

# EMERGING GOOD PRACTICE IN MANAGING FOR DEVELOPMENT RESULTS

FIRST ISSUE

# SOURCE BOOK

OECD



THE WORLD BANK

# Contents

<b>Contents</b>	<b>i</b>
<b>Foreword</b>	<b>iii</b>
<b>Paris Declaration on Aid Effectiveness</b>	<b>v</b>
<b>Abbreviations and Acronyms</b>	<b>xvii</b>
<b>Introduction to the Sourcebook</b>	<b>1</b>
<b>Part 1. MfDR Concepts, Tools and Principles</b>	<b>3</b>
Overview	3
Concepts and Tools	4
Development Outcomes	4
Development Effectiveness	6
Performance Management	8
MfDR Principles	10
1. Focus the Dialogue on Results at All Phases	10
2. Align Programming, Monitoring, and Evaluation with Results	11
3. Keep Measurement and Reporting Simple	12
4. Manage For, Not By, Results	12
5. Use Results Information for Learning and Decision Making	13
<b>Part 2. Examples of MfDR at the National Level</b>	<b>15</b>
Overview	15
Chile: Management Control Systems and Results-Based Budgeting	17
El Salvador: Results-Based Management for Evaluating Public Policy	23
Tanzania: Harmonization of Results Reporting	28
Timor-Leste: Managing for Results in a Fragile Postconflict Setting	35
Vietnam: A Comprehensive Strategy for Growth and Poverty Reduction	44
Nepal: Toward Results-Based Management	51
Uganda: Evolution and Alignment of an Orientation to Results	54
<b>Part 3. Examples of MfDR in Sector Programs and Projects</b>	<b>65</b>
Overview	65
Brazil: Bolsa Familia Program – Scaling-up Cash Transfers for the Poor	67
Madagascar: National Environmental Action Plan	75
Malawi: A National HIV/AIDS Monitoring & Evaluation System	83
Thailand: Rationalization and Corporate Governance of Specialized Financial Institutions	91
Uganda: Assessing Performance of the Water and Sanitation Sector	95
Yemen: Social Fund for Development III Project	101
The Doing Business Project	107
Southeast Europe: Improving the Climate for Trade and Transport	112
Burkina Faso: Ten-Year Basic Education Development Plan	120
Nepal Education Sector: Planning for Results in an Unstable Setting	125



<b>Part 4. Examples of MfDR in Development Agencies</b>	<b>133</b>
Overview	133
Canadian International Development Agency: Corporate Managing for Development Results	135
Results-oriented Country Programming: Applying the Principles of Managing for Results and Emerging Practices and Lessons	140
Emerging Practices of Results-Based Country Programming among Aid Agencies	146
<b>Part 5. Findings and Lessons Learned</b>	<b>153</b>
<b>References and Resources</b>	<b>161</b>
References	161
Resources	163
<b>Acknowledgements</b>	<b>165</b>



# Foreword

Since the Monterrey Conference of 2002, the development community – partner countries and donors alike – has been focusing on managing its work so as to achieve the maximum development results. This is not to say that development efforts never achieved results before 2002, but what is new is a shared understanding of the need to think about results, and ways to achieve them, from the beginning of any initiative, enterprise, or project – and then to monitor progress and continue shaping the effort so that the desired results are actually achieved.

At the international roundtable on results in Marrakech (February 2004), the development agencies endorsed five core principles on managing for results. More recently, at the Paris High-Level Forum on Aid Effectiveness (March 2005), partner countries and donors endorsed the Paris Declaration, which contains six specific commitments related to managing for results – actions that they will take, separately and together, to “manage and implement aid in a way that focuses on the desired results and uses information to improve decision making.”

For those working on this still-young agenda, however, it is sometimes hard to know how and where to begin, whom to involve, and where to look for assistance. There are no absolute answers to these questions, because every country and agency has its own unique situation. Nevertheless, as some agencies and countries have tried this work, they have begun to mark a path that can be helpful to others. This Sourcebook compiles some 20 examples – illustrations of how different groups in different circumstances applied the principles of managing for results, what challenges they met, and how they attempted to meet those challenges. It is not intended as a road map, but rather as an idea book from which people can draw inspiration as they work to implement a results focus.

The Sourcebook is a product of the OECD-DAC Joint Venture on Managing for Development Results, a group of bilateral and multilateral donors – and, more recently, of partner country representatives – that are working to promote the implementation of the Paris commitments. The Sourcebook is available in both printed and electronic formats, and it will form the basis for a range of electronic and other learning opportunities.

Most of all, the Sourcebook is intended to be a living document. As new good practices emerge and more countries and agencies gain experience, we hope to add new case studies, continually updating the Sourcebook to make it as useful as possible.

We urge Sourcebook users to bookmark the Sourcebook website: <http://www.mfdr.org/Sourcebook.html>. There you will find the latest version of the Sourcebook, links to related information, and opportunities to ask questions, join in a dialogue about experiences, and contribute new case studies for the Sourcebook.

We look forward to your joining with us in the expanding global partnership on managing for development results.

*Jean Boer*

*Bruce Purdue*

Cochairs, OECD-DAC Joint Venture on Managing for Development Results





# Paris Declaration on Aid Effectiveness

## Ownership, Harmonisation, Alignment, Results and Mutual Accountability

### I. Statement of Resolve

1. We, Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, meeting in Paris on 2 March 2005, resolve to take far-reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs) later this year. As in Monterrey, we recognise that while the volumes of aid and other development resources must increase to achieve these goals, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance. This will be all the more important if existing and new bilateral and multilateral initiatives lead to significant further increases in aid.

2. At this High-Level Forum on Aid Effectiveness, we followed up on the Declaration adopted at the High-Level Forum on Harmonisation in Rome (February 2003) and the core principles put forward at the Marrakech Roundtable on Managing for Development Results (February 2004) because we believe they will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.

#### Scale up for more effective aid

3. We reaffirm the commitments made at Rome to harmonise and align aid delivery. We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:

- i. Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).
- ii. Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- iii. Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- iv. Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
- v. Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
- vi. Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.

4. We commit ourselves to taking concrete and effective action to address the remaining challenges, including:

- i. Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.
- ii. Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.



- iii. Insufficient delegation of authority to donors' field staff, and inadequate attention to incentives for effective development partnerships between donors and partner countries.
- iv. Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.
- v. Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.

5. We acknowledge that enhancing the effectiveness of aid is feasible and necessary across all aid modalities. In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximise their combined effectiveness.

6. In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels.

### **Adapt and apply to differing country situations**

7. Enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on 26 December 2004. In such situations, worldwide humanitarian and development assistance must be harmonised within the growth and poverty reduction agendas of partner countries. In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonisation, alignment and managing for results are adapted to environments of weak governance and capacity. Overall, we will give increased attention to such complex situations as we work toward greater aid effectiveness.

### **Specify indicators, timetable and targets**

8. We accept that the reforms suggested in this Declaration will require continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels. We commit to accelerate the pace of change by implementing, in a spirit of mutual accountability, the Partnership Commitments presented in Section II and to measure progress against 12 specific indicators that we have agreed today and that are set out in Section III of this Declaration.

9. As a further spur to progress, we will set targets for the year 2010. These targets, which will involve action by both donors and partner countries, are designed to track and encourage progress at the global level among the countries and agencies that have agreed to this Declaration. They are not intended to prejudice or substitute for any targets that individual partner countries may wish to set. We have agreed today to set five preliminary targets against indicators as shown in Section III. We agree to review these preliminary targets and to adopt targets against the remaining indicators as shown in Section III before the UNGA Summit in September 2005; and we ask the partnership of donors and partner countries hosted by the DAC to prepare for this urgently. Meanwhile, we welcome initiatives by partner countries and donors to establish their own targets for improved aid effectiveness within the framework of the agreed Partnership Commitments and Indicators of Progress. For example, a number of partner countries have presented action plans, and a large number of donors have announced important new commitments. We invite all participants who wish to provide information on such initiatives to submit it by 4 April 2005 for subsequent publication.

### **Monitor and evaluate implementation**

10. Because demonstrating real progress at country level is critical, under the leadership of the partner country we will periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness. In doing so, we will make use of appropriate country level mechanisms.



11. At the international level, we call on the partnership of donors and partner countries hosted by the DAC to broaden partner country participation and, by the end of 2005, to propose arrangements for the medium term monitoring of the commitments in this Declaration. In the meantime, we ask the partnership to co-ordinate the international monitoring of the Indicators of Progress included in Section III; to refine targets as necessary; to provide appropriate guidance to establish baselines; and to enable consistent aggregation of information across a range of countries to be summed up in a periodic report. We will also use existing peer review mechanisms and regional reviews to support progress in this agenda. We will, in addition, explore independent cross-country monitoring and evaluation processes – which should be applied without imposing additional burdens on partners – to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives.

12. Consistent with the focus on implementation, we plan to meet again in 2008 in a developing country and conduct two rounds of monitoring before then to review progress in implementing this Declaration.

## II. Partnership Commitments

13. Developed in a spirit of mutual accountability, these Partnership Commitments are based on the lessons of experience. We recognise that commitments need to be interpreted in the light of the specific situation of each partner country.

### Ownership

**Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions**

14. **Partner countries** commit to:

- Exercise leadership in developing and implementing their national development strategies<sup>1</sup> through broad consultative processes.
- Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets (**Indicator 1**).
- Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.

15. **Donors** commit to:

- Respect partner country leadership and help strengthen their capacity to exercise it.

### Alignment

**Donors base their overall support on partner countries' national development strategies, institutions and procedures**

#### Donors align with partners' strategies

16. **Donors** commit to:

- Base their overall support – country strategies, policy dialogues and development co-operation programmes – on partners' national development strategies and periodic reviews of progress in implementing these strategies<sup>2</sup> (**Indicator 3**).

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<sup>1</sup> The term 'national development strategies' includes poverty reduction and similar overarching strategies as well as sector and thematic strategies.



- Draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in close consultation with other donors and stakeholders.
- Link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy. This does not mean that all donors have identical conditions, but that each donor's conditions should be derived from a common streamlined framework aimed at achieving lasting results.

## Donors use strengthened country systems

17. Using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

18. Diagnostic reviews are an important – and growing – source of information to governments and donors on the state of country systems in partner countries. Partner countries and donors have a shared interest in being able to monitor progress over time in improving country systems. They are assisted by performance assessment frameworks, and an associated set of reform measures, that build on the information set out in diagnostic reviews and related analytical work.

19. **Partner countries** and **donors** jointly commit to:

- Work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems (**Indicator 2**).
- Integrate diagnostic reviews and performance assessment frameworks within country-led strategies for capacity development.

20. **Partner countries** commit to:

- Carry out diagnostic reviews that provide reliable assessments of country systems and procedures.
- On the basis of such diagnostic reviews, undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
- Undertake reforms, such as public management reform, that may be necessary to launch and fuel sustainable capacity development processes.

21. **Donors** commit to:

- Use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures (**Indicator 5**).
- Avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes (**Indicator 6**).
- Adopt harmonised performance assessment frameworks for country systems so as to avoid presenting partner countries with an excessive number of potentially conflicting targets.

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<sup>2</sup> This includes for example the Annual Progress Review of the Poverty Reduction Strategies (APR).



## Partner countries strengthen development capacity with support from donors

22. The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives – from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

23. **Partner countries** commit to:

- Integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development strategies where needed.

24. **Donors** commit to:

- Align their analytic and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly (**Indicator 4**).

## Strengthen public financial management capacity

25. **Partner countries** commit to:

- Intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments.
- Publish timely, transparent and reliable reporting on budget execution.
- Take leadership of the public financial management reform process.

26. **Donors** commit to:

- Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules (**Indicator 7**).
- Rely to the maximum extent possible on transparent partner government budget and accounting mechanisms (**Indicator 5**).

27. **Partner countries** and **donors** jointly commit to:

- Implement harmonised diagnostic reviews and performance assessment frameworks in public financial management.

## Strengthen national procurement systems

28. **Partner countries** and **donors** jointly commit to:

- Use mutually agreed standards and processes<sup>3</sup> to carry out diagnostics, develop sustainable reforms and monitor implementation.
- Commit sufficient resources to support and sustain medium and long-term procurement reforms and capacity development.
- Share feedback at the country level on recommended approaches so they can be improved over time.

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<sup>3</sup> Such as the processes developed by the joint OECD-DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries.



29. **Partner countries** commit to take leadership and implement the procurement reform process.
30. **Donors** commit to:
- Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes (**Indicator 5**).
  - Adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.

### Untie aid: getting better value for money

31. Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. **DAC Donors** will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (**Indicator 8**).

## Harmonisation

**Donors' actions are more harmonised, transparent and collectively effective**

### Donors implement common arrangements and simplify procedures

32. **Donors** commit to:
- Implement the donor action plans that they have developed as part of the follow-up to the Rome High-Level Forum.
  - Implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort (**Indicator 9**).
  - Work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews (**Indicator 10**); and promote joint training to share lessons learnt and build a community of practice.

### Complementarity: more effective division of labour

33. Excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs.

34. **Partner countries** commit to:
- Provide clear views on donors' comparative advantage and on how to achieve donor complementarity at country or sector level.
35. **Donors** commit to:
- Make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks.
  - Work together to harmonise separate procedures.

### Incentives for collaborative behaviour

36. **Donors** and **partner countries** jointly commit to:
- Reform procedures and strengthen incentives – including for recruitment, appraisal and training – for management and staff to work towards harmonisation, alignment and results.



## Delivering effective aid in fragile states<sup>4</sup>

37. The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state and other country institutions. While the guiding principles of effective aid apply equally to fragile states, they need to be adapted to environments of weak ownership and capacity and to immediate needs for basic service delivery.

38. **Partner countries** commit to:

- Make progress towards building institutions and establishing governance structures that deliver effective governance, public safety, security, and equitable access to basic social services for their citizens.
- Engage in dialogue with donors on developing simple planning tools, such as the transitional results matrix, where national development strategies are not yet in place.
- Encourage broad participation of a range of national actors in setting development priorities.

39. **Donors** commit to:

- Harmonise their activities. Harmonisation is all the more crucial in the absence of strong government leadership. It should focus on upstream analysis, joint assessments, joint strategies, co-ordination of political engagement; and practical initiatives such as the establishment of joint donor offices.
- Align to the maximum extent possible behind central government-led strategies or, if that is not possible, donors should make maximum use of country, regional, sector or non-government systems.
- Avoid activities that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff.
- Use an appropriate mix of aid instruments, including support for recurrent financing, particularly for countries in promising but high-risk transitions.

## Promoting a harmonised approach to environmental assessments

40. Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.

41. **Donors** and **partner countries** jointly commit to:

- Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.
- Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.

42. Similar harmonisation efforts are also needed on other cross-cutting issues, such as gender equality and other thematic issues including those financed by dedicated funds.

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<sup>4</sup> The following section draws on the draft Principles for Good International Engagement in Fragile States, which emerged from the Senior Level Forum on Development Effectiveness in Fragile States (London, January 2005).



## Managing for results

### Managing resources and improving decision-making for results

43. Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making.
44. **Partner countries** commit to:
- Strengthen the linkages between national development strategies and annual and multi-annual budget processes.
  - Endeavour to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available (**Indicator 11**).
45. **Donors** commit to:
- Link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners' national development strategies.
  - Work with partner countries to rely, as far as possible, on partner countries' results-oriented reporting and monitoring frameworks.
  - Harmonise their monitoring and reporting requirements, and, until they can rely more extensively on partner countries' statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.
46. **Partner countries** and **donors** jointly commit to:
- Work together in a participatory approach to strengthen country capacities and demand for results based management.

## Mutual accountability

### Donors and partners are accountable for development results

47. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance.
48. **Partner countries** commit to:
- Strengthen as appropriate the parliamentary role in national development strategies and/or budgets.
  - Reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.
49. **Donors** commit to:
- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.
50. **Partner countries** and **donors** commit to:
- Jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments. (**Indicator 12**).



## III. Indicators of Progress

To be measured nationally and monitored internationally

INDICATORS		TARGETS FOR 2010 <sup>5</sup>	
1	Partners have operational development strategies	<b>At least 75% of partner countries</b> have operational development strategies.	
2a	Reliable public financial management (PFM) systems	<b>Half of partner countries</b> move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance.	
2b	Reliable procurement systems	<b>One-third of partner countries</b> move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.	
3	Aid flows are aligned on national priorities	<b>Halve the gap</b> – halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	Strengthen capacity by co-ordinated support	<b>50% of technical co-operation flows</b> are implemented through co-ordinated programmes consistent with national development strategies.	
5a	Use of country public financial management systems	For partner countries with a <b>score of 5 or above</b> on the PFM/CPIA scale of performance (see Indicator 2a).	<b>All donors</b> use partner countries' PFM systems; and <b>Reduce the gap by two-thirds</b> – A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.
		For partner countries with a <b>score between 3.5 and 4.5</b> on the PFM/CPIA scale of performance (see Indicator 2a).	<b>90% of donors</b> use partner countries' PFM systems; and <b>Reduce the gap by one-third</b> – A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.
5b	Use of country procurement systems	For partner countries with a <b>score of 'A'</b> on the Procurement scale of performance (see Indicator 2b).	<b>All donors</b> use partner countries' procurement systems; and <b>Reduce the gap by two-thirds</b> – A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.
		For partner countries with a <b>score of 'B'</b> on the Procurement scale of performance (see Indicator 2b).	<b>90% of donors</b> use partner countries' procurement systems; and <b>Reduce the gap by one-third</b> – A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.
6	Avoiding parallel PIUs	<b>Reduce by two-thirds</b> the stock of parallel project implementation units (PIUs).	
7	Aid is more predictable	<b>Halve the gap</b> – halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
8	Aid is untied	<b>Continued progress over time.</b>	
9	Use of common arrangements or procedures	<b>66% of aid flows</b> are provided in the context of programme-based approaches.	
10a	Missions to the field	<b>40% of donor missions</b> to the field are joint.	
10b	Country analytic work	<b>66% of country analytic work</b> is joint.	
11	Results-oriented frameworks	<b>Reduce the gap by one-third</b> – Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.	
12	Mutual accountability	<b>All partner countries</b> have mutual assessment reviews in place.	

<sup>5</sup> Note: Targets are subject only to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems and (b) the quality of public financial management reform programmes.



## Appendix A: Methodological Notes on the Indicators of Progress

The Indicators of Progress provides a framework in which to make operational the responsibilities and accountabilities that are framed in the Paris Declaration on Aid Effectiveness. This framework draws selectively from the Partnership Commitments presented in Section II of this Declaration.

**Purpose** – The Indicators of Progress provide a framework in which to make operational the responsibilities and accountabilities that are framed in the Paris Declaration on Aid Effectiveness. They measure principally **collective behaviour at the country level**.

**Country level vs. global level** – The indicators are to be **measured at the country level** in close collaboration between partner countries and donors. Values of country level indicators can then be statistically aggregated at the **regional or global level**. This global aggregation would be done both for the country panel mentioned below, for purposes of statistical comparability, and more broadly for all partner countries for which relevant data are available.

**Donor / Partner country performance** – The indicators of progress also provide a **benchmark against which individual donor agencies or partner countries can measure their performance** at the country, regional, or global level. In measuring individual donor performance, the indicators should be applied with flexibility in the recognition that donors have different institutional mandates.

**Targets** – The targets are set at the global level. Progress against these targets is to be measured by aggregating data measured at the country level. In addition to global targets, partner countries and donors in a given country might agree on country-level targets.

**Baseline** – A baseline will be established for 2005 in a panel of self-selected countries. The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to establish this panel.

**Definitions and criteria** – The partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) is asked to provide specific guidance on definitions, scope of application, criteria and methodologies to assure that results can be aggregated across countries and across time.

**Note on Indicator 9** – Programme based approaches are defined in Volume 2 of Harmonising Donor Practices for Effective Aid Delivery (OECD, 2005) in Box 3.1 as a way of engaging in development cooperation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. For the purpose of indicator 9 performance will be measured separately across the aid modalities that contribute to programme-based approaches.



## Appendix B: List of Participating Countries and Organisations

### Participating Countries

Albania	Australia	Austria
Bangladesh	Belgium	Benin
Bolivia	Botswana	[Brazil]*
Burkina Faso	Burundi	Cambodia
Cameroon	Canada	China
Congo D.R.	Czech Republic	Denmark
Dominican Republic	Egypt	Ethiopia
European Commission	Fiji	Finland
France	Gambia, The	Germany
Ghana	Greece	Guatemala
Guinea	Honduras	Iceland
Indonesia	Ireland	Italy
Jamaica	Japan	Jordan
Kenya	Korea	Kuwait
Kyrgyz Republic	Lao PDR	Luxembourg
Madagascar	Malawi	Malaysia
Mali	Mauritania	Mexico
Mongolia	Morocco	Mozambique
Nepal	Netherlands	New Zealand
Nicaragua	Niger	Norway
Pakistan	Papua New Guinea	Philippines
Poland	Portugal	Romania
Russian Federation	Rwanda	Saudi Arabia
Senegal	Serbia and Montenegro	Slovak Republic
Solomon Islands	South Africa	Spain
Sri Lanka	Sweden	Switzerland
Tajikistan	Tanzania	Thailand
Timor-Leste	Tunisia	Turkey
Uganda	United Kingdom	United States of America
Vanuatu	Vietnam	Yemen
Zambia		

\* To be confirmed

### Participating Organisations

African Development Bank	Arab Bank for Economic Development in Africa
Asian Development Bank	Commonwealth Secretariat
Consultative Group to Assist the Poorest (CGAP)	Council of Europe Development Bank (CEB)
Economic Commission for Africa (ECA)	Education for All Fast Track Initiative (EFA-FTI)
European Bank for Reconstruction and Development (EBRD)	European Investment Bank (EIB)
Global Fund to Fight Aids, Tuberculosis and Malaria	G24
Inter-American Development Bank	International Fund for Agricultural Development (IFAD)
International Monetary Fund (IMF)	International Organisation of the Francophonie
Islamic Development Bank	Millennium Campaign
New Partnership for Africa's Development (NEPAD)	Nordic Development Fund
Organisation for Economic Co-operation and Development (OECD)	Organisation of Eastern Caribbean States (OECS)
OPEC Fund for International Development	Pacific Islands Forum Secretariat
United Nations Development Group (UNDG)	World Bank



## Civil Society Organisations

Africa Humanitarian Action	AFRODAD
Bill and Melinda Gates Foundations	Canadian Council for International Cooperation (CCIC)
Comité Catholique contre la Faim et pour le Développement (CCFD)	Coopération Internationale pour le Développement et la Solidarité (CIDSE)
Comisión Económica (Nicaragua)	ENDA Tiers Monde
EURODAD	International Union for Conservation of Nature and Natural Resources (IUCN)
Japan NGO Center for International Cooperation (JANIC)	Reality of Aid Network
Tanzania Social and Economic Trust (TASOET)	UK Aid Network



# Abbreviations and Acronyms

AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
AIDS	acquired immune-deficiency syndrome
AsDB	Asian Development Bank
CAS	Country Assistance Strategy (World Bank)
CIDA	Canadian International Development Agency
DAC	Development Assistance Committee of the OECD
DANIDA	Danish International Development Assistance
DFID	United Kingdom Department for International Development
EBRD	European Bank for Reconstruction and Development
HIV/AIDS	human immunodeficiency virus/acquired immune deficiency syndrome
HLF	High Level Forum
IDA	International Development Association of the World Bank Group
IDB	Inter-American Development Bank
IFI	international financial institution
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
KfW	Kreditanstalt für Wiederaufbau (German Federal Government Development Bank)
KPI	key performance indicator
LICUS	low income country under stress
MTEF	Medium Term Expenditure Framework
MfDR	Managing for Development Results
M&E	monitoring and evaluation
MDB	multilateral development bank
OECD	Organisation for Economic Co-operation and Development
OED/IEO	Operations Evaluation Department Independent Evaluation Office
PMF	performance measurement framework
PRS	poverty reduction strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PER	Public Expenditure Review
Sida	Swedish International Development Cooperation Agency
SWAp	sectorwide approach
SWOT	strengths, weaknesses, opportunities, and threats
UNDP	United Nations Development Program



UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	The World Bank



# Introduction to the Sourcebook

The need to better manage for results – to use information to improve decision making and steer country-led development processes toward clearly defined goals – has come to the forefront of the global development agenda since the Monterrey Conference on Financing for Development in 2002. The Monterrey Conference called for a new partnership for development in which developing countries increase their commitment to policies and actions that promote economic growth and reduce poverty, and developed countries support them through more effective aid and trade policies. In this context of shared responsibility, global attention has turned to management strategies to achieve results.

## What led us to the Sourcebook?

Since Monterrey, a global agenda and community of practice on managing for development results (MfDR) has started to emerge. In the period leading up to the Marrakech International Roundtable on Results in February 2004, through discussions and exchange of views, this community defined the conceptual framework and the principles of MfDR.

Today, development agencies are undertaking major efforts to implement the results agenda. More important, many developing and transition countries are pursuing a results approach in their national strategies, public sector management, and sector programs and projects. This translates into greater demand among staff in development agencies and partner countries for greater awareness and understanding of managing for results.

To address this demand, the OECD/DAC-MDB Joint Venture on Managing for Development Results, established under the auspices of the DAC-OECD Working Party on Aid Effectiveness and Donor Practices, undertook to develop a Sourcebook on the principles and emerging good practice in MfDR.

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**Managing for Development Results (MfDR)** is a management strategy focused on development performance and on sustainable improvements in country outcomes. It provides a coherent framework for development effectiveness in which performance information is used for improved decision making, and it includes practical tools for strategic planning, risk management, progress monitoring, and outcome evaluation. *Definition, based on agreement at the 2004 Marrakech Roundtable on Results, 2004*

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## What is the Sourcebook?

The Sourcebook is intended to increase understanding of the ideas behind MfDR and to show how it is being used in partner countries and international development agencies. Specifically, it

- provides an update on the global partnership to reduce poverty and to enhance development effectiveness through MfDR
- presents some important concepts behind MfDR and describes the five principles of MfDR agreed on at the 2004 Marrakech Roundtable on Results
- provides some illustrative examples of how MfDR is being used in practical ways at the country, program, project, agency, and interagency levels.

The Sourcebook is not the final word on MfDR, nor is it intended to serve as an operational manual for how to do MfDR. The principles will continue to evolve as more lessons and good practices are documented. The illustrative examples also help substantiate and better explain the principles. It is hoped that the Sourcebook can be used as a learning tool to provoke discussion and sharing around MfDR and improve it further.

## Who is the Sourcebook for?

- Policy advisors and public sector managers who are working to achieve national development outcomes through government programs or projects
- Development agency staff and managers who are working within their agencies, across agencies, and with partner countries to support country development outcomes.



## Organization of the Sourcebook

**Part 1** of the Sourcebook presents the concepts, tools, and principles of managing for results.

**Part 2** focuses on partner countries' efforts to manage for results at a national level, in their strategic planning, public expenditure management, results-based M&E systems, and statistical capacity strengthening.

**Part 3** attempts to capture experience in managing for development results in sector programs and projects.

**Part 4** discusses ways that development agencies are working to enhance their contribution to country outcomes by increasing their focus on results in strategies, instruments, reporting, learning and incentive structures.

Note: Harmonization matters are highlighted throughout Parts 2, 3, and 4.

**Part 5** draws together some of the lessons about applying the MfDR principles that the Sourcebook cases illustrate. It also provides specific examples of the use of each of the principles in the case reports.

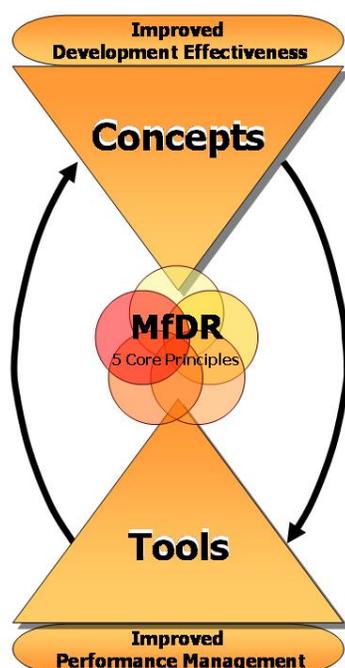
**References and Resources** – A list of general references and resources is presented at the end of the Sourcebook, just before the Acknowledgements. In addition, at the end of each of the case studies presented in Parts 2, 3 and 4 you will find a list of case-specific references.



# Part 1. MfDR Concepts, Tools and Principles

## Overview

**M**anaging for Development Results (MfDR) is multidimensional, relating back to concepts about how to make international development more effective and results-oriented and to practical performance management tools. MfDR builds on several years of work by public sector institutions and development agencies, and reflects an emerging global consensus on the importance of performance measurement in international development.



### MfDR Concepts

The concepts that underlie MfDR are that global development assistance can be made more effective by enhancing country ownership, aligning assistance with country priorities, harmonizing development agencies' policies and procedures, and focusing more consistently on the achievement of development outcomes.

### MfDR Tools

With MfDR, both national public sector institutions and international development agencies use various results-oriented performance management tools and systems to implement national plans, country strategies, and sector programs and projects.

### MfDR Principles

The principles of MfDR, agreed upon during the Second Roundtable on Managing for Results in 2004, are:

- focusing the dialogue on results at all phases of the development process
- aligning programming, monitoring and evaluation with results
- keeping measurement and reporting simple
- managing for, not by, results
- using results information for learning and decision making.

### MfDR in Action

MfDR in action is diverse, adaptive, creative, and inclusive. MfDR as an approach to development management is evolving rapidly as its practitioners learn by doing. This activity includes what countries are doing to manage toward outcomes, and what development agencies are doing to measure and monitor whether the resources they contribute to poverty reduction and economic growth efforts are making a difference. In addition, both public sector institutions and development agencies are using MfDR strategies to plan and measure change within their organizations. The theories of development change and management change reinforce each other in this process.

Development practitioners are applying MfDR at many levels and in many contexts: for example, managers and staff in national public sector ministries, international development institutions, and bilateral donors are all experimenting with various approaches while adding to both conceptual and practical knowledge about MfDR. Development agency and public sector managers are the generators of knowledge in terms of MfDR's implications and its practical application within their areas of work. Some of these experiences are documented in the Sourcebook examples.



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### Why is MfDR so important at this time?

Overall, MfDR is important right now because the international development community needs:

1. A common performance management approach to facilitate collaboration
2. A common language and set of concepts and terms to use when discussing development performance and progress toward outcomes
3. A practical approach to achieving development outcomes that builds on concrete lessons learned
4. Better approaches to creating management efficiencies in the international development process

MfDR is not prescriptive and does not conflict with other approaches to results management or public sector performance management already in use around the world. Rather, it provides general principles and strategies that countries and development agencies can use to improve what they are already doing.

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### For example

**At the national level (see Part 2),** MfDR is used in the planning and implementation of results-based national plans, budgets, and antipoverty strategies. International agencies may support this process with technical assistance. With MfDR, countries are taking greater responsibility for coordinating donor assistance programs for country-led implementation supported by outcome measurement, monitoring, and reporting at the national level.

**In sector programs and projects (see Part 3),** partner countries and development agencies use MfDR in planning assistance programs or individual projects that are based on country outcomes and priorities defined in national or sector development plans. Feasibility studies, planning, measurement, and reporting in sector programs and projects are increasingly being linked to achievement of country outcomes. Partner countries and development agencies use a variety of methods, tools, incentives, and frameworks to effectively manage for results in all types of development interventions. Harmonization of these approaches is under way.

**Within and across development agencies (see Part 4),** MfDR plays an important role when agencies work alone or together to define and coordinate their institutional efforts in support of partner country outcomes. Agencies use a variety of results-based strategies and tools to plan development results, define indicators and performance measurement strategies, undertake

reporting, and create effective evaluation approaches, all supporting the achievement of country-defined development outcomes.

## Concepts and Tools

**Managing for Development Results** has evolved as part of the global work by both national governments and development agencies to reduce poverty, support sustainable and equitable economic growth, and better define and measure development outcomes. Development effectiveness (broadly defined) means that countries and agencies are better able to achieve their collective development outcomes, and that they have the right tools at their disposal to measure progress toward those outcomes, report on them, and use the lessons learned to continuously improve performance.

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## Development Outcomes

### What are development outcomes?

OECD-DAC (2002) defines outcomes as the medium-term effects or results of a development intervention. Outcomes are the observable behavioral, institutional and societal changes that take place over 3 to 10 years, usually as the result of coordinated short-term investments in individual and organizational capacity building for key development stakeholders (such as national governments, civil society, and the private sector).

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For many years, development assistance was delivered in piecemeal ways that did not always respond to country priorities. International agencies controlled most aid flows and transactions and, in many instances, dictated the types of assistance that countries could receive. Development efforts were often fragmented and unsustainable, and they imposed a heavy burden of contracting and reporting on countries. Most importantly, they focused on funding inputs and activities through resource transfers, rather than on supporting the achievement of broader development results or outcomes.

In the 1990s, the field of international development entered an era of reform and reformulation as the disparities between rich and poor countries increased. World leaders, in collaboration with the UN and other multilateral institutions, recognized the need for drastic measures to ensure that developing countries benefited from globalization and that development assistance funds were used equitably and effectively to achieve the global development aims embodied in the Millennium Development Goals (MDGs) and other national development goals.



Development partners recognized the need to identify specific programming mechanisms and strategies to turn global development goals into reality. Since 2002, a series of international events and meetings have helped identify how to move ahead in achieving development outcomes. In 2002, the International Conference on Financing for Development (Monterrey, Mexico) analyzed the financial and operational requirements for meeting global development outcomes. In 2003, representatives of the international community (28 aid recipient countries and more than 40 multilateral and bilateral development agencies) met in Rome at the High Level Forum on Harmonization to build their support for the Monterrey Consensus by discussing key principles, lessons, and practical ideas related to harmonization and alignment of development assistance.

Over the past several years, some major initiatives have helped identify practical tools for harmonizing and aligning development assistance. Many multilateral and bilateral agencies have developed action plans on harmonization, alignment, and managing for results. They are linking their country assessments and programming frameworks to national development outcomes in both low- and middle-income countries.

To reduce transaction costs, many international agencies are streamlining their internal management systems in line with the OECD-DAC good practices on harmonization and alignment. At the same time, the development banks and many bilateral donors continue to work together on harmonizing their procedures, especially those providing budgetary support for country-level poverty reduction strategies. All of these joint country and agency efforts to improve the focus on meeting development outcomes and explore new ways of improving aid effectiveness were topics for discussion at the High Level Forum on Harmonization, Alignment and Results in Paris in February 2005.

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### Millennium Development Goals (2000)

In a key effort to promote more effective development, in 2000, 189 UN member countries agreed to work toward reduction of global poverty and improved sustainable development. These global aims are reflected in the eight Millennium Development Goals (MDGs), with their 18 targets and 48 performance indicators. The MDGs provide specific, measurable targets that are gradually being adapted at the country level as the basis for country outcomes and then monitored over time to help gauge progress.

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### Monterrey Consensus (2002)

The Monterrey Consensus emphasized the need to:

- harmonize development approaches among donors
  - reduce transaction costs for recipient countries by aligning donor resources
  - increase country-level absorptive capacity and improve financial management systems through capacity building
  - increase local ownership in the design and implementation of poverty frameworks at the country level
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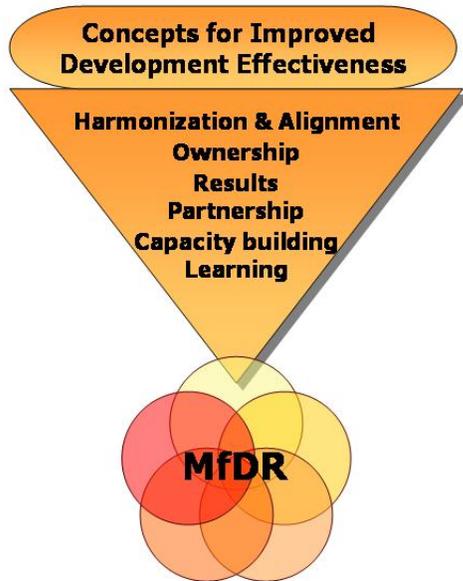
### Rome Declaration (2003)

Participants committed to specific activities to enhance aid harmonization:

- Deliver assistance in accordance with partner country priorities
  - Amend policies, procedures, and practices to facilitate harmonization
  - Implement good practice standards or principles in development assistance delivery and management
  - Intensify donor efforts to cooperate at the country level
  - Promote the benefits of harmonization among staff
  - Provide support to strengthen partner country governments' leadership and ownership of development results
  - Streamline donor procedures and practices
  - Promote harmonized approaches in global and regional programs
- 



## Development Effectiveness



Several important concepts, described briefly in this section, form the backdrop for an enhanced focus on development effectiveness.

### Harmonization and Alignment

The Monterrey Consensus and later the Rome and Paris Declarations affirmed the need for development agencies and country partners to harmonize their operational procedures, and for bilateral and multilateral agencies to align their support with partner country priorities and strategies.

When each development agency pursues its own operational requirements for preparing, delivering, and monitoring development assistance, the burden on recipient countries is high. Furthermore, many agency-specific requirements do not mesh well with partner countries' budget and planning models, public expenditure frameworks, and financial management systems. To improve alignment, development agencies and partner countries now emphasize the need to place nationally-designed strategies at the heart of the development process, as well as to rely on the partner country's own management systems. For harmonization, development partners recognize the need to establish common arrangements and procedures for managing aid, including sharing information widely and transparently.

### Country Ownership

One key idea that emerged from both the Monterrey and Rome conferences, and that was reaffirmed in Marrakech, is that countries should "own" the goals and objectives of any development process or program; without ownership and commitment on the part of country partners, development may not be sustainable in the long term. Countries should therefore foster an enabling environment for development by creating supportive policy, investment, and governance structures.

When the country has set out its priorities in a poverty reduction strategy or a national development framework, development programs should be designed to directly support these aims. The sense of control over their futures that countries then gain translates into effective action toward key national development outcomes.

### Managing for Results

The Washington and Marrakech Roundtables on Results, held in 2002 and 2004 respectively, focused specifically on managing for results as a key aspect of and a prerequisite for improved aid effectiveness.

At both roundtables, participants from partner countries and development agencies discussed the challenges of managing for development results at the country level, as well as within specific programs and projects, and compared the tools and strategies used to address issues on the ground. A significant result of these conferences was the formulation of the principles of MfDR, which reflect a broad consensus about what constitutes sound MfDR and which are the focus of this Sourcebook. Development stakeholders now recognize that the process of improving conditions in the world, a country, or an organization is a process of change management. Defining clear results provides a better target for change. Periodically measuring results provides guideposts or markers that allow for corrections to keep programs or projects on track toward their stated outcomes. Ultimately, better managing for results helps demonstrate more clearly whether development outcomes have been achieved.

A global partnership is essential to address the challenges of managing for results and reduce the burden on countries of multiple reporting requirements and monitoring and evaluation systems.



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### Marrakech Memorandum (2004)

Better development results require management systems and capacities that put results at the center of planning, implementation and evaluation.

To steer the development process toward the goals they have defined, countries need stronger capacity for strategic planning, accountable management, statistics, monitoring, and evaluation.

Development agencies, within their different mandates and modalities for providing country support, need to enhance their focus on results.

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### Partnership

Partnership can improve both the efficiency and effectiveness of development. Its crucial elements are mutual respect, transparency, open participation in planning and decision making at all levels (both inside countries and among partner countries and development agencies), and mutual coordination and support.

An effective partnership is one in which donors and recipient countries have a common vision of poverty reduction and development, and are willing and able to work together in a coordinated, participatory fashion to achieve these aims. These ideals are clearly reflected in statements from Monterrey, Rome, and Marrakech, as well as in a large number of recent agency documents and programming approaches.

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**Partnership** can be defined as a collaborative relationship between entities to work toward shared objectives through a mutually agreed division of labor. At the country level, this means engaging under government leadership with national stakeholders and external partners (including international development agencies) in developing, implementing, and monitoring a country's own development strategy.

*Adapted from "Aligning Assistance for Development Effectiveness: Promising Country Experience," World Bank (2003)*

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### Capacity Building

The Monterrey, Rome and Marrakech statements emphasized the importance of intensive investments in building partner country capacity to support greater development effectiveness. In the 2002 Monterrey

Statement on Results, development agencies agreed that greater support was needed for improved public sector management, statistical development, and monitoring and evaluation (M&E) systems, all linked to improving public accountability for results among both partner countries and international agencies. Often an initial investment is needed to build the individual skills and institutional systems required for partner countries to effectively take charge of their programming in the long term.

The focus now is on building sustainable capacities by providing partner countries with targeted and needs-oriented technical assistance for public sector management. Concretely, what this means is that where coordinated, harmonized, and country-owned development initiatives are under way, partner countries should assess their own gaps and needs in such areas as results-based strategic planning, management information systems, results-based M&E, needs analysis, and policy formulation. Development agencies can then invest directly in building partner countries' public sector capacity to ensure that public sector agencies or departments are able to manage effectively for results.

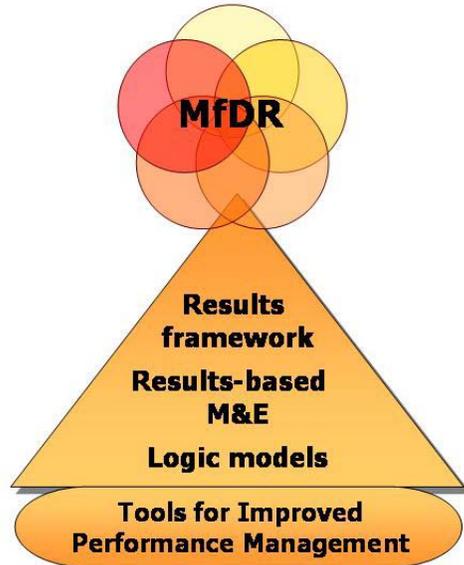
### Learning and Decision Making

The statements from Monterrey, Rome, and Marrakech reflect the growing consensus that managers in both countries and development agencies need to create better ways to obtain feedback on their work, continuously learn from the experience of trying to achieve development objectives, and make better development decisions on the basis of what they have learned. Feedback and learning are powerful public management tools that can improve the way governments achieve results. A growing body of evidence suggests that the way development partners manage the collective learning and feedback process can play a central role in the success or failure of any development intervention.

Development agencies and countries both benefit when they share experiences and accomplishments in a systematic and transparent way and when they have a responsibility to ensure that lessons learned in development programming are used constructively in ongoing management decision making. This is integrally linked to more effective use of performance measurement information, and is in turn linked to a better results focus in development.



## Performance Management



Results-based performance management approaches and tools can directly support more effective development. Managing for results and performance in development is based on the following process:

- The ultimate goal of all development is to improve the quality of life in a sustainable way. Every development initiative is designed to help a country or sector to reach this goal.
- In each development initiative, partners first identify an obstacle (a specific problem or gap) that all stakeholders believe is important and that they think they can address.
- Partners then define outcomes that are realistic in terms of the country context, partners' capacity, and available resources.
- Partners collect and analyze information, explore possible solutions, and identify the best solution.

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**A development result** is the output, outcome or impact (either intended or unintended, positive or negative) of a development intervention.

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A number of important factors contribute to better development results and performance:

- Emphasis on continuous improvement at the institutional, program and project levels
- Gradual devolution of management authority and responsibility to program managers within public sector agencies

- Public sector and agency orientation toward “service delivery” and “quality of services” in terms of beneficiary needs and preferences
- Participation of a wide variety of stakeholders (including the ultimate beneficiaries) in defining the desired results
- Reform of budget processes and financial management systems to increase public transparency and accountability
- Consistent application of modern public management techniques

Strong performance management depends on strong public sector organizations and strong development agency management structures. It is inextricably linked to public sector reform processes in the developing and developed worlds as well as to institutional reforms carried out within international development agencies. Performance management is a holistic, cultural change that enables organizational managers and staff to value open and honest performance assessment and reporting.

### Results-Based Management

The gradual introduction of results-based management techniques in the 1990s helped many public sector and development agency managers take a more systematic approach to all aspects of project and program management. Many institutions and agencies in both developed and developing countries now use a variety of practical techniques to manage for results, including results-based strategic planning, logic models or results frameworks, results-based budgeting, risk management, and results-based M&E.

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**Results-based management** is an approach aimed at achieving important changes in the way that organizations operate, with improving performance in terms of results as the central orientation. It provides the management framework and tools for strategic planning, risk management, performance monitoring, and evaluation. Its main purposes are to improve organizational learning and to fulfill accountability obligations through performance reporting. (Adapted from Meier, 2003).

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Results-based management is centered on a strong notion of causality. It theorizes that various inputs and activities lead logically to higher orders of results (outputs, outcomes, and impacts). These changes are usually shown in a “results chain” or “results framework” that clearly depicts cause-and-effect relationships. Development results are usually understood as sequential and time-bound, and changes are linked to a series of management steps within the programming cycle for any development initiative (project or pro-



gram). Results-based management asks managers to regularly think through the extent to which their implementation activities and outputs have a reasonable probability of attaining the outcomes desired, and to make continuous adjustments as needed to ensure that outcomes are achieved.

Although results-based management is nearly synonymous with MfDR as we currently understand it, some approaches to results-based management have focused only on accountability. MfDR goes further, incorporating newer ideas about collaboration, partnership, country ownership, harmonization, and alignment. MfDR provides a higher management standard because it asks all stakeholders to focus continuously on country outcome performance, rather than on short-term results.

### Logic Models

In the 1970s, public sector agencies and development institutions began using logic models borrowed from the project planning approach used by engineers to plan the efficient utilization of inputs in their development projects. In the 1990s, they saw the potential of using logic models as part of results-based management to help systematically identify desired development objectives, results, and targets. During the era of reform in public sector and development assistance, logic models were further adapted to support results formulation and tracking (i.e., laying out clear objectives, targets, indicators, and means of verification).

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**A logic model** is a technical tool for summarizing all relevant information related to development assistance, a program or a project. Logic models usually are presented in a matrix covering such categories as objectives/results; inputs; indicators (or objectively-verifiable indicators); means of verification; and assumptions/risks. Various types of logic models have been designed for different purposes, so there is no “correct” format.

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If used properly, logic models help describe how development inputs can lead to immediate results or outputs, and then demonstrate how these outputs will in turn lead to outcomes. In many development agencies, logic models are referred to as “results frameworks”. They are a powerful tool for summarizing the change logic behind any development intervention, and they form an essential part of the MfDR toolkit.

### Results-based Monitoring and Evaluation (M&E)

Monitoring and evaluation (M&E) involves the systematic collection of performance information about progress toward results, which can then be used in management decision making. M&E provides strong tools and models for performance measurement, and has a long pedigree as a tool for increasing the effectiveness of development interventions. Since the 1990s, when results-based management approaches came into wider use in both country-level public sector institutions and international development agencies, M&E has been used more and more to assess results achievement. Today, results-based M&E is a major component of the MfDR toolbox that helps both countries and agencies systematically measure the progress of program and project outcomes.

### Multiple Delivery Mechanisms

Recent practical experiences by partner countries and development agencies emphasize that the traditional project model is no longer the sole route to deliver development assistance. Results-based programs that are aligned with national and sector strategies, and/or that provide broad budgetary support to governments, can be more effective in the long term than project funding; effectiveness is further enhanced when development programs within a sector are coordinated and harmonized. This point was emphasized repeatedly in discussions and examples shared at both the Monterrey and Rome conferences.

However, practical experience has also shown that approaches to development assistance must be blended and fine-tuned to suit country context and needs. All types of support can be useful (e.g., direct budget support, financing of sector programs, targeted sector-specific projects, technical assistance, and analytical work), but only so long as they are planned and delivered within the framework of a country’s own development priorities and with full country ownership and partnership. In practice, development agencies may use a variety of delivery mechanisms within and across countries. For this reason, the Sourcebook provides a wide range of examples of how MfDR can be applied at different levels and with different types of development interventions.



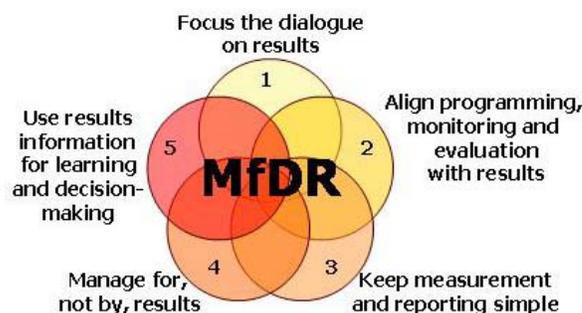
## MfDR Principles

A principle is a basic generalization that is accepted as true and that can be used as the basis for ongoing reasoning or conduct. The MfDR principles were agreed during the Second Roundtable on Results in Marrakech in 2004.

The MfDR principles form the basis for sound performance management. They are applicable at any level and within a variety of interventions (national, sector, program, project, and organization), and they influence the use of specific strategies and tools at various phases of national and development programming.

There is significant synergy among the principles. They should all be considered at every phase of any development initiative, as the basis for deciding which specific performance management tools to apply. The principles do not constitute a step-by-step, sequential recipe for MfDR.

The following sections discuss the MfDR principles and provide a lead-in to the examples in Parts 2, 3 and 4 of the Sourcebook which show the variety of tools and strategies that countries and development agencies are using to apply the MfDR principles.



### 1. Focus the Dialogue on Results at All Phases

**Principle 1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.**

#### Key Characteristics

- Multistakeholder dialogue takes place throughout any development initiative (e.g., planning, implementation, and evaluation of a country poverty framework, country assistance strategy, sector/program framework, or project) to ensure that the focus always remains on managing toward outcomes.
- All partners and key stakeholders jointly own the process of defining and managing for outcomes at all phases (regardless of when they enter the process), and agree to take collective responsibility for any initiative's results orientation.
- Managers use risk assessment and risk management strategies to ensure that all stakeholders understand the risks that are likely to affect results achievement, and to help them work together to address these risks.

In managing for results, it is important to have a coherent approach: (a) *ex ante*, at the strategy and planning phase, when expected results are articulated and their likely costs and expected impact on poverty reduction and development are analyzed; (b) during program/project implementation, when monitoring is needed to assess progress and identify necessary mid-course corrections; (c) *ex post*, upon completion, when the results are assessed against objectives and other factors, and (d) also when sufficient time has passed to allow an assessment of sustainability.

#### What does this look like in practice?

**At the national level** – Countries are working to identify clear national outcomes with appropriate indicators for results at all levels to ensure that all planned activities will support the identified results, that information on these indicators is regularly collected, that the analysis of progress is used in regular reporting to government and other stakeholders such as civil society groups, and that evaluations are conducted to determine whether planned results were actually achieved and sustained over time. In practice, a country's ability to do this varies with its national context and capacity. Countries use a wide range of performance management tools and strategies (sometimes with development agency support) to do this, as shown in Part 2 of the Sourcebook.



**In sector programs and projects** – Partner countries, sometimes with support from development agencies, are designing programs or projects that contribute to the main outcomes identified in their national plans. Various forms of sector program or project support are tailored to the development needs of the partner country. During planning, implementation, and evaluation of these initiatives, agencies and countries are continuously engaging in dialogue and working together to guide the process, build needed capacity, and assess progress toward outcomes. They are using a variety of performance management tools and strategies, as shown in Part 3 of the Sourcebook.

