

Chile: External ISO Standards Certificate of Management Improvement Programs in the Public Sector

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- To improve the management of Chile's public institutions, ISO standards certification was applied to the government's Management Improvement Programs.
- The main benefits of the certification process include improving the use of management information in the decision making process; changing to a culture of continuous improvement; and making the system more transparent to the society, showing the government's willingness to be evaluated by an international standard.
- In addition, the project will have a positive social impact improving management of Chile's public institutions in areas that will favorably impact, directly or indirectly, the Chilean people as users of public services.
- There will also be greater transparency: the 'Payment for Performance' across the public sector is a remarkable initiative that shows the government's willingness to be judged by an international standard, not just one of its own making.

Introduction: Steps that led to the Public Management Improvement Program (PMG)

Chile's initiatives to improve public management cover such important areas as finance, human resources, internal controls, e-governance and decentralization. To ensure the efficient allocation and use of public resources, the Government adopted the concept of result-based budgeting, in developing institutions for management to measure performance and to evaluate budget related outcomes. These initiatives started in the 1990s with the design and implementation of specific instruments -- performance

indicators and program evaluations -- that gave the baseline, starting in 2001, to implement a results-based management control system administered by the National Budget Office (DIPRES) of the Ministry of Finance (MoF).

The purpose of the management control system is to allocate public resources to the various programs, projects and institutions, more efficiently, thus improving institutional management. This system has provided a model for evaluating and monitoring the managerial budget process, by incorporating the concepts of results based budgeting, that includes the following instruments: strategic definitions, performance indicators, program and institutional evaluations, comprehensive management reports, and management improvement programs. The instruments developed, besides all being integrated to the budget process, generate a synergy derived from its conceptual design elements and the processes that control its implementation.

One of the instruments of the Chilean management control system is the Management Improvement Program (PMG), launched in 1998, with the enactment of Law No# 19,553¹. This law required that each institution commit yearly to achieve management objectives whose accomplishments are tied to a monetary incentive for all the employees on the institution's payroll. The aforementioned law establishes that upon reaching management objectives committed to in an annual PMG, those public servants would receive a salary increase in the next year. This increase would be 5% if the institution where they work reached 90% or better of its committed annual goals. The increase would be 2.5% if the institution accomplished a 75% or better and less than 90%² and there is no increase if the institution does not accomplish at least 75% of its committed goals.

¹ Law 19,553 of February 1998 and Decree 475 of May 1998

² Law 19,882 of 2003 modified the established percentage in Law 19553 of 3% and 1.5%

Application: Description of the Management Improvement Program PMG

The Management Improvement Program PMG has three periods of development clearly defined, with the accomplishment of the following management objectives and commitments included:

1. The achievement of goals established on the basis of indicators (1998 – 2000).
2. The achievement of management systems' objectives established in the PMG Basic Framework Program (2001 – 2004).
3. The achievement of management systems' objectives established in the PMG Advance Framework Program, which includes the requirements of the external certification model, such as ISO 9001:2000 standard (2005 until now).

1998 – 2000: During the program's first year, management's committed objectives were expressed in indicators. A large percentage of these referred to routine institutional activities, centered on processes and with fairly achievable targets or goals. As a result, unequal efforts were rewarded equally, and for the vast majority of the institutions, achieving PMG objectives did not require management efforts that were pertinent or relevant, which is an undesirable situation for a program that links monetary incentives to management improvements. The uneven results were explained, among other reasons, by the unequal level of management capacity in the various institutions and insufficient technical work in the verification of commitment achievements.

2001 – 2004: Modifications were incorporated in the formulation and application of the PMGs from 2001 on, with the objective of contributing to the development of strategic areas of public management. The elaboration of the Framework Program and other processes used yearly in the development of the PMGs

includes a set of principles or requirements for this process. These principles are that the management systems incorporated in the framework program must be pertinent, simple, comprehensible, demanding/comparable, participatory, flexible and verifiable.

The PMGs Framework Program has 5 areas for management improvement, common to all public sector institutions (human resources, customer service, management planning and control, financial management and gender). Each area consists of systems that derive from policies formulated for modernizing public administration. These eleven systems correspond to the following:

Areas	Systems
Human Resources	Training
	Performance evaluation
	Hygiene, security and improved work environment
Customer Service	Integral customer service system
	E-governance
Management Planning and Control	Internal audits
	Integrated territorial management
	Planning and Management Control
Financial Management	Government procurement
	Financial management – countable
Gender Focus	Gender focus

For each management system included in the Framework Program, different stages were identified to achieve the system's objective (4 or 6 defined development stages). Each stage is specifically defined with its contents and requirements in such a way that, upon completion, it advances the development of each system according to its characteristics and basic requirements,³ conforming therefore to an accreditation model. The PMG of each public institution consists in the identification of the development stage proposed to

³ See document: Medios de Verificación PMG 2006 at www.dipres.gob.cl Management control system/Management Improvement Program/Formulation 2006

be reached for each system in the Framework Program each year. The committed stage constitutes their “management objectives”. The evaluation of achievements under the committed stage is done by a network of experts from public sector institutions having responsibility in each of the systems.

