of) evaluation research;
3. the administrative and managerial 'embeddedness' of policy information in decision-making and budgetary processes; and
4. the degree to which the organizational and political context can be characterized as 'results-oriented'.

For the purpose of this article, I will refrain from (again) elaborating on the different categories of performance and effect information (see section on performance and effect indicators). The main lesson learned in practice is that confusion of concepts often obstructs a proper use of information available. 'Semantic clarity', and hence realistic expectations concerning information on output and outcome, are prerequisites for an effective utilization of both performance and effect indicators and the results of evaluation research. In addition, it may be clear that the reliability and technical validity of information, as well as its timely availability and 'accessibility', still constitute important utilization determinants.

### *Using Information: Prompting Learning Processes*

In addition to conceptual clarity and the technical quality of policy information, the 'vanguard projects' pay special attention to the more utilitarian or practical dimension of budgetary decision making and management. The first aspect of this dimension is the degree to which performance and effect indicators or the results of evaluation research may incite learning processes. Earlier, I defined a 'learning government' as a government that aims at improving its policies – and does so with a certain degree of success (Van der Knaap, 1995). Policy-oriented learning comprises the detection and correction of imperfections, deficiencies, errors, etc. By means of feedback information, policy makers are enabled to detect and correct errors or these flaws. To facilitate these learning processes, policy information (in ministry budgets, annual accounts and other planning and control documents) should:



*Figure 1.* Performance Information: Four Dimensions of Utilization

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1. enable a systematic comparison between target figures and results;
2. include multi-annual overviews of performance and effect indicators;
3. make it possible to draw up comparisons between similar organizations; and
4. provide a synopsis of the conclusions that can be drawn upon performance or effect indicators and the results of policy evaluation.

### ***Adequate Administrative and Managerial 'Embeddedness'***

According to the Court of Audit, the 'embeddedness' – or rather lack of embeddedness – of indicators and the results of evaluation research in decision-making and budgetary processes constitutes the main reason why the insights these instruments provide are not well used. An important disadvantage of the 'top down' approach to developing performance and effect indicators ('pleasing the Ministry of Finance') is that the information in budget documents is often little used in the actual decision-making processes on policy and budgets. There appears to be a 'glass ceiling' between the information that is used in administering policy implementation (or implementation agents) and information that is included in the budget documents sent to Parliament (Court of Audit, 1997).

Ideally, the performance and effect indicators that are used at a 'decentral' management or implementation level and the information used at a central level (including Parliament) should be in line.<sup>5</sup> In addition to this complementarity, performance and effect information (including the results of evaluation research) should be connected to the cyclic stages of policy and budgetary decision-making at all government levels: services, ministries and central/Parliamentary levels.

## **Conclusions and Discussion**

To return to the main question of this article: does the new style budget, as a clear-cut exponent of the performance management movement, allow for a better geared employment of periodic (annual or cyclical) and less frequent information on management output and policy outcomes? And of performance and effect indicators and policy evaluation? On paper: yes. In practice, too, the prospects look good: for the first time, information on policy effects and management performance is placed centrally within all decision-making levels of central government. There are, however, as the Dutch saying has it, a few nasty 'spikes on the road ahead'.

### ***A Rational-Analytic Approach: Disqualification or Strategic Advantage?***

On paper, the new style budget has the potential to provide a close-to-perfect point of departure to a well-considered combination of performance management and policy evaluation. The main reason for this is that the new style budget takes the threefold question '*What do we want to achieve? What will we do to achieve it? What will be the costs of our efforts?*' as a starting point. The answers to these simple questions constitute the red line throughout both public sector performance management and policy evaluation research: some information is

available on a regular, 'planning and control cycle basis', whereas other information does require thorough investigation. In a well geared system, therefore, evaluation research has two functions:

1. filling in *lacunae* or blind spots in regular, planning and control cycle related policy information;
2. exploring the 'credentials' of regular performance data.

The first and foremost function of evaluation research is a rather classic one: to gain *ex post* insight into the achieved net effects of policy measures and, if the results point in that direction, study possible shortcomings in the implementation, policy theory or even purpose of the policy programme in question. In this respect, evaluation research contributes to the overall ambitions of a results-oriented government, by addressing 'technical difficulties' in the field of outcome contribution (e.g. by providing knowledge on how to model causality; compare Davies, 1999). It is widely acknowledged that performance and effect indicators, but particularly evaluation research, can help to rationalize, if not improve, the process of allocating financial and human resources (e.g. Guth, 1998). The essence of the proposals is that the new style budget and annual account will explicitly connect policy objectives with resources. If only because of budget allocation, a careful formulation of objectives into performance data is required which, in turn, calls for well-considered, well-designed policy programmes. As budget documents are open to public scrutiny, it will urge policy makers to think hard about the both the objectives and instruments of public policy before they set out to action. This will almost automatically lead to a wider use of both *ex ante* and *ex post* evaluation research, including quantitative cost-benefit analyses.