**In development agencies** – Development agencies are creating results-based country assistance strategies in close dialogue with national governments, and sometimes jointly with each other. During this process, multiple agencies negotiate a process for working together to support country outcomes, harmonizing and aligning their programming procedures (including monitoring and reporting requirements) to reduce transaction costs for the partner country. They use a variety of performance management tools to do this, as described in Part 4 of the Sourcebook.

## 2. Align Programming, Monitoring, and Evaluation with Results

**Principle 2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.**

### Key Characteristics

- Implementation strategies and activities are designed to directly support outcomes (as defined in the partner country's own national or sector development plans), and are continuously adapted over time to ensure that planned outcomes are achieved.
- Indicators and M&E strategies are logically linked to desired outcomes and impacts, and they demonstrate clearly whether or not the identified results are being achieved.
- The same set of indicators is used consistently throughout any program or project intervention to provide evidence of ongoing results performance. Ongoing M&E activities analyze the degree to which planned outcomes are actually attained so that implementation can be adjusted as needed.

When partner countries, development agencies and other stakeholders focus on expected results and associated results indicators, they can better align actual programming (including financial support), monitoring, and evaluation activities with agreed results objectives. Partner country priorities and constraints must remain the starting point for development agencies' support strategies; the development agencies' planned operations, analytic support, and technical assistance must be consistent with the partner country's sound development strategy.

### What does this look like in practice?

**At the national level** – Many countries are in the process of developing strong operational plans and budgets to support national plans and sector development strategies in which key outcomes are identified along with suitable indicators at different levels. Operational plans, when in place, can help show how specific inputs (human and material resources) and activities (usually delivery of goods or services) will lead to country outcomes. Benchmarks, indicators, and targets are then used regularly to track progress toward these outcomes. During implementation, ongoing monitoring is used to assess whether progress is being made as planned. Evaluations help ensure that longer-term progress toward outcomes is consistently tracked and analyzed. Some examples of tools and strategies being used to align implementation and M&E activities with country outcomes (sometimes with development agency support) are provided in Part 2 of the Sourcebook.

**In sector programs and projects** – Development agencies are working closely with partner countries to support the achievement of outcomes linked to long-term national plans. Agency contributions toward budgetary support, sector programs, and projects are carefully aligned with planned country outcomes. Assessment of risk during the implementation process ensures that factors that may affect achievement of outcomes are taken into consideration, and that inputs are adjusted accordingly. A range of tools and strategies being used to ensure that planned program and project activities (including M&E) support achievement of country outcomes are described in Part 3 of the Sourcebook.

**In development agencies** – Development agencies are working both individually and collectively to support and enhance national outcomes. In many instances, agencies can coordinate their support for these outcomes, as shown in some of the examples in Part 4 of the Sourcebook.



### 3. Keep Measurement and Reporting Simple

**Principle 3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.**

#### Key Characteristics

- Measurement and reporting on results are kept as straightforward as possible, to create efficiencies and to support effective communication between stakeholders.
- Country outcomes are measured through country-defined indicators that are selective, cost-effective, and realistic, so that just the right amount of performance data is generated.
- Risk and institutional performance indicators are used to track key contextual changes that may affect outcome achievement.
- Countries and agencies are committed to minimizing costs and avoiding duplication by using country-defined indicators as the basis for performance assessment and reporting, and by using this information in decision making about adjustments or mitigation measures.

The indicator framework for managing for results should, to the extent possible, (a) be simple; (b) rely on country systems, supporting capacity building to the maximum extent; (c) be geared to learning as well as accountability functions; and (d) be harmonized to minimize system transactions costs and facilitate comparative analysis. The partner country and development agencies should consult on a short list of key indicators (preferably from a standardized list) for monitoring progress and assessing achievement of results. It is important to take into consideration the chain of expected results. Managing for results aims at improved efficiency; therefore, in choosing indicators, it is essential to be selective (and not to try to measure everything) and realistic (in terms of feasibility and cost). The results reporting system should remain pragmatic – start with whatever baseline data are available, including proxies; use meaningful qualitative indicators to complement quantitative indicators (or to compensate if quantitative indicators are not available); and include support for cost-efficient measures to improve data availability and country or project monitoring systems. The end goal should be a sound, results-based management system that includes specific, quantifiable indicators connected to a timeline with baseline data and periodic assessments of project and program performance against defined targets.

#### What does this look like in practice?

**At the national level** – Countries are working to identify feasible and flexible indicators based on their own capacity to measure and track progress, and assessing how best to build their internal capacity to conduct performance measurement in sectors or subsectors so that performance data can be “rolled-up” to the national level. They are working to ensure that internal and external reporting provides a coherent “performance story” regarding progress toward country outcomes. Part 2 of the Sourcebook provides examples of the various tools and strategies used for performance measurement and reporting at the national level.

**In sector programs and projects** – When agencies, either individually or as a group, enter into partnership with any country to support the achievement of national outcomes, they also commit to using the country’s own indicators and measurement approaches to monitor and report on progress. Some examples of how this may work in practice are provided in Part 3 of the Sourcebook.

**In development agencies** – Within and across development agencies, measurement and reporting requirements ideally need to be fully aligned and harmonized with partner country capacities and strategies. Internally, development agencies are experimenting with various tools and strategies to measure and report on corporate, country program, or project results, as shown in the examples in Part 4 of the Sourcebook.

### 4. Manage For, Not By, Results

**Principle 4. Manage for, not by, results, by arranging resources to achieve outcomes.**

#### Key Characteristics

- Planned outcomes are clearly defined at the beginning of any intervention, and then the resources and inputs required to attain these outcomes are identified (not vice versa, as was the case in the past).
- As the development intervention moves ahead, development managers have the latitude, flexibility, and authority to arrange resources as required to achieve the desired outcomes. Planned outcomes form the focal point for any ongoing management decisions.
- If key targets are missed, stakeholders and managers collectively analyze how and why plans or strategies have gone off track, how they could be brought back on track, and then take corrective measures in constructive and mutually supportive ways so that outcomes are attained.



Managing for results involves a change in mindset. Instead of starting with the planned inputs and actions and then analyzing their likely outcomes and impacts, results-oriented staff focus on the desired outcomes and impacts (for example, on poverty reduction) and then identify the inputs and actions needed to get there. They also establish baselines and identify up-front performance targets and indicators for assessing progress during implementation and on program completion. Missing key targets should not trigger the rigid application of penalty rules; rather it should be a signal for partners to analyze together whether/why things have gone off track and how they could be brought back on track.

### What does this look like in practice?

**At the national level** – National public sector agencies are working continuously and consistently to manage toward long-term outcomes. Inputs and activities are adjusted as needed, and public sector managers have the flexibility to experiment with various implementation strategies to see what works best. Regular reviews of progress identify key barriers and identify corrective actions needed to achieve planned outcomes. Part 2 of the Sourcebook provides examples of the types of tools and strategies used to manage for results at the national level.

**In sector programs and projects** – Development agencies, in consultation with partner countries, determine the type and level of sector program or project support they can most suitably provide to contribute to a partner country's own outcomes. Where a program or project fails to make the planned progress toward identified outcomes, a constructive dialogue about the process, options, and steps may improve performance. If a crucial target is missed, rather than withdraw support, partners consider whether additional strategic assistance could help overcome the obstacles or missed opportunities that have arisen during process. Part 3 of the Sourcebook provides some examples of how this process works in practice in a variety of development projects and programs.

**In development agencies** – Agencies are working to design realistic country programming strategies in which progress toward outcomes can be assessed using performance information generated at the country level. Agencies remain focused on outcomes as they continually analyze and adjust short-term targets, inputs, and approaches. They are giving program managers increased authority to adapt agency assistance strategies as needed to support overall outcomes. Part 4 of the Sourcebook provides examples of how managing for results works within and across development agencies.

## 5. Use Results Information for Learning and Decision Making

**Principle 5. Use results information for management learning and decision making, as well as for reporting and accountability.**

### Key Characteristics

- Information generated through ongoing performance measurement is easily accessible to all stakeholders in any development intervention.
- Whether positive or negative, performance information is used to support constructive and proactive management decision making and to foster learning.
- Assessment of performance and accountability for results takes into account both contextual factors and risks, and makes adjustments accordingly.
- Even in the face of ongoing challenges and risks, program and project managers continue to ask “Why are we doing this?” and remain focused on the learning opportunities inherent in the performance management process.

Information on results should be publicly available. However, use of results monitoring information for reporting and accountability (for both partner countries and development agencies) can prompt behaviors that are overly risk-averse. Two approaches can mitigate this possibility: (a) using reports on results in a positive way for management learning and decision making, taking into account lessons for better future action; and (b) when using reports for accountability purposes, setting performance measures that reflect the level of responsibility of the actor (whether a country, development agency, ministry, institution, NGO, or other stakeholder) and results that the actor can reasonably achieve; this approach recognizes that even with good performance in managing for results, external factors may hinder the achievement of expected outcomes.

### What does this look like in practice?

**At the national level** – National public sector agencies are creating positive incentives to use results information, as they gradually become “learning organizations”. Countries are now learning how to share performance information with their constituencies (civil society and the private sector) by soliciting stakeholder perspectives on what is working or not working in terms of a particular sector strategy or plan. These ideas are then used to adjust strategies and improve progress toward results. Part 2 of the Sourcebook provides some examples of how this process is starting to work.



**In sector programs and projects** – Programs or projects can support improved learning and decision making by encouraging dialogue and partnership around development outcomes. Missing a set of performance targets triggers a process of mutual reflection between partner countries and agencies so that they can develop new and improved implementation strategies. Examples of strategies used to foster learning and decision making for programs and projects are shown in Part 3 of the Sourcebook.

**In development agencies** – To better support partner countries in their learning process, development agencies are working to foster a learning culture within their own organizations. Inside development agencies, information gained from continual reflection on program and project performance is used to adjust the approach that might be used to support more effective country programming in the future. Part 4 of the Sourcebook provides some examples of how this is working in practice.



# Part 2. Examples of MfDR at the National Level

## Overview

To get better results, developing countries need to better manage their development processes toward desired outcomes. They do this by strengthening the results focus of their national strategies, adopting results-based approaches to public sector management, building national capacity for results-based M&E, and strengthening statistical capacity.

### National Strategic Planning

For countries, MfDR begins with identifying national goals and developing the strategies to achieve them. For low-income countries, the poverty reduction strategy is a common platform for defining the outcomes they want to achieve and the strategies to attain these results. Middle-income countries have no common platform, but most set out national development strategies. Many countries are making progress in linking their poverty reduction strategy or national development strategy to results-based expenditure management and performance orientation in public administration. At the same time, central and line ministries are developing more results-focused strategies accompanied by results frameworks to monitor progress.

### Public Expenditure Management

Governments use the national budget to reconcile competing policy objectives and lay out how their objectives will be implemented in concrete terms. For a results focus, governments need to implement a budget strategy that ties annual budgets to development outcomes in spite of social and institutional pressures to sustain the status quo in expenditure patterns and practices. Some countries are forging links between expected results and medium-term expenditure processes; all have pockets of innovation where the principles of managing for results are being applied in the public expenditure management process, whether in a line ministry, a program, or a thematic area.

### Results-Based Monitoring and Evaluation Systems

Results-based monitoring and evaluation (M&E) is a public management tool that yields information that can be used to better manage policies, programs, and projects, and to demonstrate progress to citizens and civil society stakeholders. Effective M&E shows the extent to which specific activities or programs contribute to achieving national outcomes. M&E systems depend on careful definition of objectives and identification of indicators and measurement tools. As countries recognize the critical role of M&E in informing sound policy and programming decisions, they are developing strategies to improve their M&E systems at both the national and subnational levels (often with external technical support).

### Statistical Capacity

One of the most crucial aspects of managing for results is the ability to collect and use statistics at the national level to feed into the M&E system. Building public sector capacity to collect and use statistical data empowers countries as they seek to exercise stronger public management leadership. International partnerships are providing increased resources to help countries strengthen their statistical systems and reporting mechanisms, and many countries are now finalizing strategic plans for doing this.



MfDR Principles	Examples of tools being used to manage for results at the national level	Why these are important
Focus the dialogue on results at all phases of the development process	Poverty reduction plans National development plans Sector development plans or frameworks Medium-term expenditure frameworks Global outcomes and indicators associated with MDGs and other international commitments Stakeholder consultation mechanisms Logic models (integrated with all of the above)	Results-based, governmentwide tools are used as the foundation for planning, implementation, measurement, and evaluation of achievement of national development outcomes.
Align programming, monitoring, and evaluation with results	Comprehensive policy reform strategies Governmentwide public sector reform strategies Organizational change strategies (ministries or departments) National public expenditure management plans and budgetary systems Sector/ministry annual operational strategies and budgets	Strategic frameworks, operational plans, and budgetary models are designed to show how government systems function to ensure that all resources contribute toward achievement of national development outcomes.
Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	Performance measurement plans and guides (with specific indicators defined according to national outcomes) Governmentwide MIS Functional management reviews for sectors/ministries Policy/program performance reviews Organizational assessments (departments and ministries) Performance and financial audits Stakeholder surveys and quality of service reviews	Functional processes, systems, and tools identify the standards and indicators to be used to measure progress toward country development outcomes, whether at the national or sector/ministry levels. Performance measurement plans or guides define the roles and methods for collecting, analyzing, and reporting on indicator data at all levels (inputs/activities, outputs, and outcomes) both within ministries/sectors and across government. Standardized data collection instruments provide systematic ways of obtaining performance information.
Manage for, not by, results, by arranging resources to achieve outcomes	Semiannual and annual progress reports to ministry/sector leaders Annual performance reports to legislative bodies, elected officials, and/or external donors Annual public report cards to civil society	Ongoing reporting focuses stakeholder attention on progress toward national outcomes, and shows how inputs and outputs have contributed to these outcomes. Performance information is used to further adjust operational plans and strategies.
Use results information for learning and decision making as well as reporting and accountability	Stakeholder and public consultations Program, sector, and institutional performance reviews and evaluations Internal knowledge management systems (governmentwide or for specific sectors/ministries)	Information on progress toward national development outcomes is used both within and outside government to support policy dialogue, strategic planning, and institutional analysis.



# Chile: Management Control Systems and Results-Based Budgeting

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## Executive Summary

As part of its broader effort to improve public sector management, the Chilean government has taken specific steps since 1994 to make the budgetary process more transparent and to improve budget analysis and preparation. The National Budget Office now has five years of experience using performance indicators and independent evaluations to assess the government programs' performance against stated aims and expected results. Introduced in 2002, the management control system aims at improving the efficiency of public resource allocation to programs, projects, and agencies. The model was developed gradually. It was designed to evaluate performance in terms of budget management, and it incorporates basic concepts of budgeting for results.

The fully integrated model feeds data and budgetary analysis back into the decision-making cycle. Key management controls and tools that enable the system are:

- Performance indicators, program and agency evaluations, including comprehensive spending reviews
- A bidding fund for public programs
- Management improvement programs linked to performance bonuses for central government employees
- Comprehensive management reports

Data are now available from a series of program evaluations and performance indicators for public services which date back to 1994 and 1997, respectively. The Central Fund for Government Priorities, a competitive financing or bidding fund, was also established in the budget process for 2001 for new programs and reformulated programs. The performance bonus scheme, which began in 1998, was reformulated in 2001, drawing upon lessons from the early years of implementation. Program impact evaluations have been incorporated into the system more recently, while a new process was established for evaluating budget execution in Congress prior to the yearly presentation of the budget bill.

## A Comprehensive Set of Tools Form the Basis of the Budgeting System

The National Budget Office of the Ministry of Finance of Chile has developed and introduced a set of tools designed to strengthen the management of public services, improve budget preparation and analysis, and make the budgetary process more transparent. This approach, which has been strongly supported since 2000, places greater emphasis on the results of each action, program, and project that is implemented under the budget. The efforts to strengthen this new system have resulted in a new model for monitoring and evaluating the performance of the budget management process, which in turn feeds back into the decision-making cycle.

The management control and budgeting system includes the following tools:

- Performance indicators
- Program evaluations, including comprehensive spending reviews

- A competitive financing or bidding fund for public programs, with a standard format to submit public programs for financing
- Management improvement programs linked to performance bonuses for central government employees
- Comprehensive management reports

Besides their integration into the budget process, these tools generate synergies that derive from the conceptual elements in their design and the procedures that govern their implementation. In that respect, it is worth noting that attention has been paid to methodological consistency while incorporating feedback to strengthen the system. The following is a brief description of these instruments and the main advances that have resulted from their application. (For more information, see “Systems of Management Control and Results-Based Budgeting” in the references.)



## Performance Indicators

The incorporation of performance indicators and targets into the budget process started in 1994. The purpose was to make information available on the institutions' performance and to enlighten the analysis that underlies the budget preparation and its discussion at the National Congress. Although this line of work was discontinued in fiscal years 1999 and 2000, performance indicators were reincorporated into the budget in the 2001 budget formulation process with a restatement of their original objective.

### Use of the Performance Indicators

The performance indicators provide quantitative information about the results achieved in the delivery of products (goods and/or services) generated by the institution; these indicators can cover the quantitative and qualitative dimensions of this achievement or result.

Between 2001 and 2004, the trend was to define indicators for established goals in an increasingly systematic manner. The formulation of indicators during this period has shown significant improvement; the indicators' effectiveness in measuring the key products (goods and services) generated by the institutions has also improved consistently. The indicators and their targets are presented as complementary information to the budget bill, and are used as part of the evaluation of the financial execution of the budget that is submitted to the National Congress each year. In addition, the experience of the past five years has created additional areas of work and has facilitated the integration of the concept of indicators into other management tools.

In regard to the targets established by the indicators, the evaluation shows that 76 percent of indicators identified for 2003 in 111 public institutions were met satisfactorily – in the range of 95 to 100 percent (see Table 1).

***Institutions and program performance evaluation.*** To complement the performance indicators and with the same aim, the government began incorporating different lines of ex post evaluation in 1997. Initially, program evaluation fell under a line called Evaluation of Government Programs. Later, Impact Evaluations were incorporated, followed by an institutional evaluation line called the Comprehensive Spending Review.

The design of the three lines of evaluation is based on several requirements and common principles. First, they must be independent, reliable, public, relevant, efficient, and timely. Second, the public nature of the information is ensured by formally sending the final reports from each evaluation to Congress and to other public agencies responsible for decision making in relation to the respective program or agency.

### Independence for the Evaluation Process

The adoption of an external evaluation modality that features a panel of experts and the use of local universities and outside consultants selected through a competitive process helped ensure the independence of the process.

Since 2003, the results of the evaluations have also been presented to the Mixed Congressional Budget Commission. The relevance of evaluations is guaranteed with the definition of the ambits of evaluation to be included in the exercise – which must produce recommendations that address the most important issues and the need for information. With regard to efficiency, the guidelines require that the cost and the timeline of the evaluation be reasonable. Together with the previous demands, they provide relevant evaluative judgments on the main aspects of the program to meet the most important needs for information. Finally, the timeliness criterion requires that the evaluation findings be available in time for the budget formulation process. Since the introduction of these evaluation lines, 170 public programs and 12 institutions have been evaluated: 158 in the Government Program Evaluation line and 12 Impact Evaluations. This represents approximately 64 percent of all public expenditures that can be evaluated through these lines).

The Evaluation of Government Programs line is based on the logical framework methodology used by many

Table 1. Performance Indicators:  
Degree of Compliance in 2003  
– Classification by Function

Degree of Compliance	Economic Functions	General Functions	Social Functions	Total	Percentage
95% - 100%	229	150	352	731	76%
90% - 94%	16	14	21	51	5%
89% - 80%	24	12	26	62	7%
< 80%	32	31	51	114	12%
<b>Total</b>	<b>301</b>	<b>207</b>	<b>450</b>	<b>958</b>	
<b>Percentage</b>	<b>31%</b>	<b>22%</b>	<b>47%</b>	<b>100%</b>	



multilateral development agencies. Based on antecedents and existing information, this methodology makes it possible to reach evaluative judgments on the main aspects of the programs' design and performance within a realistic time frame and at reasonable costs.

The logical framework methodology applied in the line for evaluating government programs often makes use of the data generated from program desk reviews. These are relatively quick exercises, so evaluative judgments on final program outcomes are necessarily inconclusive in many cases. In light of this weakness, a new line of evaluation work for public programs – Impact Evaluations – was introduced in 2001. The information evaluation line applies more complex instruments and methodologies for data collection and analysis.

The Comprehensive Spending Review line was launched in 2002. It is used to evaluate an institution's objectives, programs, and procedures. The Comprehensive Spending Review is specifically suited to assess the consistency between an institution's objectives and programs, the rationality of the institutional structure, and the distribution of functions among work units. It also allows the authorities to measure the institution's effectiveness, efficiency, and wisdom in the allocation and use of resources.

In the past five years, the results of these evaluations have been examined, and concrete improvements in the management and use of resources have been identified. Like the information obtained from evaluations, information from performance indicators is not applied in an automatic mechanical fashion, but is used as input to analytical work and the decision-making process.

Table 2 summarizes the recommendations and implications from the evaluations of 87 programs that were implemented between 2000 and 2004.

**Table 2. Evaluation of Government Programs and Impact Evaluations, 2000-04: Recommendations and Implications**

Category	% of Programs
Minor adjustments	24%
Important modifications in design of some components or in internal management procedures	39%
Major reformulations	21%
Institutional relocation	6%
Program end	10%
Total Number of Programs	87

Concurrently, in the case of institutions evaluated between 2002 and 2003 using the Comprehensive Spending Review, the recommendations and implications correspond for the most part to important modifications of key aspects of internal management processes.

Since 2000, recommendations formulated by the evaluators are analyzed in the Ministry of Finance in conjunction with the agency under review. The purpose is to determine when and how recommendations will be incorporated. This translates into a formalization of commitments between the National Budget Office and the institution under review. The follow-up on these commitments shows a high degree of compliance in incorporating the recommended changes.

### Compliance with Program and Agency Evaluations

Of the total commitments contracted prior to and until June 30, 2004, in terms of program and agency evaluations, 69 percent complied fully and 22 percent partially.

**Competitive financing and standard format for the presentation of public programs.** To improve the flow of information for the budget process and improve public resource allocation to new, reformulated, or amplified programs, an important procedure called Central Fund for Government Priorities (Competitive Financing or Bidding Fund) was incorporated into the budget cycle between 2001 and 2003. This new procedure is also aimed at reducing budget "inertia." It utilizes a standard format which includes the logical framework matrix for the submission of programs that apply for the Fund's resources.

Based on this experience, the 2005 budget formulation incorporates the use of the standard format for the presentation of programs. The 2004/05 budget formulation did not use the Competitive Financing or Bidding Fund because of the limited availability of fiscal resources for new initiatives and significant expansion of existing programs. The presence of a large number of programmatic commitments and pledges from the government initiated in 2000 is also an issue. This measure is meant to continue the promotion of the logical framework and improve its use as a tool to organize the presentation of programs.

**Management Improvement Programs.** The Chilean government began to develop the Management Improvement Programs for public institutions in 1998, under Law 19,533. The aim was to tie the fulfillment of management objectives to a monetary incentive for the employees involved.



### Terms of the Monetary Incentive

The monetary incentive establishes that fulfilling management objectives commitments in an annual Management Improvement Program allows staff from the agency or unit to benefit from a five percent salary increase in the following year – as long as the compliance rate achieved by the agency is equal to or greater than 90 percent of the objectives agreed upon – or a 2.5 percent increase, if the compliance rate is between 75 and 89 percent.

Starting in 2001, the programs to improve management were restructured in accordance with a common set of management areas and systems for all the public sector agencies, called the Framework Program (see Table 3).

This program implies several stages of development for the management systems that it includes. These different development stages correspond to specific management objectives. Each stage is defined by specific contents and technical criteria, so that completing each one of them implies meeting previously established requirements.

The evaluation of the management improvement programs in 2003 revealed that 75 percent of the institutions met 90 to 100 percent of the objectives they had pledged to achieve, while 20 percent achieved between 75 and 89 percent of their agreed upon objectives (see Table 4).

Table 3. Management Improvement Program, 2005

Areas	Systems
Human Resources	Training
	Hygiene – Improvement of work environment and security
	Performance evaluation
Customer Service	Information, complaints and suggestions offices
	e-Government
Planning, Control, and Territorial Management	Planning and management control
	Internal auditing
	Territorial management
Financial Management	Procurement and hiring systems
	Accounting
Gender Focus	Gender Focus

Table 4. Management Improvement Program, 2003

Percentage allocated for agency performance	Compliance	Agencies		Staff	
		Number	% of Participation	Number	% of Participation
5.0%	90–100%	132	75%	45,637	74%
2.5%	75– 89%	36	20%	13,152	21%
0%	< 75%	8	5%	3,159	5%
Total		176	100%	61,948	100%

After four years of implementation of the Management Improvement Program, the public agencies have moved forward in developing the management systems that were part of the program. The public employees involved have received economic benefits, while the agencies have been able to build a solid base from which to address other demands and procedures that are characteristic of the process of modernizing a public sector entity, enabling it to tackle its main challenges.

In order to further consolidate the advancements achieved, the application of an external standard that would continue to promote excellence is being contemplated as a suitable option. With this objective in mind, the formulation of the management improvement programs for the year 2005 introduced the first elements to ensure a gradual transition to a certification mechanism for public services – known internationally as ISO Norms.



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### New Certification Mechanism

The systems to be included in the 2005 certification mechanism are: training, hygiene-improvement of work environment and security, performance evaluation, auditing, and planning and management controls.

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**Comprehensive Management Reports.** All public sector agencies are required by law to prepare a Comprehensive Management Report for submission to the National Congress. These reports cover crucial aspects of their institutional management. They are presented in a standard format and are elaborated in accordance with the technical instructions and guidelines provided by the Ministry of Finance and the General Secretariat of the Presidency. They generally include relevant background information on the agency along with data generated through the instruments described above.

The comprehensive management reports have been used to support the evaluation process of the financial execution and management of the budget that is carried out by the National Budget Office during the first semester of each year. The comprehensive management reports are also used in the evaluation of the financial management of public services by the budget subcommittees.

### Main Achievements of the Systems of Management Control and Results-Based Budgeting in Chile

The advances in the development and consolidation of the methodological and practical aspects of the different tools described herein have helped improve the management of public institutions and programs. At the same time, they have allowed the budget cycle and the government work with Congress to increasingly benefit from more and better information, contributing to greater transparency in the budgeting process. From this perspective, a significant step has been taken toward the establishment of a results-based budgeting framework in Chile. In addition, it is worth noting that the main actors that are involved in the process have developed a better understanding of the objectives and the main elements of results-based budgeting.

### Some Lessons Learned from the Chilean Experience

Of the main lessons learned from this experience, the following should be highlighted:

- The development and implementation of the budget management and performance instruments requires persistence in order to facilitate their

comprehension and use and to gain the necessary credibility.

- It is important to identify the limitations of the different instruments in order to make adequate use of the information they provide.
- It is important to continually revise the instruments and the processes that relate to their use and make relevant modifications toward their enhancement in a timely manner.
- The strengthening of those technical and procedural aspects that generate synergy in the system while providing feedback for the development of the different instruments is of primary importance.

### Update on Implementation of the Results Framework – Clotilde Charlot, IADB, November 2005

(Based on Chapter V of the Public Finances Report prepared by DIPRES under the supervision of Marcela Guzman, Ministry of Finance, Chile)

#### How well have Chile's Management Control Systems and Results-Based Budgeting efforts continued to operate in practice in 2005?

The Budget Proposal for 2006 offers a good overview of the Chilean government's performance in applying the Management Control and Results-Based Budgeting system in 2005. The preparation of the 2006 budget reflects the lessons learned from the eight years since the GOC has started to introduce a results-based focus in the allocation of public resources

The 2006 Budget Proposal combines the results of the evaluation of more than 100 programs and fourteen public institutions, the monitoring of 130 public services based on approximately 1,500 performance indicators, and the organizational evaluation of 179 public agencies. That information has guided the decisions regarding resource allocation for 2006 and has also allowed the GOC to revise and make adjustments in the programs and the institutions responsible for their implementation. Senior authorities of the concerned institutions and agencies participate fully in the decision-making process, ensuring a more effective and citizen-oriented management in the public sector. Those advances have benefited not only the end users of those public services, but also the public sector employees who have received merit-based bonuses for their performance in achieving the targets set forth in terms of programs and institutional management.



## **Performance of the five main instruments that comprise Chile's Management Control and Results-based Budgeting System in 2005**

### **Performance Indicators**

The number of public institutions and agencies using performance indicators reached 136 in the budget proposal for 2006 (up from 72 in the 2001 budget). Similarly, the total number of performance indicators used for next year's budget is 1,552 (up from 275 in 2001). The Budget Proposal for 2006 has an average of 11.4 performance indicators per institution. In 88 percent of the cases, these indicators reflect strategic products considered by the public institutions.

During the first quarter of 2005 the evaluation of the 2004 budget performance has been completed. Ninety four percent of the indicators have been evaluated compared to 795 for the 2001 budget. Of the total number of indicators evaluated, 86 percent were achieved satisfactorily (in 95-100 percent range) while only seven percent had an achievement rate of less than 80 percent. Of the total number of indicators evaluated for 2004, 35 percent correspond to economic functions, 23 percent to general functions, and 19 percent to social protection functions. In the 2006 Budget Proposal, 18 percent of the indicators measure intermediary or final results and 63 percent measure results in terms of products and their attributes.

### **Institutions and Programs Performance Evaluation**

The findings and recommendations of the evaluation of Chile's Evaluation of Government (EGP) conducted by the World Bank in 2004 have been made available to the GOC in 2005. This external evaluation has stressed DIPRES ability to establish the EGP as a solid and effective instrument in a relatively short period of time. The EGP has responded efficiently, effectively, and in a timely fashion to the needs for information. The total number of public programs that have been evaluated under the EGP during the nine years since the GOC started using it reached 188 this year (from 170 in 2004). To date, a cumulative total of 19 institutions (compared to 12 at the end of 2004) have been evaluated. Two Impact Evaluations (IE) and one Comprehensive Spending Review (CSR) are ongoing.

### **Competitive Financing/Standard Format for the Presentation of Public Programs**

The 2006 budget proposal used the Standard Format for the Presentation of Programs in the case of programs that needed resources under Transfers to Other Public Institutions, Budgetary Programs created under

## *Part 2. Examples of MfDR at the National Level*

the 2005 Budget, and expansion and reformulations of new programs.

### **Management Improvement Program (MIP)**

The preparation of the 2006 Budget Proposal reflects the lessons learned from eight years of implementation of the MIP by the Chilean government. The positive results achieved in the development of the management systems that comprise the MIP have led to the definition of a new phase of an Advanced Framework Program that has been in execution since 2005. This new phase of the program includes a system certification step that is consistent with the ISO 9001-200 standards. The evaluation of the 2004 MIP revealed that 75 percent of the institutions met between 90-100 percent of their objectives. As a result, more than 56,000 public sector employees received a performance-based salary increase of five percent. It is worth noting that 48 percent of the institutions involved with the MIP achieved 100 percent of their objectives. Of particular importance is the significant increase in the percentage of public employees that met 90-100 percent of the targets set for their work in 2004 (90 percent compared to 74 percent in 2003).

As part of the gradual transition toward the external certification ISO, the Office of Information, Grievances and Suggestions – Oficina de Información, Reclamos y Sugerencias (OIRS) – will be added to the system under the 2006 budget. About 62 new public institutions and agencies will be added to this advanced phase of the framework program.

### **Comprehensive Management Reports (CMRs)**

A total of 113 institutions have met the requirement to submit their Comprehensive Management Reports (CMR) to Congress according to an established calendar. Significant improvements in the quality of the CMRs have been noted in 2005. The reports are increasingly used to inform decision making at the national and local levels.

### **References**

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# El Salvador: Results-Based Management for Evaluating Public Policy

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## Executive Summary

Between 1996 and 2002, the Inter-American Development Bank (IDB) approved two operations to assist the substantial efforts of the Government of El Salvador (GOES) to modernize the management of public sector finances. A fundamental step toward a more effective and efficient public sector was the adoption of a decentralization policy aimed at encouraging more autonomy and greater citizen participation at the municipal level.

The first IDB-funded operation helped to implement an integrated financial management system which enabled the government to better prepare and consolidate budgets, track revenues and expenditures, manage payments, and keep accounts. An appropriate normative and legal framework was established, guidelines and procedures for financial management were introduced, and technical financial management units with trained staff and modern software were set up in all line ministries, public corporations, autonomous entities, and all agencies funded by the central government.

The second operation, approved in November 2001 as a pilot system of management by results, sought to strengthen the Salvadorian government's capacity to monitor the execution of the \$1.3 billion multidonor reconstruction program following the earthquakes of 2001. Its emphasis was to establish a central capacity to coordinate, implement, and monitor the resources devoted to reconstruction, and to match the measurement of physical progress of reconstruction with financial outlays, thus keeping executing agencies, the public, and the donor community informed of the program's execution.

Through this initiative, the government established two principal monitoring systems: one focused on the financial flows necessary to meet the reconstruction plan, producing detailed accounts of the contributions, commitments and disbursements by sources and uses of the funds; the other provided data to monitor the physical progress and identify bottlenecks, delays, and any additional needs of the executing agencies. Together they allowed better overall coordination and effectively addressed execution problems as they arose.

Additional funding made it possible to: (i) design and implement a security system to safeguard the Internet-based database used in the public management-by-results system; (ii) expand access to information on the workings of government while giving the public an avenue for social auditing; (iii) familiarize the Technical Secretariat of the Office of the Presidency and other agencies' technical staff with policy evaluation mechanisms; and (iv) launch a process of standardization of criteria by which to measure results across the agencies that have access to the management-by-results system.

According to a review completed jointly by the IDB and World Bank in June 2004, several aspects of the system still need improvement. The delineation of responsibilities between central and local government is not as clear as it should be, and the legislative capacity to review the budget needs to be strengthened. Nonetheless, the management systems are providing regular reports on the most relevant achievements in terms of institutional management, and they have allowed for effective monitoring of government programs and the performance evaluation of key central government and public sector institutions.

## Prerequisites: Building on a Financial Management Framework for Accountability

In the 1990s, El Salvador undertook a substantial investment in modernization of the state. Key elements of the process were decentralizing decision making through a program of "local development" and improving the efficiency and effectiveness of the system of public financial administration. Between 1996 and 2002, with help from the Inter-American Development Bank (IDB), an initial project to establish a national integrated financial management system, (*el*

*Sistema de Administración Financiera Integrado - SAFI*)<sup>6</sup> put into place an appropriate normative and legal framework, introduced guidelines and procedures for financial management, and set up technical financial management units with trained staff and modern software in all line ministries, public corporations, autonomous entities, and any agency funded by the central government. The system covered the main

<sup>6</sup> El Salvador: Technical Cooperation Loan to Support Fiscal Modernization (ES-0105) July 24, 1996



functions of financial management: budgeting, treasury, accounting, budget execution, monitoring, and internal and external control. All financial management units were interconnected by computer; information was managed by each unit in a common data warehouse to which other units had access for informational purposes. The system also covered revenues, tax collection, and debt management.

### From Accounting to Participation and Accountability

In 1999, faced with the challenge of reconciling an ambitious development program with the constraints of decelerating economic growth, reduced trade tax revenues, and larger transfers to municipalities, the government sought to maximize the impact of public expenditures on development by agreeing with its constituents to a four-pronged development plan called the “*Nueva Alianza*” which aimed at expanding provision of basic services, generating employment, improving personal security, and rehabilitating the natural environment, all within a framework of sound economic management and expanding political participation. (*Marrakech Principle 1*) The plan was to be actuated through a process of decentralization of the execution functions of the national government; transparent and coordinated formulation, execution, and evaluation of public policy; transparent and effective administration; and continuous, participative strategic planning linking the central government, the line ministries, the local political structures, and the community. Each *Alianza* was to be made operational through the preparation of a *National Program* (Policy), an *Institutional Program* (Strategy) for each line ministry, and *Operational Actions* (Results). The latter were defined in terms of expected outcomes, expressed in a work plan, and linked to a budget item in a programmatic manner. (*Marrakech Principle 2*) In the first iteration of the process, the plan had 54 national programs and policies, 166 institutional programs and strategies, and 3415 operational actions.

Financial administration would remain the remit of the Ministry of Finance (Ministerio de Hacienda - MH) while responsibility for the strategic, participative policy making, execution and evaluation of the national plan would rest with the Technical Secretariat of the Presidency (SETEC). (*Marrakech Principle 2*) The planned bridge between the political and administrative execution of the development plan and the annual budget would be a publicly accessible system of management by results (*Sistema de Gestión por Resultados*) by which the population would help prepare and thus be familiar with the planned improvements for their community. (*Marrakech Principle 3*) The financial and physical progress in implementation of

institutional programs and operational actions would be public knowledge provided by the Ministry of Finance. The program directors and the community would be able to provide feedback to the executing agency and the SETEC if the results diverged from the plans. (*Marrakech Principles 4 and 5*). The institutional, political, and participatory framework for “Management for Results” was also in place.

### Design and Implementation: Management for Results and Accountability into Practice

The original request from the Government of El Salvador (GOES) to the IDB in 2000 was for a US\$ 3.5 million operation aimed to improve the effectiveness of most government spending by promoting participation in the management of public resources. By the time this new project was suggested, the country had largely fulfilled the first four of the core requirements for a results-focused public sector management. (*see Box below*) The project also sought to strengthen institutional performance, promote the strategic and transparent use of resources and establish a culture of public service based on the satisfaction of user needs, the evaluation of results and accountability to the citizens.

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#### Core Requirements for Results-Focused Public Sector Management

- A financial management system that permits the identification of expenditures by different criteria: category, purpose or program, source of funds, location, responsible entity and expected outputs, among others
  - Budgets that are prepared not only in financial terms but also in terms of physical outputs and expected outcomes
  - A long range vision or development plan coupled with the flexibility to make timely changes to the assignation of resources
  - A basis for comparison with previous and future plans
  - Agreed, appropriate and reliable indicators of outputs and outcomes are defined
  - A budget cycle that allows for the evaluation of previous physical outcomes, revision of long- and medium-term plans, and assignation of resources according to agreed needs
  - A mechanism in place for providing up-to-date and comprehensible financial and physical monitoring and evaluative information to the public, especially to participants and beneficiaries who are not financial specialists
  - A mechanism in place for receiving feedback from participants and beneficiaries
  - Security and integrity of data is maintained while giving the appropriate level of access to information.
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The earthquake of 2001 required a shift of funding and thus reduced the scope of the initial project to a “pilot first phase” focusing on establishing a capacity to monitor the execution of the government’s \$1.3 billion, multidonor reconstruction program. The emphasis was to establish a central capacity to coordinate, implement, and monitor the resources devoted to reconstruction and to keep executing agencies, the public, and the donor community fully informed of the execution of the program. Grant funding of just over \$1 million from the Government of Japan and the IDB’s Fund for Special Operations (FSO) was used in place of a loan to execute the two key elements of the project: the development of the system of management by results and the provision of a security firewall to protect the integrity of the databases.

The Japanese funds were used to establish two principal monitoring systems. The first system focused on the financial flows necessary for the reconstruction plan, producing detailed accounts of the contributions, commitments and disbursements by sources, and uses of the funds. This facilitated the monitoring of financial agreements with the different donors with the aim of shortening the disbursement period and expediting financial flows to the government. The second system provided data and developed objective indicators to monitor the physical progress and identify bottlenecks, delays, and executing agencies’ needs, in order to allow better overall coordination and effectively address possible execution problems.

The IDB’s FSO funds supported: (i) the design and implementation of an Internet-based electronic security system to safeguard database information used in the public management-by-results system; (ii) improved access to information on the workings of government and gave the public an avenue for social auditing; (iii) familiarized the Technical Secretariat of the Office of the Presidency (SETEC) and other agencies’ technical staff with policy evaluation mechanisms; and (iv) the launching of a process of standardization of criteria between agencies that had access to the public management-by-results system.

### Problems in Execution

According to a review completed jointly by the IDB and World Bank in June 2004, the system needs to better delineate the responsibilities between central and local government, improve legislative capacity to review the budget, fully apply objective merit criteria

to human resources, exercise tighter control on overspending and undercollection of revenues, aggregate information regarding municipal budgets, adopt fully recognized international standards of budgeting, improve the analysis of public investments, develop better indicators of budgetary and investment performance, and produce regular consolidated public accounts for full audit to international standards.

As with any system of popular participation, there is the perennial concern of how to make financial information comprehensible to the general public and to develop “financial literacy” among the population. This still represents a major challenge in El Salvador. Another test that the Salvadorian authorities are facing is how to give computer-based access to, and allow feedback from, a poor population with limited access to computers. There were attempts to resolve this issue to some extent by setting up regional “*Info-centers*” with guided access to the systems. A useful precondition was the relatively high level of computer literacy among the young in El Salvador, as a result of the GOES’ investments in computers in schools after 1997 (again with help from the IDB).

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### Factors Favoring a Propitious Environment for Results-Based Financial Management in El Salvador

- Faced with the challenge of consolidating peace and democracy after the civil war, the country has been actively undertaking a large Modernization of the State program with external support.
  - The establishment of SAFI with IDB helped provide an informational and technological platform on which to build a system of management for results.
  - There exists a strong link between the Ministry of Finance (MH) and the Office of the Presidency (SETEC) in which the hierarchy and role are sufficiently well defined to allow a productive division of labor between policymaking and administration.
  - Computerization in schools provides a wide familiarity with computer systems, even within poor communities.
  - The country has a strong and vociferous civil society who wishes to exercise its rights and is accustomed to fulfilling community obligations.
  - It is a small, densely populated country with a homogenous population where news travels and secrets are hard to keep.
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## Results Achieved

Though the Integrated Financial Management System (SAFI) is still a work in progress, the country is now preparing annual budgets within a multiyear planning framework that links development objectives to expenditures and revenues in a manner which is transparent and subject to public scrutiny by the Legislature and its Unit for Analysis and Monitoring of the Budget (UASP). The outcomes of the project are manifest. It has helped speed up all government transactions and promoted greater transparency in the management of public recourses. As a result of these changes, the international rankings of El Salvador in such areas as economic openness and ease of doing business rose substantially in recent years, placing it far ahead of many of its neighbors and creating an administrative climate conducive to trade, investment and development, and putting into place the financial management and planning framework for “Management for Results”.

The second project is now in its third year of execution. The August 2004 progress report by the Office of the Presidency (SETEC) indicated that the system was providing the results expected for the information needs of the government and donors, but that more investment was needed to fully establish the “*info-centers*”.

The project will continue to support the management of the reconstruction program and will be expanded over the next four years with the government’s own resources so that a strategic, programmatic approach with actions, targets, and indicators will be used in the budgets of the government program for 2005–2009. In this development plan, the emphasis will be on security “*Pais Seguro*”. The continuation of the new system bodes well for the long-term sustainability of the program.

## Lessons Learned and Considerations for “Replicability”

It may be possible to replicate variations of this project in similar countries of which there are a number, including neighbors of El Salvador. The similarities could include:

- A postconflict / post instability / democratic opening situation
- A similar integrated financial management system
- Economic openness in terms of trade and the flow of labor and ideas
- Strong, established civil society institutions

However, there are some cautionary indicators, and results can take a long time in coming. Most countries

would require a comprehensive revamping of their budgeting and planning processes, including redefinition of the budget in a programmatic format, clear and agreed development goals, and the establishment of objective and agreed indicators.

In other projects, to promote popular participation (Honduras) an additional, simplified, parallel budget “*presupuesto resumido*” for public use will be prepared.

Government has to accept and act upon the feedback it receives if the system is to maintain credibility.

In terms of international rankings, countries adopting such systems may not see much improvement in their placement because public accountability is improving in a wide range of countries through the approval of freedom of information acts and improvements to literacy and technology – maybe it is time to develop some noncomparative indicators.

This is not something which can just be added to a government program to provide “instant accountability”.

## Update on Implementaion of theResults Framework

The Sistema de Administración Financiaera Integrado (AFI) is operating well. Steps taken to enhance its effectiveness include the preparation of a Government Strategic Operational Plan (Plan Operativo Estratégico) in which the main objectives, actions, baseline information, indicators of institutional results, as well as the responsible entities are specified. The new Plan also includes a sample of impact indicators that are being developed. In each Ministry, including in the President’s Office, senior and middle level managers were involved in preparing specific inputs for the Plan.

Based on this new Government Strategic Operational Plan, the main government institutions have developed their own Institutional and Operational Strategic Plan with a long-term perspective. In many cases the preparation of the sectoral plans benefited from significant civil society participation. The Ministries’ Plans were formally submitted to the President as a public commitment to ensure their implementation. The main characteristics of these plans are that they include well-defined institutional targets to be achieved over a five-year period, e.g., the “2021 Plan” developed for the Educational Sector benefited from the participation of various experts and other well-respected civil society individuals. The plan presented by the Health Sector was also developed with the wide participation of the entities operating within the sector. Similarly, the Agricultural Sector Plan bene-



fited from the support of several trade associations and unions.

- A network of professionals is responsible for the collection of information on implementation of the Plan towards the achievement of its objectives.
- An Internet-based system is also available for the monitoring of public investments at the municipal level. Detailed information on the nature of the investments, the extent of the progress achieved in their implementation, and the use of financial resources are captured. In addition to the information provided through this computer-based system, the Ministries prepare twice-a-year progress reports.

**New innovations introduced as a result of the lessons learned:** The original model that preceded the **Strategic Operational Plan** focused more on the processes necessary to achieve the expected results and impacts. Consequently, the model was perceived as being too complex, with too many variables to be monitored. In this new model, the strategic monitoring efforts at the level of the Technical Secretary of the Presidency focus mainly on the institutional results and impacts since the government institutions assume responsibility for the processes and activities required to achieve these objectives. This has allowed the Plan to achieve greater simplicity and functionality. One of the main conclusions to be drawn from the above is that the level of complexity and sophistication of the results-based management models applied in the public sector must be consistent with its absorptive capacity and its overall management capability. It is wise for governments to avoid the introduction of instruments that are too sophisticated compared to their own institutional capacity. The original and the new models are presented hereafter:

Another important lesson relates to the way the political priorities varied from one administration to the other. One of the major challenges in the preparation of this new Strategic Operational Plan was making sure that the proposed plan could be sustainable over time and not vulnerable to the differences in “management styles”.

In designing a new Strategic Operational Plan, the emphasis was on planning and monitoring at the strategic level: a “model plan” with the objective of providing a global direction to the country’s management. Consequently, the instruments proposed were designed taking this into consideration. The absence of a strong link between these instruments and the annual operational management under the previous plan resulted in the creation of a strategic information system rather than a results-based management system. One of the main problems was the weak link between Strategic Operational Plan, Institutional Operational Plans, and Budget.

In light of the above, the current work of the Government of El Salvador is geared toward reinforcing the link between the Strategic Operational Plan and the Annual Operational Plans, along with the strengthening of operational management.

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## Tanzania: Harmonization of Results Reporting

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### Executive Summary

**H**armonization around results reporting refers to a state where governments and donors rely on country-based monitoring and evaluation systems<sup>7</sup> for reporting on development interventions and socioeconomic indicators. This requires that the institutions and systems of government are sufficiently strong to produce timely and reliable information that is integrated into the public sector management process and readily available to civil society.

Many countries, however, do not have sufficiently strong monitoring and evaluation systems, thereby decreasing their ability to effectively use these systems and the donor community's ability to rely on them for results reporting. In some cases, the lack of proper country level systems has resulted in donors financing individual activities to strengthen monitoring and evaluation – for example, statistical capacity, such as duplicative surveys or parallel M&E systems that are not integrated into national systems. These capacity building efforts are often not part of an integrated capacity building strategy. This lessens the potential impact and sustainability of support. Building this capacity is a long-term process of institutional change requiring both political support and significant investment in systems. It is therefore critical that expectations be realistic on what is possible in country contexts and how capacity can be deepened in a sustainable way.<sup>8</sup> Examining country cases can improve our understanding of key variables for strengthening national monitoring and evaluation systems and thus improve harmonization around results reporting. This case study examines the process of harmonization around results reporting in Tanzania, covering Poverty Monitoring Systems and Monitoring and Evaluation systems.

Tanzania is at the forefront of efforts to harmonize its development assistance. These efforts were born out of a low point in government-donor relations at the beginning of the 1990s. The discussion on harmonization evolved in a context of high aid dependency, high transaction costs in dealing with the range of uncoordinated priorities, and procedural and reporting requirements of multiple donors. The government subsequently took several important steps toward harmonization and alignment of policies, procedures, and practices to enhance aid effectiveness. These included the establishment of: The Independent Monitoring Group, the formulation of a Tanzanian Assistance Strategy in 2002, a Poverty Reduction Strategy, a Poverty Reduction Budget Support Facility, (with a common Performance Assessment Framework), and a Tanzanian Joint Assistance Strategy. This study analyzes a series of issues that these experiences raise and illustrate.

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<sup>7</sup> The term “poverty monitoring systems” is often used in countries with a Poverty Reduction Strategy. For the purpose of this study, poverty monitoring systems are defined as the monitoring systems of the government.

<sup>8</sup> Monitoring and evaluation is a critical pillar to enable managing for results. It provides the data and feedback mechanisms for policy decisions, programming, resource allocations, and management.



## Tanzania: Country Context

In the late 1980s and early 1990s, Tanzania was in the midst of a major crisis. The country experienced low GDP growth (less than 4 percent) and a rate of inflation exceeding 30 percent. A weak public expenditure and financial management system was characterized by lack of fiscal discipline, poor and ineffective budgeting and accounting systems, and a poor prioritization of expenditures. The policy and legal framework of the country was weak and, by the government's own admission, corruption and underfunding plagued the public sector.<sup>9</sup>

Two key events occurred in the mid to late 1990s that served to foster change: One was the 1995 publication of the independent Helleiner Report, which outlined recommendations for improving donor-government relations and heralded the start of a new commitment to improving development cooperation and to reinstalling trust between development partners and the government.<sup>10</sup> The second was the initiative taken by a strong donor group committed to putting a poverty monitoring system in place. Tanzania had not yet launched a Poverty Reduction Strategy Paper (PRSP), generally regarded as the key instrument to initiate such reform. Uganda was the original front-runner in establishing a Poverty Monitoring System (PMS). Tanzania became the second country in the region to develop a PRSP.

**Poverty in Tanzania is deep and pervasive.** The country ranked 160th on the 2001 Human Development Index, below the average for Sub-Saharan Africa. Per capita income was US\$280 in 2002, also well below Sub-Saharan Africa's average of US\$450. The Household Budget Survey for 2001/02 states that 12.6 million Tanzanians, 36 percent of the population, live under the basic needs poverty line, with about one in five living in abject poverty. The majority of the poor, who are largely subsistence farmers, live in rural areas. Inequality is high, and regional and urban/rural income disparities are wide.

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<sup>9</sup> Joint presentation by the government and her development partners, "Aid Coordination, Harmonization and Alignment in Tanzania", Africa's Regional Workshop on 'Harmonization and Alignment for Development Effectiveness and Managing for Results', Dar es Salaam, November, 2004.

<sup>10</sup> The new government in Tanzania, elected in 1995 under the leadership of President Mkapa, and its development partners jointly adopted the recommendations of the Helleiner report in January 1997 and formulated them into 18 'Agreed Notes', with actionable items for follow-up.