2005 - After four years of application of the PMGs Basic Framework Program, the results obtained and the opinion of the great majority of the actors involved, showed that this model of implementation of the PMG was an instrument that helped to improve public management. Therefore, a new step was taken in the development of the PMG’s management systems, considering that in 2004 an important number of Institutions had reached the higher stages defined in the Basic Framework Program. This new step incorporates the certification of PMG’s management systems, applying an external standard that would not only promote continued excellence, but would also make program achievements easily recognizable in the society at large. Thus, the Advanced Framework Program incorporates the objectives of the Basic Framework Program and the requirements of standard ISO 9001:2000, including new system stages, gradually complying to an external certification model such as ISO 9001:2000 standard. The complete process of ISO 9001:2000 certification of the PMG is estimated to cover up to 105 public institutions involving, approximately, 45,000 public sector employees.

ISO 9001:2000 certification is a process in which accredited certification entities evaluate the processes that an organization should have in order to certify their management systems. The ISO standard establishes the minimum requirements that must be achieved in order for organizations to be certified as having quality management systems, with an emphasis on continual improvements in the operation of these systems. The standard is applicable to 9 of the 11 systems that make up the PMG Framework Program. Applying this standard will make these systems more rigorous and enable certification.

In the formulation of the 2006 PMGs, the systems incorporated in the Advanced Framework Program are training, performance evaluation, hygiene, security and improved workplace environment, integral customer service system, internal audits and planning/management control. For the 2007 process, the PMG will include the government procurement system.

To strengthen the implementation of the Advance Framework Program, the Inter-American Development Bank (IDB) and the Chilean Government agreed on a technical cooperation under the PRODEV framework.⁴ The technical cooperation objective is to support and strengthen in the Chilean management control system -- the Management Improvement Program (PMG). This technical cooperation has various actors that participate and collaborate at different times in the formulation and application of the PMG. The actors are: i) the IDB, which conveys the non-reimbursable technical cooperation, ii) DIPRES, which executes the technical cooperation, iii) the National Standardization Institute, which does training for professionals and technical staff that work in the public institutes, iv) General Comptroller of the Republic, which audits the financial statements of PRODEV, and v) Public Institutes, which act as co-executors of the technical cooperation that provides training and certification from the project.

The technical cooperation consists of three components. Component 1 – Impact Evaluation of the Management Improvement Program. Component 2 – Support for public institutions that will obtain ISO 9001:2000 certification for their management systems. Component 3 – Development of technical support elements and strengthening of the entity responsible for the coordination and the technical and operational development of the PMG.

⁴ Program to implement the external pillar of the MTAP for development effectiveness (PRODEV), document GN-2346-5, IDB website.

The impact evaluation of the PMG component, to be conducted by evaluation experts, includes assessing outputs, midterm results, and outcomes achieved by the PMG. Recommendations are expected on improving the design and management of the PMG.

In support of the public institutions that will obtain ISO 9001:2000 certification of their management systems, two phases will be developed: (i) preparation, and (ii) certification. Training of the participating public institutions is needed. The certification process includes audits to be carried out by accredited external entities.

The final component includes development of technical support elements and strengthening of the entity in charge of coordinating and supervising the technical/operational development of the PMG. So this component will provide training to this unit on the application of ISO 9001:2000 standards applied to the PMG systems. Also, this component will assist Dipres to prepare, update and distribute reference manuals to be used by the public institutions carrying out the implementation and certification process. These manuals document all of the requirements for the ISO 9001:2000 certification, identifying the technical requirements associated with the various PMG systems, and guidelines regarding any exceptions.

Problem Solving:

During the process of certification of the PMG's management systems of the public institutes carried out the years 2005 – 2006, the following problems were detected: i) difficulties in understanding the language of the norm, complex and technical; ii) slow appropriation of the quality management system inside the institutions; iii) concern on the part of the management teams responsible for the systems covered by the internal audits, iv) lack of communication and socialization processes inside the institutions; v) tendency to develop excessively complex procedures, vi) tendency to improve the processes of management

at the same time that they are being implemented in the framework of the 9001:2000 standards; and vii) difficulty to incorporate all the personnel of the institution in the process of certification.

The difficulties found were addressed through: i) training public sector employees in ISO standards associated to the PMG before initiating the process of certification, as well as during the process; ii) implementing a policy of communication and socialization of the process of certification in the institution; iii) involving a greater number of employees in the process of certification; and iv) drawing on the support of external consultants to simplify the process.