Still, as a first spike on the road ahead, the adage that 'in the lion pit of politics and bureaucracy, rationalized choices are eaten, but sorely digested', remains true (Le Blanc, 1982 in Klaassen and Van Nispen, 1998). Ever since its first appearance, policy evaluation has been attacked (and considered irrelevant) precisely because of its ivory tower-like, theoretical approach with an obsession for facts and figures. Especially in the Dutch 'poldermodel' – i.e. the Third Way *avant la lettre*, where decisions on government action are subject to a whole range of public enquiry procedures and the consent of virtually all interest groups – the degree to which claims on 'rational choices based on objective knowledge' really can determine policy measures, seems limited. In contrast, by sharpening the edges of the policy intentions and means, central government could well use this new found rationality to influence the outcome of network-oriented decision-making. Examples of this can already be seen in the fields of agriculture (manure policy) and the environment (sound pollution around Amsterdam Airport).

### *Triggering Defensive Response*

Evaluation research makes it possible to 'dig deep' into the composition of costs or the quality of certain products and services and, especially, the degree to which performance and effect indicators 'paint the real picture' of performance (efficiency) and of effects (effectiveness). One of the risks of using performance

and effect indicators is *tunnel vision*: policy evaluation may correct this. Questioning public policy objectives, the translation of objectives into instruments and measures, and the way policy makers report on the progress of policy programmes, remain crucial parts of the *raison d'être* of policy evaluation, especially in a context of results-oriented management and policy. But, as Johan Cruyff often says: every advantage has its disadvantage. The second spike is connected to this 'self-centered rationality' of systems of performance and effect indicators. If the result of evaluation research is that the existing set of indicators does 'not paint the real picture' (and should therefore be modified), the evaluator will have to confront institutional defensiveness (or defensive routines – see Argyris and Schön, 1978).

### *Measuring Performance and Policy Outcome: Accountability versus Learning*

A predominating function of the new style policy budget is the facilitation of a more clear-cut, transparent way of allocating resources and rendering account of the departmental financial and overall functioning. The quantified policy objectives of the new style budgets make it almost unavoidable to pass judgement. The new style budget documents make it easier to compare policy intentions with results and, hence, to detect deficiencies or 'shortcomings' (both in terms of management efficiency or performance and policy effectiveness).

Here, too, another classic dilemma rises to the surface: when offering an account (on the regularity of financial management, on the performance of one's organization, on the effectiveness of policy programmes), people often eschew admitting 'errors'. When it comes down to 'good governance' or 'transparency', rendering account (to controllers, to Parliament, to the public) and policy-oriented learning are two sides of one coin. In practice, however, they may well be two different coins; hence the third spike. As an analysis of the impact of the European Union Court of Auditors on structural policies showed, the perceived threat of 'eager faultfinders' may lead to quite substantial defensive mechanisms on the behaviour of the policy makers (Van der Knaap, 1997). Moreover, a continuous focus on 'deficiencies' may eventually lead to the pitfall-impression that the government in question does not give value for money. More seriously, an unrestrained pattern of 'making mincemeat' of benevolent politicians and/or policy makers who are transparent in what they want to achieve and how, will undoubtedly do away with the results-oriented management and policy model very soon.

## Notes

1. This article was originally prepared for the 1999 UK Evaluation Society Conference in Edinburgh. The views expressed in this contribution are the author's own and should not be attributed to the Netherlands Ministry of Finance.
2. The Netherlands Court of Audit reached the same conclusion in its reports (published in 1997 and 1998) on 'Provision of Information and Key Figures' ('Informatievoorziening en kengetallen').

3. In the Ministry 2000 Budgets, 93 per cent of eligible line items is illustrated with performance indicators; 71 per cent of this information meets the Ministry of Finance's quality standards.
4. For that purpose, agencies use the system of income and expenditure and may reserve funds that have not been spent. To acquire the agency status, departmental divisions have to fulfil three requirements. Firstly, their products and services must be measurable (in both costs and quality). Secondly, they must have an unqualified auditor's report. Finally, there must be the real possibility that the service can operate markedly more efficiently – see Ministry of Finance, 1998.
5. The degree of specificity, of course, will inevitably vary: the information needs of local managers and Members of Parliament are and will remain different. Still, 'translations' must be possible: if, for example, Parliament wants to reduce the numbers of prisoners escaping from prisons, it must be able to translate this need 'down the ministerial line' to more and better baggage checks at the entrance of prisons.

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