**Geographically, Tanzania is large, unevenly populated, and largely rural.** It depends heavily on agriculture for approximately half of its GDP. For monitoring and analysis purposes, this only adds to the challenge of gathering and using consistent, timely, and relevant data at the national and subnational levels. It further compounds the difficulties in gaining agreement around objectives of harmonization of results reporting.

## Evolution of the Tanzanian Poverty Monitoring System

An examination of the evolution of the Poverty Monitoring System (PMS) in Tanzania speaks to the interrelationships between the donor partners (both individually and collectively) and country officials. Over time, there have been greater efforts toward joint action and increased harmonization. A maturing of the relationship has also occurred in the general direction of aid modalities, changes from project funding to sectorwide approaches (SWAs) and general budget support, and donors working to support the government's self-managing efforts of aid effectiveness.

## Early Efforts to Promote Harmonization around Poverty Monitoring

Development of a Poverty Reduction Strategy Paper (PRSP) is generally regarded as the starting point toward implementing a Poverty Monitoring System.<sup>11</sup> While Tanzania was second to Uganda in implementing a PRSP in the late 1990s, there were earlier moves by donors in Tanzania toward greater harmonization. Efforts had been made to develop poverty monitoring instruments and national strategy documents – for example, the National Poverty Eradication Strategy of 1998 and the Tanzania Development Vision 2025, also of 1998. The PMS was still very much in its infancy and the process moved very slowly.

Externally driven, the multilaterals – UN agencies and UNDP in particular – were particularly active in the area of poverty monitoring. Among the bilaterals, UK and the Nordic countries were very supportive. With some three-quarters of external project assistance to Tanzania being distributed outside the budget, it was evident that multiple accountability and reporting systems were in place. The donor community in Tanzania at the time had a good grasp of systems and technical

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<sup>11</sup> PRSPs build on the Comprehensive Development Framework approach and are developed with four key principles in mind: country ownership with a broad participatory process, domestic and external partnerships, a comprehensive poverty reduction plan, and a results-orientation.



issues and wanted to deal with the myriad of systems in place for monitoring public expenditures.<sup>12</sup> Technically capable donors on the ground saw the utility of initiating a dialogue with the government on the need for a Poverty Monitoring System. They supported the government in addressing the issue in ways that could advance the process.

Early on, there was recognition that government capacity was limited and few incentives were in place for poverty monitoring. Initially at least, the focus was to move at a pace that would not alienate institutions and that would be inclusive and participatory. Public discussion included not only identification of the priorities for the PRSP, but also the institutional framework for monitoring and the choice of indicators for the PMS.<sup>13</sup>

### **The Poverty Monitoring Master Plan (PMMP): A Distinctive Feature of the PMS in Tanzania**

The Poverty Monitoring Master Plan was published by the government of Tanzania in 2001. It described an institutional framework consisting of seven main elements. Four of these represent the working arm of the system – that is, technical working groups with separate mandates and chaired by different institutions or agencies of government. In addition to describing the institutional framework for poverty monitoring, the PMMP also serves to provide a short- and medium-term policy framework for the PMS and speaks to human resource training and capacity building issues. This is important since it implicitly recognizes that development and implementation of an effective PMS takes time<sup>14</sup> and addresses ongoing skepticism among many donors of country capacity to measure and monitor. The PMMP provides a sense of direction to the PMS on how and where it will be improved and a strategy that donors can support.

Participation was broadened through the inclusion of donors, civil society, and various agencies and ministries of government as members of the steering com-

<sup>12</sup> Norway was the first bilateral to commit all its foreign aid through the budget.

<sup>13</sup> Government officials stated that the extensive participatory and consultative approach that Tanzania undertook has increased the “reliability of the system” as well as “enhanced (its) credibility.”

<sup>14</sup> In fact, designing and implementing an effective PMS can take several years. It is not clear whether there is a common understanding across all stakeholders of the long-term and iterative process that is normally required in developing sound results-based measurement and monitoring systems.

mittee and the technical working groups. The framework allows for frequent opportunity and structured dialogue around technical and nontechnical issues pertinent to harmonization and alignment. Dialogue is also assisted through the mapping of various roles and responsibilities of major government and development partner players.

Notable features of the PMMP also include:

- A review of information needs and indicators for poverty monitoring.
- A discussion of the current and proposed work of the each of the four technical working groups, which includes an assessment of training requirements and a budget for each.
- A costing of the activities of the PMS as well as an overall budget and suggestions for a funding mechanism for poverty monitoring. (It should be noted that the PMS is now included in Tanzania’s Medium-Term Expenditure Framework, so the PMMP has a rolling three-year time horizon.)
- A focus on data of different types and from different sources, at both national and subnational levels. The multiyear survey program, coordinated by the National Bureau of Statistics (NBS), allows for a more coherent and rational strategy for data capture and use. This helps avoid the bureau being overloaded with work in a given year.
- A direct focus on data producers at the subnational level, coordinated through the Routine Data Systems Working Group. This is acknowledged as probably the weakest link in the system. Yet in light of its importance for the long-term ability to measure and monitor results, it brings focus to subnational data gathering and has nurtured some efforts to improve the ability to generate robust data and information. While complicating the process at the outset, sub-national indicators and service-level monitoring will eventually require data at this level of aggregation.
- A recognition, through the existence of the Research and Analysis Working Group, of the importance of evaluative-type research by the other two data-producing working groups. This capacity provides the ability to assess the impacts and effects of particular project or program investments, something that monitoring information on its own cannot adequately address.<sup>15</sup> This greatly en-

<sup>15</sup> This is a recognition of the fundamental difference between ‘performance monitoring’ and ‘evaluation’ as accountability tools, where the latter allows for linking measured results with particular project or program investments



hances the ability to identify messages to inform policy.

- An awareness of the potential users and uses of information generated by the PMS – that is, the national government, local and district-level government, civil society organizations, the general public, and the media. The Dissemination, Sensitization, and Advocacy Working Group has focused on providing information to these groups. For example:
  - It created a government Web site at: ([www.povertymonitoring.go.tz](http://www.povertymonitoring.go.tz)).
  - It organized Poverty Monitoring Weeks in three successive years, with the intent of broad dissemination of information and exchange of ideas, as well as a plan for similar events within regions with the idea of bringing messages down to a district and village level.
  - It produced a ‘popular’ version of the Poverty Reduction Strategy document.
  - The working group, which is responsible for identifying ‘information needs’ of government, is in the process of facilitating timely linkage between ‘data producers’ and ‘data users’ in government.

The government of Tanzania has established an institutional framework for the PMS that is well-designed, widely-owned, and inclusive. Yet other factors have confounded implementation and the use of results measurement in government. The committee–working group structure of the PMS allows for substantial interface between potential users and producers of data and information; however, this by itself is insufficient to generate the impetus to link results information to the policy and planning process.

Recent work by a joint World Bank and UK bilateral project has pointed to issues within the institutional setting that negatively affect both the demand for and supply of results information across the system. Much has to do with the lack of incentive to produce good quality data. On the demand side, few incentives encourage the use or need for results information, especially if budgetary decisions are not performance-based. One factor is simply newness in the government setting. Another is a resistance to change, particularly where vested interests could be negatively effected. This has much to do with the fact that the PRS is not yet well linked to the budgetary process.

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– in other words, allowing for the examination of causality and attribution issues.

## PRS2: An Opportunity to improve the PMS

The first PRS has now come to the end of its three-year cycle, and a follow-up strategy – the National Strategy for Growth and Poverty Reduction, PRS2 – was scheduled to be finalized at the end of 2004. The new strategy differs from the earlier strategy in several ways. It will be based on a five-year time horizon; and unlike the first PRS, which focused on particular sectors (seven, in fact), PRS2 will focus on ‘outcomes’ and ‘activities’. It will cover three broad clusters – growth and income poverty reduction, improvement of quality of life and social well-being, and governance and accountability. The intent is to link sector strategies with broad outcomes of the new PRS.

The heightened profile to governance and accountability is important for poverty monitoring and results reporting. It implies that increased emphasis will be placed on monitoring and evaluation systems as part of public sector management. Finally, reflection on a new PRS provides the government and development partners with an opportunity to take stock of how well the PMS is performing. It considers where and how well the various players in the system are linked with one another and with the budget process. It also addresses issues like: What needs to be done to further the idea of harmonization in general? How to improve capacity both to measure results and use results information across the system?

## Lessons Learned on Initiatives and Instruments Promoting Harmonization around Results Reporting

The PRSP process provided both a vehicle and an opportunity to advance harmonization of results reporting. By serving as a coherent framework for poverty monitoring, it provided a common basis for donors and government officials alike to begin to identify a strategic approach to poverty reduction initiatives. Through this, some commonality in measuring and monitoring objectives was created. The process itself was vitally important since it provided an opportunity and a structured approach to dialogue. This raised the level of awareness among donors on the need to search for ways to harmonize donor reporting requirements, or to rely completely on government systems.

A number of other initiatives and instruments that were introduced around this process have also served to advance the harmonization agenda. Their importance varies in respect to results measurement and reporting; however, they have all served to maintain the momentum of this broad initiative.



The PRSP provided an opportunity and vehicle for a coherent framework for poverty monitoring. In moving toward actual operationalization of results reporting, a significant step forward was the Poverty Reduction Support Credit (PRSC) by the World Bank. While the PRSC tightened the relationship between the lending and technical assistance functions of the World Bank, it also brought a subset of the PRSP indicators into focus, making these indicators more practical and easier to use. With a ‘policy matrix’ spanning three years (that is, previous, current, and next), it represents a time horizon well within the planning framework of most countries.

In addition to the PRSC from the World Bank, budget support in Tanzania is presently provided in the form of Poverty Reduction Budget Support (PRBS)<sup>16</sup> from 11 bilateral partners and the European Commission. There is also a Structural Adjustment Loan from the African Development Bank.<sup>17</sup> The PRBS and the PRSC are aligned to each other in support of the PRS, and they are linked to a Performance Assessment Framework (PAF),<sup>18</sup> jointly agreed upon by the government and partners. This is the same performance assessment framework that is part of the loan agreement under the PRSC program with the World Bank. This mechanism has served to help harmonize results reporting among the multilateral and bilateral donors contributing to government budget support for poverty reduction.

Harmonization around results reporting has been introduced at the sector level. Currently in Tanzania, SWAp instruments are in place in the health and education sectors and a SWAp is emerging in the agriculture sector. Working groups have been set up to address the need for harmonization of processes,

<sup>16</sup> The 10 bilateral donors include Canada, Denmark, Finland, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.

<sup>17</sup> The African Development Bank is currently preparing to align the structural adjustment loan to become a Poverty Reduction Support Loan in terms of the joint monitoring framework used in the PRBS/PRSC instrument.

<sup>18</sup> It is important to note a disconnect between the donor-driven PAF and the government’s PRS. The PAF Memorandum indicates “the intention of the parties to harmonize the PRS action plan and the PAF completely within three years”, that is, by 2005. Recent evidence suggests, however, that the annual review mechanisms of the PRSP are still insufficiently robust to support greater harmonization and alignment. In other words, the disconnect between the PAF and the PMS will likely continue for the foreseeable future.

reporting formats, and monitoring for the most advanced work in the areas of health and education.

Where sector monitoring systems exist in health and education, work is under way to harmonize systems. While donors report that they do indeed use these government monitoring systems, reservations continue to be expressed. In health, for instance – the most advanced sector for SWAps – the recent OECD-DAC survey found “health sector information systems are in place, but they require further development and alignment with the PRS.”<sup>19</sup> And despite the observation that “data systems are becoming increasingly robust,” the WHO reports that “performance monitoring in the health sector faces problems of reliability and timeliness of health information.”<sup>20</sup> As a result, it relies on a variety of sources, including its own performance monitoring and reporting system, which are not part of government monitoring.

There are also examples of harmonization around results reporting in investment lending. For example, the government established an Education Sector Development Program for coordinating ministries and agencies responsible for education and training, as well as for partnership collaboration among the government, donors, and other stakeholders. This framework, which includes reviewing and reporting, is used for analysis of sector issues, program preparation, and monitoring and evaluation. This has proved an effective mechanism for coordinating players in the sector. In addition, the government’s management system is used for implementation.

Impacts of the program include improvement in program outcomes – for example, increases in net enrollment in primary school from 65 percent in 2000 to 85 percent in 2002 and a gross enrollment ratio that rose from 78 percent in 1990 to 100 percent in 2002. In addition, the program has successfully improved the teacher-to-pupil ratio, teaching facilities, and the learning environment. It has also led ministries, departments, and agencies to reconsider their attitudes toward analysis of sector issues. There is also a stronger link between resources and program needs, and greater ownership and pro-activity on the part of the government for successful implementation

### The Tanzanian Assistance Strategy

Tanzania and its development partners institutionalized their commitment to increased coordination and harmonization with the development of the Tanzanian

<sup>19</sup> OECD-DAC, ‘Survey on Progress in Harmonization and Alignment, Tanzania Country Chapter’, draft report.

<sup>20</sup> Ibid.



Assistance Strategy in June 2002. It is a three-year strategic framework for improving coordination and harmonization under Tanzanian leadership and ownership, and was formulated under the coordination of the Ministry of Finance. While it is broad based and goes beyond harmonization of results reporting, the latter is reflected in both the overall guiding framework of the strategy<sup>21</sup> and in one of four priority areas of the its Action Plan – namely, to harmonize and rationalize government and development partner processes.

***A formal structure exists to dialogue and to monitor progress.*** This includes a joint government-development partner Harmonization Group for the strategy, and a joint technical secretariat. Both are chaired by the Ministry of Finance and include representatives from sector ministries, the vice president's office, the president's office (for planning and privatization), and development partners. A Tanzania Assistance Strategy annual implementation report and an external biennial assessment by an independent monitoring group (IMG) serve to monitor progress, establish new ideas and initiatives, and detail a plan of action for the coming year.<sup>22</sup>

### Lessons from Independent Evaluations

An OED/IEO Review in 2004<sup>23</sup> of the PRSP found important positive changes in how business has been conducted in Tanzania in recent years:

While the Tanzania PRSP recognized the multidimensional nature of poverty, it has not been sufficiently comprehensive in its implementation. The conceptualization of vulnerability in the PRS was weak, and reflected the lack of consideration to the relationship between governance and poverty. During implementation, the focus was on nonincome poverty at the expense of income poverty, hence there tended to be

greater emphasis on social sectors and less on investment in productive sectors of the economy to generate sustainable increases in the income opportunities of the poor. On the whole, the Tanzania PRS is *results-oriented and focused on outcomes that benefit the poor*. It has enhanced the mobilization of resources and the focus on priority sectors – with public expenditure reviews as major inputs. During the PRSP process the shares of priority sectors in expenditures were found to rise steadily, although Public Expenditure Review (PER) analyses have indicated that spending within priority sectors needed to be better targeted to the poor. The PRS process has substantively enhanced national processes for poverty monitoring and a poverty monitoring and master plan now guides all monitoring activities. However, the feedback between monitoring of results and policy actions requires improvements.

Certain important changes predate the PRSP, for example, the PER system and the shift toward partnership roles with donors following the Helleiner Report. Policies have been affected in certain areas. Examples include the composition of expenditures, the modification of the macroeconomic program to accommodate higher aid flows, and elimination of fees at the primary school level. On the other hand, the approach has had little impact in other important policy areas such as trade policy. The report describes Tanzania as “a good illustration that it is the PRSP *process*, not the *document* itself that matters.”

The first PRSP was found to be weak in many respects. However, three years following the launch of the PRSP, policymakers were able to flesh out the strategy and improve poverty monitoring mechanisms. This raises the question of why the national strategies that preceded the PRSP were not used more concretely as a basis for the PRS process. Attention is also drawn to the fact that the World Bank could have been better prepared for the PRSP by assisting Tanzania to conduct a household budget survey prior to 2000. Bank staff provided substantial technical advice during implementation of the PRS, in analyzing the results of the household budget survey and in establishing the Poverty Monitoring System.<sup>24</sup>

<sup>21</sup> Of the 13 ‘best practices’ drafted in the TAS document, included are the items: ‘Reporting and accountability systems are integrated (#5); ‘Development partner policies complement domestic capacity building (#8); ‘The government creates an appropriate national accountability system (#11); and, ‘Reporting and accountability at national and sectoral level is transparent.’ (#13).

<sup>22</sup> To date, one IMG report has been produced. A second, covering 2003 and 2004 will be available early in 2005 and serve to inform development of Tanzania’s next generation of Harmonization and Alignment initiatives, the ‘Joint Assistance Strategy’, still in the concept stage.

<sup>23</sup> Operations Evaluation Department Independent Evaluation Office: Evaluation of the PRSP, July, 2004. Tanzania Country Case.

<sup>24</sup> The World Bank provided technical expertise and sectoral inputs in the social sectors like education and health and via the PER process and supported the 1st and 2nd Annual Progress Reports. The PER process in particular has been well recognized for its support of the PRSP and its principles, and the MDBs played a leading role in promoting and expanding the PER from an external technical assessment to a country-led participatory process involving a wide range of stakeholders. (OED/IEO PRSP Review, 2004).



## How Harmonization of Results Reporting in Tanzania Illustrates the MfDR Principles

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- Harmonization around results and results reporting requires an open dialogue on the usefulness of all levels of information – for government policy decisions, program alignment in results-oriented country programming, monitoring and evaluation.
- The links between the Poverty Monitoring System and the Poverty Reduction Strategy – with linkages to the Medium Term Expenditure Framework (MTEF) bring this principle into practice.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- Harmonization of results reporting recognizes the need to rely on country systems.
- The PMS is built on the PRSP which articulates the results.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- The capacity of the country to monitor and evaluate, and collect appropriate data is a central feature of harmonization around results reporting.

## Part 2. Examples of MfDR at the National Level

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- Donors rely on the government system for different reasons – depending on the level of information generated by the M&E system and depending on the instruments being used.
- A central tenet of building country capacity is ensuring that any monitoring and evaluation capacity is part of public sector management processes and that it is used for policy and programming decision making.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The dynamic between relying on country systems for donor reporting and supporting countries in building a culture to manage for results (which requires strong monitoring and evaluation systems as part of public sector management) requires that these two aspects be appropriately balanced.

### For more information

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## Timor-Leste: Managing for Results in a Fragile Postconflict Setting <sup>25</sup>

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### Executive Summary

**T**his example of Managing for Development Results addresses the question: To what extent is the Timor-Leste government ready to manage and monitor the achievement of its national development plan and donor contributions?

Timor-Leste has focused squarely on implementation of its National Development Plan since national independence in May 2002. The development plan was followed up by formulation of a detailed “road map” for 2002–07. In 2004, the government elaborated sector investment programs to improve sectoral donor coordination around the National Development Plan. To monitor progress, the five-year road map is followed by annual action plans. On a quarterly basis, line agencies report on the implementation progress of their annual plans. In turn, the Ministry of Planning and Finance combines all information electronically to prepare quarterly reports. These are distributed to donors, line agencies, and other stakeholders. This task represents an impressive accomplishment for such a young nation – a first win in managing for results, the establishment of a culture of monitoring and accountability.

This story illustrates how the world’s newest country is making inroads into managing for results with partners’ support.

### Key successes:

- Applying a phased approach to M&E to manage for results.
- Partnering with and among donors, enabling everyone to move forward with one voice.
- The government’s commitment to incorporate M&E in sector investment programs, and linking it to policies and budget execution. This was another important “win” for the government and the stakeholders, presenting the government as a champion for results.
- Transferring knowledge, which is a major component of support received from donors.
- Lessons learned during this process have wide applicability not only in other Low-Income Countries Under Stress (LICUS), but in other contexts as well. A major lesson to date is that managing for results and the use of information for learning and decision making is more likely to be accepted if presented as a phase-in process rather than as an all-or-nothing deal.

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<sup>25</sup> This case study draws information from field observations, year 2004 appraisal and progress aide-memoires, and communication with Elisabeth Huybens, Country Manager, and Adrian Fozzard, Economist, World Bank. It also builds on World Bank’s approach to working in LICUS countries.



## The Need for Results in Postconflict Timor-Leste

Timor-Leste was a Portuguese colony from the sixteenth century until 1975, and then was occupied by Indonesia until 1999. In August of 1999, 79 percent of the population voted to become an independent nation and 21 percent voted for integration with Indonesia. Between September 4, 1999, when the results of the voting became known, and September 20, members of the pro-integration faction destroyed over 80 percent of houses and public buildings, including more than two-thirds of health facilities and schools, and more than 1,500 people were killed. In the period that followed, almost half of the population of 850,000 was displaced – about 260,000 to West-Timor (where 30,000 have stayed), 25,000 to Australia, and 190,000 to the hills and mountains.

On September 17, 1999, the Indonesian Government accepted assistance from the international community to restore peace and security in Timor-Leste. A multinational military force was deployed by September 20, and a month later the United Nations Transitional Authority of East-Timor was formed. On Independence Day – May 20, 2002 – the transitional authority was transformed into the United Nations Mission of Support in East-Timor.

The first democratic, multiparty constituent assembly of the new state met in August 2001. In April 2002, a president was selected through open elections, instituting parliamentary democracy as the form of government.

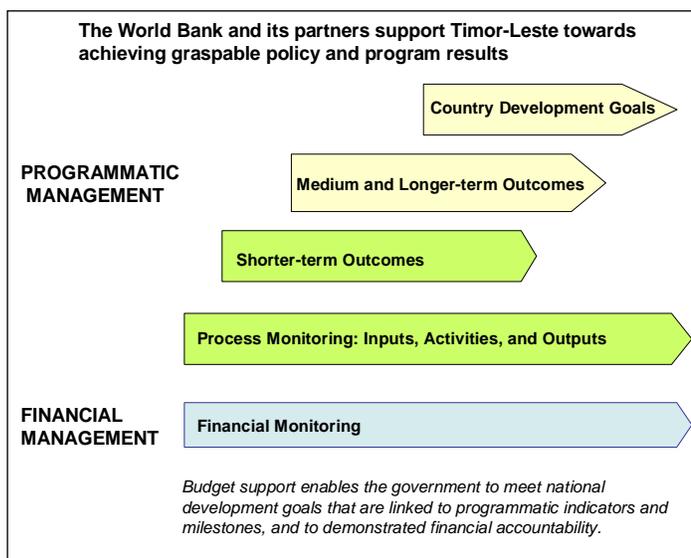
By the end of 2004, Timor-Leste had made remarkable progress in establishing governing bodies. Much remains to be done in the area of governance and even more in public sector management. Nevertheless, the country is largely stable and economic policies are evolving toward a market economy with varying degrees of government intervention.

The World Bank report *Partnerships in Development* points out that countries coming out of conflict face a 40 percent chance of relapsing within the first five years of peace. The Managing for Development Results approach seeks to address that challenge through sustained improvement in country-level development outcomes, as reflected the Millennium Development Goals.

Managing for Development Results (MfDR) is an iterative process in which governments and agencies move the emphasis away from inputs and processes toward results – key policy milestones, outcomes, and,

eventually, assessment of the impact of development interventions and knowledge transfer. The process begins with a focus on short-term outcomes, gradually moving along a continuum to medium- and long-term outcomes, and finally to country development goals. At any given time, different programs maybe at different stages in the continuum. (See Figure 1.)

**Figure 1. Managing for Results: A Phase-in Approach for Fragile Transition States<sup>26</sup>**



Timor-Leste has adopted strong internal reform programs, but must then contend with high political risk and weak institutional capacity. A “phase-in approach” to MfDR provides an enabling tool that assists with preparation and monitoring of poverty reduction strategies. It also helps the country prepare itself for transition support from the International Development Association (IDA) aimed at achieving results on the ground.

Fragile states such as Timor-Leste typically adopt strong internal reform programs, but then must contend with high political risk and weak institutional capacity. The phase-in approach to MfDR recognizes, first, that institutional, social and behavioral change takes time and effort, and second, the development of

<sup>26</sup> World Bank experience in crisis countries has yielded four business models: LICUS with prolonged political crisis, LICUS in fragile transition, LICUS with weak governance and slow progress, and LICUS with deteriorating governance. Timor-Leste meets the definition of countries in fragile transition, where a national reconciliation process or strong internal reform program has created a turnaround policy direction, but capacity remains weak and political risk high. Source: World Bank OPCS, LICUS Unit, May 2004 Corporate Day Presentation.



processes, procedures, and systems is an iterative process that demands commitment, resources, and knowledge transfer in a concerted strategic approach over time. A long-range vision of this sort is no small matter in a country such as Timor Leste, where the word “future” does not exist in its local language.

## Objectives

In 2002, the Timorese parliament adopted a 2020 Vision for Development and a National Development Plan. The vision and plan were the results of a systematic participatory process that involved stakeholders in the entire country in consultations and debates, setting forth basic processes in democratic governance. External stakeholders also played key roles, but they complemented rather than supplanted the national processes.

The 2020 Vision for Development represents a genuine attempt by Timor-Leste to define a program for nation building while defining economic growth and poverty reduction as its development priorities. Finalized in May 2002, the National Development Plan is built upon five priority sectors (education, health, agriculture, economy and employment, and infrastructure) and five crosscutting themes (helping the poor, empowering women and helping youth, peace and reconciliation, cooperation among people, and democracy and good governance). Each sector and theme is presented in terms of goals, challenges, what people say they can do, what people say civil society can do, what people say the government should do, and indicators of progress. The National Development Plan’s objectives and indicators are closely aligned with the Millennium Development Goals and its indicators

## Designing and Implementing a Postconflict Transition Strategy

In early 2003, the government set priorities for implementing its national development plan, developing a “road map” for the years 2002 through 2007. Annual action plans were set up to guide the allocation of resources to government agencies for each year. Shortly thereafter, the government, with partners’ support, began to prepare sector investment plans to establish sector priorities, raise funding to implement the plans, and improve donor sector coordination.

**Developing a National Development Plan and Transition Support Strategy:** Consistent with the national development plan which emerged through a participatory, consultative process (see box), a donor-assisted Transition Support Strategy was approved in 2000, as well as priorities for stability.

## Participatory Process in Creating a National Development Plan

The Timor-Leste 2020 National Development Plan was prepared through a participatory and consultative process that included workshops with civil leaders and NGOs and consultations with more than 38,000 men, women, and youth. Input came from a variety of sources:

- Village chiefs
- 1,800 households
- Communities in 48 villages
- 980 consultations in 498 villages that yielded 2,050 surveys
- “Postcards to the President” from 5,443 secondary school students

The World Bank has coordinated the transition support program and a budget support operation, which is cofinanced by the Bank and 10 development partners. The Bank provides about US\$ 5 million per year for this program, with total annual pledges reaching about US\$ 30 million.

**Pillars of the Transition Support Program.** Timor-Leste’s Transition Support Program rests on three pillars:

- **Job creation** – A regulatory framework, job creation initiatives, and agricultural productivity.
- **Basic services** – Health, education, and social protection; infrastructure, transport and power; agriculture, fisheries, forestry, and the environment; and assistance to veterans.
- **Governance** – Parliament, government finances, rule of law, public sector accountability, and environment and natural resources.

**Need and donor support for M&E.** The transition strategy and support program also address cross-pillar themes – M&E, gender, capacity building, and overall institutional strengthening. With donors support, the government is starting to embrace not only M&E but the notion of *results-focused* M&E in support of the national development plan.

At the government’s request, the World Bank formally reviewed and commented upon the 15 sector investment programs as well as the crosscutting issues of M&E and gender.<sup>27</sup> It was noted that only a handful of the sector investment programs significantly incorporated M&E or indicators.

<sup>27</sup>The Monitoring and Evaluation Note (a review of 15 sector investment programs) was prepared by Rosalía Rodríguez-García, OPCS-Results Secretariat, World Bank, November 2004.



## Problems, Progress, and Factors for Success

Experience in developed, middle-income, and low-income countries points to several key elements that are critical to many countries' ability to improve public sector performance and monitoring of development results. In Timor-Leste, these factors help to explain many of the problems that have been encountered, progress that has been made, and factors that will ensure longer-term achievement of goals.

**Champions for results.** There are no visible political "champions for results" in Timor-Leste, although line ministers such as the Minister of Health are increasingly vocal about the need to *show* results. Champions for performance who use information on a routine basis are needed at the top echelons. Such champions may emerge as data analysis deepens and data presentation is adapted to the needs of senior managers and policy makers. The availability of effectively presented data will reinforce decision making, accountability, and transparency by routinely placing performance on the agenda of the Council of Ministers, Parliament, and other key decision-making bodies. Informed policy formulation and review will be encouraged by the routine review of periodic data within ministries for programmatic problem solving and decision making.

**Demand and use of information.** Presently, information demand in Timor-Leste is chiefly donor driven; however, evidence suggests that the parliament and civil society are starting to pressure the government for monitoring data. Information for decision making in government ministries and the public sector in general needs to increase.

To achieve greater transparency, the government called key Timorese stakeholders in August 2003 to help monitor of the National Development Plan. NGOs, academic institutions, faith-based groups, elected officials, and others were included. A committee of participant volunteers was to have prepared terms of reference to create a high-level mechanism by the end of 2003. Although the group was formed, it achieved little. Lack of leadership, difficult access to information, and a vague mandate are among shortcomings that evidently hindered its success.

**Alignment of processes and procedures with budget.** Processes and procedures need to be aligned to budget and results for improved performance. It is anticipated that starting in the 2004/05 fiscal year, budget documentation will include information on the goals, objectives, indicators, and expected performance of government units. Spearheaded by the Council of Ministers, this effort will enhance overall accountabil-

ity for delivery of goods and services in the public sector and will better align government performance to budget execution.

With the budget playing this anchor role, the key elements of a performance monitoring architecture are more feasible, including clarity on the roles and responsibilities of central and line agencies, donors, and NGOs. This architecture would facilitate the involvement of sector working groups in the review of the national development plan. It would guide the consolidation of budgets and prioritize capacity-building activities with donors. Aligning the central Ministry of Planning monitoring system would greatly help the system to respond to the needs of results-driven financial monitoring. The system will become more selective by shifting from activity tracking toward program milestone and results monitoring.

The government's track record in encouraging planning and monitoring and its acknowledgement of the need to evaluate the progress made by the five-year NDP Road Map are other motivating factors critical in managing for results. The Ministry of Planning and Finance understands that it needs to focus on better aligning the National Development Plan's goals, the annual action plans and targets, and the sector investment programs, with budget performance and the activities being monitored.

**Indicators and baselines.** Quantified indicators and baselines are critical in monitoring progress toward results. As might be expected, the young public sector of Timor-Leste takes a short-term perspective on monitoring. The government and the World Bank took a critical step by incorporating a mid-term review in the monitoring matrix for the 2004/05 transition support program. This helped shift the focus of discussion toward achievement of milestones and service provision objectives – another "win".

Understandably, government agencies were initially reluctant to set quantitative targets without reliable baselines for all indicators. However, with the 2003 Demographic and Health Survey and the 2004 national census, data are now available. Indicators can increasingly be quantified, including baselines agreed upon through discussion between the government and donors. With the benefit of hindsight, one wishes that donors had supported baselines on core indicators selected from the National Development Plan, rather than indicators chosen by the funding agencies. The identification of reliable baselines for core National Development Plan indicators is essential for the government's plan to evaluate its Road Map for the development plan. Data from the Demographic and Health Survey and from the census should provide



some but not all baselines for the core indicators that the government needs.

**Information systems and supply of information.** The timely supply of quality information is essential to managing for results, yet routine information is often questionable and survey information sporadic. The Ministry of Finance and Planning's effort to coordinate key public sector management functions is noteworthy. As expected in a transition situation, monitoring revolves around process indicators and activities. Substantial technical assistance was provided by donors, and progress is evident in making monitoring integral to planning and management. The existence of an electronic data reporting system for the whole of government and a registry that compiles donor-related funding information is remarkable for such a young country with limited capacity. These data management systems have been consolidated into one, and training for line agencies on how to use these is provided by the Ministry of Planning and Finance. Data processing systems of annual action plans are centralized to ensure quality control; however, centralization could prevent line agencies and ministries from taking on accountability for their own performance.

The quarterly monitoring system housed at the Ministry of Finance and Planning tracks activities completed across government entities with much detail. This raises the question of whether a centralized system that is activity-based can provide the strategic information needed for policy and management decisions. Would it become unwieldy and hard to manage over time? Ideally, the system should allow senior policymakers to focus on critical elements of a broad program by using key poverty or Millennium Development Goal indicators. Experience suggests the need for a hierarchy of outputs and key milestones. Only the most important of these need to be monitored and reported at a cross-governmental level. Activities and services statistics are more relevant to program managers and sector ministers than to the Ministry of Planning and Finance.

**Information dissemination to the public.** Routine proactive communication through radio and other media can inform the public about government actions, and it can help the government establish itself as transparent and accountable in regard to public service. A Government Information Office was launched to take the lead by anticipating and responding to information demands.

**Country capacity to manage and use statistics.** A strong statistics unit at the central level and in line agencies is an important enabler in Managing for Development Results. The National Statistics Directorate is responsible for the census; demographic break-

downs on population and gender; economic statistics on consumer prices, banking, and financial services; and data for national accounts (which have not been prepared for the past three years). This unit is strong within the limits of its available human capital and resources. It does not need generalized capacity building, but rather strategic institution building to include statistical training and analytical coaching for staff.

**Country capacity for Monitoring and Evaluation.** Competent monitoring and honest reporting on indicators lie at the heart of international agreements on the Millennium Development Goals. Timely, reliable statistics are also the key to a results-based management process. In Timor-Leste, tools such as computers, software data management packages, and printers are available. What's missing is the know-how on how to apply basic quality standards to collecting and managing data and for data analysis. Routine use of information for decision making is also not yet institutionalized. Timor-Leste may require additional strategic technical assistance in the medium and longer term to maintain its current standards of public sector management and monitoring and to implement capacity improvements geared toward strategic institution building.<sup>28</sup>

## Results Achieved

Timor-Leste is advancing slowly but steadily along the Managing for Results continuum. Many fundamental building blocks are in place, such as annual planning and quarterly reporting linked in the foreseeable future to the budget. While some sectors are more advanced along the continuum than others, the country overall is in the first stage – monitoring the inputs, outputs, and key milestones (policy frameworks, processes and procedures) – that are critical to establishing an enabling environment for measuring and monitoring results on the ground.

Early results are mixed yet significant:

- Management systems, especially in the Ministry of Planning and Finance, are progressing toward the idea that achievement of results belongs at the center of planning, implementation, and budget allocations.
- For purposes of evaluation, most sectors are able to monitor service indicators, though only a few

<sup>28</sup> Donors' capacity-building support is varied. For instance, UNDP provides broad capacity-building assistance, UNICEF is offering training in the use of DevpInfo (a software package), and FAO is working with the Ministry of Agriculture to plan and execute agricultural census and surveys.



(such as health) can monitor coverage indicators. Overall, there is limited capacity to monitor outcomes.

- Capacity building for institution strengthening, including the establishment of computerized information systems, is under way. The National Statistics Directorate demonstrated impressive skill in its execution of the national census. Line agencies such as the Ministry of Health and the Ministry of Agriculture are strengthening their data generation and processing capacities, and the utilization of data for policymaking and program monitoring.
- The government is managing its burden of reporting to multiple development agencies. Reporting requirements are somewhat more manageable because for the Transition Support Program (TSP) donors have consolidated their demands so that only one report is required. Reporting requirements for the TSP provide the basis to monitor progress. This system provided the basis for the government's internal reporting system, including a quarterly report on budget execution—a very important “win”.
- The process of identifying and disseminating relevant lessons and knowledge is only beginning.
- Timor-Leste has established core planning and resource management functions that are effective and transparent. They compare favorably with those of other low-income postconflict countries. Yet these functions have relied heavily on international technical assistance. To consolidate gains, the next round of effort needs to focus on institution building aimed at improving sustainability.

## Lessons Learned

### *Donors need to hold to the line on cooperation.*

Timor-Leste is providing critical lessons in the areas of donor cooperation and monitoring of activities, a first step in managing for results. With respect to donor cooperation, this experience has demonstrated that partnerships – between government and donors, as well as among donors – enable everyone to move in the same direction. The consolidation of support for the transition, including its monitoring, has helped to establish a culture of cooperation. In response to the crisis period, donors took an important step by coordinating support. Yet, as the situation has stabilized, some donors appear to be backsliding toward the corporate mode of separate priorities rather than responsiveness to a cooperative agenda. Donor cooperation needs to be strengthened, and donors need to lead the way in practicing the principles they abide by.

### *Managing for Development Results can be conceptualized and implemented in phases along a continuum.*

Applying Managing for Results in phases enables countries like Timor-Leste to master one level of monitoring before moving on to the next. This follows a natural progression – from management of inputs and critical milestones to the management of outputs and short-term outcomes; and then on to medium-term outcomes, long-term outcomes, and finally, overall impact. By focusing on a few critical steps at a time, fundamental building blocks are put in place. For instance, the government first publicly acknowledged the importance of monitoring and evaluation. Recognition was followed by assertion that the issue needed to be addressed by working groups on sectoral investment programs. This was a critical step forward in advancing an institutional culture and mechanisms to manage for results in each of these sectors – another important “win.”

### *M&E results must reflect and link directly to government priorities.*

Linking M&E results to government priorities opens doors for rapid progress. For example, the Ministry of Planning and Finance now understands the need to better align the goals of the National Development Plan and its annual action plans and targets with budget performance and the activities that are being monitored.

### *Knowledge transfer is as valuable as “hard” financial support, but far harder to assess.*

In Timor-Leste, donors such as the World Bank have made important contributions through the transfer of knowledge, skills, and lessons from other countries. The experience of Timor-Leste demonstrates that results related to knowledge transfer are as vital as results derived from financial support through grants, lending, and budget support. But what are the techniques to monitor the transfer of policy and knowledge? What are its milestones, outputs, and outcomes? Questions such as these pose an enticing challenge on the conceptual and operational frontiers.

## Conclusion and Applicability to Other Programs

The World Bank's approach to working with low-income postconflict fragile countries underscores the need for institutional reform and partnerships. It recognizes other critical needs as well: the importance of staying engaged, anchoring strategies in strong socio-political analysis, promoting domestic demand and capacity for positive change, supporting simple and feasible entry-level reforms, exploring innovative mechanisms for service delivery, and working closely with donors.



At this juncture, three areas of engagement are particularly relevant in Timor-Leste: capacity building to generate, process, and analyze data; strategic entry-level reforms that anchor the use of results information in policy analysis; and coordination of donor efforts with respect to M&E issues, indicators, reporting, and statistical capacity building.

Despite commendable donor efforts to support technical innovation such as Management Information Systems, the deeply institutionalized use of knowledge is harder to engrain. Timor-Leste highlights the need to assess service delivery, and beyond that, the effects of knowledge transfer as well. Both are essential to the achievement of development results on the ground.

Finally, Timor-Leste illustrates several considerations that distinguish low-income postconflict countries from other developing countries that advance on the road toward managing for results:

- An M&E system is not normally based on surveys because field-based surveys are not normally geared toward generating routine information for management and decision making. Surveys are a necessary but insufficient element of performance monitoring. The situation and needs are different in low-income fragile countries. Monitoring through surveys may be necessary at a very early stage in order to verify baselines and define outcomes on the ground. Surveys may in fact be needed while information systems are being established and strengthened in parallel.
- Fragile new states such as Timor-Leste require concerted support from the development community early on. Cognizant of the fragility of the social and economic systems, compounded by weak institutions and lack of infrastructure, the international community provides technical advisors who provide substantial assistance. Not all international advisors perform at the same level of proficiency, but they do contribute a great deal of stability and skill. Withdrawal of longer-term advisors should be carefully phased, in order to avoid costly gaps in skills and confidence.
- Replacing long-term international advisors with short-term players—coach consultants creates a different set of problems—most notably, short-term consultants rarely provide stability or long-term follow up. Consultants often have differing approaches to M&E. As short-term consultants come and go, the overall process of institution building in M&E is affected in different ways, including misunderstanding and confusion related to concepts, terminology, and standards of practice. If donors address this challenge head on by focusing on sustained, coordinated institution building,

fragile countries such as Timor-Leste will benefit greatly. Donors need to invest far more effort in harmonizing their strategies for strengthening M&E capacity.

### Summary: How MfDR Principles were Applied in Timor-Leste

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- Strong strategic partnerships between the UN Transitional Administration in East Timor (UNTAET) and the government on the one hand, and development partners on the other, focused explicitly on supporting the government to achieve results, and were key to the relative success of the joint donor assistance efforts.
- Donor partnerships with UNTAET and the transition governments were also guided by 6-month action matrix. This action matrix provided a time-bound framework for all critical achievements irrespective of individual partners.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- A results-focused, whole-of-government approach was initiated early on. The elected government took firm leadership of the implementation of the national development plan (NDP). The NDP subscribes to the MDGs.
- The NDP defines sustainable growth and poverty reduction as its overriding goals, setting out a macroeconomic framework and medium-term expenditures framework. To make the NDP more concrete, the government recently developed 14 sector investment plans and is launching sector working groups for their implementation.
- Guided by the NDP, each public sector agency prepares annual action plans (AAP) covering priority actions. Budget execution is then linked to AAPs for all government units.
- AAPs are monitored by a quarterly reporting matrix. An electronic system processes the data and supports the production of quarterly monitoring reports that are shared with stakeholders.
- The transition support programs (TSP) and TSP action matrix were aligned to the NDP to strive to achieve time-bound results.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- This early M&E system includes key milestones and output indicators. This is seemingly because in



an emerging country it is important to make explicit key stepping stones (i.e., a new school curriculum; a new law) toward outcomes, which otherwise may not be fully completed.

- The system also includes outcomes indicators as possible. The thrust has been on “pushing the envelope” but always with counterparts, to ensure ownership and to keep the system user-friendly.
- In some sectors, outcome indicators remain a challenge in an environment in which survey and sector administrative statistical services are weak.

#### 4. *Manage for, not by, results, by arranging resources to achieve outcomes.*

- TSPs promote a results orientation through a time-bound matrix of actions, and by instilling discipline in an environment in which internal disciplinary mechanisms are still weak.
- TSPs support whole-of-government strategic annual plans.
- The government uses the TSPs to strengthen donor coordination by involving the majority of development partners in the preparation and monitoring of the action matrix, thus providing an anchor for monitoring the results of donor-supported and government-supported activities.

#### 5. *Use results information for management learning and decision making, as well as for reporting and accountability.*

- Information is used by sectors and the government overall, but a better rationalization of the type of information that is needed at different levels is necessary.
- Civil society members are consulted in monitoring the matrix.

### **Update on Implementation of the Results Framework – Rosalía Rodríguez-García, World Bank, November 2005**

Of countries that have emerged from large civil unrest, Timor-Leste is an interesting case of building government capacity and institutions from scratch. The country is continuing to make good progress in managing for results as it implements its NDP and sector strategies.

In 2006 a new Household Survey will be carried out which will allow comparison with the 2000 baseline. Data from the 2003 Demographic Health Survey (DHS) and 2004 census have now been processed and highlight the enormous challenges ahead ensuing from a higher population than previously estimated and the highest fertility rate ever recorded in a DHS. (Population growth rate is estimated at 4 percent.)

The process of rationalizing investment and support in specific sectors continues through the established 15 Sector Working Groups. The challenge ahead will be to ensure a good link between the sector M&E system, the national monitoring system, and budget allocation entities (the Ministry of Finance and aid agencies); to develop a set of indicators for the sectors themselves to monitor the implementation process; and to widen participation of civil society.

The new Consolidation Support Program (CSP) which is supported by the World Bank and other development partners has deepened its results orientation, building on the efforts of the preceding operation. The CSP is being used by the government and the Prime Minister himself for high level national results monitoring. In fact, the Prime Minister’s presentation this year at the World Summit in the UN focused on reporting on progress in the key CSP areas. The 3-year CSP and the CAS show managing for results as one of the four pillars underscoring the rules of engagement between donors and the governments.

As the country engages in the review of results achieved thus far in the context of designing the next National Development Plan (NDP) there will be opportunities for refining both the monitoring and the evaluative components of M&E to deepen the monitoring of the NDP implementation. Strengthening the capacity of Timorese institutions to plan, implement, and monitor the achievement of their national goals is likely to remain a challenge due to the educational level of civil servants and the increased performance demands that will be experienced by institutions due to population growth, among others.

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# Vietnam: A Comprehensive Strategy for Growth and Poverty Reduction

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## Executive Summary

Vietnam stands out in East Asia as a country that is tackling poverty reduction in a comprehensive manner while maintaining fiscal discipline and building a sustained reform program, especially in public expenditure management. The adoption of a Comprehensive Poverty Reduction and Growth Strategy in 2002 marked a major turning point in the country's planning processes. Vietnam's planning has enhanced the country's poverty-oriented results focus as well as its implementation of a Harmonization Action Plan. Previously, Vietnamese planning and development strategies reflected a command view of the economy. By contrast, the Comprehensive Poverty Reduction and Growth Strategy relies on decentralization, broadened social participation in planning, and attainment of Millennium Development Goals adapted to Vietnam's national vision.

The new planning strategy relies on empirical evidence and consultation to identify policies that are matched to the achievement of goals. It clearly defines the resource required to implement these policies, and it sets up mechanisms for appropriate monitoring and evaluation. While the Comprehensive Poverty Reduction and Growth Strategy was initially devised at the central level, the reform agenda and the new planning approach are gradually filtering to the provinces, cities, and regions. Planning processes today are beginning to use performance indicators linked to policy actions, and monitoring assesses whether these actions were taken, rather than trying to quantify complex sets of outcomes.

To hold line ministries and provincial governments accountable to the attainment of development goals, performance indicators are disseminated broadly with much-improved data from the substantially strengthened Government Statistical Office. Progress toward development goals is actively monitored at several levels, not only by the central government but by donors and a diverse range of stakeholders with improved access to understandable information. In the coming five-year planning cycle, the Comprehensive Poverty Reduction Strategy is likely to disappear – because its principles are being mainstreamed in central and regional planning processes.

## Background: Rapid Economic Growth and Declining Poverty

Vietnam stands out in East Asia as a country tackling poverty in a comprehensive manner while maintaining fiscal discipline and a sustained reform program, especially in public expenditure management.

During the past decade, the size of Vietnam's economy more than doubled, while its poverty rate was halved. Despite the East Asian crisis, GDP per capita expanded on average by approximately 6 percent per year, up to around 7 percent in 2003 and 2004. Exports increased by 20 percent and foreign direct investment by 10 percent per year. Savings rates rose six-fold to around 25 percent of GDP, with private investment accounting for an increasing share of total capital accumulation. The current account deficit is around 4.6 percent of GDP. Inflation is expected to decline to 5-6 percent by the middle of 2005.

This high, sustained economic growth has led to a sharp decline in poverty. The poverty headcount fell from 58 percent in 1993, to 37 percent in 1998, and 29 percent in 2002. Although progress has been slower

and more uneven in some provinces, the overall decline has generally been widespread with a modest increase in inequality. Social indicators have improved markedly over the past decade, putting Vietnam in a strong position to attain most of its Millennium Development Goals.

Vietnam's current challenge is to sustain the momentum of economic growth within a policy framework that extends and deepens the benefits of poverty reduction.

## The Comprehensive Poverty Reduction and Growth Strategy

The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) served as a major turning point in the planning processes of Vietnam – and in its results achievement focus. At the outset, the CPRGS was viewed primarily as a process to produce a written document and an exercise conducted mainly at the central level. But gradually, its application is being extended to provinces, cities, and regions. This is an important step – because in a country as decentralized as Vietnam, reform needs to occur not only in key



sectors of the economy, but very crucially, across the provinces. CPRGS must eventually become mainstreamed into the planning and policymaking of the economy and country as a whole.

### What is a Comprehensive Poverty Reduction and Growth Strategy?

The Comprehensive Poverty Reduction and Growth Strategy is an action plan for the government and a guide to international donors for assessing progress. Previous economic plans and development strategies in Vietnam were based on a centrally-managed command view. By contrast, the CPRGS allows for decentralized planning within a participatory results-oriented framework. The strategy was derived by clearly spelling out the Vietnam Development Goals (a localized version of the Millennium Development Goals) using empirical evidence and broad consultation to identify policies that would attain its goals. The plan specifies the resource requirements behind those policies, and sets up monitoring and evaluation frameworks for managing results.

### Objective: Transition to a “Market-Based Economy with Socialist Orientation”

Vietnam’s 10-year Socio-Economic Development Strategy (SEDS, 2001–10) envisions a transition toward a “market economy with a socialist orientation.” The CPRGS, approved by the prime minister in 2002, translates that vision into concrete measures and programs. Three pillars underpin the CPRGS:

Pillar	What’s required?
High growth through transition to a market economy	An ambitious structural reform agenda laid out by the government
Equitable, socially inclusive, environmentally sustainable growth	Appropriate sectoral policies and social programs
A modern public sector administration, legal, and governance system	Success in this area is necessary for attaining the first two objectives

### Designing and Implementing the Comprehensive Poverty Reduction and Growth Strategy

**Policy actions organized and rooted in CPRGS.** The International Development Association (IDA) has extended a series of Poverty Reduction Support Credits (PRSCs) over the past decade. As outlined in the CPRGS, PRSC III will deepen ongoing reforms and the process launched by the International Monetary

Fund (IMF) Poverty Reduction Growth Facility. The United Kingdom is cofinancing a parallel Public Financial Management Reform project.

### The Role of Donors

The Comprehensive Poverty Reduction and Growth Strategy was launched by the government of Vietnam, support by 27 donor countries, 11 international agencies, 4 international NGOs, and the domestic and foreign private sectors. To support this commitment, donors have pledged US\$ 3.4 billion for 2005, almost US\$ 600 million higher than the pledge for 2004.

The World Bank is expected to provide Vietnam with concessional finance of US\$ 1.6 billion in 2004/05.

The new PRSC III will extend the implementation of CPRGS policy actions in the following areas:

- Enhanced integration with the world economy through actions on tariff and trade liberalization in order to meet requirements for possible accession to the World Trade Organization
- Putting state-owned enterprises on reasonable financial footing, making them more competitive
- Financial sector reforms for sounder banking practices, including greater transparency and steps toward equitization of state-owned commercial banks
- Development of the private-sector in regard to taxation and protection of intellectual property rights
- Infrastructure development in energy, transportation, power, communications and large-scale infrastructure
- Improvement in education, health care, and land reform.

**Implementing large-scale infrastructure projects.** In late 2003, the CPRGS expanded to improve implementation in a number of areas – in particular, large-scale infrastructure investments. Weaknesses included the lack of serious evaluations of economic, social, and environmental impacts; inappropriate handling of resettlement and compensation mechanisms; poor project management leading in some cases to embezzlement; and limited community supervision. Reform is starting from the premise that infrastructure is necessary for sustained growth but not a development objective in itself. The new emphasis suggests that the selection of investments be based on analyses of the *impacts* they would have for each time period, region, and sector. Beneficiaries, not roads, are the point. Beneficiaries should be clearly identified, and potential trade-offs between growth and poverty reduction need to be addressed.



**Funding mechanisms for inclusive development.**

With decentralization, local governments have been assigned greater decision-making powers in allocating public expenditure. Yet local tax revenues as a fraction of total revenue have declined. To meet the shortfall between local governments' responsibilities and revenues, service delivery at the community level has increasingly come to rely on user fees – a trend that tends to widen the inequalities between richer and poorer areas. For development to be inclusive, as spelled out by the CPRGS, budget allocations must be fine-tuned to redress these inequalities.