Results:

With the development of PRODEV, the following results are expected to be achieved: i) Certification under ISO 9001:2000 regulation of 58 public institutions, where each one will have at least 4 out of 11 PMG systems certified; ii) Impact Evaluation of PMGs during 2001 – 2005, where recommendations are expected to improve design and management aspects of the PMGs; iii) 698 government representatives trained in ISO regulations; and iv) 9 Reference Manuals compiled.

The project is expected to be executed within 26 months starting from the eligibility date of this agreement. The agreement was signed May 8, 2006. The MoF's National Budget Office (DIPRES), through its Management Control Division, is responsible for project execution. DIPRES is in charge of the technical and operational aspects of the project and coordinates all of the activities required during the stages of formulation, execution, and evaluation of the project. The structure, operation, and administration of the project has been done with the institutional framework created by the government for the PMGs. For this operation, the DIPRES Management Control Division will serve as the coordinating unit, through its Management

Department, which is composed of nine professionals with experience in design and implementation processes of public management instruments. The department is supported by other parts of the MoF for administrative and accounting aspects of the project. The Division will be strengthened by hiring certified professionals, ensuring compliance under ISO standards.

The agreement between IDB and Chile was signed in May 2006. Results accomplished to date (table below) show that the most advanced item relates to the training of DIPRES employees (15 trained). Another important result is the number of certified systems to date (46 systems). With regard to reference manuals, the Manual for Government Procurement was prepared during 2006, since it is the new system that has entered the Advanced Program Framework in 2007. The rest of the manuals will be updated during 2007. All public sector employees in the Project will undergo training in 2007.

Additionally, during 2006 technical support was given to public institutions through: i) the development of workshops to analyze the link between technical requirements of the PMG systems and ISO standards requirements, ii) the elaboration of terms of reference to be used as a framework to hire external consultant for the ISO 9001:2000 certification, iii) the registration of National Institute of Normalization Consultants, iv) the assignment of resources to finance the 75% of the Certification's cost, with the remaining 25% financed by each public institution.

Targets achieved by December 2006

Item	Total Project Commitments	Total Programme d for 2006	Total completed December 2006	% completed of 2006 program	% of Project Commitments completed
Impact Evaluation of PMG ⁵	1	- ⁶	-	-	-
No. Certified Services A	58	22	22	100%	38%
No. Certified Services B	116	44	46 ⁷	105%	40%
No. Trained Public Employees	698	336	0 ⁸	0%	0%
No. DIPRES employees trained – Expert Network	10	10	15	150%	150%
Reference Manuals	9	7	1 ⁹	14%	11%

The key aspects of the certification are: i) The close involvement of the authorities, and ii) the use of external specialists who can help to implement the quality management system inside public institution.

Conclusion: Benefits and Risks of the Project

The main benefits of the certification process of PMG's system are: i) improving the processes and procedures in the institution; ii) improving the use of management information in the decision

⁵ The Impact Evaluation of the PMG will begin with the hiring process of consultants during the first trimester of 2007.

⁶ The Impact evaluation will be developed during 2007.

⁷ 21 Institutions certified 2 systems each and one Institution certified 4 Systems.

⁸ 10 training courses will be held between January- May 2007. 297 public employees will be trained; reminder will undergo training during the second half of 2007.

⁹ In December 2006 the reference manual was sent to institutions. Updated version of the existing 6 reference manuals will be available to institutions in early 2007: Manuals cover Training, Hygiene/Security and improved workplace environment, Performance Evaluation, Internal Audit, Integral customer service, Planning and Management Control.

making process; iii) changing to a culture of continuous improvement; and iv) making the PMG system more transparent to the society, showing the government's willingness to be evaluated by an international standard. In addition, public institutions will be modernized because: i) a "quality" concept is strongly installed in the provision of good and services; ii) the focus is on the "client" needs, iii) improvisation is reduced, and the management is "professionalized"; and iv) the concept of quality management is introduced throughout the institution.

The project will have a positive social impact improving management of Chile's public institutions in areas that will favorably impact, directly or indirectly, the Chilean people as users of public services. There will also be greater transparency: i) the 'Payment for Performance' across the public sector is a remarkable initiative that shows the government's willingness to be judged by an international standard, not just one of its own making. ii) The External ISO Standards Certificate of Management Improvement Program in the public sector will not be affected by changes in government, because this is part of an agreement between the Congress and DIPRES.

Critical risks considered in the certification process are: i) not having full support and leadership of the Director of the Institution, ii) not knowing and understanding the methodology of the ISO standards, iii) not aligning the processes with the demands of the ISO standards, and vi) not linking the institutional strategic objectives with the demand to implement the Quality Management System under the ISO 9001:2000 standard.