**Effectiveness of government spending.** Improving funding mechanisms is a crosscutting theme in the reform agenda – and in implementing the results framework. Forward-looking expenditure frameworks are needed to improve the effectiveness of government spending. The reform agenda, and corresponding monitoring mechanisms, therefore include an ambitious program to reform public financial management.

**Performance indicators.** An effective results focus requires clear “triggers” to measure and monitor performance. At the outset, monitoring simply assessed whether particular actions had been taken, not whether specific outcomes had been attained. With the adoption of the CPRGS, the government introduced the use of indicators – a set of 136 initially, most of which were new and many of which referred to the Vietnam Development Goals.

**What is a relevant indicator?**

Over the past 10 years, Vietnam's General Statistical Office (GSO) has put in place a system for generating high-quality poverty statistics through bi-annual nationwide household surveys that collect reliable and objective information on expenditure, income, and issues related to health and education. By making these data easily available to researchers and government officials through a new GSO website, the GSO has facilitated a lively debate among government officials, researchers, and the donor community on how to tackle poverty and on what is and isn't a “relevant” indicator.

Many of these initial indicators – for example, gender, ethnicity and location – required further disaggregation. But this led to a new problem: the continuous creation of indicators created a system that was simply too large. The preliminary 2006–10 Socio-Economic Development Plan listed 293 indicators, far more than policy makers could usefully manage; and at the provincial level, the collection and interpretation of data became even more unwieldy. So, in a consultative fashion, the indicators were revised, refined, and pri-

oritized down to a mutually agreeable list of 30 to 60 “core” indicators.

**Challenges Facing the CPRGS**

The first CPRGS progress report, completed by the government in 2003, highlighted accomplishments in reform implementation, but it also pointed toward structural bottlenecks and unresolved social issues. In April 2004, a World Bank staff report also assessed progress in meeting the triggers for the implementation of PRSC III. Progress was considered satisfactory or highly satisfactory for all triggers related to the second and third pillars of the reform agenda (equitable, socially inclusive, sustainable growth and building modern governance systems). However, progress related to the first pillar (transition to a market economy) was markedly uneven. In this regard, the lowest “grade” went to reform of state-owned enterprises. This is particularly important in regard to results management because state enterprises play a highly significant role in the economy and their performance directly affects the welfare of low-wage workers.

**Adaptations to CPRGS Implementation**

Adapting CPRGS implementation has been a dynamic process. A few examples illustrate the types of adaptive actions that the government is considering or acting upon:

**Better assessment of state-owned enterprises.** The reform of state-owned enterprises has been particularly problematic because of insufficient data and generally limited transparency on actual performance progress. In response, the government carried out a series of diagnostic studies across sectors, as well as a study of equitized state-owned enterprises. The studies revealed that the relative role of state-owned enterprises is decreasing in the economy (as measured by percent of industrial output, percent of non-oil exports, percent of banking credit, etc.) While the share of credit to state-owned enterprises has risen slightly, the share of credit to the private sector has increased far more, and the private sector share of output has increased markedly; so, the monitoring indicators need to be improved and adjusted to reflect these newer trends.

**Extending CPRGS subnationally.** Nearly 50 percent of public expenditure decisions are made at the subnational level. Recently, the Ministry of Planning and Investment coordinated a multiprovince initiative (referred to as “CPRGS rollout”) to extend CPRGS subnationally. Collaborative activities between ministries, the provinces, and donors are under way in 18 provinces. Supported by 10 donors, skills are being enhanced to enable both national and subnational gov-



ernment to adjust to the newer, bottom-up style of planning. This will become even more important as provincial authorities become more directly engaged in the coming five-year planning process.

**A methodology for estimating future operations and maintenance costs.** Public financial management reform has emphasized budget processes and budget information systems, not mechanisms to screen or decide upon capital expenditures. The current legal norms on preparing, appraising, and managing projects does not require that costs be compared to benefits. The newer methodology for estimating future operation and maintenance costs is still insufficiently institutionalized, and the budgetary implications of each capital investment are normally taken into account in the project appraisal stage.

**Planning that anticipates WTO accession.** A sizeable amount of resources is channeled each year to large public investment projects, many of which are commercial by nature. A great deal of public investment also takes place in sectors where high levels of protection would certainly be challenged if Vietnam joins WTO.

**Improving the government budget process.** Insufficient integration of capital and recurrent expenditures is a continuing weakness of the budget process in Vietnam. This weakness is compounded by the insufficient integration between planning and spending processes. While there is currently a single budget – and the implementing guidelines of the Budget Law established a coordination mechanism between the Ministry of Planning and Investment and the Ministry of Finance – the two main pillars of the budget remain largely disconnected. A results-oriented Medium-Term Expenditure Framework is being developed that would introduce a forward-looking dimension, in particular, to take better consideration of operation and maintenance costs.

**A more reliable system of indicators.** A reliable system of indicators to monitor key development outcomes is an essential component of the CPRGS agenda. Information availability is still hampered by the confusion surrounding poverty measurement and targeting. While Vietnam has produced several high-quality household surveys and preliminary poverty maps based on international practice, policy decisions are nonetheless too often guided by poverty metrics of varying quality. Recent analytical work reveals that the current practices to target the poor at the local level are effective; however, the poverty rates computed by aggregation of these local classifications are unreliable. Recognizing this problem, a task force has been appointed to propose a system of indicators for poverty measurement and poverty targeting.

**Moving to outcomes.** The overall framework for monitoring and evaluation remains fragmented and inefficient, leading frequently to the overcollection and underanalysis of information. Within the framework of CPRGS, ministries and provinces are refocusing their five-year socioeconomic development plans away from inputs and production input targets, and focusing instead on outcomes. This transition has been accompanied by some confusion as to which indicators are best monitored at different levels of government. A number of development partners are supporting the government to develop a results-oriented framework for monitoring its socioeconomic development plans.

### Factors for Success

Overall, the key factors for success are continued government ownership of the reform program – extended to the provincial and local levels – and greater accountability and participation in results-oriented monitoring.

Regarding the coordination of budgeting with planning and performance management, the preliminary findings from the draft Public Expenditure Review – Integrated Fiduciary Assessment (2004) highlighted the importance of the following factors for success:

- The Ministry of Planning and Investment needs to become a partner with the Ministry of Finance, sector ministries, and the provinces in the preparation of Medium-Term Expenditure Frameworks. These frameworks could emerge as powerful common analytical tools and vehicles for coordinating the planning and the budgeting cycles.
- The Ministry of Finance and the Ministry of Planning and Investment should jointly strengthen the links between performance indicators and budgetary decisions. In the short term, this is likely to mean fitting the Vietnam Development Goals to existing expenditure programs. In the longer term, the challenge will be to strengthen the indicators themselves, and then to forge processes that prioritize goals in parallel with departmental and provincial expenditure programs.
- Systems to monitor service delivery must be strong and usable at all levels. A recent initiative to pilot a “citizen report card” in four cities is a commendable example of how monitoring can be simplified and extended.
- The coming five-year planning cycle presents an opportunity to consolidate the shift toward results-based planning. As a standalone document, there is no need for a second CPRGS. Instead, the government has announced that the principles – in particular, a focus on outcomes – will be main-



streamed into the government's planning processes. These plans, prepared at the national, sectoral, and provincial levels, will be drafted in 2005.

- Better poverty measurement will help sustain the poverty focus in planning. The government produces excellent poverty data, but steps are under way to do even better. Official data will soon reflect poverty and inequality far more accurately.

## Results

The main result to be achieved under CPRGS is to sustain the reform program over the long haul. Continued IDA support for poverty reduction support credits may be an important element in doing so. How will that be determined? The robustness, visibility, penetration, and durability of the CPRGS – as a process – should in itself tell the story.

## Lessons learned

***A clear and transparent results focus lies at the heart of long-term reform.*** Vietnam has committed itself to integration with the global economy, rapid growth, social stability, and equity. To achieve those results, policymakers must implement deep and far-reaching changes. In many respects, Vietnam remains a centrally controlled economy, so reform comes slowly and is by no means inevitable. But is the reform process superficial, or will it be sustained? That will be determined primarily by results, not by politicians, and in that regard, the capacity to truthfully *demonstrate* results is crucial.

***Outcomes cannot always be “mapped.”*** When PRSC III was approved, many people asked whether PRSC II could be mapped to outcomes. The response was that the poverty reduction support credits supported a comprehensive reform agenda, but specific outcomes could not necessarily be “mapped.” Many, for example, are cross-sectoral in nature. Actions related to modernizing governance support both transition to a market economy and inclusive development, making it difficult to map them discretely as poverty reduction or improved competitiveness.

***Analytical work must be ongoing, rigorous, and targeted to key problem areas.*** Analytical work in the form of Poverty and Social Impact Analysis can be more actively used to guide poverty reduction reforms. Ongoing work on the social impacts of WTO accession, the development of a land market, and reduced participation of state-owned enterprises in certain agricultural sectors (for example, coffee) will inform future donor support and possibly lead to the consideration of specific policy actions to mount a sustained reform effort in these areas. Pragmatic re-

search of this sort provides a cornerstone for managing for results.

***Attention must be paid to what indicators show.*** Indicators have shown that public expenditure – on health, for example – is lagging behind the CPRGS goals. But that matters only if actions flow from the implications of the data. Simply flagging a problem with well-designed indicators is useful and interesting, but is an academic exercise. Doing something about it – and then tracking the results of that “doing” – is the essence of the managing for results framework.

## Conclusions and Broader Applicability

As a country coming out of a strictly socialist environment and economy – and then moving to adopt pragmatic, market-oriented programs while mounting a sustained reform program aimed at poverty reduction – Vietnam makes an interesting story. Other countries, especially in the former Soviet Union and Central Asia, may find useful parallels that are highly relevant to their own situations.

Permanent reforms of the planning processes profoundly reflect Vietnam's move from centralized to decentralized planning. The government recently began the preparation of a new five-year Socio-Economic Development Plan (SEDP, 2006–10). The previous plan (2001–05) was carried out in addition to the Comprehensive Poverty Reduction and Growth Strategy, which was described as an “action plan” for the SEDP and accepted as a poverty reduction strategy by the international donor community. But for the coming period, the two planning instruments will be merged.

What does the merger of the SEDP and the CPRGS imply for the newly-initiated planning process? For years, the SEDP has been the pillar of Vietnam's strategic planning. Based on formal consultation within government and party structures, the previous 2001–05 SEDP set out goals and detailed production targets for every geographical region and each productive sector of the economy. Economic, social, and poverty data were drawn from government sources. By contrast, the CPRGS has not served the same historic role in directing activities of government; yet new approaches to socioeconomic planning have been pioneered, both in process and substance. Consultations with donors and civil society have been far broader. They have included local organizations and poor communities. A far stronger analytical framework has been developed, based on credible data from both inside and outside the government. Achievement of strategic outcomes, rather than production targets, motivates the policy measures and public actions identified in the CPRGS, and the CPRGS also outlines



mechanisms to monitor progress that are framed around the Vietnam Development Goals.

### **Summary: How MfDR Principles were Applied to Public Expenditure Management and Sustained Poverty Reduction in Vietnam**

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- An expectation for *results* was internalized in the CPRGS by focusing attention on a fully “Vietnamized” version of the results-oriented Millennium Development Goals.
- Led by CPRGS, ministries and provinces are re-focusing the coming five-year socioeconomic development plan away from production input targets, and focusing instead on outcomes.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- Diagnostic studies on the actual performance of state-owned enterprises led to – or at least point to the continued need for – reform of state-owned enterprises.
- The budgeting process for major capital expenditure is moving toward greater use of cost–benefit analysis.
- A forward-looking Medium-Term Expenditure Framework is being developed that focuses on results through better consideration of operation and maintenance costs.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- From a preliminary ministry list of 293 indicators, and 136 indicators initially developed for the Comprehensive Poverty Reduction and Growth Strategy, a simplified “core” of 30–60 indicators has been developed.
- The General Statistical Office has not only produced and disseminated a vast amount of high quality research on the causes of poverty, it has helped stimulate a lively debate on what to do about it through broad dissemination in understandable formats.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- Acknowledgement that the emphasis on large-scale infrastructure investment should gradually shift from “roads and bridges” to benefits for beneficiaries.

- The core concept of the CPRGS – an inclusive participatory process to manage for results in both growth *and* poverty reduction – evolving into the mainstream as a central tenet of a formerly central planned economy’s official planning process.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- Recognizing the difficulties of aggregating and measuring poverty rates, a task force has been appointed to propose an improved system of poverty indicators.
- Access to the budgeting process has helped local governments to address the discrepancies between their assigned responsibilities and the fiscal resources available to them.

### **Update on Implementation of the Results Framework – Rob Swinkels, World Bank, Hanoi, November 2005**

Many of the outcome indicators as identified in the CPRGS are being updated through Vietnam’s high quality Household Living Standard Survey (VHLSS), which is conducted every two years. The last two surveys, conducted in 2002 and 2004, provide reliable updates not only on poverty indicators but also on access and use of social services and infrastructure. These data generate a large amount of analytical work on poverty and social progress in Vietnam. Most of this research is conducted by Vietnamese researchers. However, until date few line ministries have made active use of this information in their decision-making processes. Their own official planning system and monitoring information did not require them to use this.

In 2005, Vietnam started preparations of their new five-year plans for 2006-2010. This includes sector plans and an overall Socio-Economic Development Plan (SEDP) which draws from the sector plans. There were clear instructions from the prime minister to use CPRGS principles in the preparation of these plans. This included a focus on the Vietnam Development Goals, the localized version of the MDGs, and on strengthening the monitoring of progress in implementing the plan. Donors gathered together to provide support and training to a number of line ministries and provinces in how to follow this new approach in preparing these new plans, that is, move away from emphasizing industrial production and building infrastructure, and instead focus more on outcomes which demonstrate the changes in people’s lives the plan intends to achieve.



The first step in this support effort was to stress the importance of structuring the plans in such a way that they become monitorable. Traditionally, Vietnamese government plans contain large lists of achievements, problems, objectives, targets, indicators, and things to do, without showing much connection between them. Donors suggested the use of a hierarchy of objectives that demonstrates how some sub-objectives together link to other objectives and more over-arching goals. Some progressive line ministries such as the Ministry of Agriculture and Rural Development (MARD) started to use log frames which helped them do this. Others followed a more traditional approach and have made limited progress so far.

A second step was to encourage linking a set of indicators to each of these objectives to track progress toward achieving them, and specifying the data sources for each of these indicators. As the government is nearing the completion of drafting its overall socio-economic development plan (SEDP) 2006-2010 it has indicated it will aim to attach a proper M&E framework. It is likely that this will include many more outcome (results) indicators than before, to be tracked by more independent data sources such as household surveys. The draft SEDP already makes use of survey-based poverty data that meet international quality criteria, replacing their traditional approach based on administrative reporting.

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# Nepal: Toward Results-Based Management

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## Executive Summary

**H**is Majesty's Government of Nepal (HMG/N) is creating and implementing a results-based management (RBM) framework that will provide a sound structure for sector level planning and expenditure management, support sector business plans with significant result components, and develop capacities for monitoring and evaluation at all levels. Nepal's Poverty Reduction Strategy Paper (PRSP), corresponding to the 10th national plan, defines intermediate and outcome indicators, while also mandating annual monitoring of intermediate and some outcome indicators. The Nepal Medium Term Expenditure Framework (MTEF) contains priorities, programs and projects, and sets annual targets at national and sector levels. Sector business plans provide a basis for harmonizing external assistance and potentially for sectorwide approaches (SWAPs). Each sector business plan contains specific objectives, measures and targets, time frames and responsible agencies, expenditure/budget estimates, and evaluation mechanisms.

**Challenges and progress to date** – Progress has been slow as planning and implementation functions are gradually devolved to subnational administrative units. Nepal's monitoring and analysis systems have historically treated input monitoring as a standard administrative task of line ministries and the National Planning Commission. Making the transition to RBM has been an ongoing challenge, given the institutional and technical limitations of subnational administrative bodies. Nevertheless, evidence of major progress includes the government's emerging results-orientation, implementation of MTEF's performance-based management and civil service reform, and harmonized reporting and procedures.

**Lessons learned** – Among the key lessons of the Nepal experience:

- **Need for capacity building:** Implementing RBM requires investment in training and education as well as strong support from the top of the government.
- **Key role of national-level surveys:** Fragmented sector and thematic household surveys need to be unified to alleviate confusion created by diverse estimates emanating from different surveys on common indicators.
- **Monitoring of targeted programs:** Social inclusion as a development goal requires strong mechanisms for monitor poverty-targeted programs.

**Conclusion** – HMG/N is implementing RBM to improve development effectiveness and improve the quality of life of the Nepalese people. To this end, the government has introduced major reform measures at the policy and institutional levels. The government needs to further develop its institutional and technical capacity, beginning at the central level but quickly moving to the subnational level.

## Problems/Issues Addressed

HMG/N has engaged in planning exercises for half a century, a period during which foreign assistance and budgetary outlays have increased significantly.

Overall performance has been mixed, however, with major improvements in some areas but disappointing outcomes in others. Contributing factors included:

- Dominance of political agendas
- Overcentralized bureaucratic structures with limited implementation capacities
- Dominance of top-down planning
- Underdeveloped private sector
- Inadequate development partner (donor) coordination

The government has now committed to creating and implementing a results-based management (RBM) framework that will address these constraints. The following case describes how Nepal has aggressively reformed its public sector management based on RBM principles, with the objective of more effectively supporting the country's development strategy as encapsulated in its PRSP.

## Objectives

This national level program evolved as part of developing Nepal's Tenth Plan/PRSP (see below). The various components described in this case were designed to:

- Create a governmentwide awareness of results management and the need to monitor performance



- Build capacity for results-based management (RBM)
- Provide a sound structure for sector level planning and expenditure management
- Support sector business plans with significant results components
- Significantly improve Nepal's monitoring and evaluation capacities at all levels.

### Design and Implementation

**Poverty Reduction Strategy Paper.** Nepal's PRSP, which corresponds to the 10th national plan, differs in three important respects from previous planning exercises. First, development of the PRSP involved extensive consultations with development partners, including discussion of development objectives, plans, policies, programs, and monitoring indicators. Second, sector plans were developed by responsible ministers with overall coordination provided by the National Planning Commission, thus enhancing agency-level ownership. And, third, strong linkages were established between poverty reduction goals and human development on the one hand, and sector goals and objectives on the other. The PRSP mandates annual monitoring of intermediate and some outcome indicators. Performance as measured by intermediate indicators will be monitored on an annual basis and will provide a sound basis for assessing progress.

**Medium Term Expenditure Framework (MTEF).** Nepal's MTEF, revised annually, contains priorities, programs and projects, and sets annual targets at national and sector levels for a three-year period. For each sector and subsector, the MTEF shows expenditures for the previous year, estimates for current year budget allocations for the forthcoming year, and forecasts for two additional years. Implementing agencies prepare detailed quality work plan/programs with performance indicators. Release of budgeted allocations is contingent on demonstrated performance. The government is now working to institutionalize the MTEF, including developing comprehensive manuals and guidelines.

**Sector business plans.** Sector business plans provide a basis for harmonizing external assistance and potentially for sectorwide approaches (SWAps). Each sector business plan includes results-based targets and indicators. These business plans identify:

- Key outcomes (i.e. strategic objectives)
- Performance measures and targets
- Time frames and responsible agencies
- Expenditure/Budget estimates
- Evaluation mechanisms

### Part 2. Examples of MfDR at the National Level

- Critical factors for successful implementation ("key success factors")

**Poverty Monitoring and Analysis System (PMAS).** Nepal's PMAS tracks indicators of policies, programs, and projects. Objectives include monitoring (i) budget allocations to core programs and policies; (ii) process/activity indicators of policies and programs; and (iii) targets for core policies and programs within the PRSP. To achieve this, the PMAS integrates household surveys and management information systems to support input, output and outcome monitoring. The five major components of the PMAS are:

- Implementation (or input/output) monitoring
- Outcome or well-being monitoring
- Impact assessment
- Poverty management information system
- Communication/advocacy.

**Public expenditure tracking.** In addition to regular expenditure monitoring, the government has initiated public expenditure tracking; initially, one sector will be covered each year. In 2003, public expenditure tracking was completed for the education sector, and in 2004 it was conducted in the roads and health sectors. Initial indications are that this tracking has helped identify critical procedural delays. This activity will be expanded and institutionalized.

### Challenges Encountered

**Devolution.** Effective RBM requires the involvement of government agencies at all levels. To date the exercise in Nepal has remained largely at the central level. Progress has been slow as planning and implementation functions are gradually devolved to subnational administrative units. The government plans to conduct household surveys at the district level to support decentralized planning and implementation. Effective implementation of district-level planning will require better and more transparent financial procedures, clearly defined accounting and auditing processes, and simplified, district-level monitoring mechanisms.

**Traditional monitoring systems.** Nepal's monitoring and analysis systems have historically treated input monitoring as a standard administrative task of line ministries and the National Planning Commission, while output monitoring has focused primarily on the expenditure side. Traditionally, poverty monitoring involved large-scale household surveys. Integrating and improving these data-gathering mechanisms has been an ongoing challenge.

**Building capacity in monitoring agencies.** Nepal's monitoring agencies have inadequate human and financial resources, with only limited resources allo-



cated to data collection and analysis. Such institutional limitations on capacity are more pronounced in subnational administrative bodies. Overall capacity development is needed to improve the quality of data collected and the ability of agencies to analyze and evaluate result.

## Results Achieved

**Government results orientation.** The government, with the support of stakeholders, is now focusing on achieving results. There has been a gradual shift toward stakeholder participation and ownership, as well as significant reforms in civil service and the financial sector. The government has developed an MTEF to improve planning and priority setting, and systematic expenditure reviews are helping allocate resources rationally and minimizing waste.

**Medium-Term Expenditure Framework.** The MTEF helps bridge the gap between annual plans and periodic plans, and in the process is reducing the mismatch between annual budgets and periodic planning. The benefits of Nepal's MTEF have included: an increase in allocations for priority projects, protection of key programs/projects from resource shortfalls, and better fiscal discipline.

**Performance-based management and civil service reform.** Nepal is committed to improving governance and capacity in its institutions, which will help strengthen the linkage between planning and measurable outcomes. In addition to ongoing efforts to right-size the bureaucracy, performance indicators have been developed for all ministries. Ministries are charged with monitoring and evaluating organizational and individual efficiency. Institutional objectives and targets that cascade down to operating units and individuals will support these initiatives. These indicators are matched with the outcome indicators identified in sector business plans. The performance monitoring mechanism complements existing public expenditure tracking and performance monitoring systems and will determine (i) whether expenditures on targeted programs and projects reach designated final service delivery institutions, and (ii) whether the outputs and services of such programs and projects reach disadvantaged areas/groups.

**Harmonized reporting and procedures.** The government works closely with its development partners to develop harmonized procedures and reporting systems. Such processes and systems are periodically reviewed and improved. They serve an important role in that, if effectively applied, they will reduce transaction costs over time.

## Lessons Learned

**Need for capacity building: human resources.** Implementing RBM requires investments in training and education, as well as strong support from the top of the government. Staff members need to understand why RBM is important and how to carry out the technical aspects. There is a pressing need to develop reference materials, manuals, and guidelines, and then to disseminate and use them as the basis for comprehensive training.

**Key role of national-level surveys.** The government manages a regular national household survey to collect data on human and social development indicators. Findings from several thematic household surveys undertaken by sector institutions will be integrated into a unified household survey to alleviate confusion created by diverse estimates emanating from different surveys.

**Special monitoring of targeted programs.** Nepal gives priority to social inclusion, implying the need to develop a strong mechanism to monitor poverty-targeted programs. Such a mechanism should focus on inputs, processes, and outputs to ensure that programs and resources reach intended beneficiaries and produce anticipated outputs. Two of the most important tools in this regard are public expenditure tracking and service delivery surveys.

## Conclusion

**HMG/N has long been concerned with the implementation of development programs** which have a direct impact on the quality of life of the Nepalese. RBM is proving to be an important tool for improving effectiveness and better serving the citizens of Nepal. Over the last few years, the government has introduced major reform measures at policy and institutional levels, but recognizes that there is an ongoing need to build institutional capacity, beginning at the central level but quickly moving to the subnational level. Only by doing so will national development objectives be achieved.

## For more information

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# Uganda: Evolution and Alignment of an Orientation to Results

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## Executive Summary

**P**olicy frameworks and reforms formulated by the Government of Uganda since the mid-1980s set Uganda apart as a forerunner and leader in the race toward development effectiveness and an early alignment toward results in the Sub-Saharan African Region. This brief looks at the evolution of alignment to results in the context of poverty programs and sectors, and draws lessons and conclusions on where Uganda is today.

## Introduction

Uganda gained independence in 1962, and the new Government of the National Resistance Movement led by His Excellency President Museveni took over in 1986. At this time much of the infrastructure was destroyed and GDP per capita was 40 percent lower than in 1971.<sup>29</sup> The government worked to prioritize the restoration of peace and economic stability and set in place a continuing and evolving policy framework<sup>30</sup>, built around a sustained process of reform and rehabilitation. Uganda's alignment to results commenced in the late 1980s, when a series of increasingly country-owned economic reforms was put in place. These reforms included:

- an Economic Recovery Program in 1987,
- a liberalization of the foreign exchange system,
- the enactment of a decentralization initiative in 1987,
- a Local Government Act established in 1997,
- a civil service reform that worked toward reducing the size of the civil service and reorienting it toward a Results Oriented Management System, and
- the Declaration of Universal Primary Education in 1997.

In 1995, Uganda embarked on a participatory process to formulate a poverty-focused, long-term holistic development framework to reduce poverty in all its dimensions. The process culminated in the formulation of the 1997 *Poverty Eradication Action Plan* (PEAP).

The establishment of the Poverty Action Fund in 1998 guided social development for the poor, and this was

followed by the subsequent revision and adoption of the PEAP as the Poverty Reduction Strategy in 2000. Uganda was the first country in the Sub-Saharan Africa Region to present a full Poverty Reduction Strategy Paper (PRSP) to the Boards of the Bank and IMF in May 2000. A summary of the government's Poverty Eradication Action Plan (PEAP), a home-grown medium-term development plan, was used for this purpose since the objectives and content of the PRSP and PEAP were consistent. The PEAP became the primary framework for planning, and was implemented through the Medium Term Expenditure Framework, a rolling three-year plan that has guided the annual budget cycle since 1992.<sup>31</sup> Uganda became the first country in Sub-Saharan Africa to qualify for the Heavily Indebted Poor Countries (HIPC) initiative. Uganda has just published a third version of the PEAP (2004) which goes beyond the original four social sectors in focus, to emphasize the performance of the private sector, civil society organizations, and the public sector in the delivery of development results. PEAP 2004 articulates the expected development results in a more coherent manner in the PEAP results and policy matrix.

## Country Context

Over the last 19 years, the government has implemented policies geared toward eradicating poverty among its people. These policies led to a substantial reduction in poverty levels from 56 percent in 1992 to 38 percent in 2003. The country's GDP per-capita is about US\$250; life expectancy at birth is 47.3 years; adult literacy (ages 15 and above) is 68.9 percent; and Uganda ranks 144 out of 175 countries on the Human Development Index (HDI) – (UNDP, 2003).

<sup>29</sup> Coordination and Sector Support, IOB Netherlands, 2003.

<sup>30</sup> Uganda Country Case study, OECD DAC, October, 2002.

<sup>31</sup> Coordination and Sector Support, IOB, Netherlands, 2003.



The PEAP framework for addressing the key poverty challenges was developed and launched in 1997. During the process of implementation, new challenges arose, and this led the government to work toward the first revision of the PEAP in 2000.<sup>32</sup> By this time Uganda had succeeded in reversing massive capital flight, establishing macroeconomic stability, rebuilding key public institutions, and revitalizing local civic participation. Although Uganda's performance at the macroeconomic level had been impressive, the transition from a postconflict "bounce-back" in growth to a sustained rapid expansion had been elusive, and Uganda's social indicators in 2000 were still below Sub-Saharan African country averages.

### Early Efforts to Promote Alignment around Results

The process of alignment to results and poverty reduction strategies based on country needs commenced in the mid-1990s. The July 1995 Consultative Group Meeting discussed a Poverty Update on Uganda, which resulted in members requesting a separate meeting to discuss the issues of poverty in Uganda. Addressed by President Museveni and with the assistance of the Netherlands government, donors, the Government of Uganda, and civil society members met in late 1995 to develop a strategy to ensure that economic growth had a more effective impact on poverty. This resulted in the establishment of a national Task Force on Poverty Eradication comprising government officials, NGOs in Uganda, and donors. The Task Force completed a strategy paper by the middle of 1996 which became a key document to the fiscal year 1996/97 budget, and was subsequently discussed at a special 1996 Consultative Group discussion. This culminated in 1997 in the formulation of the PEAP, a comprehensive national planning framework for reducing poverty that included: universal primary education, primary health care, water, sanitation, agricultural extension, and rural roads. In order to operationalize the PEAP, detailed plans of action and goals for sectors were developed in the Education Sector Investment Plan, the Health Sector Strategic Plan, the Plan for Modernization of Agriculture, the Social Development Sector Strategic Plan, and the Road Sector Development Plan.<sup>33</sup>

<sup>32</sup> Republic of Uganda, PEAP and Joint Staff Assessment, World Bank, IMF

<sup>33</sup> Operationalizing Pro-Poor Growth, country case study Uganda, October 2004

### Evolution of the Alignment to Results in Poverty Reduction Strategies and in Sectors

Policy frameworks and reforms set in place by the government from the early 1990s led to a sustained alignment toward results in sectors as well as poverty work in the country. By the year 2000, Uganda had gained experience in analytical work, including a series of household surveys, the Uganda Participatory Poverty Assessment Project (UPPAP), and in designing and implementing PEAP I. This culminated in the publication of the second Poverty Eradication Action Plan (PEAP II), a medium-term strategy organized around four "pillars" with the objectives to "create an enabling environment for economic growth and structural transformation (Pillar 1); ensure good governance and security (Pillar 2); directly increase the ability of the poor to raise their incomes through rural development and expansion of non-farm activities (Pillar 3); and directly increase the quality of life of the poor through the provision of primary education, health care, and water and sanitation services (Pillar 4)".<sup>34</sup>

In 2001, the World Bank carried out a study of M&E arrangements and developments in Uganda. In 2002, a follow-up study reviewed the role of monitoring and evaluation in three priority sectors (health, education, and water) and reflected the burden of producing information in these sectors. The challenges included: limited flow of relevant information, weak M&E coordination arrangements, inadequate performance-based public management culture, and gaps in information and underused information.

In response to the M&E challenges identified, the government commenced the formulation of a National Integrated Monitoring and Evaluation Strategy (NIMES). In 2003, the Cabinet of the Government of Uganda approved a coordination framework<sup>35</sup> to

<sup>34</sup> PRSC (1-3) Implementation Completion Report, World Bank, 2005.

<sup>35</sup> This coordination framework is composed of a four-tier coordination mechanism, namely: (a) Cabinet Sub Committee on Policy Coordination (CCPC) comprising Ministers of coordinating Ministries under the chairmanship of the Prime Minister; (b) Implementation Coordination Steering Committee (ICSC) composed of all the Permanent Secretaries under the chairmanship of the Head of Public Service/Secretary to Cabinet; (c) Technical Implementation Coordination Committee (TICC), a multisectoral technical committee to be chaired by the Permanent Secretary, Office of the Prime Minister; and (d) Sector Working Groups that bring together all sectoral stakeholders to discuss sectoral



make sure that all government programs worked in a rational and synchronized manner. This coordination framework is supported by an integrated monitoring, evaluation and information management system. This unique process, formulated as NIMES, represents an integration of all efforts aimed at data collection and information gathering and dissemination with respect to the delivery of the government's intended goals and policy objectives, as laid out in the PEAP and other national policy frameworks.

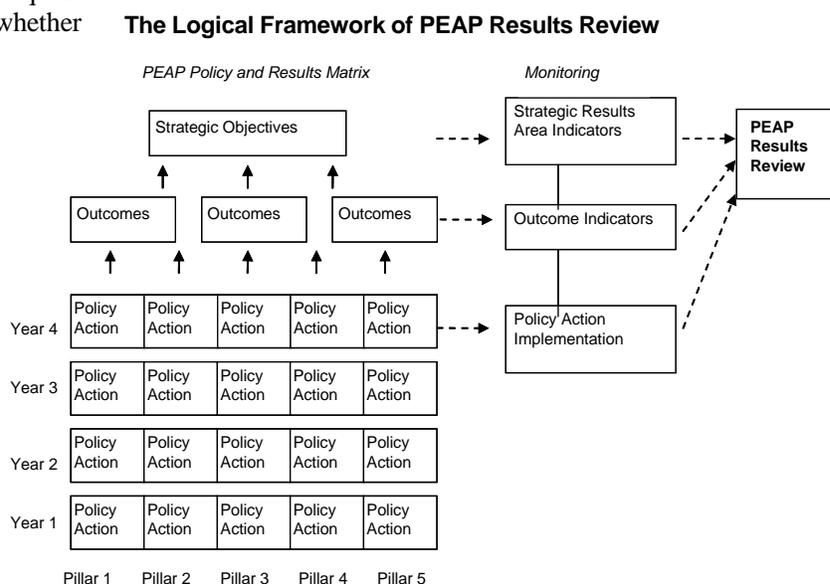
In January 2004, a task force headed by the Office of the Prime Minister (OPM) undertook consultations to look more closely at information management systems at local and national levels. The review recommended the establishment of an appropriate institutional framework that would enhance coordination of M&E systems and processes in the government.

In March 2004, a workshop was held to present the findings of the earlier studies. Relevant stakeholders from various government departments, development partners, and civil society organizations were brought together to give their views on the proposed NIMES draft, and also to map the way forward. It was clear, however, that while there was a common understanding of the problems being faced with monitoring and evaluation at a national level, the role of NIMES as a potential solution to these problems was not clearly understood. The PEAP 2004 articulates the NIMES as the framework for monitoring and evaluating its performance. Through the NIMES, the challenges that were identified would be addressed. The question being addressed by NIMES is whether public sector policy and program implementation is efficient and effective in delivering development results. Therefore, in terms of strategic objectives, the NIMES is expected to ensure: (a) the efficient and effective implementation of government policies and programs; (b) that policy decision makers articulate their information needs adequately and with clarity; (c) that the systems generate and supply data and information in the appropriate frequency to facilitate key stakeholder decisions; and (d) that the capacity to measure and articulate public sector performance is built in a manner that helps to provide evidence for this performance.

## Ongoing Efforts to Enhance the Results Orientation of Development Effectiveness in Uganda

Within the NIMES framework, M&E arrangements are conceived as a results-oriented process of tracking progress within the PEAP as a whole, and are aimed in particular at facilitating effective coordination across government. In this respect, the entry point for PEAP M&E is to capture successes and constraints in implementing the reform intentions and in attaining the development goals that have been expressed in the PEAP *Policy and Results Matrix*. In line with good practice principles of management for development results and aid effectiveness, Uganda's M&E is formulated to address output, outcome and impact levels – rather than mere tabulation of inputs and activities.

While the PEAP M&E plan provides an overall structure of arrangements that has implications for data collection and management at all levels of government, it does not seek to specify all those M&E activities that ultimately remain necessary for daily operational management within individual institutions. The PEAP M&E plan is built around the PEAP Policy and Results Matrix which was designed to be a strong instrument for coordinating and monitoring government institutions to deliver on policy actions and expected results. The PEAP Policy and Results Matrix<sup>36</sup> is organized as a hierarchy of goals as depicted in the left-hand box of the scheme provided below:



efforts in implementation of sector activities. This mechanism facilitates intra-sectoral coordination for the realization of sector targets and goals.

<sup>36</sup> The Matrix is uploaded on [www.nimes.go.ug](http://www.nimes.go.ug)



Specific planned reforms (policy actions) are organized around the five PEAP pillars and have been identified for each of the four years spanned by the current PEAP. The logic of change is designed so that a set of policy actions can positively influence an outcome, while, in turn, improvement in a given set of outcomes is part of what characterizes attainment of a given strategic objective. Cutting across individual PEAP pillars and associated outcomes is the expectation of improvement pertaining to a small set of *Key Results Areas* reflecting income, poverty, inequality, human development and growth.

For each of the Key Results Areas and outcomes, one or more indicators have been identified and targets established – the monitoring of which will reveal success or failure. Data on these indicators come from different sources, but the established schedule of Uganda Bureau of Statistics (UBOS) surveys affords an opportunity for reporting on most. The profiling of the PEAP outcome indicators, with a view to ensuring that their M&E outputs will feed easily into key policy decision-making processes of government in the various sectors, has also been finalized. The profile of outcome indicators is presented in accordance with each strategic objective and pillar. It attempts to be precise in indicator definitions, indicator baseline information and targets, sources of data on indicators, frequency of data collection, and reporting. The profile shows that while some indicators are precisely defined and measurable, others may not be precisely defined and therefore alternative indicators have been proposed as second generation indicators.

At the level of policy actions, progress is validated through observing the implementation of outlined reforms. Some of the policy actions have been expressed in a manner that allows for quantitative observation, although most reflect institutional changes that need to be subjected to more qualitative judgment and evaluative processes.

The continuous monitoring of outcome and key results area indicators, together with observation of implementation of planned policy actions (to be captured in a schedule of periodic progress reporting), represents the raw data for the PEAP review process. Naturally, progress reporting will, in addition to factual description of indicator and policy action status, also need to comprise a narrative discussion of constraints encountered and challenges emerging.

The PEAP M&E Plan thus uses five main types and sources of data:

- UBOS censuses and sample surveys, related to progress toward targets established for PEAP outcomes and strategic objectives

- Research and evaluation work done by various stakeholders – both government and non-government actors
- Administrative data, collected through Ministerial, Departmental and Agency (MDA) management information systems, reflecting allocation and utilization of financial resources, service delivery and, in some cases, progress toward PEAP outcome targets
- Self-reported qualitative data on implementation of PEAP policy actions, constraints encountered, and challenges emerging
- Civil society reports on the performance of government policy, programs, and projects across the country. This source will be very useful in enriching the government's own sources of information on performance of government policies, programs and projects. It will also be useful as one of the main channels of beneficiary assessments of public service delivery.

In order to facilitate coordination of PEAP M&E, the OPM NIMES Secretariat has established a centralized PEAP information management system, comprising the PEAP Policy and Results Matrix itself; the associated indicators, including details on the sources, methods and responsibilities for indicator data collection; as well as the tables that are to be used to capture future progress reporting against the PEAP.

To enhance transparency and facilitate discussions and progress reporting, it is envisaged that the PEAP Policy and Results Matrix, together with the associated M&E framework, will be kept in the public domain by posting on NIMES' Web site.<sup>37</sup>

A PEAP review cycle has been formulated as both an annual and a four-year exercise. The overall PEAP directions, including the Pillar organization and the cross-cutting Key Results Areas (with their associated indicators), will remain in place for the entire PEAP cycle, while the individual outcomes and policy actions will be subject to refinement and amendment on an annual basis. The product of the annual review cycle will be a revised PEAP Policy and Results Matrix, while the product of the four-year review cycle will be a new version of the PEAP as a whole.

After the annual review exercise, the PEAP Annual Report, a government-owned document, will be translated into the “National Policy and Program Performance Status Report” that is presented by the Hon. Prime Minister to Cabinet. Other regular reports produced by government, which will be folded into the PEAP reporting and review framework, include:

<sup>37</sup> [www.nimes.go.ug](http://www.nimes.go.ug)



- The Poverty Status Report, which is produced every two years by the MFPED
- Sectoral Joint Review Reports every six months
- Participatory Poverty Assessment Reports
- Statistical Survey Reports by UBOS
- Budget Framework Paper, annual
- Background to the Budget document by MFPED, annually.

In terms of alignment with both government and donor partners' decision-making cycles and requirements, the PEAP review process will be formulated as an evolving mechanism – therefore, current plans for the annual and four-year time frame are tentative.

### **The Experience of Alignment to Results in the Sectors**

Uganda's experience of alignment to results in the sectors is also driven by policy and reform frameworks that were put in place by the government over a period of time.

The introduction of the Universal Primary Education Program in 1997 resulted in a dramatic increase in primary school enrolments from 3.1 million children in 1996 to 6.6 million by 2000, with virtual equity between boys and girls. However, educational quality and performance could not keep up with enrolment, in part due to various factors, including: the limits on how quickly new teachers could be trained (still averaging some 63 pupils per teacher in 2000, although down from 100:1 in 1997), inadequate number of classrooms (average of 121 students per classroom in 1999), and insufficient teaching materials (average of 6.7 students per textbook in core subjects). Poor educational quality was also evident in low student test scores and high drop-out rates. Enrolments at the secondary level continued to be low, with fewer than 20 percent of school-aged children entering high school, and a significant proportion of these (63 percent) coming from the wealthiest 20 percent of households, where girls remained underrepresented. One of the perennial problems plaguing Uganda's education system had been the weakness and corruption in the district educational system responsible for the transfer of funds. By 2000, the government had made significant improvements, increasing the proportion of funds reaching schools from 20 percent in 1995 to over 90 percent.<sup>38</sup> (A more detailed account of the experience in the education sector is provided in the synthesis

<sup>38</sup> Much of this section has been taken from the World Bank, ICR Report, PRSC (1-3), 2005.

from the Netherlands Joint Evaluation of the Education Sector country case study.<sup>39</sup>)

### **Alignment to Results in the Education Sector**

The government targeted the reform and strengthening of basic education in its policy documentation in the late 1980s. The World Conference on Education for All in Jomtien, Thailand (March 5-9, 1990) led to the formulation of the Government White Paper (Ministry of Education and Sports, MOES, 1992), an enhanced dialogue with individual external support agencies, and to increased donor coordination by the mid-1990s. Universal Primary Education was announced in 1996 and followed by the Education Strategic Investment Plan (ESIP) in 1997. By 2002, virtually all external donor support was aligned within the framework of the ESIP, with a significant number of donors providing assistance through budget support mechanisms rather than individual projects. The evolution of the early ideas that led to the ESIP was the result of a dialogue between the Government of Uganda and donors, led on the external side by the World Bank and the Department for International Development (DFID). This dialogue resulted in Uganda becoming one of the first and most successful education SWAPs.

Preliminary plans for developing an education SWAP in Uganda seem to have emerged in 1996 during a World Bank study tour to Korea that involved a number of senior MOES officials. DFID provided some initial technical assistance to get the process started in the MOES, and the ESIP emerged in 1997. The initial group of supporting agencies was relatively small: DFID, Ireland, Netherlands, and the US Agency for International Development (USAID), along with the European Commission (EC) and the World Bank, who were also the initial providers of budget support. The Canadian International Development Agency (CIDA) joined a little later. Other agencies also brought their legacy projects under the ESIP umbrella for purposes of strategic planning and monitoring. In parallel to these efforts, there was a strong, coordinated, external agency consultation at a much broader multisectoral level that led to the development of the CDF and the PEAP.

As coordinated policy dialogues intensified, it was clear to the donors and the government that a more structured process was needed. This resulted in the negotiation of a formal Memorandum of Agreement, between the government and the donors, on govern-

<sup>39</sup> Country Study Report Uganda, Joint Evaluation of External Support to Basic Education in Developing Countries, October, 2003.



ment-agency dialogue, cooperation, coordination and harmonization. The external support agencies formed the Education Funding Agencies Group (EFAG), which operates under an agreement between the funding agencies. In 1999, the government and participating funding agencies formed the Education Sector Consultative Committee (ESCC) in the MOES to handle government-agency dialogue, cooperation, coordination and harmonization. In meetings with various agencies, however, it became clear that these arrangements were seen from a variety of perspectives.

The EFAG supports and works with the government in management of the review process. Accountability requirements of external support agencies that provide budget support are based on a set of negotiated undertakings which are reviewed in each Education Sector Review (ESR) meeting and that provide the triggers for the release of the following tranche of external funding, the study noted. Agency representatives noted that earlier, accountability was measured in terms of 57 distinct undertakings. As the ESR process evolved, this has been brought down to less than 10 carefully nuanced undertakings.<sup>40</sup> Joint commitments of the government and the EFAG involve other ministries, particularly the Ministry of Finance and the Ministry of Education and Sports.

### Alignment to Results in the other Sectors

The Government of Uganda published a National Water Policy in 1999, focused on community driven demand in rural areas, along with improved district management and private sector involvement. In urban areas, the policy emphasized private sector participation to commercialize and improve the efficiency of the sector, professionalize the public management of the sector, and introduce an independent regulatory system. The rural water and sanitation facilities PRSC components were aimed at increasing rural access to safe water and sanitation from 55 percent in 2000 to 65 percent by April 2005, at an average investment of US\$50 per capita. Functionality of these facilities was to be maintained at a minimum of 80 percent, and the average time spent fetching water reduced to less than 30 minutes.<sup>41</sup>

The Ministry of Health formulated its first draft Health Sector Strategic Plan (HSSP) in 1999. It was implemented through a SWAp. The HSSP emphasizes the delivery of a minimum health care package of cost

effective interventions, and is implemented under a SWAp involving semiannual joint sector reviews that monitor progress, identify and address constraints, and establish targets.

The implementation of HSSP is monitored against 20 key health indicators. Alignment of the PRSC in this sector provides an interesting comparison as well – PRSC components focus on rationalizing the financing of health care by channeling donor financing through the government budget in order to improve the effectiveness and efficiency of health care spending.

Specific components addressed the actions needed to strengthen logistics and management of drugs and medical supplies through the implementation of a National Drug Policy and Pharmaceutical Strategic Plan (based on tracking studies that identified key ways of improving drug management and supply).

Other supportive measures included the establishment of a fund to provide credit to districts to procure drugs, consolidation of the health sector payroll under the PHC conditional grant, and formation of an inter-ministerial committee to coordinate actions relevant for the training of health care staff (by both public and privately run health schools) within a new human resource development policy for the health sector.

Finally, PRSC health components focused on the need to improve Uganda's rundown health infrastructure through the implementation of a National Health Infrastructure Development and Maintenance Plan, which aims to rationalize the distribution of health facilities, rehabilitate existing structures, and speed the construction of facilities to underserved areas through the use of minimum new construction standards and improved flow of funds for construction and maintenance. These components were included to: help raise to 47 percent the proportion of health facilities staffed by qualified health workers, increase the DPT3 vaccination coverage for infants from 63 percent in 2000 to 75 percent by 2003/4; increase the utilization of outpatient facilities from 0.40 per capita in 2000 to 0.65 per capita in 2003/4; reduce the adult HIV prevalence from 6.5 percent in 2000 to 5 percent in 2003/4; ensure that 28 percent of deliveries are assisted by trained health workers (up from 21 percent in year 2000); and reduce the rates of infant and maternal mortality.<sup>42</sup>

<sup>40</sup> Ibid.

<sup>41</sup> PRSC 1-3, Implementation Completion Report, World Bank, 2005.

<sup>42</sup> Ibid.



## Lessons for the Development of a Harmonized M&E Framework for the Poverty Reduction Support Program

Despite the progress Uganda has made over the past few decades in its efforts to enhance development effectiveness and work toward a broad results-oriented framework in its portfolio of programs, the challenge for Uganda today is to continue the same momentum of policy formulation and implementation in its current programmatic environment. The following lessons have been found to be crucial as Uganda continues to establish enhanced results-based decision making processes.

### 1. Consultation and Consensus Building

In Uganda, the biggest challenge to building a results-based M&E system, encouraging evidence-based decision making, and harmonization of M&E systems in the public service system has been the bureaucracy. A bureaucratic culture that hides around mandates (political basis of the public service system) remains a major impediment in the country. There is therefore a need to understand the public sector system as a whole, identify allies, and start getting quick wins that will convince the skeptics and show the added value and progress toward achieving results.

### 2. Political Leadership and Commitment

In Uganda, political leadership and commitment has been a difficult ingredient of the process to come by. Politicians have not yet seen the opportunities offered by a responsive and results-oriented public service system. It is true that the necessary institutions of accountability and legislation on procurement and financial management are in place, but a good deal more needs to be done at the bureaucratic level of the results chain. Putting in place policies and processes that make public sector managers accountable for strategic outcomes that accrue to the citizens is critical.

It is not a measure of a good orientation to results to spend the entire fiscal year budget and then, at the end, account only for the utilization of money through workshop reports or school buildings – this may benefit institutional actions, but does not have any impact on the quality of life of the target population. Political commitment calls for questioning the actions of bureaucrats, to ensure that policy outcomes are obtained and that bureaucrats account for such outcomes. Committing to do this at Cabinet level would make a difference in the long run.

Citizens should be empowered to question political decisions and demand quality goods and services from government. Politicians should be challenged to produce evidence rather than a “gut feeling” – as eventu-

ally this will encourage politicians to make decisions based on evidence. It is vital that both political and bureaucratic decision makers are mindful of making suboptimal decisions due to lack of evidence. Evidence is measurable and must be recorded in an adequate manner.

### 3. Diagnosis and Analysis of the Problem

Identification and provision of a home-grown solution to decision making is quite critical in the results orientation process. In the case of Uganda, analyzing the government as a single system with its challenges of information management,<sup>43</sup> flow,<sup>44</sup> infrastructure,<sup>45</sup> and use<sup>46</sup> helped us to provide a value-added solution. The process, however, has been painfully slow and therefore requires effective consultation and consensus building. This can be one of the most sustainable ways of developing and sustaining a results-oriented M&E system at the national level.

### 4. A Highly Technology Driven M&E System is no Solution

Although it may be easy to generate integration through fixing the MIS database, or by allowing the Education MIS to integrate with the Health MIS or any other MISs, technological fixing is not always the solution for the simple reason that it is the PEOPLE and processes that matter first before technology. Establishing an institutional framework of harmonization and integration with better monitoring and evaluation processes, before installing technological backups, is as necessary as ensuring that stakeholders involved appreciate the purpose or need of an evidence-based, decision-making framework and why it is being established.

### 5. Communication is Crucial

In Uganda, as in many countries in Africa, there has been a tendency to present the concepts of results orientation and M&E in a somewhat complex and technical manner, rather than build them around principles

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<sup>43</sup> Information Management includes primary production of information, process, storage, and packing in a manner that will ensure adequate information flow.

<sup>44</sup> Information Flow involves reporting, sharing, and feedback of information.

<sup>45</sup> Information Infrastructure involves not only computer hardware, but also the rules and regulations that govern the management, flow, and use of information, concepts and definitions, and their combination with human resource, etc.

<sup>46</sup> Information Use means more than producing technical reports; it implies use of evidence to make public sector decisions.



of public sector management. Results orientation must go beyond the technical requirements of programs. It must also be presented with evidence from programs in all communication at the national and local levels.

The aim of the government should be to develop a results-based culture in the public and private sector environments, with the recognition that within the public sector system there will be varied levels of understanding of the operational approach, concept and processes of results and M&E as a whole. There will be varied levels of adoption and adaptation of the concept and processes of M&E, but the framework of adoption and adaptation must be well communicated to all stakeholders.

The real challenge is that M&E was first developed for the purpose of project and program level management. Bureaucrats and political decision makers in the public sector were, for a long time, comfortable with economic models that often rotated around a good understanding of the macroeconomics of a country, financial accountability of public expenditures, and a few rural thumbnail development indicators often driven from development partner analysis of government performance. Understanding causality and communicating evidence in terms of real benefits to target groups is a relatively new notion in the public sector in the region. Economic research and policy analysis using economic models were the tools for macro-level evaluation of public sector performance toward social benefits.

Information needs to be harnessed, and evidence well communicated, in order to ensure that there is a causal linkage of public sector resource management and the benefits that accrue to the citizens of Uganda. Communication becomes part of the results process and enables stakeholders to understand and generate agreement on what exactly needs to be achieved in a strategic manner. In Uganda, a NIMES brochure has been formulated to explain in a much simpler form to all stakeholders the need for harmonization and other aspects of functioning. A Web site dedicated to providing M&E information to stakeholders has also been launched (see: [www.nimes.go.ug](http://www.nimes.go.ug)). A communication strategy that will allow for engagement with public sector management and politicians at all levels of government has also been formulated.

The principle of communicating evidence is designed on the principle that the citizens of Uganda will be at the forefront of public sector decision making. Measurement, monitoring, and management of results are built on a shared strategic understanding of several questions, and these may include: What are we trying to achieve? What processes lead to the desired results and, can the results be replicated, and how? With a

clear strategy and understanding of progress, we can guide and adjust actions mid-stream. This sequence is essential to progress further in maintaining the alignment to results, and continuing to work toward effective implementation and management of development effectiveness as a whole.

## 6. Results Orientation and Accountability for Whom?

A discussion of results orientation and accountability within the government and with donor agencies would not be complete without mentioning a few questions that have been raised at various points in time. These include debates about: Who are we promoting results orientation and accountability for, and why? Is managing for results being promoted to enable countries to continue to access donor resources, or to ensure that quantitative, qualitative, and sustainable development is built and strengthened in the country?

Recently, the framework to drive reforms in Uganda has been carried out through the Poverty Reduction Support Credits (PRSC). There are currently two results matrixes – one promoted by the World Bank, and a good governance matrix promoted primarily by bilateral donors. These two matrixes complement each other in terms of donor decisions. Together, these matrixes have been used to measure overall government performance underpinned by whether the government was able to achieve agreed-on prior actions (conditionalities).

The World Bank and bilateral donors were able to marshal a team of over 30 sector experts to look for evidence across sectors of interest (health; water; education; decentralization; and justice, law and order; etc.) and in areas like public financial management, procurement, and so on. Through the PRSC process, accountability was externally driven through donor demand. In order to obtain the PRSC facility, the Government of Uganda was obliged to pass the test for “successfully implemented” for all prior actions. In addition, the government also had to fulfil the conditionality actions of the IMF and the good governance matrix.

The government has recently started a process of building a government-owned review framework based on the PEAP Results and Policy Matrix. This matrix replaces the PRSC and good governance matrixes and any other action matrix that is driven by donors. Accountability has evolved and is now tied to central government institutions; results orientation is tied less to donor mechanisms and more to the constitution and other government accountability regulatory frameworks. Some donors have developed the Uganda Joint Assistance Strategy as a response



mechanism to the Poverty Eradication Action Plan (PEAP) and its emerging monitoring, review and evaluation framework. Donors are not expected to set up individual monitoring and evaluation systems, but to work through the National Integrated Monitoring and Evaluation Strategy developed by the government.

### Challenges

The PRSC matrix was crucial to the World Bank, and most bilateral donors tied their performance measurement of the Government of Uganda to this matrix. A huge investment supported the PRSC process and it was able to run adequately through PRSC 1, 2, 3, and 4. During PRSC5, with the establishment of the government monitoring mechanism through the PEAP Results and Policy Review framework, the World Bank reassigned this type of investment to the country. There were signs of a reduced emphasis observed during the PRSC process. During the PRSC process there was great rigour of analysis done by the PRSC experts, but with the reassignment of this resource, there are questions as to whether the government alone will be able to manage and perform these functions adequately and generate the quality of analysis required.

There is a need to manage expectations – and the question is, what happens if the government is not able to exhibit the same rigour of analysis that was part of the PRSC process in the past?

How far are development partners willing to go to support national M&E systems in terms of transferring the requisite capacities and ensuring that the agenda is driven by the national government rather than the partners? In the process of ensuring that countries manage for development results, the real issue is the need to consider how to make these M&E systems efficient, effective and sustainable.

Operationalizing the Paris Declaration on Aid Effectiveness demands that donors enhance their interest in the processes of results orientation as countries embark on building and strengthening country-owned review mechanisms.

### 7. Incentive Structure

A results orientation can work better if it is well linked to some incentive structure. The question here is what is the framework of incentives at hand? For some time now, sector reviews in the social sectors have worked very well. However, the review of national policy based on a small number of performing sectors (mainly the social sectors) is not optimal. By design, what matters to sectors like education or water would be the sector review process. But understanding re-

sults orientation across an entire government framework cannot be based entirely on the performance of the water or education sector alone; it has to be carried out across the public sector system altogether. Therefore, there is a need to study the incentive framework to ensure that comprehensive review of national policy and service delivery is carried out in an efficient manner.

Secondly, experience in Uganda reveals that focussing at the outcome or impact level does not entirely provide the mechanism for managing public services. It is not right to state that focussing on impacts will enhance the development of results orientation in the sector. The outcome focus is now reflected in the Millennium Development Goals (MDG) approach. It is possible to attain these goals without attaining the enhanced performance of the public sector. There is a need to review achievements across the chain of results. Therefore one questions how the concept of performance contracts can come in, so that we do not react but act on evidence of performance. The issue of performance contracts is useful if we are to ensure that results are used for mutual accountability.

Thirdly, donor harmonization at the country level is just a myth. The strategies for donor harmonization are not strong enough because individual donors are not willing to let go of their institutional bureaucratic requirements to allow national governments to own and lead results. In Uganda, there is still competition among most of the donor processes. Who should set the incentive framework for harmonization, the government or donors? How do we exploit the comparative advantage of different donors in financing various government programs or particular sectors? These are questions that are worth consideration by all stakeholders involved.

### Conclusion

To finance public policies and programs in Uganda, resources are needed. The two main sources to finance government are internally-raised revenue and external aid. But, whether internally or externally raised, some tax payer finances the government budget. It is therefore prudent for public sector management to set in place mechanisms that make accountability go beyond the nominal financial management accountability. Public sector managers (whether aid recipient country or donor institutions) are obligated to account along the results chain, and politicians (whether aid recipient country or donor country) must account to the citizens around the same chain of results. The principle should then be to build a framework of results that is agreeable to all stakeholders, develop robust results management systems, and hold all stakeholders mutually



accountable for results. This is the effort Uganda is striving to continue to achieve. With an enormous lead to alignment for results in the Africa Region, Uganda strives to keep its momentum in its orientation and achievement of results in the context of a changing policy environment.

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# Part 3. Examples of MfDR in Sector Programs and Projects

## Overview

Partner countries and development agencies work together in strengthening the focus on results in their sector programs and projects through aligning national strategies and sector development plans, harmonizing results reporting, and strengthening capacity to manage for results in programs and projects.

### Alignment with National Strategies

All donor-funded programs or projects, no matter how large or of what type, must support national priorities and fit logically within country-owned, results-based national plans and strategies (as described in Part 2 of the Sourcebook). Within the context of poverty reduction strategies (for low-income countries) and national development plans (for middle-income countries), development agencies and partner countries are collaborating to identify priority sectors in which targeted programs and projects can support achievement of country outcomes. These partnerships increasingly incorporate the use of specific results management tools, as there is evidence that applying MfDR in both programs and projects increases the rigor of planning, measurement, reporting, and learning regarding country development outcomes.

### Support for Sector Development

Sector-specific programs and projects can make significant contributions in support of country development outcomes when managed consistently for results and performance. Support for sector development (within the context of national poverty reduction strategies or other types of comprehensive plans) can include a variety of funding mechanisms: agencies may create basket funds, provide budgetary support for sector programming, provide individual sector investment loans, and/or technical support or analytical services. Different development agencies use different approaches to sector support, but they are working to harmonize and align their sector investments to minimize transaction costs for the partner country.

### Harmonization on Results Reporting

As development agencies align their cooperation strategies to country priorities and specific sector aims, they are continuing to harmonize their results reporting requirements around national monitoring and evaluation systems that help countries to manage for results. In some instances, development agencies may agree to rely on sector ministries' own plans and reports to determine the level of disbursements based on measurement of ongoing achievements and on specific benchmarks or technical milestones for progress (both quantitative and qualitative) that all parties agree on. In other instances, they are actively working to consolidate and simplify reporting requirements for partner countries so that there is less duplication and more efficient use of existing capacities.

### Capacity Building

If partner countries are to strengthen their strategic planning, analytic, statistical, and M&E capacity, they will need more and better coordinated support. To strengthen capacity in these essential areas, development agencies are including specific programs and projects as a central component of their cooperation strategies at the sector level. They are collaborating with partner countries throughout the programming process to assess the M&E setting and align their capacity building support to a national or sector strategy on M&E, as some of the examples in the Sourcebook show.



MfDR Principle	Examples of tools being used to manage for results in sector programs and projects	Why these are important
Focus the dialogue on results at all phases of the development process	Sector development or policy reform frameworks Project results frameworks Multistakeholder planning workshops Interagency coordination mechanisms (joint venture, working groups) Logic models (integrated in all of the above)	Results-based tools are used jointly by development agencies and partner countries align donor support for intermediary results with national development outcomes during the planning process. Results-based tools act as reference points for ongoing implementation and measurement.
Align programming, monitoring, and evaluation with results	Annual workplans and budgets Financial management systems	Results-based operational plans, budgets, and financial mechanisms at the sector or project level describe clearly how inputs will support intermediary results leading to country outcomes.
Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	Sectorwide and/or project M&E systems, including MIS Sectorwide and/or project M&E operational plans and guides Performance measurement frameworks Sectorwide performance monitoring strategy Annual quality control reviews for service delivery to clients/beneficiaries Data source assessment/review	M&E systems, plans, frameworks and instruments describe the indicators for intermediary results at the sector and project levels, describe methods for data collection and analysis, assign M&E roles and responsibilities, and provide standardized methods for assessing progress.
Manage for, not by, results, by arranging resources to achieve outcomes	Special studies (thematic or “value-for-money”) and policy reviews External and internal monitoring reports Midterm social impact assessments and/or sector/thematic outcome evaluations Technical milestones linked to financial disbursement schedules Sector program reviews Performance or financial audits ‘Scorecards’ and periodic activity reports	Studies, reviews, assessments, and monitoring all investigate issues related to results achievement, and suggest means of adjusting implementation strategies as required at either the sectorwide or project levels.
Use results information for learning and decision making as well as reporting and accountability	Annual sectorwide or project performance reports Stakeholder consultations Analysis of evaluations	Reports and consultations provide government officials, sector ministries, development agencies, civil society, grassroots beneficiaries, and other key stakeholders with performance information on progress toward intermediary results and country outcomes at the sector and project level.



# Brazil: Bolsa Familia Program – Scaling-up Cash Transfers for the Poor

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## Executive Summary

In 2003, the government of Luiz Ignacio Lula da Silva launched a comprehensive program to stimulate growth and social progress. On the social side, the centerpiece was a sweeping reform of Brazil's social safety net, the Bolsa Familia Program (BFP), which integrated four cash transfer programs into a single program under the umbrella of a new Ministry of Social Development. The transfers are made preferentially to women in each family. The program supports the formation of human capital at the family level by conditioning transfers on behaviors such as children's school attendance, use of health cards, and other social services.

Since its launch, the Bolsa Familia Program has grown exponentially, and by January 2005 had expanded to cover about 26.4 million people. By the end of 2006, about 44 million people are expected to be covered, at least two-thirds of whom are extremely poor.

In terms of numbers of beneficiaries, the Bolsa Familia Program is by far the largest conditional cash transfer in the developing world. Its systems for beneficiary selection, monitoring and evaluation, quality control, and scaling up have implications that extend well beyond Brazil.

The World Bank's project to support the Bolsa Familia Program was conceptualized within a results-based management framework, of which there are two key aspects. First, mechanisms were developed to pace loan disbursements according to results – for example, through concrete technical improvements in areas such as beneficiary targeting. Activities undertaken under three technical components of the loan cumulatively contribute toward attainment of performance milestones. As these milestones are demonstrably met, they trigger increases in the rates of loan disbursements. Disbursement percentages increase from 8 to 9 to 11 percent, depending on performance. Second, the project includes a monitoring and evaluation system that is focused on results and thus intrinsic to both the architecture and the implementation of the program.

## The Need to Extend and Strengthen Brazil's Social Safety Net – in a Hurry

In 2003, the newly elected government of Luiz Ignacio Lula da Silva launched a comprehensive program to stimulate rapid growth and social progress. On the social side, the centerpiece of this effort was known as Bolsa Familia, a sweeping reform of Brazil's social safety programs that consolidated four federal cash transfer programs (see box) and coordinated them with other social programs and policies.

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### What are Conditional Cash Transfers?

Conditional cash transfers provide money directly to poor families via a "social contract" with the beneficiaries – for example, sending children to school regularly or bringing them to health centers. For extremely poor families, cash provides emergency assistance, while the conditionals promote longer-term investments in human capital.

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As of January 2005, Bolsa Familia covered 6.6 million families and accounted for about a quarter of Brazil's social safety net spending. By the end of 2006, the consolidated Bolsa Familia proposes to

cover 11.2 million families (about 44 million people). The social investment would represent an increase from 1.1 percent to 2.5 percent of total government expenditure, and an increase from 0.2 percent to 0.5 percent of Brazil's GDP. The Bolsa Familia Program was prioritized by the Lula administration as its flagship social program.

**Why existing programs needed to be reformed.** Four pre-reform safety net programs were included in the Lula administration's safety net consolidation: Bolsa Escola (Ministry of Education), Bolsa Alimentação (Ministry of Health), Cartão Alimentação ( Fome Zero), and Auxílio Gas (Ministry of Mines/Energy). Although each of these programs had its own emphasis – promoting schooling, health care, food consumption, compensation for fewer government subsidies, and so forth – the separate programs were redundant and difficult to administer. They all provided cash transfers to roughly the same target population. Each had its own separate administrative structure, data collection, fiduciary procedures, and public reporting. The resulting safety net was filled with both gaps and redundancies in coverage, and the programmatic fragmentation sacrificed opportunities for synergies at



the family level among schooling, health, nutrition, and other services.

**What integration accomplished.** The Bolsa Familia Program integrated the four programs into a single conditional cash transfer program under the umbrella of a new Ministry of Social Development. Integration of the four programs made better use of public resources by reducing administrative costs and improving the system for targeting the beneficiary population. The program and methodology were extended vertically to integrate the federal program with the state and municipal safety net programs, further extending and consolidating (or coordinating) the overall safety net. By standardizing results indicators and administrative procedures under a single program (rather than four separate programs), bureaucratic complexity was reduced. Finally, integration of the program as a concept – that is, as a way of thinking about, discussing, and planning, as well as administering – encouraged natural “synergy opportunities” for larger-scale actions related to education, health, and nutrition for the poor.

### Objectives

The Bolsa Familia Program has two main objectives. The first is to reduce Brazil’s *current* poverty and inequality by means of direct monetary transfers to poor families. The second objective is to reduce *future* poverty and inequality through incentives for poor families to build their own human capital, that is, positive incentives to keep children in school, send them to health centers, and seek other complementary social services. Doing so requires two kinds of conditions:

- **Quantitative** – a far greater number of (properly targeted) poor people brought into the safety net
- **Qualitative** – significantly better outcomes, as assessed by demonstrable improvements in clear, understandable indicators of well-being for each beneficiary, as well as improvements in the transparency of processes used in implementation

More broadly, Brazil’s commitment to the Bolsa Familia objectives also served to better align the country with the Millennium Development Goals – for example, reducing malnutrition (MDG 1), achieving universal education (MDG 2), reducing child mortality (MDG 4), and improving maternal health (MDG 5) through the demand-side incentives for investments in education, nutrition, and health for pregnant women and young children.

### Design and Implementation

Building on a foundation of previous programs and lessons learned, the Bolsa Familia Program was designed around four key management concepts:

- The family unit (rather than the individual or a community) was the appropriate entity to receive the benefit and should in turn bear responsibility for meeting the program’s requirements.
- Conditionalities to link transfers to positive incentives for human capital investments were viewed as fundamental to strengthening the “investment” role of the program for long-term poverty reduction.
- Through attention to vertical integration, complementary decentralized partnerships could be developed through state and municipal social programs.
- A Unified Household Registry (referred to as the Cadastro Único) is being strengthened through technical improvements to better serve as a mechanism for targeting beneficiaries as well as for administration and overarching policy planning.

**Targeting the poor.** By design, Bolsa Familia identified two target groups – the “extreme poor” (families with a per capita income of less than US\$17 per month) and the “moderately poor” (families with a per capita monthly income between US\$17 and \$34). Depending on the household’s composition and income, the program provides cash transfers ranging from US\$5 to \$33 (the average is US\$24). These amounts were set, in part, to minimize the number of people who might lose benefits from previous programs. On a per capita basis, the average transfer per beneficiary represents about 6 percent of the minimum wage and 19 percent of the poverty line used by the World Bank.

**Conditionalities aimed at human capital formation.** By law, payments are made preferentially to the mother of the household – because a substantial body of research has demonstrated that women are more likely to prioritize investments in children’s education, health, and nutrition. The cash transfers are conditional upon all relevant members of the family complying with the clearly defined human development requirements of school attendance, prenatal visits, vaccinations, and use of other social services.

**Innovative features of the lending instrument.** The World Bank’s loan to support the Bolsa Familia program is a tailor-made package that combines three innovative design features. First, a two-phase Adaptable Program Loan (APL) was devised. The first phase (2004-06) focuses on strengthening the effec-



tiveness of the safety net by consolidating the four conditional cash transfer programs, reducing gaps and duplication in coverage, improving systems for identifying the target population, and developing an effective monitoring and evaluation system. The attainment of key objectives – measured by clearly defined results indicators – serves as a series of triggers to move implementation to the APL’s second phase (2007-08), which is designed in turn to consolidate and deepen the technical improvements and innovations of the first phase.

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### International Donor Support

The Brazilian government requested the World Bank to partner the BFP in the context of longstanding Bank support for its social agenda under the Policy Sector Reform framework. These efforts included a three-year rolling program of economic and sector work on social assistance, supported by the Bank and the UK. In addition, UNDP supports Bolsa Familia through the Ministry of Social Development, and the Inter-American Development Bank has undertaken a parallel initiative for a SWAp project to support the program. The Bank’s four-year project loan, excluding counterpart funds, is expected to be US\$572.2 million.

Second, the project was developed with a SWAp component (see box) of US\$551 million that serves primarily to reimburse the government for conditional cash transfer expenditures. In addition, a separate technical component was designed to improve beneficiary targeting (US\$4.4 million).

A technical component was designed to develop the new monitoring and evaluation system, including development of instruments and processes to track eligibility, payments, conditionality performance, etc. (US\$7 million). A relatively small institutional component (US\$2.8 million) helps to strengthen institutional capacity for the Bolsa Familia Program and a fifth component supports project management.

Third, mechanisms were developed to pace disbursements of the conditional cash transfers according to results – in this case, specific technical improvements to the program. The activities supported under the three technical components of the loan contribute cumulatively to meeting key milestones that define the performance of the program.

As milestones are demonstrably met, the monthly disbursement percentages increase from 8 to 9 to 11 percent of the budget of the government’s Bolsa Familia Program.

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### What Is a SWAp?

A program-based sectorwide approach – a kind of lending process that provides financial support for sector *policy* with clearly defined qualitative and quantitative targets. It generally encompasses:

- A medium-term program under government leadership, with matching sources and uses of funds
- A formalized process of donor coordination, with transparent roles and agreed rules
- A results-based monitoring system for major inputs, outputs, and outcomes
- A shared system, to the extent possible, for procedural reporting and financial management.

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***How pacing of disbursements reflects the Managing for Results Framework.*** The pacing of disbursements (the SWAp component) according to measurable improvements to the program (the three technical components) has several objectives that reflect the logic of a Managing for Results Framework:

- The Bank as lender and the government of Brazil as borrower are linked in a pragmatic partnership to support the government’s Bolsa Familia Program. Each recognizes and benefits from the need for technical improvements in the Bolsa Familia Program’s systems in the short run.
- Immediate interdependencies and stronger synergies develop between effective implementation (that is, the objective of safety net consolidation, as defined in Component 1) and the specific technical activities (targeting, monitoring and evaluation, etc.) that could otherwise become stand-alone bureaucratic units divorced from the outcomes themselves.
- A strong incentive evolves for the implementing agency to achieve – or better yet, exceed – the key milestones for systems improvements. If milestones are reached, the loan’s financing percentage increases and disbursements accelerate. For this reason, the finance and planning ministries also have a strong incentive to actively support crucial technical activities that will concretely assist in meeting milestones.



### The Relationships between M&E, Implementation, and Results

The consolidation of the existing conditional cash transfers is defined as an intermediate result to be attained during Phase One of the project. Attainment of this objective is pragmatically translated as follows:

- At least two-thirds of poor families should be receiving Bolsa Familia transfers
- The pre-reform programs will have been eliminated, with former beneficiaries either dropped or converted to the Bolsa Familia
- Transaction costs for transfer payments will have been reduced.

The project's M&E system (enhanced under a technical component) will help establish whether these specific milestones have been reached – and if not, explain why (for example, lack of funding, lack of political will to phase out pre-reform programs for families, etc.). However, attainment of these particular milestones triggers the increases in disbursements (from 8 to 9 to 11 percent). Attainment of the larger set of objectives in turn triggers the second phase of the Adaptable Program Loan.

**How a solid M&E system reflects the Managing for Results Framework.** The new monitoring and evaluation system is key to the basic architecture of the Bolsa Familia Program and reflects the design logic of the Managing for Results Framework. A results-based M&E system has been strongly supported by the government since the inception phase. Its implementation includes internal capacity building, tailoring an advanced management information system, developing new instruments to monitor and evaluate implementation, and producing up-to-date information on activities and outputs, as well as information on outcomes over the longer term. The point is not data, but usable feedback on the quality of service delivery and program implementation.

### Problems Encountered

From its inception in October 2003, the highly visible Bolsa Familia Program has had to contend with exceptionally high public expectations for fast, visible, even dramatic social results. In an effort to at least meet its ambitious coverage targets, the government rapidly expanded the program during its first year. Yet as a vigilant, highly interested press has noted, coverage is one thing and quality of delivery is another. Reports surfaced in the press of weaknesses in the targeting mechanism (the *Cadastro Único*), as well as in the monitoring of conditionalities.

In all fairness, these problems are not new. Many of the difficulties were inherited from the pre-reform

programs, and indeed, the World Bank's results-based project was designed precisely to address them. Even prior to Senate approval and loan signing, the Bank team has been working closely with ministry counterparts to engage in continuous dialogue and ongoing technical assistance on how best to define, measure, monitor, and evaluate beneficiary targeting and other support systems, and more broadly, the sustained quality and longer-term output of the project.

### Adaptations Made in Implementation

In that Bolsa Familia has evolved through several precursor safety net programs, it is itself an adaptation. Under the results-based framework, an iterative process to constantly adapt and improve the project is a fundamental element of design, not a symptom of failure.

Any welfare program in any country – particularly a program as large as this one – runs risks of fraud and leakages. The targeting, monitoring and evaluation components of the project are, in effect, countermeasures for anticipating, identifying, and minimizing fraud. In that regard, some examples of adaptations taken by the government include the following:

- Issuing a well-publicized decree (a *regulamento*) that clearly spells out the operational guidelines of the program
- Entering into formal agreements that clarify the responsibilities of the Ministry of Education and the Ministry of Health for monitoring and for providing information about conditionalities to the Ministry of Social Development
- Launching a formal network system (*rede de fiscalização*) for overseeing, auditing, and controlling fraud in the BFP in collaboration with the Attorney General (*Ministerio Público*) and other public auditing agencies (*procuradorias*, TCU) for monitoring and fraud controls of Bolsa Familiar payments
- Initiating steps to improve the *Cadastro Único* (developing cross-checks to reduce duplications resulting in the canceling of some 200,000 duplicate benefits found in the process, establishing a working group to revise eligibility criteria and improve questionnaires, providing training to municipalities to strengthen implementation, developing a quality index for monitoring and evaluating the *Cadastro*, etc.)
- Strengthening citizen social controls by publishing beneficiary names by municipality on the Internet and setting up a hotline for citizens to report irregularities and suspected fraud, and reinstating local committees to provide citizen oversight for the program



- Initiating work on design for an impact evaluation of the program.

### Factors for Success

While it is too early to judge the success of either the Bolsa Familia Program or international lenders' support, the results framework has already proved itself to be central in how the story is unfolding. Indeed, the results-based management approach strongly implies the use of technical milestones linked to disbursements to strengthen the implementation of the program. Even before the loan was signed – much less before initial disbursements – the government began working actively toward achieving the milestones that would serve as triggers.

### Results Achieved and Expected

Since its launch in December 2003, the Bolsa Familia Program has grown exponentially, expanding by January 2005 to cover 26.6 million people. By the end of 2006, the program expects to cover about 44 million people. Translated as intermediate results in the results-based framework, this means:

- At least two-thirds of extremely poor families will be receiving Bolsa Familia income transfers.
- At least 40 percent of total transfers will be going to families in the bottom quintile of income distribution.
- At least 80 percent of primary school-age children in extremely poor beneficiary families will be attending school.
- At least 95 percent of beneficiary children will have and be using health cards.

### Lessons Learned in the Design Phase

The Bolsa Familia project embodies lessons learned from earlier projects in Brazil and elsewhere, including lessons from Brazil's extensive experience with conditional cash transfers. Among the main lessons learned during the design phase are the following:

***The SWAp approach has great flexibility in allowing donors to de-emphasize procedural and fiduciary requirements in order to focus their resources more effectively by providing better, broader, and more useful sectoral technical assistance.*** SWAps encourage donors to leverage their financial contribution and comparative advantage among agencies, potentially achieving impact across entire sectors that would not be attainable at the narrower project level. By strengthening a borrower's fiduciary framework and building on its experience in financial management, the SWAp approach responds to countries' frequent requests that redundant requirements among donors

be harmonized, thus eliminating the resource-consuming need to maintain parallel records to satisfy each donor's procedural requirements. In addition, World Bank experience with SWAps indicates that streamlining fiduciary systems and requirements enables the lender to substantially improve its supervision process – by focusing on technical advice in sectoral issues rather than as a watchdog looking for procedural errors.

***Borrowers must own, lead, and sustain their commitment to the process.*** As the Lula administration's flagship social initiative, the Bolsa Familia Program benefited from both high-level political and broad public support. Consolidating conditional cash transfers was widely perceived as a way to build on previous successes and bring them to a new level of performance. It cut across political parties, branches of government, academic circles, civil society, and even the media.

***Conditional cash transfers are operationally feasible and politically acceptable.*** Brazil's ownership and commitment of conditional cash transfers was strengthened because of general acceptance among the public that integration would improve the efficiency and equity of these instruments. Among international donors too, conditional cash transfers have been shown to be operationally feasible and politically acceptable as an approach to social assistance. Concerns that cash subsidies are 'just handouts' can be overcome by linking them to desirable behaviors such as sending children to school and seeking health care; by providing the transfers to mothers, whose decisions on the intra-household allocation of resources tend to favor children's nutrition, health, and education; and by honest monitoring and evaluation of results.

***Conditional cash transfer programs have improved educational indicators and outcomes.*** An ex ante evaluation by Bourguignon, Ferreira, and Leite (2003) found that Brazil's Bolsa Escola Program (a predecessor to Bolsa Familia) significantly increased the number of children in school and decreased the number of those that were only working. Using similar methodologies, simulations suggest that the Bolsa Familia could significantly increase total educational attainment and reduce repetition rates.

***Human capital conditionalities can "bridge" complementary services.*** International experience suggests that efforts to "bridge" beneficiaries from transfer programs to other complementary services can reduce their dependence on social assistance. Cash transfers can serve as graduation strategies, helping the poor to "grow" out of poverty.



**Programs of this nature require sufficient administrative capacity.** Although Bolsa Familia is a new program operating under a new ministry, it builds on the foundations established by the pre-reform programs – for example, by maintaining the channeling of payments in a fairly direct manner through the country’s extensive banking system. In addition, many of the staff involved in the Ministry of Social Development in general and the Bolsa Familia in particular have extensive prior experience managing or working on the federal pre-reform programs or similar local cash transfer programs.

**Innovation with new lending instruments can be time consuming.** The World Bank has relearned repeatedly that clients generally know what they want. To respond effectively, especially to middle-income borrowers, the Bank must continuously be innovative in the way that it develops and packages lending instruments. Innovation of this sort is not only hard work, but is also time consuming. Often, it requires approval at the highest levels of Bank policy making; and from the beginning of any effort, *all* involved departments must be brought into the process. In general, innovation is possible if it makes sense, is client-oriented, and provides for assurances in regard to fiduciary and safeguard frameworks. This requires not only advance planning but, in most cases, a parallel discussion and approval process on the instrument itself.

### Conclusions and Applicability to Other Programs

The Bolsa Familia Program offers important insights on the design and implementation of a results framework in the context of a large ongoing, complex initiative. The program has been featured in international settings, for example, the Conference for Scaling-up Poverty Reduction, held in Shanghai in May 2004. As noted in the proceedings “Many different kinds of interventions can be scaled up, and *stories of success do travel and get adapted elsewhere*, as evidenced by the case body. Examples include systems of cash transfers to targeted poor families in Mexico and Brazil.” Bolsa Familia is relevant to social protection programs in Latin America and other regions of the world.

**First, in terms of numbers of beneficiaries, it is by far the largest conditional cash transfer in the developing world and has expanded extremely rapidly.** The challenges involved with developing systems for beneficiary selection, monitoring and evaluation, quality control, and scaling up have implications that extend well beyond Bolsa Familia itself.

**Many of the systems’ instruments developed for the Bolsa Familia will have widespread applicability for other countries. These systems are particularly relevant to the implementation of decentralized programs** – such as the Bolsa Familia’s random sample, quality control reviews, which will provide much-needed feedback for federal oversight of the locally implemented program.

**The lending instrument developed for the World Bank’s project to support the Bolsa Familia Program is already being adapted for use in other projects.** Some recent examples in Brazil include:

- Adaptations of the disbursement-linked results framework to a state-level SWAp being developed for Ceara State
- Adaptations of the results framework and disbursement mechanisms for preparation of a new transport project
- Development of a similar lending instrument by the IDB to support Bolsa Familia and the Ministry of Social Development (the first such SWAp in the IDB).

The project team for Bolsa Familia has also been called on to provide advice and to make presentations to other country teams considering similar results-based approaches. In all these discussions, a key message is the importance of a long menu of options and the tailoring of features to local realities and the specific needs of any given operation. As demonstrated by the World Bank’s SWAp to support Bolsa Familia, one size does not indeed fit all, and the (potential) success of the project is in many respects a function of the donor’s capacity to adapt to the specific needs of that program.

### Summary: How MfDR Principles Were Applied to Brazil’s Bolsa Familia Project

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- This was the modus operandi for the team’s work with the clients.
- 2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*
- The Results Framework was designed to be cumulative and calibrated with the agreed expected results.



3. *Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- The project relies on country financial reporting systems, as well as technical monitoring of the program’s activities.

4. *Manage for, not by, results by arranging resources to achieve outcome.*

- The results framework – with links to positive “upside” disbursement conditions based on improved performance – was designed in this manner. It focuses on outcomes: whether people can effectively be helped to move out of poverty and how to measure this. It also looks at the outcomes at the state/province level.

5. *Use results information for management learning and decision making, as well as for reporting and accountability.*

- The results information is being used by the Brazilian government to improve the consolidated social protection program. Decisions are being made, drawing on the results of the Bolsa Familia framework and its measurement information. Accountability and transparency are central concepts.

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World Bank (May 25, 2004). “Project Appraisal Document: Brazil Bolsa Familia Project.” Report No. 28544-BR.

## Update on Implementation of the Results Framework – Kathy Lindert, World Bank, Brasilia, November 2005

The Results Reporting system was fully operational in 2005 – and it served as a guiding force for strengthening the Bolsa Familia Program. While 2004 was a complex transition year for the Bolsa Familia Program, 2005 was certainly the year of “maturation” of the program. During the transition year of 2004, the nascent program struggled to consolidate its identity, institutional structure, and legal framework in the midst of a sweeping ministerial reform. Even during that critical time, the Results Framework provided a “compass” for the BFP, guiding it to focus on consolidating its core architecture in several key areas.

Since then – and particularly in 2005 – the government took concrete actions to reach many of the milestones highlighted by the Results Framework and Reporting System. Some examples of recent activities – which are all supported by key milestones within the Results Framework – include:

- Strengthening the targeting system through (a) clarifying operational guidelines for the registry system; (b) running internal and cross-system cross-checks to validate eligibility and eliminate duplications; (c) obtaining access to the registry database (for MDS and the municipalities); and (d) sharpening instruments for implementing eligibility criteria and overhauling the registry questionnaire (this month).
- Strengthening joint intergovernmental management of the program through formally negotiated agreements between the central agency (MDS) and Brazil’s subnational entities. These formal vertical agreements include institutional “conditions” and “targets” – in exchange for specified financial incentives – that were established within the results framework for quality implementation.
- Developing and launching an Impact Evaluation survey, with the first round of data collection entering the field this month, to track and measure the various outcome impacts of the program.
- Developing and launching improved tools for program oversight and quality control.

An important new innovation that was introduced as a result of the lessons learned is the formal extension of the “results-framework” approach to the decentralized aspects of implementation of the program. As noted above, this results framework has been carried forward by the central agency into its relations with the numerous subnational entities involved in implementing specific aspects of the program. This has been done by MDS negotiating and formalizing agreements with the subnational bodies (26 states and over 5,000 municipalities). These agreements include specified results and conditions for quality implementation in exchange for financial incentives. This has been a very innovative move for implementing a conditional cash transfer program in a decentralized environment.

The policymakers and technical specialists involved in the program are working very well within the guidelines of the results framework to strengthen the Bolsa Familia Program. The results framework indeed is providing a “compass” to guide this process, with key milestones specified to track progress. In terms of the World Bank’s project to support this, a key lesson learned is the importance of properly “calibrating” technical milestones with financial disbursement incentives. Despite initial delays in project effective-



ness, the calibration envisaged by the project still seems appropriate, with some actions moving faster and deeper than expected and others needing a bit more time. Still, future operations will want to pay close attention to institutional and political capacity for reforms when attempting to calibrate a results-based framework for disbursements and technical improvements on a program. Although the program is relatively young and the impact evaluation now underway, some results are already apparent, including: (a) measured efficiency gains, in terms of reduced federal administrative costs due to the consolidation from four programs to one; and (b) apparent positive impacts on local economies, with the transfers generating local economic activities (particularly in smaller, poorer localities). In addition, evidence from evaluations of the pre-reform programs reveal: (a) strong targeting results (bottom quintile); (b) important educational impacts of Bolsa Escola; (c) increased enrolment and overall attainment; and (d) impacts of Bolsa Alimentação on food consumption, diet, and child growth.

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# Madagascar: National Environmental Action Plan

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## Executive Summary

**M**adagascar faces major biodiversity conservation challenges, owing to a combination of high diversity, endemism, and a high degree of natural risk threat. The impact of the December 2004 tsunami, earthquake, and tidal waves heightened public awareness of the need for more stringent coastal management systems.

The third phase of the National Environment Action Plan (NEAP) stresses seven results to be attained: (i) sustainable development activities need to be developed; (ii) forest ecosystems and water resources need to be sustainably managed; (iii) sensitive ecosystems need to be conserved and made valuable as protected areas and conservation sites; (iv) coastal and marine ecosystems need to be sustainably managed; (v) a positive change in behavior vis-à-vis the environment needs to be achieved; (vi) the financial basis for sustainable financing of the management of natural resources and the environment needs to be established; and (vii) better environmental policies and governance need to be developed.

Evidence is emerging from the M& E system that confirms the positive impact of the program on the ground, although the absence of objectively verifiable benchmarks makes it hard to discount inflated expectations that were fueled by overly ambitious targets. Thus, a key lesson learned is that results targets need to be realistic if the credibility of the program is not to be undermined. Under the first phase, the implementation of the National Environment Action Plan took the form of a number of separate donor-driven projects without obvious linkages between each other and with minimal donor coordination. In contrast, the third phase seeks to enhance coordination with other programs, in particular with the large multilateral rural development operations, but also with similar programs or projects in areas such as roads, rural infrastructure, energy, mining, and tourism.

### Protecting the World's Highest Priority in Biodiversity Conservation

Madagascar is among 17 recognized mega-biodiversity countries, which taken together represent about 80 percent of the world's total biological diversity. Due to Madagascar's extraordinary diversity, its unique species, and the level of threat, a hectare of forest lost in Madagascar has greater negative impact on global biodiversity than a hectare lost virtually anywhere else on earth. Indeed, Madagascar has often been cited as the world's single highest priority in biodiversity conservation.

Madagascar's forests are threatened by population pressure, poverty, and nonproductive agriculture. Weak environmental governance undermines the natural resource base by encouraging deforestation, unsustainable management, and environmentally destructive agriculture. Commercial timber exploitation is poorly regulated. Central policies and weak institutions exacerbate deforestation; and stakeholders, particularly those at the local and regional level, are not effectively engaged in trying to stop it. Not surprisingly, more than 80 percent of Madagascar's original forest cover is now gone.

The combination of low agricultural productivity and rapid population growth is accelerating conversion of the remaining primary forests – now covering just 15 percent of national territory – to slash-and-burn production. Watersheds and soil stability have been further undermined, compounding the economic losses through even greater loss of soil, siltation, and water shortage. The costly necessity of building, replacing, and repairing damaged infrastructure contributes to the vicious cycle. GDP (measured in 1995 dollars) has fallen from about US\$383 in 1960 to about US\$246 today.

### Objectives Pursued

In 1989 – six years prior to signing the Convention on Biological Diversity – the government of Madagascar elaborated Africa's first National Environmental Action Plan (NEAP). It has been the most ambitious and comprehensive environmental program in Africa to date. A long-term investment program was planned in three phases over 15 years. The government's steady commitment to environmental protection was also reflected in its recognition and ratification of major regional and international conventions, as well as its



continuous work with international donors to address the enormity of the environmental challenge. The Environmental Charter of 1990 reiterates the government's concern over environmental issues and sets forth its commitment to the National Environmental Action Plan.

Launched operationally in 1991, the National Environmental Action Plan has these objectives:

- To manage the national heritage of biodiversity in protected areas, in conjunction with sustainable development of surrounding areas
- To improve human living conditions through protection and better management of natural resources, emphasizing watershed protection, reforestation, agroforestry, and improved water supply and sanitation
- To promote environmental education, training, and communication
- To improve policy and management
- To establish mechanisms for research, managing data, and monitoring the environment.

A participatory process introduced key principles from the environmental action plan into other major initiatives, including Madagascar's Poverty Reduction Strategy Paper (2000) and the Rural Development Action Plan (2001). As amply demonstrated in these strategic documents, the government clearly recognizes the linkage between the environment and sustainable development.

### Design and Implementation of Action Plan

The first phase of the NEAP (1991–97) aimed at creating a proper policy, regulatory, and institutional framework. It sought to generate conditions for ownership of the environmental agenda by the country rather than donors. The second phase (1997–2003) consolidated first-phase programs, putting national institutions more firmly in the driver's seat. The third phase (2003–08) aims at mainstreaming environmental thinking more broadly into macroeconomic management and sector programs, including mechanisms for sustainable environmental financing.

A broad donor coalition is providing support – bilateral donors (the United States, Germany, France, Switzerland, and Japan), multilateral donors (the Global Environment Facility, the World Bank and International Development Association, and the UN Development Program), and NGOs (the World Wildlife Federation, Conservation International, and the Wildlife Conservation Society). The national action plan has supported the government in taking the environmental agenda into its own hands. This led to a shift from a strictly conservationist approach to

greater emphasis on the link between rural poverty and environmental degradation.

Building on lessons from the first phase, the second phase aimed at expanding conservation and development beyond national parks and reserves, adopting a regionalized landscape approach. The goal of the third phase, starting in 2003, was to ensure that “the importance and the quality of natural resources are conserved and developed in support of sustainable economic growth and a better quality of life.”

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### An Ecoregional Approach to Conservation

Madagascar adapted a broad regionalized landscape approach to conservation, which emphasizes conservation of critical resources, such as watersheds, through varying levels of land use management. A “systems approach” takes on multisectoral analysis and multilevel planning. In this broadened view, regional economic development and poverty reduction are emphasized. Alternative agricultural practices are identified as the key to reducing slash-and-burn practices and improving natural resources management.

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### Problems Encountered

Each phase of the national action plan has confronted its own practical and conceptual problems:

***Environment Program 1 (1991–97)*** In relation to the overall issues of environmental degradation in Madagascar, the zone of intervention during the first phase – protected areas with peripheral zones – was too narrowly defined. Analyses identified underlying causes of the continued environmental deterioration, making it clear that the issue of protection needed to be addressed nationally as well as regionally. Despite an obvious agrarian crisis – so clearly linked to environmental degradation – the first phase paid far too little attention to the improvement of agriculture, including virtual exclusion of the private sector as a partner.

***Environment Program 2 (1997–2003)*** The second phase of the action plan was a more complex operation implemented on a nationwide basis. Its stated development objective, to reverse environmental degradation, was admirably ambitious – indeed, probably too ambitious within the time frame. The spectrum of activities included improved management; biological inventories; planning and analysis; introduction of new technologies and input supplies; marketing research; geographic information systems; transfer of management to local communities; and land tenure action at the local, regional, and national levels. Several of the seven implementing agencies were new, while others needed serious capacity building, and the agenda reached beyond their mandate and abilities.



Moreover, collaboration with other sectoral programs was weak, which undermined collaboration in providing alternatives to destructive practices in rural areas.

**Environment Program 3 (2003–08)** The third phase, currently under way, aims at mainstreaming the environment into macroeconomic management and sectoral programs that focus on *results* at the regional and field levels. For the most part, Madagascar now has pro-environmental policies and a regulatory framework in place. Yet policies and regulations, no matter how “right” they are, may not make a great deal of difference if implemented through weak institutions riddled with governance problems (as is the case with the forestry sector).

Overall, the 15-year environmental action program must be understood as a long-term initiative to endow the country with capacity to own and internalize management of its own natural resources. However, environmental degradation will not be stopped, much less reversed, if poverty-reducing development strategies do not also succeed. The “right” actions and policies need to be coordinated broadly across sectors, so that development and environmental protection go hand-in-hand. In particular, this means economic intensification of land use and continued development of non-agricultural sources of income to meet human needs.

### Adaptations in Implementation

Periodic reviews of progress toward the goals of the national action plan have been undertaken jointly by the government and donors. The implementation process has evolved and adapted accordingly.

**Shift toward the ecoregional approach.** In 1995, scientific workshop and priority-setting exercises demonstrated the extent to which conservation priorities were located *outside* the protected area network, reinforcing the need for a broad ecoregional approach to replace the prevailing focus on biodiversity conservation in protected areas.

**Multilevel consultative planning on a broader scale.** The refocus toward ecoregional thinking was instrumental in fostering multilevel consultative planning and implementation of a landscape approach for the second phase. A common approach to community-centered conservation and development activities was seen as absolutely essential to improve natural resource management and agricultural intensification.

**Scaling back overly ambitious objectives.** A multi-donor–government review in February 2001 signaled the problem of overly ambitious objectives. It pointed to desirable objectives that would require complementary interventions beyond the scope and resources of the national action plan – especially land use intensifi-

cation, the development of nonagricultural sources of incomes, more suitable and better enforced logging and timber export policies, and general economic development. As such, the development objectives of the second phase were revised in 2001 to reduce (though not reverse) environmental degradation trends at the national level.

**Creating a strategic, results-oriented logical framework.** A revised planning and implementation framework was developed. This helped to make the second and third phases less complex. As a result of this restructuring, the development objectives became more realistic; implementation less complex; and interventions better targeted to priority zones. Expected impact and results – translated as target and monitoring indicators – became more reasonable, better formulated, and easier to measure. In turn, the common framework reinforced ownership. A more coherent vision evolved that conceptually links development and conservation, and that promotes multisectoral action, multiple actors, and a more inclusive model for collaboration. A results-based program approach was supported with better instruments and tools for planning, management, coordination, and decision making.

**Simplifying the programming and budgeting model.** The third phase continues the program approach, but builds upon key lessons from the first and second phases – for example, replacing the programming and budgeting model of the second phase with a much lighter and qualitative annual planning and coordination exercise.

**Institutionalizing an M&E system.** A comprehensive M&E system has been established to organize information flows to capture the various project outcomes that together comprise the third phase. It is based on a common set of indicators. These are being tracked by the Coordination Unit (CELCO) under the Ministry of Environment, Water and Forests. This system was upgraded to take into account the following elements: standardization in view of the heterogeneity of systems being used by various institutions, capacity for spatial analysis, integration of different data types, more results-based institutional culture, better data quality, and increased accessibility of M&E reports to decision makers and stakeholders. The key to this standard M&E system is a corresponding donor agreement to track their inputs by the common indicators and outputs rather than financial inputs.



## Results Achieved

**Positive impact on the ground.** Evidence emerging from NEAP's monitoring and evaluation system confirms the positive impact of the program on the ground, despite the need for more objectively verifiable benchmarks to discount inflated expectations fueled by overly ambitious targets. Intermediate outcomes show evidence that:

- The rate of deforestation in protected areas (0.7 percent per year) and classified forests (1.0 percent per year) is now significantly lower than in non-classified forests (1.5 percent)
- Degradation of critical habitats has slowed down significantly, from about 1.7 percent per year to 0.62 percent per year.
- Quality of biodiversity in protected areas, as measured on a composite endemism index, has improved from 0.61 to 0.74.
- More than 370,000 rural households have benefited from investments that enhanced soil and water conservation and productivity. These households averaged a 10 percent income benefit per year during the project period as compared to a control group.
- Tourist revenues associated with national park visits grew to about US\$50 million in 2000, accounting for about 40 percent of all expenditures by visiting nonresidents. Increasingly, these rapidly rising expenditures are benefiting local communities.
- The principle of Let the Polluter Pay has been internalized into investment decisions through the application of Environmental Impact Assessments.

### **Improved capacity to assess results at multiple levels.**

Over the coming years, progress will be measured against the strategic objectives framework for the third phase, which presents multiple objectives and indicators at different levels. These include output, performance and impact level indicators based on global, strategic, and specific objectives. The impact level indicators serve to demonstrate the overall impact of the multiactor approach and are linked to indicators used in the Poverty Reduction Strategy Paper.

**Improved capacity to measure performance.** New performance indicators serve to monitor the impact of the program activities being implemented by the different actors, including environmental institutions, international and national NGOs, and specific donor programs.

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### **Examples of Impact-level Indicators Related to Strategic Objectives**

- Area of forest, coastal, and marine ecosystems maintained
  - Decrease in incidence of slash and burn practices
  - The number of hectares of protected areas
  - Proportion of operational costs of protected areas covered by new financing mechanisms
  - Number of sectoral, regional and communal development plans effectively incorporating environmental dimension into planning and decision making
  - Number of communes in critical ecoregions actively and effectively managing natural resources and genuinely sharing economic benefits generated by the provision of environmental services and other alternative sources of income
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### **Performance Indicators**

- Percentage of terrestrial and marine protected areas and forest ecosystems managed in accordance with agreed sustainable management and zoning plans
  - Number of certified green communes
  - Number of hectares protected through natural resources management
  - Number of households adopting new practices or new crops increased
  - Number and value of contractual agreements between producers, processors, and buyers
  - Number of environmental advocacy actions
  - Number of public and private investments carried out in line with environmental safeguards and mitigation measures as specified in corresponding environmental impact assessments
  - Percentage of nonbudgetary sources providing a significant share of the operating costs of public environmental institutions
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## Lessons Learned

Considerable efforts were invested during the third phase to assess performance and distill lessons from the first two phases – among them:

***Adopt and streamline a program approach among multiple donors, using uniform indicators.*** Implementation of the action plan during the first phase consisted of disparate donor-driven projects that were minimally linked and poorly coordinated. The second phase was largely driven by ideas and proposals coming from the implementing agencies involved in the first phase – from multidonor appraisal and negotiation processes, and from a donor coordination mechanism in the form of a donor secretariat. In retrospect, the system benefited from the collaboration, particularly among multilateral donors, but it also proved overly time-consuming, and was poorly adapted as a mechanism for working with bilateral donors.

***Build linkages between financing sources and results expected on the ground.*** Building on lessons learned from the second phase, a government–donor results framework was developed to lay out expected outputs translated as results. This creates direct links between financing sources and results expected on the ground, but avoids the need for donor coordination at the level of activity and input, which proved difficult in the second phase. The participating donors included: the World Bank, the UN Development Program, the Global Environment Facility; bilateral programs of the United States, France, Germany, Switzerland and Japan; Conservation International, the World Wildlife Federation, and the Wildlife Conservation Society. This significant donor group has agreed to accept the common M&E system as the basis for accountability in their individual investments.

***Coordination with other national programs is essential, especially those active in rural development.*** To better integrate the environmental program within the country's overall development, the third phase seeks enhanced coordination with other programs. This includes the large multilateral rural development operations, but also includes similar programs or projects in the areas of rural roads, rural infrastructure, energy, mining, and tourism. Within the government and donor community, a strong focus on rural development and a new ministerial structure take a more holistic view of sustainable rural development at the regional and communal levels. The key changes include: integration of economic programs, land use planning, transport, and public works into a single super-ministry under the Vice Prime Minister; combination of agriculture with livestock and fisheries into a single ministry; combination of waters and forests with environment into a single ministry; and the recent estab-

lishment of 22 regions with responsibility for the development of regional development plans as a framework for better coordination among sectoral programs.

***Adapt performance-based implementation mechanisms that can serve a broader array of agencies.*** The first and second phases were implemented by an array of mostly government agencies and institutions established by the program. The third phase is being implemented by a broader array of institutions, local governments, communities, NGOs, service providers, and the private sector – linked by a system of performance-based and results-based contracts.

## Factors for Success

Reinforcing and building upon accomplishments and lessons from the previous phases, some essential factors for success are apparent:

***The indispensable need for political will and commitment.*** Madagascar's National Environmental Action Plan – the first in Africa – demonstrates the government's willingness to commit to sustainable development for the benefit of its people. The plan has served as the strategic framework for all who are involved in implementing the program. This already strong commitment was further enhanced at the fifth World Parks Congress (September 2003) in which President Ravalomanana announced that the area of the protected-area network would be tripled, entailing a five-year increase in the coverage of terrestrial, wetlands, and marine ecosystems from 1.7 million to 6 million hectares.

***The need for a viable environmental policy framework.*** Madagascar has been able to mainstream the environment into many of its sector policies, and has developed institutions capable of dealing with important aspects of environmental management and governance. The legal and policy framework is well established. The environmental impact assessment law, the new forestry policy, the recently adopted protected areas code, and the foundation law provide a solid foundation for sustainable environment management. Furthermore, the first law promoting the management transfer of renewable natural resources to local communities (known as GELOSE) was promulgated in September 1996.

***The need for institutions.*** Madagascar has the key environmental institutions on the ground to promote good stewardship of its natural resource base.

Upon launching of the National Environmental Action Plan, a new National Environment Office (ONE) was created as the lead agency to establish environmental policy and ensure application of environment impact



assessment. Subsequently, a Ministry of Environment was created that became the overarching authority on environmental affairs and to which ONE became attached. The National Association for the Management of Protected Areas was set up in 1991 with the mandate to develop and manage the national protected areas network. The Forestry Department was responsible for the remaining forest ecosystems which will be reformed and revitalized during the EP3. Other institutions that play important roles are two nongovernmental organizations, the National Association for Environment Actions (ANAE) and the Environmental Management Support Service (SAGE), and the first environmental foundation, Tany Meva.

## Conclusion

Madagascar's National Environmental Action Plan is seen as a model national program for ensuring dialogue and partnership between government and donors. The relationship is based on an agreed-on set of objectives, results, and indicators. The "Politique Générale de l'Etat 2005", presented by the government in December 2004, proposes to develop 11 national programs related to the Poverty Reduction Strategy Paper – its vision: *Madagascar, Naturellement*. These programs are to be based on underlying principles integral to the third phase of the National Environment Action Plan: strategic and operational orientation shared by all actors; performance-based programming with clear objectives, results and indicators; coherence among donor interventions; and a clear call to all stakeholders, including local communities and the private sector.

## Summary: How the Madagascar NEAP Embodies MfDR Principles

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- The strategic framework for the third phase focuses on common objectives and results, facilitates the ownership of a common vision that links development and conservation; promotes a multisectoral, multi-actor and multilevel model for collaboration; and implements a results-based program approach with instruments and tools for planning, management, coordination and decision making.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results*

- A joint government–donor results framework for the third phase lays out expected outputs/results. The joint steering committee for the third phase

ensures that government and donor investments are defined and implemented in close relation to the results framework and agreed-on indicators; monitors progress toward agreed-on results; and provides strategic orientation and guidance for overall program implementation and coordination with other sectoral and development programs.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- Participating donors (such as the Bank, UNDP, GEF; US, French, German, Swiss, and Japanese bilateral programs; Conservation International, World Wildlife Federation, and Wildlife Conservation Society) have agreed to be held accountable for the contribution of their investment to the expected results by measuring progress against the monitoring and evaluation system developed for the third phase. The M&E system with common indicators enables a more direct linkage between financial sources and results on the ground, while avoiding the need for donor coordination at the activity and input level.
- This system takes into account the following elements: standardization in view of the heterogeneity of systems being used by various institutions, capacity for spatial analysis, integration of different data types, more results based institutional culture, better data quality, and increased accessibility of M&E reports to decision makers and other relevant stakeholders.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- Progress is measured against the strategic framework which presents multiple objectives, results and indicators at different levels. These include output, performance, and impact level indicators based on global, strategic, and specific objectives. The impact level indicators serve to demonstrate the overall impact of the multiactor approach and are linked to PRSP indicators. The performance indicators serve to monitor the impact of the program activities being implemented by the different actors, including environmental institutions, international and national NGOs, and specific donor programs.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The results-based monitoring and evaluation system organizes information flows to capture the outcome of the various projects that make up the third phase. Development objectives are more realistic, implementation less complex, interventions



more targeted (to selected priority zones), and expected impact and results (target and monitoring indicators) more reasonable, better formulated, and easier to measure.

### **Update on Implementation of the Results Framework – Lisa Gaylord, USAID, Madagascar, November 2005**

#### **GOM Commitment to the Paris Declaration**

The Government of Madagascar has fully endorsed the Principles of the Paris Declaration across its overall Government policy. The President of the Madagascar referred to the declaration in the remarks that he made to the newly appointed Chefs des Regions during a leadership training. The 22 Chefs des Regions have the responsibility for overall coordination of activities at the regional level. In order to accomplish this task, one of their principal tasks is to ensure that donor programs are aligned and harmonized in relation to the regional development plans that were developed through a participatory process over the last year.

Under the Malagasy "Politique General de l'Etat", the President has also requested the development of 10 national programs (e. g. Health, Rural Development, Decentralization, etc) this year. Donor programs will then need to also be aligned and harmonized with these national level programs. This demonstrates the importance of Madagascar as a partner country to take the leadership role in ensuring better coordination and harmonization of donors programs in relation to government priorities and policies at both the national and regional levels.

#### **How well has the Results Reporting system of the Madagascar National Environmental Action Plan (NEAP) continued to operate in practice in 2005?**

The results reporting system that was presented at the Implementation Forum in February continues to be the basis of all reporting under the Environment Program. During this past year, however, the NEAP/EP3 reporting system and the M&E system for the Medium Term Expenditure plan (CDMT) were integrated into one common results-based reporting system. This has proved to be a very useful exercise in allowing the Ministry of Environment, Water, and Forests to move toward one common strategic framework.

#### **Have there been any new innovations introduced as a result of the lessons learned?**

One of the innovations that has been introduced based on lessons learned has been the need to ensure better coordination through the alignment and harmonization

of donor programs at the regional level based on regional development plans.

The original system was developed with over 75 common indicators. This has proved to be unrealistic for the bilateral donors and international organizations that do not transfer their funding directly through GOM institutions. As such, these common indicators have been reduced to a total of 20 which will serve as the key indicators for reporting to the GOM and other donors on the overall impact of the Environment Program.

#### **What would the policymakers and/or technical specialists have done differently, if anything, in formulating and implementing the system?**

Madagascar's experience has demonstrated the importance of establishing an M&E system to monitor a national level program in relation to common indicators. It has also been important to ensure that environmental and social safeguards are integrated into any monitoring and evaluation system. This will require further refinement of present indicators to ensure that this element is being taken into consideration and that there are no negative environment risks.

Another important aspect is that the donor group has agreed to accept the common M&E system for accountability in their individual investments. It will be important to assess where the common M&E system does in fact give the results measurement capacity that the donors seek. Most importantly, the M&E system should be useful to the Government of Madagascar in managing its environment sector and demonstrating progress.

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# Malawi: A National HIV/AIDS Monitoring & Evaluation System

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## Executive Summary

The HIV/AIDS epidemic in Malawi necessitated not only a multisectoral response to impact, but an integrated national monitoring and evaluation (M&E) system. With donor “basket support” for HIV/AIDS, the Malawi National AIDS Commission – challenged to create a multisectoral M&E system rather than a health-sector-oriented epidemiological surveillance system – was conceptualized around a four-tiered results pyramid (measuring inputs, outputs, outcomes and impact). The system was designed around four cornerstones in which indicators (Cornerstone A) were informed by data sources (Cornerstone B) that were analyzed to produce information products (Cornerstone C) that are distributed to stakeholders (Cornerstone D) in a timely fashion – thus enabling M&E results to be utilized for decision making. The indicators and data sources allowed for both episodic population-based evaluation and for routine and recurrent output monitoring across sectors.

Operationalizing the M&E system was an incremental process, relying on ongoing training, advocacy, and participation from all sectors and each level of government. This case study illustrates the need to dedicate funding and skilled resources for the implementation of the system; to build capacity using a national HIV/AIDS output monitoring system curriculum; to link national HIV/AIDS M&E systems with other M&E and MIS systems; and to include HIV/AIDS M&E requirements in all HIV/AIDS related documentation. It also demonstrates the level of detail and ongoing effort that is required to ensure that an M&E system will be functional, especially in a multisectoral environment where recurrent program monitoring is essential.

The Malawi M&E system supports the Marrakech principles in several key respects: specific information products were defined and are being produced, and dissemination channels were created and are being used. Dialogue with stakeholders takes place through regular consultation. The M&E system is directly linked to the goals of the National HIV/AIDS Strategy, and a complex report has been simplified for use within the districts and among a wide spectrum of organizations. Furthermore, the M&E cycle has been synchronized with the annual planning and programming cycle, thus maximizing the opportunity for M&E results to be used for critical decision making.

## The Need for Multisectoral Monitoring of AIDS

HIV/AIDS has changed the face of development in Africa, not only negating 20 years of gains but draining resources from every area of development activity. The vicious cycle of poverty and AIDS is multidimensional. It takes its accumulating toll on human resources, financial resources, agriculture, education, health, and welfare across the private sector, the public sector, and at every level of civil society.

Malawi established a National AIDS Commission (NAC) in August 2002 as an independent trust under the auspices of the president and his cabinet. At the same time, the National AIDS Control Program within the Ministry of Health and Population was disbanded. Its staff was transferred to the new organization, sig-

naling recognition that the crisis demanded a multisectoral response extending beyond the health sector. This was meant to kick-start a process of not only recognizing but establishing multisectoral responses to HIV/AIDS. Although the shift in the national response from a health focus to a multisectoral focus may have been initiated with the creation of the NAC, the actual implementation and ownership of this multisectoral response took a great deal of advocacy and technical work by both government and partners.

The first goal of the new national commission was to secure funding. Discussions were successful with multilateral and bilateral funding partners, and were the result of significant time and effort invested in the first-ever “basket fund” for HIV/AIDS in Africa. Support was consolidated from the World Bank and the



governments of the United Kingdom, Norway, Canada, and the Malawi government's own resources. Malawi and the funding partners agreed that the new multisectoral approach would be guided by an integrated annual work plan and that a grant mechanism would be created for grassroots organizations involved in HIV prevention, treatment, care, and support services. A single financial management agent was assigned to assist in the management of grants in an accountable and transparent manner. Five umbrella organizations were identified to manage grants at decentralized levels.

Parallel to setting up the National AIDS Commission, the Malawian government had participated in the UN General Assembly Special Session on HIV/AIDS (UNGASS), and Malawi is a signatory to the Declaration of Commitment on HIV/AIDS (June 2001). This commitment calls for each country to report biennially on 13 HIV/AIDS indicators.

For Malawi, the commitment to report according to specific international HIV/AIDS M&E standards presented a new challenge. The M&E challenges also reflected institutional challenges at the NAC itself. The Ministry of Health and Population had focused primarily on monitoring and evaluating HIV/AIDS in terms of epidemiological surveillance. Biological surveillance had been conducted consistently at 19 antenatal clinic sites since 1985, with three rounds of behavioral surveillance completed by 2000.

In 2003, however, the commission found itself in a precarious position – it had inherited an exclusively epidemiological monitoring and evaluation system, while UNGASS and a newer multi-sectoral orientation called for a broader approach. A number of disjointed monitoring and evaluation efforts were in effect in Malawi, but a far cry from a uniform national system.

International donors contributed to the complexity and to unrealistic expectations in regard to reporting and data. Between 1998 and 2002, UNAIDS, the World Bank, and the World Health Organization published six different manuals and sets of guidelines related to HIV/AIDS monitoring and evaluation practice.

Every funding partner demanded strong monitoring and evaluation, yet each bilateral funding partner had its own M&E system directed toward the projects it supported. No system was in place that could handle them all, meaning that Malawi could neither use data for decision making nor comply with its commitments under the UNGASS declaration.

It soon became obvious, both to the national commission and to its international partners, that a comprehensive national HIV/AIDS M&E system was badly needed – a robust, multisectoral system that could integrate biological surveillance, activities reporting, and impact analysis.

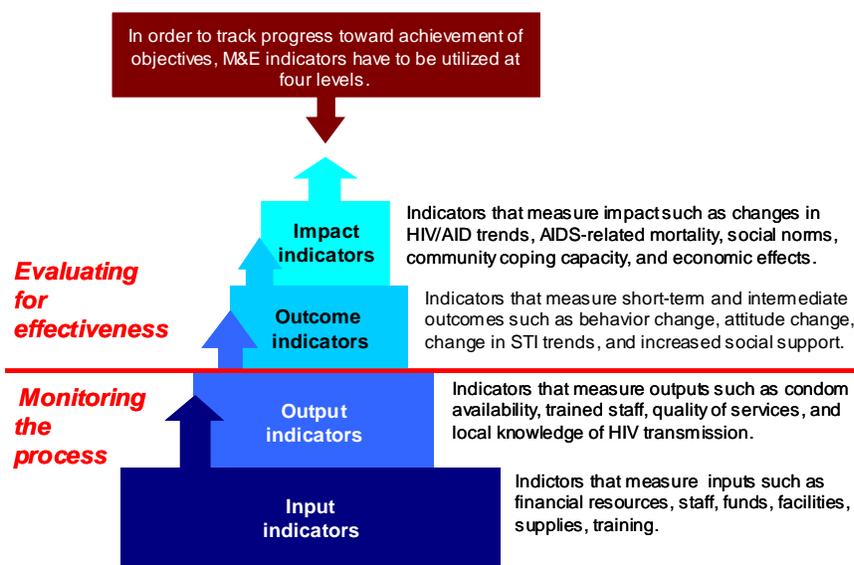
## Objectives

Malawi's HIV/AIDS Monitoring and Evaluation System was designed to attain four objectives:

- To assess how well the national AIDS commission met its goals. This assessment would be ongoing and dynamic.
- To track progress toward achievement of specific development objectives, M&E indicators would be utilized at four levels "stacked" on a results pyramid of indicators (input, output, outcome, and impact) (see Figure 1).

**Figure 1. The "Results Pyramid" – Measurement at Four Levels**

Adapted from: M&E Operations Manual for National AIDS Councils, the World Bank and UNAIDS, 2002.



- To produce M&E results that would be highly accessible and usable by the full range of implementers actively working to confront HIV/AIDS.
- To produce information that would be comparable across borders, both to meet donors' reporting requirements and to contribute to the international scientific research enterprise.

### Design and Implementation

**Designing the M&E system.** A series of field visits to implementers of HIV interventions – in the public sector, private sector, civil society, and faith-based organizations – was the first step in conceptualization and design. Among other requirements, these visits flushed out the range of information needs among HIV stakeholders. Next, the adequacy of existing data sources and HIV indicators was assessed.

Meeting the wide range of information needs with a single national system posed formidable challenges. First, the system would require dedicated professional staff, with specific activities to be assigned and costs allocated within an annual work plan and budget. Both episodic evaluation (that is, epidemiological surveillance) and routine program monitoring had to be accommodated in a meaningful and mutually reinforcing way. A simple system needed to be designed to translate outputs into results (outcomes and impacts). Because this was new, it would require an incremental, step-by-step, learning-by-doing approach.

The M&E system would need to encompass self-reported data as well as periodic validation of data and auditing by external evaluators. Financial and programmatic monitoring would need to be linked, not only by installing a single (specially created) Management Information System (MIS), but by combining functional responsibilities for data and financial auditing from multiple sources. To monitor at the level of individual programs, the commission would need to collect comparable program monitoring information from all AIDS/HIV implementers, irrespective of the sector, kind of organization, or location.

Realistically, the National AIDS Commission could not finance a large M&E department. Existing data sources had to be used to the utmost. Duplication had to be avoided at all costs. Subcontracting –

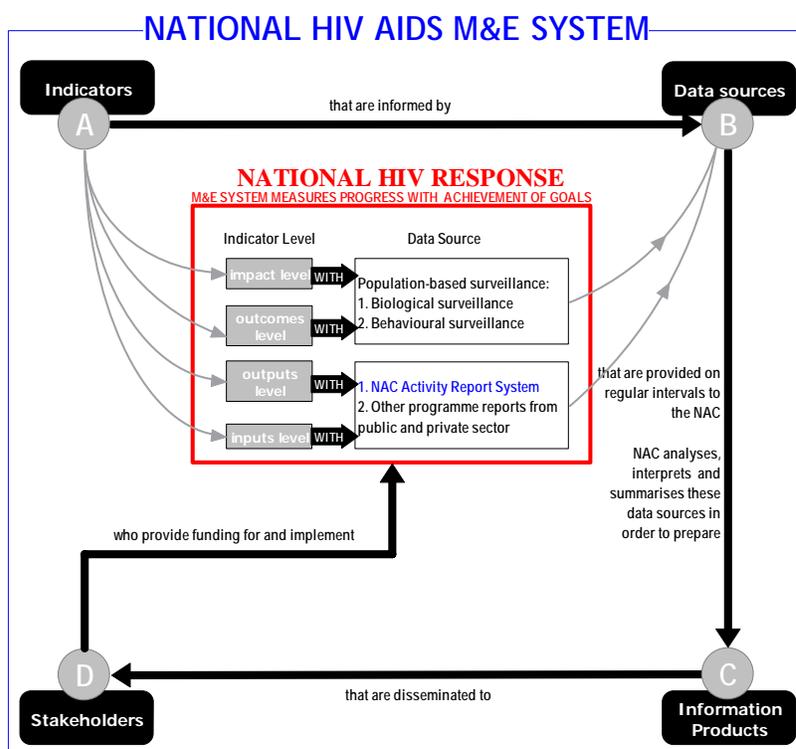
for all administrative functions, for example – was encouraged to control costs and ensure timely deliverable-based management.

The system that emerged was designed around the principle of "utilization-focused evaluation," following Quinn-Patton (1999). This implied attention not just to indicator design but to the larger challenge of providing decision makers with timely, useful, and reliable data. Not all desirable data were available immediately, much less in a uniform state. So the commission also needed to finance and develop additional data sources.

**Conceptual cornerstones of the national M&E system.** The system emerging from the design process rests on four linked cornerstones: indicators, data sources, information products, and stakeholders. Their relationship is illustrated in Figure 2:

Figure 2. Systemic Conceptual Framework

Adapted from: Malawi National AIDS Commission, 2003



**(A) Indicators.** A national set of 59 HIV/AIDS indicators to assess achievements at input, output, outcome, and impact levels. At the program output level, the indicators were grouped into six areas. These were used to logically organize the commission's annual work plan and its medium-term strategic plan.



**B) Data sources.** The system incorporates data from 20 data sources.<sup>47</sup> Sources are defined in terms of who is responsible for collecting the data, the frequency, and the source of funding for each. At least one data source, but sometimes more than one, is required for each indicator.

**(C) Information products.** The system defines the M&E information products (reports) to be generated, starting with regular reports by the commission.

**(D) Stakeholders.** The system defines who information products are to be produced for, and when and how they are to be disseminated.

With this conceptual scheme in place, a detailed operational plan was then developed. How would each indicator be defined? What specific data and data sources were necessary for each indicator? What content was needed for specific information products that would fulfill stakeholders' information needs? Who would define, approve, and disseminate particular products? Were the needs of all stakeholder communities being addressed? How would the system be managed?

**Implementation.** The diversity of stakeholders and the multisectoral approach demanded incremental, step-by-step implementation – operationalization took just over 18 months. First, the new MIS had to be developed and installed. Simultaneously, meetings were held with 20 data providers, whose feedback led to many innovative refinements of the system. Signed agreements with the providers needed to specify content, time frame, and terms of payment (if applicable). Ongoing interaction with stakeholders and donors ensured that reference to institutional program monitoring reporting requirements would be included in all HIV/AIDS-related documentation produced by the commission and its partners, including the national HIV policy, contracts, grants, training manuals, implementation guidelines, and so forth.

The system was launched with two major information products – a quarterly service coverage report and a first annual HIV/AIDS M&E report.<sup>48</sup> These were disseminated nationally and at district-level workshops. A curriculum was developed to train grassroots organizations in the system, as well as a briefing document to be used with stakeholders.

<sup>47</sup> These 20 data sources are drawn from 10 different institutions.

<sup>48</sup> The annual HIV/AIDS M&E report follows the calendar year. It was purposely done in order for its results to inform the Malawi planning process which starts in March.

## Problems Encountered

**Finalizing the set of indicators.** With a myriad of existing AIDS/HIV indicators to start with – including strong, often opposing points of view on which should be used – agreement on a common set was no easy task. The historical health sector-driven approach to HIV/AIDS, with its focus on epidemiological surveillance, strongly permeated assumptions and thinking. There was initial disagreement as to the benefits of and the need for routine recurring programmatic monitoring. Dialogue with the Ministry of Health and Population was not optimal, eventually resulting in the ministry not routinely collecting all necessary HIV data from its health centers.

**Unfinanced data sources produced no data.** Despite their inclusion in the integrated work plan, appropriate procurement mechanisms were not included for two key data sources – the health facility survey and the workplace survey. This meant backtracking and undue delays, a particularly serious matter because Malawi's commitment under the UNGASS declaration required inclusion of this data for its 2005 report to UNAIDS.

**Involving local communities in the commission's new Activities Reporting System is a challenge.** At the district level, new policies and strategies are being developed to deal with HIV/AIDS. With better planning and more community-level dialogue, a far greater share of responsibility for activities reporting might have been delegated to the district level. Such efforts were however hampered by the fact that there was no fulltime staff in place to manage or coordinate HIV/AIDS activities at the district level. Before December 2004, when fulltime District AIDS Coordinators were appointed, the coordination of HIV/AIDS activities was done in a part-time capacity by a person within the district health office, which severely hampered the extent and quality of involvement of districts in HIV/AIDS and in the national HIV/AIDS activities monitoring system (i.e. again pointing to how institutional challenges affected the HIV/AIDS M&E system). If it had been possible to have full participation and cooperation from the districts from the beginning, this would have meant not only less work, but far more important, broader utilization of information that was eventually generated. This lost opportunity came at a significant cost and now needs to be resolved retrospectively (a much more time consuming process).

**Inadequacy of data from some source providers.** Written contracts notwithstanding, many public sector ministries and parastatals did not adequately comply with their data commitments. As a result of uneven consistency from key providers, the M&E teams were



significantly limited in their ability to produce the highest quality information products.

***Inappropriate disaggregation of indicators.*** To report program monitoring results fully, output indicators frequently had to be disaggregated. Yet, for grassroots organizations in particular, this often generated unrealistic demands for tallying and summarizing numbers. The situation was worse for non-NAC grantees since they had to regenerate the same information prepared for their funding agencies to suit NAC Activity Reporting System format.

***Inappropriate utilization of M&E staff.*** The M&E staff was frequently assigned to tasks other than working on the system. Time was then insufficient for them to build the system completely and then advocate widely for its use. Follow-up to ensure that data from the system would be incorporated into all related reports and documents was often sacrificed. The casualty was weaker-than-hoped-for dissemination.

***Non-NAC grantees provided far less information.*** The NAC provided direct grants to many, but not all, implementers of HIV interventions. Implementers who were receiving independent financial support from other bilateral or private donors were far less compelled to provide data consistent with the commission's new Activities Reporting System. Since they are not contractually obligated, their uptake of the "uniform" activities reporting forms has been slow, resulting in significant gaps in the overall database, defeating the principle of 'three ones' which UNAIDS is currently advocating.<sup>49</sup>

### Factors for Success

The Malawi HIV/AIDS M&E system is in an early stage of implementation. Yet several factors clearly present themselves as keys to long-term success:

- HIV/AIDS indicators must adhere to international reporting norms and the broader requirements of scientific and advocacy dialogue on AIDS – including the UNGASS commitments and the Global Fund to Fight AIDS, among others. Indicators must adequately cover all four levels conceptualized in the results pyramid – input, output, outcome, and impact (see Figure 1).

<sup>49</sup> The Three Ones principle, launched in Washington on April 25, 2004, by UNAIDS in collaboration with national HIV/AIDS programs, bilateral funding partners and the Global Fund, reinforce international stakeholders' commitment to harmonize the HIV/AIDS epidemic response. The Three Ones are: one agreed HIV/AIDS action framework, one national authority for HIV/AIDS, and one agreed country level M&E system.

- A national M&E system must span the full range of components to be monitored, including biological surveillance, behavioral surveillance, national-level output translatable as results, and data that can be used for operations research and scientific research.
- Existing data sources should be used to the utmost. New primary data should be collected only if absolutely essential and as a last resort.
- To earn its keep, an M&E system must provide information, and that information must appear somewhere. The acid test, however, is not publication, but whether information is used. For that to happen, it is crucial that results reported from the M&E system appear before decisions are taken in the quarterly and yearly planning cycles.
- Unless ministries such as the Ministry of Health and Population strengthen their own systems to ensure that the data required by the national HIV/AIDS M&E system are routinely collected, civil society is unlikely to follow suit. This is because NGOs and even the private sector tend to follow the cues of government in how HIV/AIDS-related activities are reported.
- Uniform data that have been derived from the commission's Activities Reporting System must now filter down. Data need to be incorporated into all relevant national dialogues on HIV/AIDS, including policymaking, strategic planning, training manuals, and even job descriptions.
- Continuous advocacy, dialogue, and discussion will be essential for keeping the system robust and healthy – not as a one-time visit but for sustainable implementation of the system.
- There is a critical need for strong senior management support and accountability for M&E, particularly with respect to ensuring the use of results for decision making.

### Results Achieved

As it has moved from a pilot to a fully operational system, the national HIV/AIDS M&E system is proving itself to be more than a "matrix on paper." Evidence of early results includes:

- Stakeholders from 150 organizations<sup>50</sup> in the private sector, public sector, and civil society have been trained in the system.
- A comprehensive new Activities Reporting System has been piloted and launched. More than half of organizations trained have submitted forms that

<sup>50</sup> These are organizations each with various projects sites, branches, departments spread across Malawi.



conform to the standard, laying the groundwork for a uniform metric in activities reporting.

- Malawian national HIV/AIDS policy has indirectly incorporated the Activities Reporting System. Responsibility for reporting devolved to the five civil society umbrella organizations working with the NAC's M&E team, and these have taken on the supervision and training of sub-grantees' reporting. Dialogue has taken place with the districts on activities reporting, which has led to full-time district AIDS coordinators being appointed to work within local government structures.
- Further dialogue has taken place with funding partners and umbrella bodies about the importance of harmonizing the reporting systems, which has led to these funding partners and umbrella bodies agreeing to inform their various supported projects to abide by the Commission's Activity Reporting System.
- M&E information products are being produced, including quarterly service coverage reports as well as the annual HIV/AIDS M&E report. Not all 20 data sources have been incorporated into these products; nevertheless, the achievement of real-time data flow, even though it is still partial, marks a huge milestone in achievement.
- M&E results are increasingly penetrating into the public domain. In April 2004, more than 200 people attended an M&E workshop, and a first biennial research conference was held in May 2004.
- A significant shift has occurred in the direction of electronic information management. A shift toward online management was reinforced with the appointment of a data manager at the National AIDS Commission and the development of new databases for HIV interventions, stakeholders, and HIV/AIDS research.

### Lessons Learned

Learning – like the development of the M&E system itself – has been a continuous, iterative process. A few illustrative lessons:

***While planning is a good thing, too much of a good thing sometimes undermines operational progress.***

During the long, systematic planning process, which produced a lengthy, detailed M&E Operations Plan, effort may have been invested disproportionately on the discussion and selection of indicators. Pragmatic "shortcutting" is sometimes necessary – for example, a shortcut guide was developed to make the system more generally accessible to a wider range of stakeholders.

***A thoughtful mesh between program groupings and output indicators enhances the likelihood that they will be used.*** The six programmatic areas that were used to logically group the output indicators were also used to logically group the commission's annual integrated work plan and its medium-term strategic plan. This worked particularly well, and it maximized the opportunity that results from the M&E system would be used.

***Government structures should be adhered to – at least as a first choice.*** Ongoing education, promotion, and advocacy for the system are not only important; they are paramount to its functionality. But government structure cannot be ignored. For example, if the government has decentralized to the district level, then the Activities Reporting system must include district-level structures with the data flow.

***A national system requires a well-trained, dedicated interdisciplinary team with expertise beyond the traditional epidemiological focus – and that requires money.*** Adequate financing must not only be included in the annual budget and work plan, but in the government's procurement plan.

***Capacity building in M&E requires a national program monitoring curriculum.*** The funding available for HIV interventions has attracted the participation of many grassroots organizations. These are often small groups without the necessary skills to collect, capture, and summarize output-level data for reporting. M&E capacity building is needed, but it must be practical in focus, addressing seemingly mundane issues such as how to tally individual records, how to develop log books, etc.

***For synergies in scale and maximum benefit, the national HIV/AIDS M&E system should be linked with other M&E systems and with related MIS systems.*** International NGOs within Malawi are still using their own HIV/AIDS M&E systems. These are important, but they need to be harmonized and integrated with the commission's system. Similarly, synchronization with the Ministry of Health's Health MIS would facilitate smooth data transfer to the national HIV/AIDS M&E system.

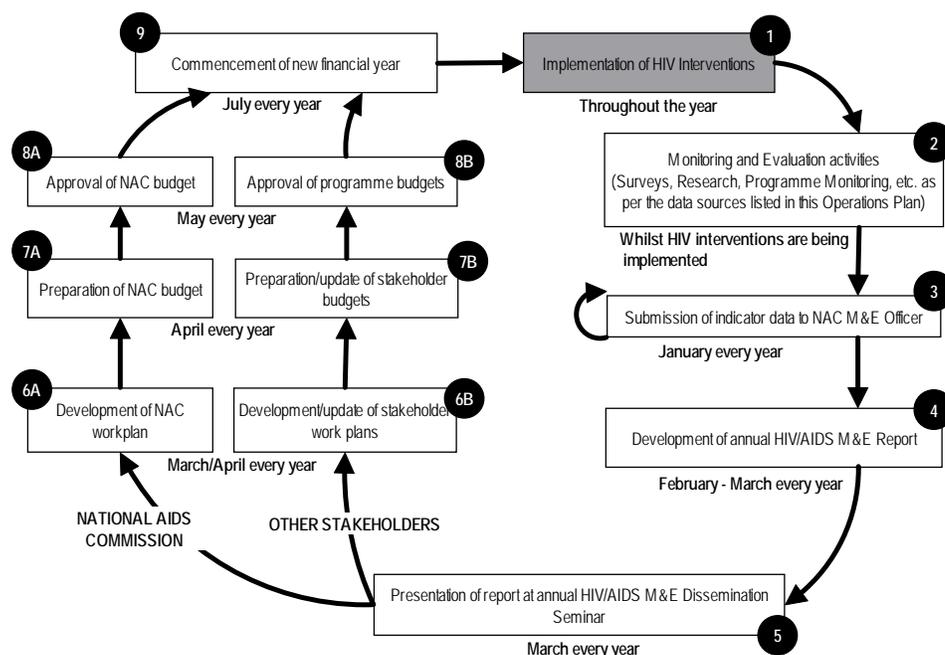
***When designing a national system, M&E reporting requirements must be captured and presented conspicuously in all related policy and strategy documents.*** Monitoring and evaluation takes place at many levels – including project level, organization level, coordination structure, and national level. In addition to data for decision making at each level, all actors need to take cognizance of the national system and ensure that they help collect data required across the board.



To ensure that M&E systems do not simply pay lip service to the notion of "using results for decision making," the M&E implementation cycle must be synchronized with the project planning cycle. This implies that M&E information products should be made available before annual work planning. The ideal process is illustrated in Figure 3.

**Figure 3. M&E System Synchronized with Annual Project Implementation Cycle**

Adapted from: Malawi National AIDS Commission, 2003.



### Conclusion and Applicability to Other Programs

Increased international attention to managing for development results has moved monitoring and evaluation away from its previously narrow focus on inputs and outputs to the achievement of outcomes and impacts. The Malawi HIV/AIDS M&E system demonstrates the level of detail and ongoing effort that is required to ensure an effective system within a multisectoral environment.

The Malawi case study strongly reinforces the need to implement the Managing for Development Results principles throughout the project cycle. It illustrates a system that should enable the National AIDS Commission to manage for development results for years to come. Yet the core principles can be also be applied to management for M&E results. Thus, the case demonstrates not only the principles to create an enabling environment for results-oriented development, but how to manage for M&E results as well.

### Summary: How MfDR Principles were Applied in the Malawi AIDS/HIV Monitoring and Evaluation System

1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.

- A multisectoral M&E system was conceptualized around a four-tiered results pyramid of indicators – input, output, outcome, and impact.
- Specific information products were defined, and specific dissemination strategies and channels were created.
- Dialogue with stakeholders also takes place through regular consultation with M&E stakeholders.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.

- The M&E system is designed around the goals of a results-oriented National HIV/AIDS Strategy,



which in turn is aligned with international conventions and accords.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- A newly designed Activities Reporting System was designed following extensive consultation and district-level input; the 2-page monthly form dovetailed with existing reporting. Indicators were revised to facilitate disaggregation of data for statistical analysis.
- A curriculum was developed to train grassroots organizations in the system, as well as a briefing document to be used with stakeholders

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- Conceptualization of the M&E system and follow-up operationalization is an example of how management for M&E results occurred. The M&E system is itself a tool to allow the National AIDS Commission to manage for development results in future.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The system was designed around four cornerstones in which indicators (cornerstone A) were informed by data sources (B) that were analyzed to produce information products (C) that are distributed in a timely fashion to stakeholders (D), thus enabling M&E results to be utilized for decision making as well as reporting and accountability.

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# Thailand: Rationalization and Corporate Governance of Specialized Financial Institutions

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## Executive Summary

Thailand's Fiscal Policy Office (FPO), with supervisory and policy guidance responsibility for State Financial Institutions (SFIs), has been increasing the efficiency and transparency in SFIs through improved corporate governance and rationalization. It has embarked on a program of restructuring and strengthening of corporate governance systems in the SFIs by segregating accounts and developing appropriate government support systems for Public Service Accounts (PSAs), and it is implementing a comprehensive reporting and monitoring system for all SFIs. After the Asian economic crisis of 1997, SFIs were identified as potentially playing a key role in alleviating the economic and social stress experienced by the poor.

The Asian Development Bank (AsDB) has collaborated with Thailand's Ministry of Finance (MOF) to restructure and build the capacities of four SFIs. Overall, the monitoring system is enabling FPO staff to more effectively handle and manage data reported by SFIs, and to use their analysis to improve management decision making. Lessons learned should be generalizable to other partner country governments seeking to provide financial support to small and medium-scale enterprises (SMEs) and other organizations served by SFIs.

## Background

The Asian financial crisis of 1997 had major ramifications for the economy of Thailand, particularly for the financial sector. Specialized Financial Institutions (SFIs) were identified as potentially important for alleviating economic and social stress experienced by the poor. SFIs also represented an important tool through which the government could implement fiscal and quasi-fiscal policies. In 1999, the Asian Development Bank (AsDB) collaborated with the Ministry of Finance to restructure and build capacity in selected Thai SFIs. The Fiscal Policy Office (FPO), with supervisory and policy guidance responsibility for SFIs, began to increase efficiency and transparency in SFIs through improved corporate governance and rationalization.

## Project components and objectives

This project has involved: (i) restructuring and strengthening of corporate governance systems in SFIs, (ii) segregating accounts and developing appropriate government support systems for Public Service Accounts (PSAs), and (iii) implementing a sound reporting and monitoring system for SFIs. The newly developed systems include reporting (data entry system), a monitoring and analysis system, and a data analysis interface.

## Problems/Issues Addressed by the Program

**Limitations of existing reporting and monitoring system of SFIs at FPO.** The government has historically relied on SFIs to provide credit to sectors of the economy not usually served by commercial banks. The previously existing FPO monitoring system relied primarily on periodic reports and selective monthly financial indicators submitted by SFIs. Developing a computer-based early warning system that would allow early identification and intervention for fiduciary and related problems among the country's SFIs was given top priority. The FPO was tasked to improve the reporting and monitoring systems, and to take steps that would ensure that the new systems would be complied with.

**Financial sector crowding.** In the wake of the crisis, financial sector restructuring and reform were critical for building market confidence and ensuring a sustainable economic recovery. As SFIs have expanded their scope, there has been a growing overlap (and potential competition) with more mainstream private financial institutions. However, SFIs serve market niches not adequately reached by traditional financial institutions and help build private markets, generate tax revenues, and empower poor people.



**Importance of organizational effectiveness.** The FPO has proven its effectiveness through careful implementation. Not only does it play a key role in providing resources, it helps build capacity in the SFIs as well. Four SFIS were targeted for support. While allocating resources to the SFIs in a manner consistent with the government’s public policy goals, FPO has taken steps to ensure that allocated resources are carefully targeted and kept distinct from other (commercial) goals of the SFIs.

**Restructuring of SFIs.** The AsDB loan component of the project supported the development of restructuring plans for the SFIs, while a grant component helped to rationalize the government’s role within the financial sector, improve governance of SFIs, and develop strategies for financing small- and medium-scale enterprises (SMEs). The approach focuses on grant-funded help to rationalize the purpose and structure of the SFIs and to establish an appropriate corporate governance framework for them.

### Objectives Pursued

Three specific components are involved:

- Restructuring and strengthening corporate governance systems in SFIs
- Segregating accounts and developing appropriate government support systems for Public Service Accounts (PSAs)
- Implementing a sound reporting and monitoring system for SFIs within FPO

The objective of the monitoring system is to create systematic reporting systems and procedures for SFIs. The standardized disclosure, reporting, and monitoring systems for SFIs clearly specify the types, format, content, organization, and time frames for reporting. This includes systems to help SFIs provide their reports online, either on a regularly scheduled basis or on a “real time” basis. These systems include:

- **Reporting (data entry system)** – SFI staff will be able to report periodic data through an online system using a normal Internet connection.
- **Monitoring and analysis system** – FPO staff can access SFI reports readily for analysis, monitoring, and planning.
- **Data analysis interface** – The FPO administrator can analyze financial data in various ways, including correlating and cross-tabulating variables, specifying breakdowns by specific variables, and “drilling down” to identify underlying patterns in the data. Findings of requested analysis can be provided in statistical form, and can then be por-

trayed graphically to support policy and financial decisions.

### Design and Implementation

**Restructuring and strengthening the corporate governance system for SFIs.** *The Best Practices Code for SFI Corporate Governance* identifies best practices according to which SFIs should be governed and controlled. This code:

- is consistent with Thai legal frameworks applicable to SFIs;
- conforms to international best practice standards in corporate governance, yet is customized to Thai conditions;
- allows SFIs to gradually come into compliance with the Code; and
- is congruent with other Thai corporate governance initiatives.

**Accounting systems and government compensation for Public Service Accounts.** The PSA system differentiates policy accounts from normal commercial accounts. The project will include development and implementation of “Guidelines for a Proposed Public Service Account in the SFIs.” These guidelines identify appropriate accounting methodologies and identify areas requiring government policy decisions. The guidelines also provide a basis for identifying potential problem areas (e.g., moral hazard and differentiation problems), as well as recommendations for dealing with those potential challenges.

**Types of data in the system.** The system includes the following types of data:

- **Financial information** – Historical financial data, accessible in various formats and combinations.
- **Key Performance Indicators (KPI)** – The monitoring system supports KPIs as identified by the Ministry of Finance.
- **Corporate governance database**
- **Early warning system** – This part of the system will use analysis of historical financial data, including the use of graphs with “drill down” options, for analysis of financial information.
- **Portfolio dataset** – A comprehensive database on SFI loan and asset quality, as well as other indicators of the portfolio quality and performance for SFIs.
- **Analyzing and reporting capabilities** – Reporting capabilities that allow FPO to more easily generate accurate and informative monthly reports to senior management for decision making.



## Problems Encountered

**Accounting systems and government compensation for Public Service Accounts.** SFI activities involve a mixture of commercial and policy activities; the latter, driven by government policies or directives, involve Public Service Accounts (PSAs). The PSAs are the government's policy programs based on concessional terms and conditions to the target group. This diversity creates challenges for FPO in accurately monitoring SFI performance. Before the project, it was difficult to differentiate the various parts of the business stream – PSA vs. commercial – and to determine the distinct contributions of each to SFI performance. This observation provides a strong rationale for developing two distinct accounting systems/principles, one for PSA activities and one for commercial activities. Such activity-specific systems allow for more accurate performance measurement, a clearer differentiation of results for commercial versus policy activities, and more reliable budgeting for future activities. Some SFIs have already developed activity-specific systems; however, these have only been used internally and will need to be independently verified to ensure accuracy and accountability.

**Limitations of current reporting and monitoring system.** The government has historically relied on SFIs to provide credit to sectors of the economy not usually served by commercial banks. However, SFIs have gradually been extending their services into new areas in response to a changing business environment and opportunities. As a consequence, FPO's existing systems for performance evaluation of SFIs need systematic review and updating. For longer-term policy purposes, the monitoring system should provide information for determining SFI self-sustainability, requirements for government support, and appropriate regulations. Further, the current FPO system relies primarily on periodic reports and selective monthly financial indicators submitted by SFIs. Ideally, FPO should have in place a computer-based early warning system that would allow early identification and intervention for fiduciary and related problems among the country's SFIs.

## Factors for Success

**Capacity development.** This system was supported by applied training for FPO officials on both the technical and policy sides. Overall, the monitoring system will empower FPO staff to more effectively handle and manage data reported by SFIs, and to use their analysis of that data to improve management decision making.

**Flexibility.** To enhance SFI compliance to the new corporate governance code, generic articles of association for SFIs have been drafted. These articles are modeled on best practices in Thailand's corporate sector, but with specific clauses added as required by SFI's enabling acts and other regulations. The key elements of the SFI corporate governance code will be "mapped" onto the articles of association. The generic articles are intended to be easily adapted for individual SFIs.

**Accounting systems and government compensations for Public Service Accounts.** After presentations and discussions of the proposed system with all SFIs, it became clear that the widely differing mandates, scope, and processes of the various SFIs would be a major challenge. In addition, certain issues need to be decided and resolved through discussions and negotiations between the Ministry of Finance (MOF) and the SFIs. As a consequence, the project team has approached each SFI to help clarify accounting issues. In particular, the focus has been on key success factors for the project, which include both (i) revenue and cost allocation issues, and (ii) computer and information technology issues. In this regard, all SFIs were asked to prepare initial and PSA project proposals consistent with the principles of the project. Results suggested that almost all of the SFIs understood FPO's objectives in the PSA area. FPO has now created mechanisms for further implementation, including assisting MOF to clarify PSA transactions.

## Conclusions and Applicability to Other Programs

**Restructuring and strengthening corporate governance system.** The FPO is now sharing its work on the corporate governance code for SFIs with other agencies and all SFIs. In the meantime, FPO has worked with the Bank for Agriculture and Agricultural Cooperatives (BAAC), which has unofficially adopted and implemented the articles of association in compliance with its enabling act and other regulations. The experiences of BAAC will be invaluable in improving the articles of association for other SFIs. Training workshops for SFIs on implementing and complying with the SFI CG Code were held in 2004. These workshops will allow FPO staff, State-Owned Enterprises Policy Office (SEPO) officials, and SFI executives and staff to review and adjust the code in more detail. The adjustments in the code would be to make them more suitable for the SFIs and concerned agencies. Thus, FPO and other agencies are working to make the project fit the needs of recipients.



**Reporting and monitoring system.** FPO has now issued a mandate to all SFIs requiring them to report relevant information under the new reporting and monitoring system; further, all SFIs have accessed the online reporting system. Certain problems have been identified during the trial period, and steps are being taken to address those challenges and complete the system. At this point, the top priority is to evaluate all progress to date, including conducting comprehensive data analysis and identification of key policy issues for moving forward.

**Broader applicability.** This project was purposely based on an aggressive approach to strengthen the SFIs' core structures and prevent serious problems. In the process, FPO's perspective has become broader and more forward-looking. The project is highly congruent with FPO's mission and vision, which are geared toward taking a more proactive role in innovative development projects. Lessons learned should be generalizable to other partner country governments seeking to provide financial support to SMEs and other organizations served by SFIs.

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# Uganda: Assessing Performance of the Water and Sanitation Sector

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## Executive Summary

**D**ecentralization of water and sanitation service delivery in recent years has been accompanied by huge budget increases at the district level in Uganda. But what difference has this investment made – and how can results be improved?

To improve results-based management in the water and sanitation sector, the government enhanced its monitoring and evaluation capacity by developing a new Performance Measurement Framework for the sector. The objectives were to, first, greatly enhance results-oriented measurement within the sector, and second, produce timely information and analysis for the annual sector performance report and ongoing dialogue with donors.

A set of “golden indicators” was developed to assess five performance themes: impact; quantity and quality; access and usage; equity and affordability; functionality and managerial responsibilities; and value for money. The indicators were worked out through consultation and a collaborative effort with sector stakeholders to measure overall sector performance.

Detailed analysis of performance in terms of the golden indicators has become increasingly central to overall management of the sector. The indicators provide not only a way to assess current performance but a longitudinal framework for comparisons over time. The process of indicator selection and definition further helped to harmonize indicators that are used more generally in the country’s main planning documents.

## Assessing Sectorwide Performance in Water and Sanitation

Decentralization of water and sanitation service delivery in recent years has been accompanied by huge budget increases at the district level in Uganda. But what difference has this investment made – and how can results be improved?

Traditionally, the evaluation indicators for water and sanitation have focused on physical outputs, not results. They typically report on the number of boreholes drilled and the number of latrines built. But this does not tell us whether people have received improved water and sanitation services.

Improved water and sanitation services have two potential benefits: improved health, and saving time in water collection. Saving time provides the *potential* for increased economic activity, education, and child-care, but other factors are needed to bring these to fruition. Faeco-oral diseases form a substantial part of the disease burden in Uganda, particularly for young children. Although there is no doubt about the impact of improved water and sanitation, it is generally recognized that a disease outcome such as diarrhoeal

disease is not a good measure of water and sanitation services because of the number of confounding variables (e.g. nutritional status, seasonality, other diseases, and so forth).

In Uganda, many entities other than local governments provide water and sanitation services. These include the central government, NGOs, and private sector firms. Some emphasize physical infrastructure, while others emphasize capacity education and capacity building. Virtually all of them make use of monitoring and evaluation to enumerate physical outputs and keep track of activities, yet there is little consistency in what they measure and no overarching framework to translate and aggregate what it all adds up to. Since decentralization, there has also been growing interest in the performance of public sector service delivery in Uganda in response to the general move away from project funding modalities toward a sectorwide approach to planning (SWAp).

In order to standardize and improve measurement of water and sanitation services within the sector, a Performance Measurement Framework (PMF) was developed.



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### What is a Performance Measurement Framework?

A Performance Measurement Framework is a conceptual device within the monitoring and evaluation system that assesses the overall impact within the sector on intended beneficiaries – with the goal of improving performance results.

Sector performance is generally defined in terms of:

- Effectiveness – for example, new water points leading to reduced collection time by users
  - Efficiency – services delivered in a cost-effective and timely manner
  - Equity – service that follows the principle, “Some for all, not all for some.”
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### Objectives Pursued

To improve results-based management in the water and sanitation sector, the government enhanced its monitoring and evaluation capacity by developing a new PMF for the water and sanitation sector. The objectives were to, first, greatly enhance results-oriented measurement within the water and sanitation sector, and second, produce timely information and analysis for the annual water and sanitation sector performance report and ongoing dialogue with donors.

**Performance issues to be addressed.** The PMF was developed to provide answers and address issues on several key themes.

- While access to water and sanitation has increased markedly in Uganda as a result of the government commitment to poverty reduction, it is recognized that access alone is but one element of improved services. In terms of impact, how much difference is being made?
- Are participating institutions receiving “value for money” from the increased sectorwide investment that has been made in water and sanitation?
- Are resources being targeted effectively in water and sanitation to achieve specific sectoral goals, national goals in poverty eradication, and broader Millennium Development Goals?
- How to “see” and target resources through improved decisions by policy makers in water and sanitation, consistent with the more general shift toward a sectorwide approach to planning?

**Enhancing dialogue between donors and the government.** A critically necessary product of the Performance Measurement Framework is the annual water and sanitation sector report, which provides a sectorwide perspective that goes beyond individual projects or programs. This report coincides with key

policy and decision-making meetings for the sector, the Joint Sector Review (JSR). Moreover, the PMF helps to harmonize indicators and targets used inter-institutionally and internationally in water and sanitation planning documents. Among others, these include Uganda’s Poverty Reduction Strategy (PRS), the Poverty Eradication Action Plan (PEAP), Sector Investment Plans 2015 (SIP15), and the Medium Term Expenditure Framework (a 3-year rolling budget planning tool).

### Design and Implementation

**How the Performance Measurement Framework was designed.** Initially consultants were recruited to prepare the first Sector Report 2003. This report evaluated data sources available within Uganda such as national surveys and compiled information to report on various themes within the sector instead of the traditional subsector measurements of physical outputs and numbers of activities. It identified cross-cutting themes and flagged the need for data to support a more comprehensive approach to analysis.

Following the first report, the consultants and key sector stakeholders jointly prepared a Performance Measurement Framework (PMF) to begin the institutionalization process. The JSR lent support to the effort, and a working group on sector performance was set up by the government with representatives from a wide range of sector stakeholders.

The initial challenge was to translate objectives into a streamlined system for measuring performance. As the first step toward this, the team identified five performance themes: impact; quantity and quality; access and usage; equity and affordability; functionality and managerial responsibilities; and value for money.

**“Golden indicators” for the five performance themes.** Indicators were carefully defined at the sector and subsector levels. The most important of these are termed the golden indicators, which were worked out from the five performance themes through a collaborative effort with sector stakeholders to measure overall sector performance. The final list, referred to as the “ten golden indicators” includes:

- **Access to water** – the percentage of the rural population within 1.5 km and urban population within 0.2 km of an improved water source
- **Functionality** – the percentage of improved sources that are functional at the time of a given spot-check
- **Investment cost** – average cost per beneficiary of a new water and sanitation scheme
- **Access to sanitation** – the percentage of people with access to improved and basic latrines



- **Water for production** – the percentage increase in cumulative storage capacity of water for production
- **Water quality** – the percentage of samples complying with established national standards
- **Equity** – the mean parish deviation from district average in population per improved source
- **Access / use of hygiene practice** – the percentage of the population with access to hand-washing facilities
- **Gender** – the percentage of women holding key positions on water users committees
- **Community capacity development** – the percentage of water points with an active water user committee

Detailed analysis of performance through the golden indicators has become increasingly central to overall management of the sector. The indicators provide not only a way to assess current performance but a longitudinal framework for comparisons over time. The process of indicator selection and definition further helped to harmonize indicators that are used more generally in the country's main planning documents, and they can be used to measure local governments' performance as part of Uganda's Fiscal Decentralization Strategy.

**The use of data sources.** Agreement was reached that for each golden indicator there should be a primary and a secondary data source. The primary source is to be used for the "headline figure" that is cited for overall sector performance. Where possible, it should be obtained directly from local government which is closer to the actual delivery of services. Secondary data sources should be used to validate and triangulate the primary data. There can be several of these sources for each indicator but care should be taken to ensure that the cost of data collection does not exceed its value. The data sources used to assess performance include a combination of the following: review of existing data sources (national surveys, etc), collection of further data from local government, and case study visits to various parts of Uganda to build a picture of what information from routine data sources means in reality. Part of the process of improving data accuracy and quality involves working with the institutions collecting data to harmonize definitions.

Since the first sector report which entailed a review of the available data sources, the strategy has been to rely on existing data sources wherever possible but to gradually improve their quality and accuracy. In most instances, data for the golden indicators have been triangulated from multiple sources. Analysis of data has provided information on: performance trends over

time, comparisons in performance between local governments, differences among geographical areas, and differences among service providers.

**Incorporating a Value-for-Money approach.** Several studies on "value for money" have been undertaken in recent years, producing much useful information. However, there is concern that these studies are not yet well defined and do not link to wider performance measurement processes. There is an opportunity to set out an improved value-for-money approach to cover critical questions such as: How can costs be trimmed? How can quality be most effectively improved? How much does it cost to improve the equity of service delivery? Is the observed impact on the sector worth the overall financial investments that have been made?

To better answer and analyze such questions, tracking studies are needed to better monitor the flow of resources, focusing on bottlenecks to implementation of financial processes and on ensuring that allocated funds support the activities for which they were intended. While the value-for-money approach has been receiving increasing priority as a theme to the sector performance report, there were many weaknesses in the first few studies and much refinement is needed. However, the value-for-money approach is gradually coming to be accepted for keeping track of efficiency and thinking about future budget allocation.

**Dissemination and use of findings and recommendations.** Better performance measurement should lead to better decisions in terms of policy making and resource allocation, and identification and dissemination of good operational practices. Effective dissemination of performance data can be used as a way of lobbying for more resources and for the reallocation of resources within the sector.

## Problems Encountered

**Finding the right "home" for the process.** Permanently institutionalizing the process has been an obstacle to implementation of the Performance Measurement Framework. Initially, it was suggested that the process be outsourced to an NGO or similar agency. Yet no suitable agency was found. Responsibility for the framework was taken on by the Ugandan Directorate for Water Development, Ministry of Water, Lands, and Environment.

Despite the advantages in being based at the center of action, the decision was not without risks. Most technical staff involved in collecting data, analyzing information, and compiling the water and sanitation sector report, work for the government. They all have other duties, with competing demands and few incen-



tives to prioritize performance measurement. Finding the most appropriate institutional home within the ministry to coordinate collecting information, analyzing and compiling the report has also been problematic in light of internal political struggles and mismatched resource allocation within the ministry.

**Good data, bad data, and no data.** Data sources on water and sanitation in Uganda are often unreliable. Unfortunately, bad data – no matter how elegant the framework – can lead to even worse decisions than those made with no data. In developing the Performance Measurement Framework, much effort has been invested in locating multiple sources and in field visits to flush out errors when apparent inconsistencies surface.

It is always difficult to get consensus on indicators and their definition. At some point, a line has to be drawn when the definition is agreed and further tinkering is discouraged (definition of what constitutes a “sanitary” latrine can dramatically change the coverage figures but distracts from the real issue – i.e. whether there has been improvement in coverage).

### Adaptations Made in Implementation

To implement the Performance Measurement Framework, Golden Teams were set up to fine-tune each of the golden indicators and adjust the evolving framework. One set of teams took on data collection and analysis, while another group was responsible for the overall coordination and for compiling the final report. Many adjustments were made.

**In-depth studies for critical areas.** For the program year in progress, in-depth studies were assigned to deepen understanding of key issues in the sector performance report. These studies focus on issues of real importance where recommendations can lead to demonstrable performance improvement. The results of these studies will feed into the next sector report, broadening the evidence base for policymaking and for resource allocation within the sector.

**Widening the range of stakeholders.** The Golden Teams conducting these studies came from various government institutions and NGOs, which broadened perspective and permitted cross-fertilization of ideas. The districts and municipalities chosen for these studies were derived from performance league tables, so that a mix of high- and low-performing places was selected for comparative analysis of results.

**Strengthening data analysis as an iterative process.** Field and analytical work was carried out for the 2004 sector performance report to refine and interpret the existing data for each of the golden indicators. Trends over time were presented, and district comparisons

were made. Following this first round of work, refinements were systematically built into the process for the subsequent year, so that overall performance trends could be tracked, district league tables updated, geographic analysis extended, and, for some indicators, gender and household income level included – thus improving the alignment between data and the full range of outcomes to be monitored and evaluated over time.

**Resolving debates on definitions and data quality.** A myriad of technical questions in regard to definitions and data quality have presented themselves and are gradually being resolved. What, for example, is to be considered an “accessible distance” to a rural water source? The standard is currently defined as 1.5 kilometers; yet as coverage has increased most improved water sources are within 1 kilometer of the population. Yet the rural population density is highly uneven across the country and sparse in some regions and decreasing the 1.5 kilometer standard could mean, in principle, having to provide a water point for just a few household in these areas.

### Results Achieved

The Performance Measurement Framework of the water and sanitation sector is a new innovation and very much a work in progress. Two sector reports (2003, 2004) have been produced. Pragmatically, these reports have played a key role in providing the main source of sector information for the Joint Sector Reviews. Issues raised in these reports have led to policy undertakings directly relevant to the success of poverty reduction – for example, a commitment to allocate more resources to rural areas where the majority of the poor live.

The emphasis on results-oriented performance has migrated across the water and sanitation sector and is reinforcing similar thinking in other spheres – for example, the commitment to decentralization, acceptance of SWAps for planning, and increased use of cross-sectoral indicators.

Nevertheless, success should be declared with a great deal of caution. Sector institutions are far from ideal when it comes to monitoring for results, especially for cross-sectoral national programs. In general, inter-ministerial coordination and collaboration remain weak across the government. Attribution of credit for results between sectors (for example, who is responsible for a decline in infant and maternal mortality?) is extremely difficult to determine and politically contentious.



## Factors for Success

Much has been learned about what it takes to implement the changes to institutional thinking and process represented by the Performance Measurement Framework.

**All indicators that glitter are not “golden”.** Consensus on a set of indicators is always a difficult task, particularly when trying to keep definitions simple and the number of indicators down. Hopefully a consensus will emerge quickly and relatively painlessly, but if that doesn't happen, a line must sometimes be drawn to settle on working definitions and to discourage an ad infinitum modification process.

**Apples still cannot be compared to oranges.** To make meaningful analytical comparisons, performance measures must necessarily compare like to like. But that is seldom easy with the data that is used in the water and sanitation sector. Take, for example, the definition of what constitutes a “sanitary” latrine. If the definition is open to interpretation then the coverage figures can vary dramatically from year to year and region to region, making it extremely difficult to aggregate numbers in order to say if or how latrine coverage is improving.

**Announcing a requirement does not necessarily mean that the data will be collected.** Data providers, who are routinely responsible for collecting one kind of data in the field, will not necessarily collect more or different data simply because that would be useful within a Performance Measurement Framework. To improve the quality, consistency, relevance, and use of data, there must be give-and-take dialogue with key data providers, especially those who collect it in the field – for example, the continuous dialogue with the Bureau of Statistics that leads to enhanced survey questionnaires.

**Learn by doing.** To develop indicators, consultations with affected stakeholders were essential in the towns and villages where water services were to be upgraded. This is a time consuming process, but it led to much improved reporting formats that are likely to be usable by local governments. The indicators finally selected to represent water and sanitation performance are now also to be used cross-sectorally in assessment of the Fiscal Decentralization Strategy (FDS).

## Lessons Learned

Key lessons learned from the production of the 2004 sector performance report are:

- Plan and allocate sufficient resources and time for management and the conduct of the work.
- Build on stakeholder relationships that have been developed, integrating the inputs of NGOs and others in a more coherent manner.
- Ensure greater clarity of golden indicator definitions.
- Improve the quality of data, identifying that which will be treated as the ‘headline’ data.
- Commission sector teams to carry out in-depth studies to review key performance issues further and to identify the scope for improving elements of sector performance.
- Make better use of performance data and devote resources to the implementation of report recommendations.
- Link performance reporting to value-for-money, tracking studies, monitoring and other related sector functions.
- Strengthen district reporting mechanisms and the ‘league’ table approach, linking local government performance reporting to the FDS.
- Allocate performance measurement roles and responsibilities clearly and embed these in work plans, job descriptions, appraisal systems, etc.
- Provide additional capacity building support.

## Conclusions and Application

The water and sanitation sector is working progressively toward a SWAp, and Uganda is commendable as one of Africa's best examples of decentralized service delivery.

In support of SWAp and in response to the need to improve performance of service delivery, the water and sanitation sector has developed a Performance Measurement Framework, a results-oriented innovation and a significant move away from supply-side, input-oriented approaches. The Performance Measurement Framework provides a useful tool for assessing overall impact as well as short-term improvements in the effectiveness, efficiency and equity of service delivery. With the right type of long-term support, this experience should be applicable to other programs and countries.



### **Summary: How Uganda's Performance Measurement Framework Program Embodies MfDR Principles**

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- A subgroup of partners was specifically established to oversee the implementation of the Performance Measurement Framework.
- Dialogue with stakeholders took place through regular consultation and formal sector stakeholder meetings such as the Joint Sector Review.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- The Performance Measurement Framework was specifically designed around the goals of the water and sanitation sector.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- Results in an annual Sector Report which uses, as much as possible, existing data sources.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- The Performance Measurement Framework has been specifically established to address Management for Results. Thus the golden indicators have been developed to focus on sector outcomes and impacts rather than the traditional outputs of water points constructed.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The Sector Report has become the presentation at the annual Joint Sector Review, which is the main policy level decision-making body for all sector stakeholders.
- The Performance Measurement Framework plays a key role in all the main planning tools and documents related to the role of the water and sanitation sector in poverty eradication.

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SIP15

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## Yemen: Social Fund for Development III Project

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### Executive Summary

The Yemen Social Fund for Development (SFD) is undertaking a participatory outcome-based approach to implement three main programs: community development related to social and economic infrastructure; capacity building; and microfinance. The program focuses on helping the poor to help themselves through providing income-generating activities and building community infrastructure.

The results framework specifies outcome indicators and results indicators for each component: (i) community development encompassing education subprojects, water and sanitation, health programs, cultural heritage, and rural feeder roads; (ii) microenterprise development; and (iii) capacity building and institutional support. The M&E function consists of six principal activities that are important from a results perspective: (i) conducting evaluation surveys and impact studies; (ii) systematizing M&E activities carried out by each of the program units and documenting lessons learned; (iii) capacity building; (iv) conducting participatory M&E for selected activities; (v) periodic external evaluations by sector specialists; and (vi) communications/marketing of SFD's success stories. The latter aspect is especially important, and is often overlooked.

Other donors have joined in supporting the SFD: the European Commission, Arab Fund, Islamic Development Bank, Kuwait Fund, DFID, Saudi Fund, OPEC, and USAID. Thus, it is an important illustration of harmonization at the program/project level. The project was presented to the Conference on 'Scaling-Up of Poverty Reduction,' which was held in Shanghai, Peoples Republic of China, in May 2004.

### Problems/Issues Addressed

#### *How to make poor communities a part of the solution*

The Yemen Social Fund for Development (SFD) is undertaking a participatory outcome-based approach to implement three main programs: community development related to social and economic infrastructure; capacity building, and microfinance. The program focuses on helping the poor to help themselves through providing income-generating activities and building community infrastructure rather than making cash transfers. The SFD's approach also ensures that capacity building of local communities is an integral part of its package of support to local communities. SFD's approach is focused on conducting evaluations at every stage of the project cycle to assess processes and outcomes and to take timely and effective corrective measures. Also, the SFD undertakes ex post impact evaluations to generate lessons of experience.

Over the past six years, the SFD programs have benefited about 7 million people, of which 49 percent are female, and generated 8,000 permanent jobs. A new IDA Credit (\$60 million) was approved by the World Bank's Board on February 26, 2004.

Yemen's per capita income is \$450 and 42 percent of the population lives below the poverty line. It remains one of the least developed countries, based upon human development indicators. The infant mortality rate is 79 per 1,000. The under-five mortality rate is 97 per 1,000 and almost 50 percent of this cohort is affected by malnutrition. The total fertility rate is 5.9 births per woman and the population growth rate is close to 2.7 percent. Life expectancy is 56 years. The overall quality of education is poor and indicators are well below the regional average: only 45 percent of Yemeni adults are literate, and the gross enrollment ratio for basic education is 70 percent. In all sectors, the gender gap is extreme. The child mortality rate is 15 percent higher for females. Less than a quarter of the girls living in rural areas and of primary school age attend school, and less than half of all girls of primary school age attend school.

Ninety percent of the population of 17.5 million has less than minimum standards of domestic water supply, and only 40 percent have access to safe drinking water and sanitation. Electricity reaches about 35 percent of the population, and generating capacity is falling behind demand. Being largely mountainous, the country's topography precludes easy access to the market economy – this restricts the ability to provide public services to much of the rural population. Only 10 percent of the road network is paved.



### What is a Social Investment Fund?

Social Investment Funds (SIFs) have become important instruments in reaching out to beneficiaries in communities, towns, and villages. The modality usually involves passing on grant funds to beneficiaries that can be used for a range of subprojects in infrastructure and social services. SIFs differ from traditional approaches to infrastructure lending; they are often designed without cost recovery, unlike water projects that are implemented by public utilities. Thus, sustainability of the SIFs has been a problem in getting results over time. The Yemen SIF is in its third generation of support from IDA and other donors, so there is much useful material to study in this illustration.

The effective, efficient, and equitable delivery of social services is severely insufficient, and the overall capacity of the government is lacking. Public sector delivery of programs and projects is generally weak. Moreover, civil society organizations lack capacity but are closer to the communities and more familiar with the problems than is the government.

The Poverty Reduction Strategy Paper (PRSP) identifies three basic goals – achieving economic growth, enhancing the capacities of the poor, and reducing their suffering and vulnerability – and four main pillars of intervention. To successfully achieve these goals, improved governance is an essential precondition to the four main pillars of intervention, which in the Yemeni case were defined as:

- achieving economic growth that is stable, diversified, and that reduces income disparities;
- developing human resources by emphasizing population programs, improved health conditions, education, and training;
- improving infrastructure, particularly water and drainage, roads, and electricity; and
- protecting the poor and vulnerable through comprehensive social safety net schemes.

### Objectives Pursued

The goals and directions of the Second Five-Year Plan guide the implementation of the Poverty Reduction Strategy Paper (PRSP) regarding poverty reduction efforts, and execution occurs mainly through investment programs and projects, either ongoing or new, across all sectors. The Social Fund for Development (SFD) is a vital element of Yemen's social safety net, as well as a main tool in building capacities in the country. In view of its cost effectiveness, the SFD is a critical instrument in assisting social and economic development, especially for the poorer segments of the society, by investing in sectors that are key to

Yemen's social and economic success – education, health, water, roads, etc. – underscored by community mobilization and development, while supporting the decentralization process. The SFD also has an important demonstration impact on the public sector service delivery in the country, as well as a contribution to building up the human and social capital.

Thus, the project, supports the government's approach to: (i) improving governance through better budgeting, expenditure, fiduciary controls, policy formulation, and building capacity for effective decentralization; (ii) improving human capital through expanding basic education, closing the gender gap in basic and secondary education, and improving access to health care; and (iii) ensuring environmental sustainability through policy formulation and investment in water sustainability, soil conservation, and sustainable fish stocks.

### Design and Implementation

In designing the programs, the SFD has been giving close attention to how one defines outcomes, and how one manages and measures results. While the number of projects supported was being monitored consistently, the focus has always been on the impacts of these projects and their economic efficiency. The Yemen Social Fund III Project is the third in a series of social investment fund operations that provide infrastructure and social services to the country's poorer groups. As such, it is able to draw on the results of the previous two operations. The approach is to build an effective, efficient, and sustainable institutional mechanism for providing social services throughout the country by: (i) refining social service delivery approaches and (ii) empowering local communities and councils to take charge of their local development.

### Results Indicators

The SFD supports activities that directly relate to improving access of the poor and the vulnerable groups to basic services, and enhancing their potential for generating income through increased access to economic infrastructure, business services, and credit. The SFD supports innovations in school programs, water service delivery, rehabilitation of traditional water systems, devising alternative mechanisms to health services delivery, supporting rural roads, and mounting outreach programs to special needs groups. At least 40 percent of SFD resources go to the lowest three income deciles, and the SFD's operating cost does not exceed 7 percent of the investment costs.

The results framework specifies outcome indicators and results indicators for each component: (i) community development encompassing education subpro-



jects, water and sanitation, health programs, cultural heritage, and rural feeder roads; (ii) microenterprise development; and (iii) capacity building and institutional support,

The project development outcomes for the first component include:

- 300,000 children to be enrolled in SFD-built schools over the four years, 2004–2007
- 70–80 percent of SFD-supported health facilities and institutions are utilized by targeted communities
- 240,000 beneficiaries to have access to water, 760,000 to use feeder roads supported by the SFD
- 70–80 percent of targeted children to benefit from SFD-supported programs.

On the second component, the indicators will measure whether the client/beneficiaries are provided with different financial services (savings, credit, or other services) and the extent of microenterprise development that is achieved under the program.

On the third component, the result of work by NGOs, cooperatives, local councils, consultants and contractors supported under the program (whether by training or financing personnel during a subproject implementation) is being monitored and evaluated using specific criteria. For local councils, the criteria used include the development of area development plans, enhanced capacity for needs identification and development projects implementation. For NGOs and CBOs, specific efficiency indicators are used to monitor enhanced capacity.

The monitoring and evaluation function consists of six principal activities that are important from a results perspective: (i) conducting evaluation surveys and impact studies of all SFD programs by the Programming Unit; (ii) systematizing monitoring and evaluation activities carried out by each of the program units, and documenting lessons learned to feed into the SFD operations; (iii) capacity building in monitoring and evaluation for the Programming Unit, the program units, and respective branch offices; (iv) participatory monitoring and evaluation for selected activities; (v) periodic external evaluations by sector specialists; and (vi) communications/marketing of SFD's success stories.

Most of the results data are maintained at the subproject level. Data on subproject outcomes and results are generated from different sources:

- annual facility/project quantitative survey of randomly selected projects and beneficiary impact assessment surveys;

- regular follow-up of projects during and after implementation;
- periodic evaluations by external consultants of the SFD's innovative programs; and
- impact evaluations to be conducted every three years.

The state-of-the-art Management Information System (MIS), which the SFD has developed, has ensured that the full project cycle is automated with online access by all SFD staff at the central and branch office levels. The MIS provides the flexibility to generate different reporting requirements and satisfy government and donors' requests. It is a powerful monitoring tool that helps identify problems at early stages.

### Problems Encountered

The main risk from a sociocultural and political context is that the SFD can be subject to elite capture (in poor rural areas, the neediest may not be the ones submitting subproject proposals) and that the poorest communities, which may be less organized and have fewer resources, may not submit their demands. The civil service is weak and has impeded progress on governance issues and support for reform. The execution of investment programs across all sectors and the achievement of PRSP objectives has been slowed down by these entrenched forces.

Such problems arise from five core constraints: (i) the lack of public sector governance; (ii) lack of coordination among sectors, and inadequate poverty data for resource allocations; (iii) problematic service delivery in remote areas; (iv) top-down service delivery; and (v) the absence of a government or nongovernment body that focuses on building the capacity of civil society institutions.

One of the main problems encountered is the political and social pressure to direct investments to certain areas in a way that does not comply with the transparent system of targeting the areas with the highest poverty indicators. Some tribal leaders, MPs and politicians sometimes try to benefit from the resources available in a manner that is not consistent with the overall approach.

The existence of a large number of donors and the government resulted in different requirements, burdens on the SFD structure, and sometimes conflicting messages concerning the approaches used and mechanisms adopted.



### Adaptations Made in Implementation

The third SIF reflects the lessons and adaptations stemming from the previous operations. Changes have been introduced at both the institutional and operational level of the SFD. At the institutional level, the SFD continues to adopt a dynamic organizational structure that is able to quickly change with the changing environment and to respond to feedback from the field. More decentralization to the regional offices has empowered the front line staff to take decisions, given their closeness to communities. Mainstreaming the lessons learned in the SFD structure ensures that enhancements continue to be introduced at all levels. More and deeper coordination with line ministries, especially at the regional level, ensure effectiveness on the ground.

At the operational level, emphasis is being given to the build-up of social capital at the communities' level to ensure that they take charge of their own development in the future. Community participation in all sectors is being strengthened to ensure ownership and maximize the benefits from the SFD resources. More focus is placed on operation and maintenance arrangements to ensure future sustainability of investments. Interventions are focused on activities that have development objectives in both the short- and medium-term horizons. More refined approaches are used to target poor communities and, at the same time, measures are devised to ensure that communities with low capacity and demand are stimulated to benefit from the SFD resources. New approaches are being used to address sectors whose interventions had partial successes in the first and second phases, such as the health sector. Finally, strong focus is being placed on monitoring and evaluation to: (i) ensure the effectiveness of the interventions, (ii) ensure that future investment decisions are made on a scientific basis, and (iii) at the national level, the impact and role of the SFD is accurately perceived for overall poverty reduction strategies.

### Factors for Success

- Institutional autonomy, which permits fast response to communities and payments to contractors.
- The adoption of a transparent approach where all the rules and regulations governing the functioning of the SFD are recorded in the operational manual, and every project officer complies with this manual. The manual is also shared with external parties, and all applications coming to the SFD are screened against the criteria in the manual.

- The flexible institutional arrangement at the SFD level, which permits the management of the SFD to hire and fire according to performance.
- The competitive salary scale of the SFD structure.
- The government's commitment to have a Social Fund for Development that operates free from political pressures explains much of the success of the previous programs.
- The ability to have professional management and well-trained staff.

### Independent Ex Post Reviews

The independent impact evaluation study which was conducted on the SFD activities noted the following important results:

- A significant proportion of resources from the project benefited the poorest: 17 percent went to the poorest decile.
- The education subprojects increased student enrollment from 60 to 68 percent between 1999 and 2003; female students enrolled increased from 42 percent in 1999 to 56 percent in 2003, and male student enrollment increased from 76 to 78 percent over the same period.
- The proportion of households with tap water in their dwellings increased by 23 percent. There was also an increase in the per capita consumption of water, improvement in the frequency of supply and reduction in time and effort for those who fetched water from outside; feeder roads benefited about 300,000 people and helped reduce travel time and cost on average by 40 percent.
- The project helped to establish the foundation of an emerging microfinance industry and created awareness among policy makers on issues such as interest rates.

The study also cited some shortcomings:

- The small enterprise component had to be eventually canceled because of poor quality at entry. As a result, income generation through creation of permanent employment was much lower than envisaged.
- Difficulties in the microcredit program: The saving and credit program in Aden failed because of basic design flaws; the Hodeidah program, which was a credit only program, was affected by fraud in 2001 because of lack of development of an appropriate auditing and MIS system.
- Concerns about the quality of the infrastructure built in some communities.



- Concerns about the quality of community participation in implementation: Despite the project concept that the communities would contribute to the operation and maintenance (O&M) of education subprojects, this turned out to be quite limited.

The Social Fund Development III Project has taken these issues into account and introduced changes in its approach to deal with the identified shortcomings

## Results Achieved

Over the last eight years, the SFD supported a large array of development projects and activities that extended benefits to many rural and urban communities across the country. Over this period the SFD financed over 4000 subprojects in different sectors across Yemen<sup>51</sup> with an overall finance of over US\$220 million. These projects benefited over nine million beneficiaries and provided temporary employment opportunities to more than eleven million persons. These benefits were enjoyed equally by both genders since around 49 percent of the SFD's beneficiaries are female.

## Lessons Learned

**Learning and experimentation:** From the start, the SFD management has benefited from the experience of other social funds, especially the Egypt Social Fund (ESF). An experienced staff member of the ESF helped design the SFD organization and operations, and, at the start of its operation, the SFD signed an agreement with the ESF on the provision of technical assistance. Throughout implementation, the SFD has been open to advice, and has aimed at best practices. A variety of beneficiary assessments and impact evaluations has taken place, and has led the SFD management to adjust its organization and operational policies and practices in line with those studies' recommendations.

**Institutional innovation:** The SFD introduced a host of innovations, including: a demand-driven approach, contracting of well-paid staff on fixed appointments, the use of a variety of intermediaries, and the involvement of all stakeholders in its policy and operational decisions. In addition, it has been providing ample support to those stakeholders to build their capacity, including community user committees, NGOs, contractors, and government agencies. More detailed information was discussed earlier.

**Government agency cooperation:** The success of support provided by the SFD to central government agencies and officials depends primarily on their interest and cooperation (provision of incentives). It worked reasonably well with the Ministry of Education and was virtually nonexistent in the case of the Ministry of Health.

**Unit and subproject costs:** The introduction of proper technical design and procurement requirements by the SFD led to increasing competition among contractors and lower unit costs for basic infrastructure, such as school construction. At the same time, the average project cost was about three times the cost estimated at appraisal, due to a decision to go for larger facilities of longer-term quality.

**External catalysts:** Since the beginning of the SFD, donor support, both funding and technical assistance, has been of crucial importance. Japan and IDA provided assistance with project preparation, and the Arab Fund for Economic and Social Development and IDA have assisted in implementation since 1997. The Netherlands, the OPEC Fund for International Development, and USAID joined in 1998. The Islamic Development Bank joined more recently. Donor support is well coordinated, and facilitated through conferences and study tours.

**Community participation and contracting:** Community participation in all phases of the project cycle was a major element of the initial SFD design, but implementation by the communities and training by SFD-funded NGOs proved more difficult than expected. Community training started late, and is still not always comprehensive. As a result, full implementation by the community is still limited to select cases with major support and supervision. Still, it has been shown that full community participation is leading to better project quality and lower costs, and that the prospects for proper maintenance of completed works are better too.

**Progressiveness and flexibility:** The SFD management's willingness to pursue the latest local and international knowledge on social fund policies and practices helped establish a progressive and flexible mechanism.

**Bank staff resources:** The Bank assigned staff to its field office, which provided the SFD with quick and ongoing access to Bank supervision and technical assistance.

**Technical assistance:** The availability of Bank-managed technical assistance, funded by Trust Funds from the Dutch and OPEC, allowed for easy and fast access when and where needed.

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<sup>51</sup> These include subprojects that disbursed in full and others that are still under implementation.



**Gender sensitization:** The initial consideration of a separate gender office in SFD was rejected in favor of mainstreaming the gender issue. A gender sensitization workshop for the SFD was conducted by an international consultant, a substantial number of female managers were appointed, and a specialist was assigned in the SFD to screen all subproject proposals on this issue. In addition, each regional office had to recruit female staff to ensure that this aspect was taken care of. Still, at the regional offices and at the community level, this subject could have benefited from some more systematic and intensive attention.

### Summary: How the MfDR Principles were applied to the Yemen Social Fund

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- Comprehensive involvement of stakeholders – including the government, hundreds of communities, and a half dozen donors in support of financing infrastructure and social sector investments (schools and health clinics) throughout Yemen.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- The evaluations done on the first and second Social Fund operations have been used in the design of the framework and monitoring indicators for the third operation now under way.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- The indicators track progress at the subproject level for roads, schools, health clinics, etc. and assist local governments and district communities to grapple with their pressing problems.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- The managers of the Social Fund look at results in deciding which subprojects merit support. They have a clear set of goals in mind as regards reducing poverty, helping to generate employment, and building local capacity. The managers are able to draw on the experience of a range of completed subprojects over the past eight years.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The Yemen SFD is a good illustration of results information being used for both learning and decision making.

### Update on Implementation of the Results Framework – Anush Bezhanyan, World Bank, November 2005

The new results-based M&E system that the SFD started to operate in its 3rd phase has continued to be refined in 2005. Certain modules have been added and further modified to cover emerging needs for monitoring results and outcomes. The management information system, and software that supports it, collect and analyze information that cover a large range of subprojects in different sectors – community infrastructure, schools, and health facilities. The MIS produces reports that provide results-focused information covering different sources of funding. The MIS provides robust data to a large number of donors supporting the SFD. The results assessed so far have shown that the SFD continues to make good progress in terms of the number of communities it is reaching.

Some aspects of quality need to be improved, especially in water and education sectors. In 2005 the SFD took the lead in developing standard school designs to address the issue of quality of school construction and the standard designs are now approved by the Ministry of Education. Work in the water sector is ongoing. The M&E system allowed the SFD to detect problems and develop strategies and measures to rectify them in good time. As part of the M&E, a comprehensive impact evaluation study is being undertaken, which will help the SFD to assess how well it is reaching the objective of targeting the poor communities.

### For more information

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# The Doing Business Project

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## Executive Summary

Improving the investment climate – the opportunities and incentives for firms to invest productively, create jobs, and expand – is the key to sustainable progress in attacking poverty and improving living standards. The Doing Business project has provided policymakers, the aid community, investors, and researchers with a set of indicators, annual data, and an in-depth analysis to enable countries to benchmark their regulatory environment for business, assess the impact of laws and regulations on business activity, make informed decisions regarding policy reform and private investment, identify best practices in regulatory reform, and support research on institutions and regulation.

In the realm of results management, it is critical to design projects and programs using intermediate outcomes in which attribution between the intervention and the achievement of results is tighter, allowing for true management of the operations. In the context of the results agenda, the key contribution is therefore that these tools can be used for management decision making, as well as for reporting and accountability purposes. One way to measure the success of this tool will be in terms of use and demand. Increasingly, the Doing Business indicators are being used and are in demand across countries and donors.

This case, unlike others in this Sourcebook, is not strictly about achieved results on the ground. Rather, it is about a project that successfully provides tools to manage for results in other operations. It starts as an analytic project that is enabling results-focused interventions. For that purpose, it provides findings and policy recommendations for goal-oriented actions. It identifies intermediate outcomes, and supplies intermediate outcomes indicators to enable management toward those goals through the use of baseline data and targets.

### The Challenge: To Understand What Makes a Private Sector Work – and For Whom?

A vibrant private sector – with firms making investments, creating jobs, and improving productivity – promotes growth and expands opportunities for poor people. To create such private sectors, governments around the world have implemented wide-ranging reforms, including macrostabilization programs, price liberalization, privatization, and trade barrier reductions. Yet, in many countries, entrepreneurial activity remains limited, poverty high, and growth stagnant. Meanwhile, other countries have spurned orthodox macro reforms and done well. How so?

Although macro policies are unquestionably important, a consensus is growing that the quality of business regulation and the institutions that enforce it are similarly crucial to the question of distribution and prosperity. Hong Kong (China)'s economic success, Botswana's stellar growth performance, and Hungary's smooth transition experience have all been stimulated by favorable regulatory environments. Yet little research has measured specific aspects of regulation or analyzed regulation's impact on economic outcomes such as productivity, investment, informality, corruption, unemployment, and poverty. The lack of

systematic knowledge prevents policymakers from assessing how good a legal and regulatory system actually is, and in turn, what needs to be reformed.

### Objectives: What Doing Business Aims to Do

In exploring how a private sector works – and how it can work better – the objective of the Doing Business project is to advance the private sector development agenda in several ways:

#### *Motivating reforms through country benchmarking.*

Around the world, international and local benchmarking has proved to be a powerful force for mobilizing society to demand improved public services, enhanced political accountability, and better economic policy. Transparent scoring on macroeconomic and social indicators has intensified the desire for change – witness the impact of the human development index, developed by the United Nations Development Program, on getting countries to emphasize health and education in their development strategies. The Doing Business data provide reformers with comparisons on a different dimension: the regulatory environment for business.



**Informing the design of reforms.** The data analyzed in Doing Business highlight specifically what needs to be changed when designing reforms, because the indicators are backed by an extensive description of regulations. Reformers can also benefit from reviewing the experience of countries that perform well according to the indicators.

**Enriching international initiatives on development effectiveness.** Recognizing that aid works best in good institutional environments, international donors are moving toward more extensive monitoring of aid effectiveness and performance-based funding. The U.S. government's Millennium Challenge Account and the International Development Association's performance-based funding allocations are two examples. It is essential that such efforts be based on good-quality data that can be influenced directly by policy reform. This is exactly what Doing Business indicators provide.

**Informing theory.** Regulatory economics is largely theoretical. By producing new indicators that quantify various aspects of regulation, Doing Business facilitates tests of existing theories and contributes to the empirical foundation for new theoretical work on the relation between regulation and development.

### Problems Encountered

When conceiving the set of indicators for the Doing Business project, the team faced problems related to the methodology required to make the data representative, as well as the set of assumptions needed to make data comparable across countries:

**Limitations in the methodology.** The Doing Business methodology has three limitations that should be considered when interpreting the data. First, in many cases the collected data refer to businesses in the country's most populous city and may not be representative of regulatory practices in other parts of the country. Second, the data often focus on a specific business form – the limited liability company – and may not be representative of regulation on other businesses, for example sole proprietorships. Finally, some indicators – time, for example – involve an element of judgment by the expert respondents. The time indicators reported in Doing Business (World Bank, 2004) represent median perceived values of several respondents under the assumptions of the case study.

**Assumptions.** In the Doing Business 2004 report, several assumptions were used to make the procedures comparable across countries. These assumptions are related to facilitators, voluntary procedures, nonmandatory lawful shortcuts, industry-specific requirements, and utilities. In the Doing Business 2005 re-

port, other assumptions about procedures, about the case, and about the business were made for the same purpose.

### Factors for Success

**Simple but strong methodology.** The analytic work is built on a simple methodology in order to analyze different topics around the firm's activity. Although it contains certain limitations for pragmatic reasons, the methodology is sufficiently strong so that findings credibly represent business activity in each analyzed country.

**Comparability across countries.** The usefulness of the system is that it provides (based on the methodology and the assumptions made) a common set of indicators that enables cross-country comparison.

**Policy orientation of the findings.** Each report is focused around the findings and what to do about them, that is, their policy implications. Thus, the theoretical work has clear and direct practical implications for countries and aid agencies.

**Practical and managerial approach of the project.** Perhaps the strongest element contributing to the success of this exercise is the tools it provides so that users can manage proposed interventions toward desired outcomes. Though important, the descriptive power of the Doing Business methodology, and even policy recommendations, are less important. These critical tools include the definition of intermediate outcomes and baseline values, and the setting of management targets.

### Lessons Learned

Both reports (Doing Business 2004 and Doing Business 2005) are rich in findings and lessons learned. These findings are the cornerstone for the design and implementation of policies and interventions that countries can adopt. The indicators and their data will help measure the progress of those policies.

Analysis in Doing Business 2004 leads to three main findings:

**Poor countries are the most extreme in regulation of business environments.** Poor countries tend to regulate business far more than richer countries, and this regulation is burdensome in nearly every area of business activity. Five sets of indicators were studied: starting a business, hiring and firing workers, enforcing contracts, getting credit, and closing a business. Across each set of indicators, poorer countries (Bolivia, Burkina Faso, Chad, Costa Rica, Guatemala, Mali, Mozambique, Paraguay, the Philippines, and Venezuela) regulate more heavily than richer countries



(Australia, Canada, Denmark, Hong Kong–China, Jamaica, the Netherlands, New Zealand, Singapore, Sweden, and the United Kingdom). There are exceptions. Among the least regulated economies, Jamaica has aggressively adopted best-practice regulation over the past two decades. Contract enforcement, for example, has been improved in line with the latest reforms in the United Kingdom, and bankruptcy law has been revised following the Australian reforms of 1992.

**Heavier regulation produces bad outcomes.** Heavier regulation is generally associated with greater inefficiency in public institutions. That means longer delays and higher cost – with more unemployed people and corruption, and less productivity and investment. Heavy regulation seldom correlates with more and higher quality of private and public goods. The countries that regulate the most – that is, poorer countries – have the least enforcement capacity. That translates to fewer checks and balances in government to ensure that regulatory discretion is not used primarily to abuse businesses and extract bribes.

**One size can fit all – at least in the matter of business regulation.** Many times what works in developed countries also works well in developing countries, defying the oft-repeated truism that “one size doesn’t fit all.” There are many examples – for example, regulations on entering into business. It appears that minimalism in procedures works well across the board. In regard to statistical registration and tax and social security registration, the use of the latest technology for electronic registration has produced excellent results – not only in wealthier countries such as Canada and Singapore, Latvia and Mexico, but also in Honduras, Vietnam, Moldova, and Pakistan. Similarly, designing credit information registries has democratized credit markets not only in Belgium and Taiwan–China, but also in Mozambique, Namibia, Nepal, Nicaragua, and Poland.

### Doing Business 2005 reports three other significant findings

**Businesses in poor countries face much heavier regulatory burdens than those in rich countries.** It takes 153 days to register a business in Maputo, but 2 days in Toronto. It costs \$2,042 (126 percent of the debt value) to enforce a contract in Jakarta, but \$1,300 (5.4 percent of the debt value) to do so in Seoul. It takes 21 procedures to register commercial property in Abuja, but 3 procedures in Helsinki. If a debtor becomes insolvent and enters bankruptcy, creditors would get 13 cents on the dollar in Mumbai, but more than 90 cents in Tokyo. Borrowers and lenders are entitled to 10 main types of legal rights in Singapore,

but only 2 in Yemen. These differences persist across the world: the countries that most need entrepreneurs to create jobs and boost growth – poor countries – put the most obstacles in their way.

**Heavy regulation and weak property rights exclude the poor from doing business.** In “The Mystery of Capital” (2000), Hernando de Soto details the damaging effects of heavy business regulation and weak property rights. With burdensome entry regulations, few businesses bother to register. Instead, they choose to operate in the informal economy. Facing high transaction costs to get formal property title, many would-be entrepreneurs own informal assets that cannot be used as collateral to obtain loans. The solution: simplify business entry and get titles to property. But many titling programs aimed at bringing assets into the formal sector have not had the lasting impact that reformers hoped for. While it is critical to encourage registration of assets, it is as important – and harder – to stop them from slipping back into the informal sector and to use their formal status to gain access to credit.

When registering property, the benefits are much greater if formalized property rights are accompanied by improvements in land registry, collateral registry, the courts, and employment regulation. If the formal cost of selling the property is high, titles will lapse by being traded informally. In Nigeria and Senegal, that cost amounts to about 30 percent of the property value. And even when a formal title is well established, increased access to credit will not help if courts are inefficient, collateral laws are poor, and credit information systems do not exist, because no one would be willing to lend. Add rigid employment regulation to the obstacles, and few people will end up being hired. Women, young workers, and low-skilled workers are hurt the most: their only choice is to seek jobs in the informal sector.

**Payoffs from reform appear large.** Hypothetical improvement on all aspects of the Doing Business indicators – in other words, to match the top quartile of countries – is associated with an estimated increase of 1.4 to 2.2 percentage points in annual economic growth. This is after controlling for other factors, such as income, government expenditure, investment, education, inflation, conflict, and geographic regions. In contrast, improving to the level of the top quartile of countries on macroeconomic and education indicators is associated with 0.4 to 1.0 more percentage points in growth. How significant is the impact of regulatory reform? Very. Only 24 of the 85 poor countries averaged at least 2 percent growth in the last 10 years. China, the most prominent among the 24, scores higher on the ease of doing business than Argentina,



Brazil, Indonesia, or Turkey. Economic growth is only one benefit of better business regulation and property protection. Human development indicators are higher as well. Governments can use revenues to improve their health and education systems, rather than support an overblown bureaucracy.

The gains from less regulation come from two directions. First, businesses spend less time and money on dealing with regulations and chasing after scarce sources of finance. Instead, they spend their energies on producing and marketing their goods. Second, the government can spend less on regulating and more on providing basic social services. What would happen if these countries were to reduce red tape by a moderate 15 percent? The savings would amount to between 1.2 percent and 1.8 percent of total government expenditures, or approximately half of the public health budget.

### Results Achieved

The Doing Business project has successfully motivated reforms through country benchmarking, informing the design of reforms, enriching international initiatives on development effectiveness, and informing theory. Countries and aid agencies have gained systematic knowledge that enables policymakers to identify hurdles and determine what to reform. It is therefore delivering results.

The Doing Business project's major contribution to broader results-based management is provision of a set of tools that can be applied in other development interventions. These tools include identification of key intermediate outcomes that can be tightly attributed to interventions, the development of indicators to measure intermediate outcomes, and the supply of comparable data for indicators across countries and over time.

One way to measure success is by assessing the extent to which these tools are demanded and used. The Doing Business indicators are increasingly being utilized by the World Bank Group's projects and programs. Examples include: Country Assistance Strategies in Chad and Macedonia; Bulgaria's Programmatic Adjustment Loan; Brazil's competitiveness loan; structural adjustment loans in India and Colombia; technical assistance work in Bolivia, China, Indonesia, and Mexico; the Global Monitoring Report; and the IDA Results Measurement System.

Donors are employing these tools for other purposes – for example, allocating aid, monitoring progress toward results, or knowing what to export. Use by donors includes Denmark, the Netherlands, Sweden, the United Kingdom, the European Bank for Reconstruc-

tion and Development, and the Millennium Challenge Account. Finally, governments as diverse as Jordan, Korea, Mozambique, Nicaragua, and Serbia and Montenegro are starting to use these tools to manage for development results by themselves – for example, in elaborating Poverty Reduction Strategy Papers. Across the board, the donor community is increasingly being held accountable for its efforts.

The Doing Business indicators are coming to be known and used all over the world. More than 750 media stories have covered them. The bilateral aid agencies of Denmark, Norway, the Netherlands, and the United States have adopted them. A dozen more countries – including Mauritius, Bahrain, Estonia, Gabon, Iceland, and Tonga – have asked to be included in the report.

Widening global understanding of the importance of a healthy business environment will assist bilateral and multilateral donors, as well as countries, to manage for development results. In addition, it will help make the donor community more accountable for their efforts at the country level. Early results of particular reforms that contribute to private sector development are already observable across countries, including Ethiopia (cost of business start-up), Estonia (role of the notaries), Brazil (bankruptcy and business start-up), China (credit registries and collateral law), Jordan (contract enforcement), Mexico (monitoring reforms), and Cambodia (minimum capital requirements).

The strong link or attribution between the interventions and the achievement of intermediate outcomes provides a powerful management and accountability tool. It will enable users to measure progress toward intermediate outcomes, while maintaining the overall direction toward the higher order outcomes that are directly linked to them – for example, Millennium Development Goals and Poverty Reduction Strategy Paper goals. Specifically, management of projects and programs is possible through selection of a set of some of these intermediate outcomes and the setting of targets.

### Conclusion

Unlike other cases in this Sourcebook, the Doing Business project is not strictly about results achieved on the ground, but rather about providing tools to manage for results in other operations. It starts as an analytic exercise that is enabling results-focused interventions. That is, it provides findings and policy recommendations for goal-oriented actions. It identifies intermediate outcomes and supplies intermediate outcome indicators to enable management toward those goals through the use of baseline data and targets.



As expressed in the third core principle of this Sourcebook (Keep the results reporting system as simple, cost-effective, and user-friendly as possible), the Doing Business project provides a simple, easy-to-understand tool with comparable data across time and countries that enables the reporting of country progress toward results. In addition, the fifth core principle highlights the need to use results information for management learning and decision making, as well as for reporting and accountability. In this context, the Doing Business project provides a powerful management tool for donors and countries that helps the decision making and reporting process and increases donors' and countries' accountability.

In the realm of results management, it is critical to design projects and programs using intermediate outcomes in which attribution between intervention and the achievement of an outcome is tighter, allowing true management of the operations. In the context of the results agenda, therefore, the key contribution is that these tools can be used for management decision making as well as for reporting and accountability purposes. One way to measure the success of this toolkit will be to measure it in terms of use and demand. The Doing Business indicators are increasingly being used and demanded across countries and donors.

These tools have been developed for private sector development, yet a similar approach could be applied to other practice areas related to economic development. Using this work as a model and applying it to the specific circumstances of other practice areas, a similar analytic work could provide findings and similar tools on which to build sound reforms, and use the tools to allow a process to manage for those outcomes.

Looking ahead, two key issues require more discussion. First, how to make the transition from an in-house, donor-supported program to one that countries fully own, maintain, and finance? One challenge will involve stimulating country demand for these data, and then setting up the necessary country systems and capacity to allow recipients to continue the collection and use of these indicators for their own management processes. Second, how can the effort invested in this project be gauged in terms of the resources deployed? In potentially replicating this exercise, teams might like to have a benchmark – not only for benefits, but also for costs.

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# Southeast Europe: Improving the Climate for Trade and Transport

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## Executive Summary

**H**igh transaction costs and uncertainties surrounding trade have substantially limited economic development in Southeast Europe. The Trade and Transport Facilitation Program in Southeast Europe (TTFSE) has adopted a regional results-based approach to reducing the nontariff barriers that impede the flow of goods. The program has produced clear benefits – border crossings have been made far more efficient; trade has been facilitated; corruption at crossing points has been greatly reduced; customs revenue crucial to national budgets has improved. TTFSE focused primarily on a single mode (road transport) and was implemented in pilot sites at key border crossings in six (and then eight) countries. The encouraging results, lessons learned, and best practices of the TTFSE program provide a solid basis for a replicable, scalable model to facilitate transport and expand regional trade. A multimodal approach to pilot site selection is likely to be used in scaling up and replicating the program elsewhere.

## The Need for Reform in Trade and Transport in Southeast Europe

High transportation costs and uncertainties in trade seriously constrained the economic development of Southeast Europe. Delays at border-crossing points and informal demands for “payments” were all too common. Strengthening the region’s competitiveness in the global market environment was essential, yet the impediments to border crossing created a disincentive to foreign investment, reducing opportunities for local firms, limiting employment opportunities, and raising the transaction costs for imports and exports. The lack of economic growth particularly penalized the poor through limited job opportunities, high prices of imported goods, and high costs for potential exports. With the creation of the new Balkan states, border problems proliferated.

## Development Objectives of the TTFSE

The Trade and Transport Facilitation Program in Southeast Europe (TTFSE) was developed in order to reduce the nontariff costs of trade and transport and to fight smuggling and corruption at borders – while increasing revenue from trade. The challenge was no less than a transformation of the role of the border-crossing agency – from an obstacle to a facilitator of trade.

TTFSE approached these development objectives through five means. First, customs reform was supported. Second, interaction, cooperation, and communication were strengthened between border-control agencies and the trading community. Third, information and training were provided to the private sector. Fourth, financing was provided for infrastructure and

new equipment at selected border crossings. Finally, customs procedures, information technology, and human resource management were integrated.

## Program Description

TTFSE is a regional partnership involving the World Bank, the European Union, the UN Economic Commission for Europe (UNECE), and the Southeast European Cooperative Initiative (SECI). Eight client countries are included – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, and Serbia and Montenegro. The partners focus on border issues and procedural reforms that facilitate trade. Under the program, transport is monitored according to clearly defined, standardized performance indicators at selected pilot sites in each country. The monitoring of performance indicators provides transparent documentation of progress.

By facilitating transport, the program strengthens a public-private partnership to improve trade. National “pro-committees” were established to improve communication between those who trade and the many transportation operators – providing, in effect, a form of institutional checks and balances. The committees help to monitor government regulation and service provision. TTFSE plays an important complementary role by making information more accessible – for example, through a regional Web site on matters that range from government legislation and new regulation to hours of operation at particular border crossings. Complementary professional training programs have been developed for certification of traders and operators.



The total cost of TTFSE was US\$123 million, of which US\$80 million was financed by loans and credits from the World Bank. Local counterpart funds and grants were provided from the United States, Austria, the Netherlands, France, and Norway. National sub-projects ranged in size from US\$9 million in Moldova to US\$27 million in Romania. Implementation began in late 2000, with subproject implementation averaging three to four years.

TTFSE has supplemented – though not replaced – other institutional mechanisms to improve communications among border control agencies. This includes a regional steering committee to which all countries participating in the program belong. Activity occurs not only at the border-crossing points, but at their agency headquarters and across the region.

As part of the program, participating countries agreed to adopt and collect data on two types of performance indicators – the performance and the efficiency of customs administrations. An Excel workbook was prepared to compile the data, both at a regional level and at pilot sites. Indicators were laid out in a methodology manual. Processing times at pilot sites were usually measured on a monthly basis, and overall customs performance was measured annually. The national customs administration of each country measured performance at its pilot sites. Consultants provided support. Data on the border crossing and clearance times – as experienced by users at the TTFSE pilot sites – are available from 1999 onward.

### Key Elements in TTFSE's Approach

**Regional participation.** Undoing trade constraints meant that TTFSE projects had to be regionally linked. Participating countries needed to cooperate in order to resolve shared problems. A regional steering committee was created to assist in collaboration.

**Reform, not provision of infrastructure.** The TTFSE projects focused on customs reforms and integrated solutions that would increase the productivity of border agencies by faster processing time at border crossings and inland terminals, and they promoted transparency. The specifics of the reform varied from country to country. Since reform is an iterative process, TTFSE provided a dynamic definition of needs. It required periodic reviews of the results achieved and flagged the need for changes. Some border-crossing points needed to improve the design and scale of infrastructure in order to implement reform, yet in no case was infrastructure expanded without reform. Projects that included physical improvement were supported only after critical reform measures had been sufficiently achieved. This provided a solid incentive to move first on the policy front.

**Duplication avoided by building upon structures, initiatives, and institutions already in place and working.** Certain reforms were under way well before TTFSE was launched. TTFSE sought to build upon and reinforce existing national institutions rather than create new ones. This strategy included incorporating chambers of commerce and local pro-committees into project activities. Each project took into account ongoing reforms, reinforcing efforts by the European Union, international organizations, and other donors.

**A participatory approach.** TTFSE was designed and implemented with participatory methodology. All projects needed to be endorsed and owned by stakeholders that included government agencies, freight forwarders, customs brokers, transport operators, traders, end users, and other beneficiaries. Ownership through participation proved to be a strong driver of results. In addition to consultations during the design phase, mechanisms for recurrent user input were built into the monitoring and evaluation of each project.

**Pilot-site starting points.** Each TTFSE project first identified pilot sites for the application of reform. These included border-crossing points and inland clearance terminals. Reform goals were monitored through performance indicators that each pilot site agreed to. The experience at pilot sites created models for further replication. In Bulgaria, for example, the reform measures tested and replicated from the pilot sites will cover about half of all traffic coming into the country by the end of 2005.

**A different model for the Caucasus and Central Asian regions.** It should be noted that reform models adopted in the Caucasus and Central Asian regions are somewhat different from that of TTFSE. Reform in the Caucasus region started with policy dialogue and applied the trade facilitation toolkit launched under the Global Facilitation Partnership for Transportation and Trade ([www.gfptt.org](http://www.gfptt.org)). Trade facilitation groups, such as the pro-committees in the Balkan countries, were embryonic, so time was invested in establishing such groups. A coordinating committee was in place for the Transport Corridor Europe, Caucasus, and Central Europe (TRACECA). That committee was used, rather than a new regional steering committee; and a multimodal, multi-agency approach is under way. Variations are evolving in Central Asia, where replication of the TTFSE provides a good foundation for a region-specific program that will achieve long-lasting results.



## Adaptations in Implementation

**Taking political context into account.** For reform to work, commitment at the highest level of government was necessary. The rate and extent of reform in each TTFSE country depended upon the perceived and actual extent of such political commitment. In some cases, a client agency's attention to the reform process was diverted by political issues over which it had no control. Considerations of this sort had to be factored into the analysis of each project. With scaling up as a goal, the weight of such risk increases. So mitigation measures needed to be anticipated at the outset and undertaken as needed.

**Maintaining consistency with poverty reduction strategies.** Consistency with ongoing poverty reduction strategies was ensured by linking TTFSE projects to the World Bank's country assistance strategy for respective countries. In presenting this linkage to national stakeholders, a critical point was emphasized – that the TTFSE program was not aimed at infrastructure development, but rather at reforming transport and trade to improve the business investment climate and therefore to benefit the poor.

**Changing scale.** Three changes in scale occurred in the TTFSE program design. First, the range of objectives was scaled back. Second, reforms began by focusing on scalable pilot sites rather than country-level initiatives. Third, the number of countries in the program increased from six to eight. The first two of these changes occurred during the design phase; the latter occurred as the first six country cases were being implemented.

**Adjusting to interagency competition.** Customs administration was TTFSE's primary beneficiary agency in most countries. Because access to loans and credits was restricted to customs, other border-crossing agencies were slower to appreciate the benefits of collaboration, and were more resistant to change. Interagency competition constrained the pace of implementation.

**Persuading skeptics to take ownership.** Ownership was a complex matter with so wide a range of stakeholders. Typically, the private sector was highly dubious about the integrity of customs administration. Although transport operators pressed hard and early for a program such as TTFSE, they were pessimistic, to say the least, regarding the extent and speed at which customs could be reformed. Accordingly, the capacity to publicly document performance and results was crucial. A demonstrably transparent track record served as the basis for public relations programs by customs administrations.

**Responding to performance that is below expectations.** Preliminary performance indicator results did not always meet performance expectations. Sometimes this occurred because of delays in implementation. Sometimes client agencies were overly optimistic about initial conditions or how long it would take to achieve objectives. It was sometimes necessary and realistic to scale down before scaling up.

**Maintaining flexibility with an eye on results.** Program design was flexible to facilitate minor adjustments in initial plans. Each country had its own needs and ideas on which investments would provide the best returns. Some plans for upgrading or adding infrastructure needed to be scaled back to conform to tougher projections for traffic demand. In some cases, modifying the layout of existing facilities made more sense than the ambitious expansion of facilities.

## Results Achieved

**Reduced waiting time.** By the end of 2003, the waiting time for customs clearance at the first six pilot sites dropped by an average of 60 percent, from a low of 23 percent at one Romanian border-crossing point to 90 percent at a Macedonian border-crossing point. In part, these results reflect greater selectivity in inspections – that is, abandoning the policy of mandatory inspection of all trucks.

**Economic savings.** By the end of the first year of implementation, the overall cost savings from reduced waiting time in the initial six countries was estimated at \$8.4 million, well over US\$6 million a year. With the addition of Moldova and Serbia and Montenegro, estimated savings are now approaching \$US8 million annually. Scaling up to include all border-crossing points and inland terminals has doubled the annual savings to over US\$16 million. It could reach US\$25 million over the next few years. In addition, profits and fees were earned from increased or induced traffic. In Croatia, for example, revenue collected by customs doubled between 1999 and 2003.

**Improved dialogue among customs administrations.** Meetings of the regional steering committee greatly improved understanding of integrated border management, information sharing, and common issues. A regional information-technology working group was established. The steering committee meetings led to regional endorsement of international standards such as the International Weight Certificate. The steering committee meetings provided a forum for Moldovan customs to share their pilot experiences with single-window payments, an idea that could be replicated throughout the region.



**Monitoring of performance, leading to improvements.** A transparent, comparative public performance monitoring system, developed from a shared performance manual, was set up across the program pilot sites. This helped resolve procedural and logistical problems at particular sites; it facilitated performance comparison across sites; and it helped to flesh out new areas in need of reform. For example, early progress at an inland Macedonian clearance terminal (Kumanovo) began to falter. Analysis of the data enabled the staff to make changes that reduced clearance time to about half of its previous level. The indicators were also made public on the Internet. Private sector groups have participated in rolling out Internet access and have expressed interest in continued monitoring of the pilots after the TTFSE program closes.

**User surveys made public.** A specialized independent consultant undertook a consultation with 150 users of border-crossing agency services. Chambers of commerce, the pro-committees, and professional organizations from each country participated. This collaboration strengthened both the organizational and the methodological capacity of NGOs working with the trade and transport sectors. As part of the monitoring process, the surveys enabled users to publicly voice their concerns and to voice their degree of satisfaction with the pace, scope, and impact of change. Their scores helped to validate the performance indicator results, and the data they provided documented reductions in the costs of trade. These results were made public on the Internet.

**Training provided for small and medium-size enterprises.** Training was needed, especially for small and medium-size enterprises engaged in regional trade and for owner-operators in the transport sector. Training began with newly prepared materials on business ethics, corruption, international delivery terms, commercial transaction documents, trade payment methods, transport operations, and customs transit procedures. This was followed by training of trainers. By the end of the second year, 169 seminars had been provided for 3,142 participants at 85 locations. Certification programs were provided for road transport operators and freight forwarders. TTFSE's distance learning methodology is already being replicated to provide training in supply chain management in Latin America.

### Problems Encountered

Customs staff were slow to give up 100 percent inspections of containers and were reluctant to shift to a more effective use of risk management and greater selectivity in inspections.

- Cooperation among border-crossing agencies, both locally and nationally, needs improvement.
- The turnover of border-crossing agency staff has been excessively high, especially within customs administration. This has impeded ownership of the reform process.
- Progress is just beginning in the fight against smuggling and corruption. The take-off now needs reinforcement.
- The effectiveness of liaison among TTFSE national coordinators varies considerably from country to country. Support needs to be strengthened at the highest levels of government.

### Factors for Success

**A political economy favorable to change.** The main obstacle to reform is the interest of certain key stakeholders in keeping things as they are. This is especially true where high-value financial transactions are involved, as is the case with customs operations. Countering such resistance requires commitment that is built through participatory processes, consensus, and transparency. TTFSE has shown that the gains through reform are well worth the effort.

Significantly, revenue collection by customs is the major single source of revenue for many governments in the region. So, economic gains through sectoral reform can produce dramatic results – ranging from 25 to 70 percent of total government revenues across the TTFSE countries. Greater flow and value of trade yields a return that is reflected in governments' budgets. It is clear that government agencies stood to benefit directly. As a result, political interest in the TTFSE reforms was widespread.

Commitment to the TTFSE program also drew upon increasing concern among countries to fight corruption. Each country had a national anticorruption program, and nearly every critic considered customs officials to be major offenders. The negative scores from surveys conducted by agencies such as Transparency International publicly underscored the urgency of reform. The need to change these external perceptions was linked to the rationale for reform. It emerged as a key element in the dialogue associated with the client readiness survey that was carried out in program design. The project teams adopted a consultative approach that was sensitive to the internal dynamics of the local political systems. Recurrent visits helped to reinforce political commitment and the necessary consensus in support of reform.

Anticorruption programs and reforms within customs had already been initiated by donors and other external institutions. These reinforced policy makers'



commitment to TTFSE reform. Complementary activities included EU support and regional programs such as the anticrime center in Romania operated by the Southeast European Cooperative Initiative (SECI).

***Institutional innovation, such as surveys geared toward results.*** The surveys of users of border control services, which were conducted in conjunction with the preparation of the TTFSE projects, indicated seriously deficient institutional communication and collaboration. Border control agencies did not communicate very well, at crossing points, or with their respective headquarters. Similarly, the headquarters of the border control agencies did not communicate well with each other, or with neighboring counterpart agencies. Because regional reform demanded cooperation at all levels, especially to get rid of duplicative and conflicting procedures, the design of TTFSE introduced institutional mechanisms for communication and cooperation.

Local project teams, including representatives from the control agencies, were created at the border-crossing points of pilot sites. The local teams were tasked with collecting the data to monitor the performance indicators. They analyzed the data on operational and procedural reforms. A team of customs specialists, deployed and financed by parallel grants from the United States, provided specialized technical guidance for the local project teams.

The TTFSE national coordinator designated a high-level government official to speak on behalf of border control agencies and to facilitate interagency liaison. The regional steering committee, another innovative institutional mechanism, provided a new forum for cross-border consultation, dialogue, and information sharing.

***Learning and Experimentation.*** Learning was facilitated by the staggered development of projects as the program evolved, creating an experience of “several generations.” Meanwhile, continuity was sustained among the core TTFSE team that prepared and supervised all projects.

At the outset, the high costs and uncertainties over regional trade were sufficient to justify fast-tracking in preparing TTFSE. The audits of client readiness, however, suggested that fast-tracking would work against consensus building. Time was needed to generate political commitment, so the preparation team slowed its pace accordingly. Institutional lags among user groups also constrained the pace of implementation. Increasing awareness of the needs of users resulted in scaling up and replication of consultative methods in the TTFSE approach. To achieve results, it often makes

sense to slow down preparation, and focus instead on longer-term consensus building.

Initially, the proposed reforms were broad and comprehensive. They reflected the theoretical ideal espoused by reform specialists. Though desirable in principle, this overly broad agenda would have overstressed local systems in light of the often turbulent political and economic changes under way in the region. Institutional audits signaled that the targets for reform needed to be narrowed. TTFSE’s launch workshop reconfirmed the need for phasing in the process and scaling up once primary objectives were met. The first step was adoption of computer applications to make processes transparent and more efficient, as well as making data readily available at the pilot sites. The quantitative monitoring of the pilot site data facilitated the qualitative, recurrent rethinking of the reform process. Thus, the stage was set for the identification of new targets for action.

Forging a better partnership between the public and private sector required more than accessible performance data. General information was needed on trade and border-crossing requirements. The new regional Web site provided such information and encouraged dialogue on how to reduce trade constraints.

TTFSE was focused largely on a single mode – road transport. As implementation progressed, the potential benefits from a multimodal approach began to outweigh the single-mode approach. In future replication, a multimodal approach to pilot site selection is likely.

To increase individual skills and institutional capacity, the TTFSE program consciously sought out learning opportunities. This was especially important for the small- and medium-size enterprises that were often located outside cities. Because these enterprises had limited access to traditional classroom training, a distance learning program was developed with the Global Facilitation Partnership Distance Learning Program at the World Bank. This included Internet-accessible learning parallel to classroom instruction, with both tracks leading to professional certification. The distance learning program includes study guides, reference materials, links to mentoring services as well as to publications and media presentations. Each country facilitates the program through the services of local partners such as national road transport associations. As the training programs move toward full implementation, businesses can participate at their own pace. Certification is to be granted by national and international professional organizations such as the International Road Transport Union. Program content is available for rollout in other countries.



## The Role of Key External Catalysts

What initiatives, factors, and agents helped to trigger support for the reform agenda and new institutional mechanisms that TTFSE represents?

At the top of the list is the importance that the region accorded to European Union accession. The EU had developed a checklist of specific customs reforms. TTFSE provided support for these prescribed changes, referred to as “blueprints,” as well as harmonization with EU standards. Acceptance of EU guideline reforms, regional collaboration, and results achievement had high rates of return and served as strong incentives throughout the region.

The Southeast European Cooperative Initiative (SECI) includes the eight countries in the TTFSE program as well as four significant trading partners: Greece, Hungary, Slovenia, and Turkey. Established with strong U.S. and EU support in December 1996, SECI promoted economic and environmental cooperation focused on efficient transit and the combating of corruption and smuggling. The congruence of SECI and TTFSE objectives created diplomatic synergy, which benefited TTFSE, including funds and technical assistance from the United States. SECI was especially interested in assisting the evolution of pro-committees to facilitate trade and transport through dialogue between the public and private sectors.

As a follow-up to building regional stability, foreign ministers and representatives of international organizations, institutions, and other regional initiatives adopted a pact for southeastern Europe at a special meeting in Cologne, Germany, in 1999. The stability pact adopted a comprehensive, coordinated, strategic approach to regional development, using preventative diplomacy to replace crisis management as the prevailing mode. TTFSE, which focused on improving the investment climate, was the first regional program to fit within the framework of the stability pact.

Another incentive for reform was provided by financial support from international donors. In addition to World Bank support, this included parallel grant funding from the United States and trust fund support from Austria, France, the Netherlands, and Norway.

Finally, the private sector began to coalesce as a force with considerable potential to exercise power and became a factor with which governments had to contend. Recognition of this fact forced policy makers to take the concerns of users and beneficiaries into consideration when planning.

## Lessons Learned

***Initial reform efforts must be clearly and tightly focused.*** Although a “comprehensive approach” may maximize impact in theory, at the outset it is better to focus on well-defined smaller targets. It is more important to achieve clear success with direct, demonstrable impact on users. Limiting the initial focus of reform to pilot sites therefore made sense.

***An organizational culture supportive of reform is the basis for change.*** Resistance to change is universal, and fast-paced change is often self-defeating within stressed systems such as the transitional economies of Eastern Europe. TTFSE introduced relatively modest innovations – new data systems and simplified procedures. Yet these were important because they produced tangible results which helped persuade customs agencies of the benefits from broader change. This approach proved far more effective than overly broad, accusatory anticorruption programs. Positive experience helped customs agencies to internalize the values associated with transparency and accountability.

***Measuring the effect of the project on users through performance indicators is vital to successful monitoring and implementation.*** Monitoring is a process. Care must first be taken to identify and properly define project indicators. Then a proper baseline is needed, with mechanisms to collect information. Quantitative data then supplements user feedback. The tracking of results is strengthened when the information provided by user surveys and monitoring can be mutually validated at pilot sites. Once the performance indicators are operational, they can support issue analysis and be used for cross-national comparisons, which serve as a platform for “peer group pressure” on customs administration managers. Because clients generally overestimate their initial performance and the ease of reform, solid project indicators are vital for successful monitoring and implementation. Once developed, they infuse realism and help to pinpoint areas needing ongoing policy and procedural reform.

***Short-term progress and long-term sustainability both depend on the client agency “owning” the reform process.*** The World Bank team that appraised the TTFSE project worked closely with local managers to lay the groundwork for eventual ownership. This was not a one-time process. It took place in mission after mission. The process was complicated by “drift” in commitment over time and frequent personnel changes at the upper and middle levels.



**Linkages matter almost as much as the institutions themselves.** Mechanisms that link national organizations create a cornerstone for institutional capacity. TTFSE facilitated communication between the pilot sites and headquarters. Then it helped border control agencies to communicate more effectively among themselves, both locally and nationally. Developing interagency coordination and streamlining the full border-crossing cycle required inter-ministerial collaboration, which only succeeds with high-level political commitment and cooperation.

**The private sector is a necessary partner in the reform process.** Throughout the history of TTFSE, the private sector has served as a necessary source of continuous pressure, reinforcing government commitment to the reform process both nationally and regionally. Because the private sector views itself as a beneficiary of TTFSE, it has been willing to collaborate and bear costs, including future monitoring.

The subtle behavior of the local political systems – sometimes leading to changes of government – was often difficult to anticipate, interpret, and respond to. Political factors caused frequent delays in project implementation. Local staff at in-country offices were indispensable for understanding the shifts, whether ripples or cataclysms.

### **Broader Applicability: Spreading Results to Other Countries**

A scalable model for reform of trade and transport facilitation has been developed at pilot sites in Southeast Europe. Lessons learned and best practices not only have informed project evolution at the TTFSE pilot sites, but also are being applied elsewhere. In Romania and Bulgaria, for example, high levels of client ownership have resulted in lessons learned at the pilot sites being replicated and extended to other national border crossings.

The TTFSE focus on policy dialogue, performance indicators, and public-private partnership is highly applicable to reform efforts emerging outside the region – for example in Armenia and Georgia. Performance indicators are also being applied in two very different settings – the Russian Federation Customs Modernization Project and the Afghan Emergency Customs Project. A similar approach to policy dialogue is guiding trade and transport facilitation discussions in Central Asia.

To launch and implement a trade facilitation program – in any country or region – the following steps and actions are needed:

- Preliminary identification of what needs to be changed – What are the issues?

- Survey of the geographic area in which regional collaboration will take place.
- Country analysis – This includes identification of major constraints, institutional assessments, specific studies, and stakeholder analyses.
- Mechanisms for interaction – These include identification of national and regional champions and task forces in areas such as legal change, procedures and operations, and interagency collaboration.
- A forum for identifying key issues – In the case of TTFSE, this included national “pro-committees” and a regional steering committee.
- Development of an action plan or a strategic implementation plan.
- Setting the action plan within a project context with donor or local financing.
- Identification of performance indicators.
- Monitoring and evaluation that feeds back into the ongoing process of policy reform.

### **Summary: How TTFSE Embodies the MfDR Principles**

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- Program design paid close attention to results across a region of, first six and then eight countries.
- Dialogue began with the ministries of finance and the customs administration agencies in respective countries.
- Key participants were the transportation industry (producers and shippers) and the public, who depend on the smooth flow of goods across borders.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- The program was carefully planned to emphasize customs administration.
- Reforms needed to occur before infrastructure investments could be made.
- The TTFSE Manual was developed with a full set of performance indicators. These were put in place in all eight countries to flag what needed to be monitored and accomplished.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- The results reporting system was comprehensive, though not overly complex.



- The program implementation units in each country found the performance indicators to be suitable, and the progress reporting systems were considered practical.
- Timely reports showed clear evidence of progress at the country level.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- This program has made substantial impact through more-efficient trade flow, reduced waiting time at borders, and less corruption.
- The end goal was formulated in terms of behavioral change in customs administration – and this happened.

*5 Use results information for management learning and decision making, as well as for reporting and accountability.*

- TTFSE has generated critical information for managers of customs administrations to improve their operations.
- Data analysis has helped to identify border bottlenecks, reducing waiting times and providing practical information to users – for example, which border crossings have shorter lines at what times.
- The TTFSE program has also helped decision makers in ministries of finance to review budget requests in light of the efficiencies and needs of current operations. Results data helps them to allocate based on identified need rather than historical precedent.

## References

An overview of results under TTFSE is found in “Progress Report 2002,” “Progress Report 2003,” and in subsequent reports. These and other project-related documents are continuously updated and made available on the TTFSE Web site:

<http://www.seerecon.org/RegionalInitiatives/TTFSE/>

A regional Web site, including trade facilitation information provided by national partners in each TTFSE country, is found at: <http://www.TTFSE.org>

A similar Web site for the Caucasus is found at: <http://www.TTFSC.org>

Information on the Global Facilitation Partnership and the Distance Learning Initiative can be found at <http://www.gfp-dli.org> and <http://www.gfptt.org>

Additional information on trade facilitation and transport is found on the ECSIE Transport Library Web site at:

<http://www.worldbank.org/ECA/Transport/>

See also the trade facilitation and logistic section on the World Bank Trade Web site at:

<http://www.worldbank.org/WBsite/external/topics/trade> and <http://www.guam.org>

## For more information

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# Burkina Faso: Ten-Year Basic Education Development Plan

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## Executive Summary

According to the 2005 Human Development Report, Burkina Faso ranks 175th on a total of 177 countries and the adult literacy rate was a few years ago 12.8 percent (18.5 percent for men and 8.1 percent for women). In spite of this low record, education indicators are getting better: the gross primary enrolment ratio, which was 41.8 percent in 1998/1999 (49.6 percent for men and 34 percent for women), was 46.2 percent in 2002/2003 (53.1 percent for men and 39.2 percent for women) and reached 56 percent in 2004/2005. These are the first results of the 10-Year Basic Education Development Plan (PDDEB) launched in 2002, which aims at achieving the Millennium Development Goals (MDGs) by 2015. It is entirely based on a managing for development results approach. As of September 2005, the World Bank, Netherlands, France, Canada, Sweden, Denmark, and Belgium had contributed a total of €71 million to the first phase of this program through common financing procedures. Requirements for results reporting have been aligned with national systems and harmonized between international donors.

## Problems/Issues Addressed by the Program

In Burkina Faso, where five out of ten children enroll in primary school, only three of them complete the sixth year of basic education, considered to be the minimum level required to make literacy irreversible. Although the country's gender parity index moved from .71 in 2000 to about .86 in 2004, it is still one of the lowest on the continent. Girls score worse than boys in most indicators. The completion rate rose from 19 percent to 31 percent between 1991 and 2003 but it also remains one of the lowest in African countries. The low completion rate is due to a high level of repeaters in primary public schools and to the fact that many schools do not offer six grades of schooling.

Before adopting the PDDEB, Burkina Faso had one of the weakest education systems in the world. In the 2001 EFA Development Index, it rated dead last. Since that time there has been some truly impressive growth. Because of the solid response to these challenges, Burkina Faso is on the leading edge of program-based approaches in this sector, and thus provides valuable experience with MfDR to share with other countries and donors.

## Objectives Pursued

Burkina Faso adopted an education policy statement in May 2001 and in 2002 launched the 10-Year Basic Education Development Plan (PDDEB, 2002-11) included in the PRSP. The PDDEB has three components:

- Increasing the supply of basic education, including alternative education, and reducing socio-economic, regional and gender disparities;
- Improving the quality, relevance and effectiveness of basic education and developing coherence and integration between the various levels and styles of education;
- Building capacity to lead, manage and assess centralized and decentralized sectoral structures as well as the ability to coordinate external assistance.

The PDDEB appears to be realistic and feasible, and according to evaluations, there is solid country ownership. Macro-economic constraints have been taken into consideration and trade-offs made between objectives and resources; conditionalities for macroeconomic budget support are consistent with the PDDEB. The cost of implementing phase I of PDDEB was evaluated in 2004 to be 252.5 M€ and about 20 percent of that amount came from the seven donors belonging to the pool. In addition to those mentioned above, there are a few other technical and financial partners.



Burkina Faso is part of the Education For All – Fast Track Initiative (EFA–FTI) launched by representatives of the international donor community on November 27, 2002. It was agreed on that day to help seven developing countries in Africa and Latin America – Burkina Faso, Guinea, Guyana, Honduras, Mauritania, Nicaragua, and Niger – make their education plans a reality. Work is now proceeding with these countries to build the required capacity and to close a financing gap. This agreement under the EFA–FTI will begin the process of ensuring that developing countries reach the United Nations' Millennium Development Goal to provide every girl and boy with a complete primary school education by 2015.

### Design and Implementation

The PDDEB is a sector program and as such has set up an M&E system that allows for regular reporting of performance. The M&E system is acting at two complementary levels: (i) on an international level through global evaluation of progress made by FTI, (ii) at the national level, through regular sectoral joint reviews. To make their financial commitments, donors were required to align their approval and disbursement processes. Donor reporting on performance relies on the same set of indicators as the ones defined in the PDDEB:

#### Resource mobilization indicators: (short-term)

- Education expenditure as a percentage of the gross domestic product
- Education expenditure as a percentage of the government budget
- Primary education expenditure as a percentage of total education budget

#### Output indicators:

- Number of new contract teachers recruited within the last year
- Matching between new contract teachers and new schools
- Construction of new schools
- Pupil-teacher ratio in publicly financed primary schools
- Books-pupil ratio

#### Outcome indicators (short to medium term)

- Primary enrolment (girls' intake rate/boys' intake rate)
- Percentage of repeaters among primary school pupils

#### Impact indicators (medium to long term):

- Primary completion rate: ratio of the total number of students successfully completing (or graduating from) the last year of primary school in a given year to the total number of children of official graduation age in the population
- Gender equality (most major indicators are disaggregated).

The original results framework used by donors was actually a monitoring framework of expected targets, not results in the true sense. The principles of managing for development results have been adopted and targets have been defined for each indicator. Missing key targets is a signal for donors and government to analyze together why things have gone off track and which adaptations should be made in implementation.

Indicators and targets are now used extensively to monitor the progress in the sector and inform its review. Sector reviews heavily rely on indicators and data to assess the progress made in the different components of the program. The biannual joint monitoring reports are stronger in terms of performance information. The assessment of progress against targets allows for the identification of weak points, and for placing more emphasis on components of the program that have registered less progress.

#### Problems Encountered

1. **Targets** – Targets were not updated after Burkina Faso was admitted into the FTI. In spite of considerable new funding, quantified targets set up in the PDDEB were not revised upwards as they should have been.

2. **Expected Results and Achievements** – There is a persistent gap between expected and actual results.

3. **Links between programming tools and budget** – Programming tools (and among them the action plan) and budget are poorly articulated. No link is established between human and financial resources, or between activities and expected outputs. The fact that the final allocation of a given expenditure to an activity is unknown makes it difficult to elaborate the budget according to priorities.

4. **Using results for decision making** – Results are not fully integrated into the decision-making process. In 2002, a Ministry of Basic Education and Literacy (MEBA) document stated that the “logic of MfDR still had to be integrated in order to assure that reports on results were used for decision making and drafting action plans at local level.” According to some donors, there is a lack of appropriation at the local level, particularly in the regions: results are not used as a tool for programming; adaptations in programming are not



made according to results-driven objectives; they do not take into account lessons for better future action.

**5. Access vs. quality** – The emphasis that has been placed on access may have led to some imbalance in program implementation. For example, the last sector review indicated that improvements in quality were slow to materialize. This led the government and development partners to place more emphasis on measures that aimed at improving this aspect.

### Adaptations Made in Implementation

(Note: The following adaptations are discussed in relation to the five ‘problems encountered’ noted above.)

**1. Targets** – In terms of adjustments to the targets, this question has not been tackled yet.

**2. Expected Results and Achievements** – As the MfDR principles are instituted, the gap between expected results and achievements is slowly narrowing. For example, the gross enrollment rate, which was 47.5 percent in 2002, reached 56.8 percent in 2004, whereas the target for 2004 was 56 percent. When actual results do not match expected ones, this can be explained by two factors: (i) the PDDEB was only recently launched in its current results-based form (after its evolution from earlier programming) and thus it is normal that no improvement can yet be recorded in long-term indicators, and (ii) institutional inertia and administrative difficulties slow the process of implementing institutional and human changes.

**3. Links between programming tools and budget** – There has been a gradual integration of MfDR by both the MEBA and the partners. In 2002 the MEBA established a Dash Board of 20 key indicators to act as an operational framework to guide the PDDEB results. Although not fully operational, it has been adapted to PRSP and PDDEB indicators. The level of resistance to this new approach is not unusual relative to other countries, and progress has been made in appropriating the principles. The key factor is time, as one cannot expect major management changes to be appropriated in a year or so.

In order to improve the consistency between budget and activities, a new accounting methodology will be implemented, and in 2006 an expert team will be in charge of issuing proposals on order to improve the programming calendar.

**4. Using results for decision making** – Things are slowly improving with the strengthening of “bottom-up” planning tools.

**5. Access vs. quality** – The need for a balanced approach emphasizing both access and quality has been reiterated at the annual sector review. This is a typical

example where data analysis can be used to correct imbalances in policy implementation. As a result, surveys on quality will be regularly carried out.

The capacity constraints that have impeded scaling-up the implementation of the PDDEB are also slowly being reduced. Throughout the whole process, donors have responded to requests to build the required capacity. Following the principles of the Paris Declaration, the approaches used were, for the most part, coordinated and consistent with national development strategies. The methods generally used were accompaniment, mentoring, and learning by doing – often using local experts instead of substitution and the classical approach of technical assistance. This has assured that the MEBA remains clearly in the driver’s seat.

The tight donor pool was built up to prevent donors from working outside the program-based approach. Even in the current evolution of this program, it is necessary for the lead donor to monitor the situation closely. It has taken a great deal of effort to align approval procedures; to maintain simple, consistent indicators; and to reduce the monitoring and reporting burden on the host government. It will always be necessary to adjust to hiccups when new donors come in. All programs must accept this reality and take the time to allow for such adjustment.

### Factors for Success

- External funding is well aligned with national priorities, objectives and results, successfully applying the Paris Declaration indicators.
- There has been stronger risk management. This has given a sense of confidence as donors move toward more-and-more effective forms of aid.
- Strong national and international commitment in favor of the education and gender-related MDGs. This commitment needs constant reinforcement.
- The significant progress made to date is due in part to the fact that ambitious targets have been set by the Government of Burkina Faso. These may have imposed heavy demands on all parties, and some may seem unlikely to be reached, but they appear to have increased the level of motivation to achieve them. Being a signatory to the MDGs and the EFA, Burkina Faso would, of course, be hard pressed to set a lower level of objectives.
- It is essential to maintain an effective and continuous dialogue among donors and between donors and partner countries in order to disseminate information and maintain an up-to-date flow of information within the partnership. In spite of the fact that biannual PDDEB reviews provide a framework for this dialogue, the need for dialogue must still be reinforced among all parties.



## Lessons Learned

- When appropriation is weak and reports on results are not used for strategic planning or for identifying necessary midcourse corrections, long-term capacity building becomes essential.
- Short-term training sessions for administrative staff must be complemented by long-term support in the administration in order to strengthen country capacity to manage for results. There has been a general movement away from short-term training.
- Ad-hoc activities need to be targeted according to expressed need. The most effective approaches use methods such as accompaniment for capacity development, and are results-based. This process is reducing defensiveness and leads to a valuable dialogue based on results, although it is an activity that requires constant monitoring among the donors.
- MfDR has to allow for results below targets and provide a way of dealing with situations where key targets have not been met. Learning and a focus on continuous improvement must guide this process, and MfDR demands a comprehensive dialogue between government and partners and between donors themselves in order to jointly make adjustments as needed to achieve expected outcomes.
- Integration of MfDR takes time and effort as all parties move from a project-based attitude toward the new joint approaches to development effectiveness.

### Summary: How the PDDEB Program Embodies the Five MfDR Principles

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- Dialogue on results has been at the core of the PDDEB strategic planning. The PDDEB review, which takes place twice a year, is another opportunity for government and donors to have a dialogue on results and to make necessary midcourse corrections.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- As described in a procedures manual and justified according to a central government framework, each province is requested to draw yearly action plans in order to achieve quantified targets. Central government funding is sent to the provinces to fund the yearly action plans. The allocations are based on what is eligible according to established, transparent procedures, not on expected results.

- As of 2005, there will be a six-month lag between budget submission and the vote by the National Assembly. This encourages an established management and planning exercise. Adjustments can be made, respecting the overall envelope, to allow for unexpected activities that will improve results attainment.
- Experience has shown that the government can improve its planning capacity by working within its own systems and reinforcing the acquisition of a results-based approach. This learning-by-doing approach has resulted in gradually improving action plans, although there is still room for improvement.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- PDDEB indicators are consistent with the MDGs and with FTI indicators and the PRSP. This has taken effort to achieve, and requires constant monitoring and conviction to retain the joint donor framework and thus prevent new requirements being imposed from individual donors.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- The program has moved from a situation of management of activities to management for results.
- The old methods of conditionalities allow results to drive the system; the new participatory approaches are nonpunitive and lead to a fruitful policy dialogue.
- The regions and the central directorate must defend their action plans to the PDDEB secretariat. Accompaniment, facilitation, and other capacity building exercises are still useful in this area.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The biannual joint missions have produced substantial movement and in some cases the government has reacted very constructively to the pressure.
- The Minister still stresses that the strength of the partnership between the State and the donor partners was due to the progress of the MfDR approach, particularly in the area of gender equality.
- We are seeing substantial achievements at the outcome level.



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# Nepal Education Sector: Planning for Results in an Unstable Setting

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## Executive Summary

Since the mid 1990s, Nepal has been suffering from an insurgency on the one hand and political instability resulting in frequent changes of governments on the other. The education sector has suffered deeply, but schools are still functioning. Amid the continuous turmoil, the nation has maintained its commitment to improving access and quality of education through decentralization of the heavily centralized school system. An Annual Strategic Implementation Plan (known as the ASIP) was the starting point for this transformation. Building upon a broad participatory process, the plan has defined and guided educational planning in light of the armed conflict and political instability. It organizes strategies and specific measures proposed for district-level activities, and it shapes budgetary allocations in a systematic comprehensive manner. The ASIP is supported by an up-to-date Education Management Information System (EMIS), which provides meaningful feedback from the central administration to the district levels. As the EMIS has become larger and more reliable, information-based decision making is taking hold in the education sector. Regional and international partners have assisted in this process. The experience from Nepal shows that planning and budgeting of education can be shifted from an entirely state-run central planning mode to more of an inclusive, data-driven mode, even under highly adverse conditions.

## Background: The Need and Challenges in Educational Reform

With per capita GNP income of US\$ 300 per year, Nepal is among the poorest countries in the world. At 61 years, life expectancy at birth is still far below neighboring countries, and the maternal mortality rate is high and is estimated at 415 per 100,000 live births. Gender disparities also are reflected in education: only 34 percent of Nepali women are literate, compared with two-thirds of men.

Nepal's transition from an absolute monarchy to a multiparty democracy took place quite recently, in the spring of 1990. Since then, unfortunately, Nepali society has been severely tested by social and political turmoil. A Maoist insurgency has dominated the national agenda since 1996, claiming more than 12,000 lives, causing severe loss to national and individual properties, and inflicting pain and suffering on countless children, women and men. Not surprisingly, many schools and a broader range of social services are irregular or have been forced to close under the continuous onslaught.

Violence and political instability notwithstanding, Nepal has remained steadfastly committed to improving school access and educational quality. The Education for All program and the Millennium Development Goals are strongly endorsed and the international community has lent steady support. In light of the

difficulties in providing traditional public sector services in the midst of a conflict, the government strategy has been to devolve responsibility for implementation to community groups while providing the financial and technical support.

To carry out this agenda, four pressing challenges need to be addressed:

**Meaningful participation beyond the capital to plan, budget for, and manage educational activities.** Before 1972 in Nepal, community-managed schools were common, and many flourished. By the end of the 1990s, however, virtually all planning, budgeting, decision making, and management had been centralized. The involvement of local stakeholders was largely symbolic. Nominal participants described their contribution as “writing on water” – yes, they wrote, but with little lasting impression.

**Accurate data for planning.** Until recently, if educational data could be located at all, it was likely to be incomplete and inaccurate, if not flatly misleading. Categories could not be disaggregated and easily recast to determine, for example, attendance by gender, indigenous group, or children with disabilities. Statistically, policy makers could not “see” broad swathes of the population.

**An information system for monitoring and management.** Despite the unstable, rapidly changing political scene, many donors were cautiously willing to invest



in education, especially in programs for children in conflict zones, temporary classrooms for internally displaced children, scholarships for girls and underserved minorities, and help for children with disabilities – assuming, that is, that such projects could be reasonably monitored and effectively managed. To do so, a properly organized Education Management Information System (EMIS) was essential.

***An EMIS in place, and sufficient human capacity to collect, process, and analyze data from more than 27,000 schools.*** Prior to the implementation of reforms, local schools universally viewed data collection as just one more onerous bureaucratic requirement imposed by national managers. Participatory methods for compilation and sharing were unknown. No one seriously expected analyzed data to be returned to its local source, much less used locally for planning. Even at the central level, issue-oriented meta-analysis rarely took place.

### **Returning School Management to the Communities**

Prior to 1972, the country relied on about 4,000 community schools as its cornerstone for formal education. These schools were set up through community initiatives and financed through tuition fees and government block grants. The schools were nationalized in 1972 to improve inclusion, ensure more even funding, and provide technical support. Yet much was lost. In 2001, an effort was made to restore the positive elements of community management. The new Department of Education that began operations in 1999 created a policy framework for devolution of primary schools through amendments to the Education Act. In addition, the PRSP of Nepal adopted decentralization of school management, including transfer of management to communities, as one of the major strategies in education development. As such, the management of more than 2000 schools has already been transferred to communities. Preliminary assessments of these schools show that overall performance of these schools is encouraging.

Further, the goal has been to build systemic, institutional, and individual capacity for educational management and administration – first, by enabling national management within the sector, and then by extending capacity to district and local authorities. They needed real statistics, credible information systems, and serious modalities for participatory input.

This shift evolved from three points of reference.

- An Annual Strategic Implementation Plan (known as the ASIP) was to systematically embrace a broad range of stakeholders. Financed jointly by the government and donor agencies, the ASIP

emerged as the annual template for national and district level activities. The ASIP was first used to generate input for the annual appropriation bill, but it evolved into the actual draft bill that was submitted to the Ministry of Education and Sports and then to the Parliament.

- Participatory principles were to guide the strategic implementation plan. Starting with local school improvement planning, each educational district synthesized its annual improvement plan into a five-year plan. District plans were then submitted for synthesis into the national ASIP.
- Monitoring and management were to be supported by an up-to-date Education Management Information System (EMIS). Combined, the ASIP and EMIS were key tools that stakeholders at all levels could use for planning, monitoring, and management.

### **Designing and Implementing the New Mode**

The capacity building process designed to implement that new mode was kept deliberately simple, formative, and open-ended. It rested upon two principles.

#### **1. Not for us without us!**

Taking up the rallying cry from the disability sector – “Not for us without us!” – national officials and educational planners first met with administrators from Nepal’s 75 school districts. Together, they discussed issues and educational indicators at the national level. The national planners and officers then helped to convene five regional workshops, representing approximately 20 districts, the regional educational directorate, and several national agencies. After three to four days of lively debate at each, planners returned to their home districts and used what they had learned to initiate similar planning processes locally.

These meetings produced district-level strategic plans reflecting diverse local needs. With drafts in hand, the district planners then returned for another round of regional workshops. They and their colleagues from regional and national agencies thrashed out individual regional plans, setting the stage for the regional representatives to meet once again. Finally, the national agencies consolidated this output into the overall Annual Strategic Implementation Plan.

It should be noted that discussion of the draft amendment to the Education Act in 2001 – with the Minister of Education and Sports in attendance – was the first time in Nepal’s history in which school planners and administrators were consulted on a change to the legal framework of the educational sector before the change was presented to Parliament.



## 2. Educational management capacity building for high-quality data for decision making

In order to bring the ASIP to life, the largely dysfunctional data collection system had to be totally redesigned. Previously, questionnaires were sent annually to local schools, which were to answer and return them to the district offices that would total the compiled data and forward it to the national office. More often than not, it took two to three years to complete the “annual” cycle. The districts – much less the local schools – did not expect to receive feedback that would be used locally.

How was this cumbersome, unwelcome chore to be transformed so that real data could be fed into a modern electronic information system? First, data-gathering formats were totally redesigned, with data collectors receiving training at the regional strategic planning workshops. A qualified data entry company was contracted to process the resulting four gigabytes of data. A team of external data analysts and monitoring specialists was contracted to oversee quality assurance. More important, however, a program was launched to build internal capacity to promote the practical application of data for decision making, especially at the district level.

### Institutional Linkages with External Partners

Active institutional collaboration between Nepal’s Department of Education and India’s National Institute of Education Planning and Administration (NIEPA) was implemented to improve decentralized planning capacity. The more experienced external partner helped with the hands-on training of staff, development of manuals, and elaboration of district plans. It was agreed that trainees generally learn when they can apply knowledge and new skills in the context of real-life situations. So a proposal was developed to allow trainees to help develop actual district education plans.

Much was accomplished through the institutional partnership that linked Indian and Nepalese professional counterparts:

- Guidelines were elaborated for the preparation of district education plans. These guidelines spanned all levels and a broad range of activities.
- A manual was produced for district plan appraisal, standardizing the approach and monitoring strategies in five pilot districts.
- A set of training modules was produced, including practical exercises using real data from pilot districts and documenting good practices.

- A strategy was articulated for scaling up experiences from the five pilot districts to the remaining districts.

Moreover, Nepal’s technical institutions were planned to be strengthened – in particular, the National Centre for Educational Development (NCED) – so that national institutions could take full ownership of the technical role upon NIEPA’s exit. As such, an exit strategy for the partner was built in from the beginning of the institutional linkage.

Simultaneously, an institutional linkage was established between Nepal’s Department of Education and the International Institute of Educational Planning (IIEP), which is part of UNESCO in Paris. IIEP training programs focused on the education management information system and on school mapping. New technologies, such as geographical information systems (GIS), were piloted.

Through the partnership with UNESCO, enhanced technological capacity strengthened Nepal’s capacity for local planning in several important ways. School mapping (based on GIS) supported micro-planning that took into account the vast topographic complexity of Nepal. First, guidelines and training materials were piloted. The school mapping and microplanning was then implemented in selected districts. An EMIS was developed for the districts that would pilot decentralization. Finally, emphasis was placed on an exit strategy for IIEP that would leave Nepal with a skilled, experienced national team in place.

### Problems Encountered

In general, capacity building and the policy environment are mutually dependent. Policies are always imperfect because choices in the actual environment require tradeoffs and mask conflict that may not be immediately apparent. Hence, an institutional development strategy must ask not only how capacity building will affect the policy environment but, moreover, how policy changes will play out in the institutional structure. How will new legislation and regulations fare in light of longstanding administrative traditions and entrenched procedures? The question is not whether new technology will work, but whether it will work for particular people.

It is one thing to decide that decision making and educational management should be based on good data and participatory methodologies, but in an environment as complex and unstable as Nepal, getting there has been no easy matter:

- Local communities are not adequately involved in data collection, compilation, and dissemination. The Ministry of Education and Sports could more



or less compel schools to fill out annual questionnaires. Yet the preferred alternative – collecting reliable data from the community – is also difficult, costly, and time consuming; and it may not turn out to be cost effective.

- Many doubts persist on the quality and coverage of the basic data that has been processed. Actually, the bulk of it was collected by people who were not interested in their task. Data collectors saw no point in completing forms accurately, and despite training to the contrary, they consistently overstated or understated what they recorded.
- Indicators derivable from these data often do not speak to the key question of results – the impact of educational systems on the population, or the operational problems of the systems.
- Even with satisfactory data and relevant indicators in general, systematic analyses of gender, indigenous minorities, and biases against the poor are still difficult to undertake in depth.
- Frequently, data and indicators are not being used to inform policy making at the national and sub-national levels. Access is still limited; but even more significantly, lack of familiarity with the new modality causes old habits to die hard.
- Two-way data flow is still not the norm, and mechanisms for data dissemination are lacking. Schools still do not routinely receive feedback; forms are simply filled out. One recent study showed that the instructions in the data collection form did not adequately explain what needed doing. Data about student dropouts and grade repetition were particularly weak.
- Institutional linkages and capacity-building measures could not be financed to benefit all parts of the system at a national scale. Rather, they were pilots – development activities that would have to be scaled up through the regular government provisions. This puts considerable pressure on the system to manage and broaden the change. It means that key lessons must not only be learned, they must be utilized.

Strategies for capacity building require enabling institutions to learn by doing; yet if they do not connect with their clientele and provide real benefits during the learning process, they will remain isolated. While building necessary capacity, learners must also deliver solid results in complex spheres such as planning, budgeting, and monitoring.

### Adaptations during Implementation

At the outset, decision-making mechanisms were to be developed for planning and management, and capacity was to be built for educational management and administration. The systems, methods, and practices were expected to continuously change and evolve, taking into account lessons learned from the past year, financial resources, and staff. But management, planning, and administration are not constant; they need to adjust to an ever-changing context.

For 2000 and 2001 data, this meant that the Department of Education initially collected and computerized all school forms, rather than processing data at the district level, in order to reduce error. However, with regional training and capacity building, central data processing was discontinued by 2002.

For the ASIP process, the initial focus on subsectors generally deemphasized the macro-perspective. More recently, the education sector is being addressed as a whole, including references and conceptual links to the national Poverty Reduction Strategy and the Medium-Term Expenditure Framework.

Turning the education system into a learning organization is a complex work in progress, with the final form still to be identified and built.

### Factors for Success

Four factors for success stand out:

- ***The need for quick, effective capacity building.*** The capacity to undertake technically sound planning and substantive monitoring at the central, regional, and district levels needed to be developed quickly – and it was. Technically sound planning implies a participatory process with operational management decisions made on an informed basis. Today, plans are sounder, and mostly they are developed in a participatory modality. A few committed officers, working in close collaboration with experts from the linkage institutions, have contributed greatly to this achievement.
- ***Timing and coordination.*** Sound project plans make sense only if they are presented for appraisal and carried out at just the right time. Nepal's natural topographic diversity makes this hard enough under the best of circumstances; but when the complications of armed conflict, political instability, and natural calamities are added, the challenge becomes truly daunting.



For any project to work, proponents must successfully coordinate the development planning, budget approval, release of funds, and execution of multiple activities. Good efforts and timely coordination among more than 400 district-level officers have made this formidable challenge feasible.

- **Institutional learning.** The capacity to learn from one year to the next – to build lessons upon lessons – is critical for success. This capacity is still at a beginning stage. Yet as an example of evolving institutional learning, it should be noted that the Ministry of Education and Sports drafted its 2004–2009 Education for All plan without the use of external consultants and, for the most part, with recent data from its own EMIS. Donors contributed by holding back, providing the government with sufficient latitude to develop its own plan.
- **Strong, consistent external partners.** The Danish development agency, DANIDA, has been a consistent partner of the Department of Education, helping to cover financial liabilities of the ministry and facilitating capacity building through institutional linkages. It has helped to bridge gaps in capacity. A third party of this sort – with intimate knowledge of both worlds – has been crucial to the success of linkage activities.

## Results Achieved

**Entrenchment of ASIP as a modality.** At the most basic level, virtually all stakeholders have come to accept the modality of the strategic implementation plan. Among donors, the ASIP idea is entrenched as the primary planning and monitoring instrument for education. For example, the Secondary Education Support Project (SESP), jointly financed by AsDB and DANIDA, has adopted ASIP as the planning tool and the basis for annual budget planning. ASIP has also been taken as a decision-making tool and the basis for annual budget planning by donors.

In Nepal, moreover, this idea now incorporates and resonates with key elements in other critical areas, such as the Poverty Reduction Strategy paper, the Medium-Term Expenditure Framework, the Millennium Development Goals, school management transfer to communities, the Business Plan for Education, and the School Sectorwide Approach.

**A positive transformative element in a conflict-ridden environment.** The starting point for the ASIP was to define the scope of educational activities for a country in the midst of intensifying armed conflict and political instability. What is feasible and what isn't? The ASIP exemplifies what working on conflict and political instability really means. Every strategy, policy, or measure that is proposed must be assessed in

light of its contribution toward escalating or de-escalating conflict's impact on the education sector. From 2006 onward, the ASIP will explicitly document the role that it plays in conflict transformation.

**A step in defense of rights to education and equity.** In coming years, the ASIP will place even greater thematic emphasis on protection of the basic human right to education. Budgetary resources to address this issue are now allocated at virtually all levels and among all agencies. The structure of activities and financing linked to the ASIP are to be balanced with respect to the principles and practice of democracy, human rights, and equity insofar as they are related to schools and communities. In line with UN guiding principles, the impact of conflict will be addressed by allocations for internally displaced persons and children living in camps, and by addressing school overcrowding.

**Meaningful feedback from the central administration provided to the district levels.** The national ASIP documents all strategies and measures that are proposed for district-level activities; and it makes corresponding budgetary allocations in an organized, planned, and comprehensive manner. The districts' ASIPs are appraised using a manual developed during the 2004 institutional linkage with NIEPA. Starting in 2006, written responses will be provided to every district's proposed plan. These responses will be summarized in the national ASIP. How are decisions and tradeoffs justified? The allocations to each district are juxtaposed with key performance and financial indicators, as well as relevant figures from the Human Development Index.

**Participatory local planning as an accepted norm.** At the district level, participatory planning has become widely accepted. In an increasingly decentralized system, microplanning gradually is being viewed as the norm. School Improvement Planning now encompasses more than 27,000 schools and 5 million schoolchildren. Each year, thousands of citizens meet to participate in school planning and educational administration; and school management committees are now entrusted with real authority. Microplanning has become the point of departure for a grant allocation system in which funds for school management are released directly to local stakeholders.

**Data-based decision making is taking hold.** As it has become larger and more reliable, the EMIS has become progressively more useful. Although the scope for improvement and growth is vast, the information produced by the EMIS is being used more often and more consistently in both education management and decision-making processes. This shift works hand in hand with the ASIP modality. Previously, the ASIP focused on how the national budget would be devel-



oped. Today, budgeting starts with EMIS-produced data, and it generates an actual appropriations bill. The fiscal process has shifted toward a sectoral approach, with thematic budget categories replacing the simpler, politically-negotiated categories of primary versus secondary education.

***Institutional and professional linkages through external networks are extending national capacity.*** Nepal's national institutions have a far-from-sufficient technical and professional base for supporting comprehensive educational reforms. To extend professional exchanges and opportunities for institutional learning, Nepal's capacity-building process must effectively use institutional links through regional and international networks. The Department of Education is involved in such networks and is increasingly recognized for forging associations with other institutions of excellence.

### **Lessons Learned**

***Lessons on participatory planning and budgeting.*** At the systemic level, the organization for ASIP planning is now set up, and EMIS monitoring is functioning according to basic principles. Nevertheless, in coming years, the procedural quality needs to be improved in every area. In particular, more institutional capacity is needed to withstand staff transfers and political instability. Policies, strategies, and plans need to be sensitized so that they work in a particularly difficult educational environment that includes, among other things, ongoing armed conflict and all too frequent natural calamities. Overall, systems need to be developed that are uniform and harmonized so that individual agencies do not work in inconsistent modalities.

***Lessons on data quality and the link between data and planning.*** The quality of planning indicators can be no better than the institutions that collect and analyze data. Typically, collected data are associated with a vast range of approaches and objectives. Unfortunately, most information does not yet directly link to EMIS or produce robust educational indicators. Data collection and processing is carried out by an institutional system with limited capacity for such complexity. Indicators have been dealt with organizationally through a standard development project/program approach. Yet the educational and financial information management systems are still unlinked. The critical link to actual financing of schools is not sufficiently established.

Monitoring information is greatly underutilized for planning and decision making by the Ministry of Education and Sports and other key government offices.

Even though they are the ultimate beneficiaries, grass-roots stakeholders are not yet involved in the monitoring process. Without participatory input, monitoring reports are typically bound nicely and shelved, rather than being made available through a fully transparent information system geared toward public feedback

***Lessons on capacity building through institutional linkages.*** Linkages through networks can greatly facilitate access to new knowledge and the latest sector-specific thinking. For these to work, institutions and professionals must be bound through genuine partnerships and collegiality. Relationships must offer practical opportunities for mutual learning. On-the-job learning and collective knowledge sharing is enhanced by shared mutual experiences, technology, and exchange of best practices. Linkage arrangements can provide relatively easy access to a partner institution's entire resource base. This is a cost-effective and sustainable method of capacity development, but the logistical difficulties in undertaking such linkages should not be underestimated.

Both NIEPA and IIEP have developed training modules on decentralized planning and monitoring. These materials and the respective experiences of using them could be shared in far greater depth. Despite the challenge of translation, training modules in the Nepali language are needed. As more experienced partners, NIEPA and IIEP could assist in developing a framework for preparation, translation, and adaptation of these modules for local need, especially for use outside the capital. On the other hand, an exit strategy is just as important. Institutional circumstances greatly limited NCED's capacity to benefit from NIEPA and IIEP programs.

### **Applicability to Other Programs**

Can Nepal's experience in capacity building be applied to other programs and countries?

Capacity building always takes place in a particular context; and in Nepal, conditions have been exceptionally harsh and difficult. Potential pitfalls and stumbling blocks have been formidable – armed conflict, chronic political instability, the dissolving of Parliament, restrictions on movement, and the absence of elected local bodies. Yet Nepal's experience also shows that decentralized educational planning and budgeting can develop even under such highly restrictive conditions. At the end of the day, capacity building makes the difference. But that takes time, patience, and flexibility, and steadfast collaboration among dedicated institutions, educational professionals, and communities.



## How Educational Programming in Nepal Embodies the MFDR Principles

1. *At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- The School Improvement Plan, the District Education Plan, and the Annual Strategic Implementation Plan both at district and central levels are the instruments of planning, budgeting and monitoring.
- The school and district level planning is shared with stakeholders at the local level.
- There are two annual review missions in which both government and development partners participate actively – they engage in constructive dialogue in assessing the previous year’s progress and pitfalls before the next year’s ASIP, and review the annual work plan and budget (AWPB) with a view to endorsing improved results.
- Recent initiatives include the preparation of the school sectorwide approach (SWAp) policy framework, the education sector business plan, school management transfer to communities, education sector financing, etc.

2. *Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- Flash report I and II are monitoring instruments at school level to document and report progress.
- At district and national levels, planning is linked to targets and achieving results.
- Aide Memoires of EFA and SESP evaluate program implementation and provide suggestions for improvement. Recent recommendations are to slowly move in the direction of a ‘school sector approach’ for intensifying educational achievements.

3. *Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- Every year the Department of Education prepares a Status Report and shares it with development partners and key stakeholders. This is an instrument of transparency and a self-evaluation report prepared from the perspectives of accountability and continuous improvement. The emphasis is to support and capacitate the schools to prepare annual progress reports that outline their expenditures and learning achievement for all students.

- The formats used for reporting progress and results are simple and user-friendly to the extent possible. These are prepared in consultation with head teachers and school supervisors who are their users at the sites.

4. *Manage for, not by, results, by arranging resources to achieve outcomes.*

- Resources are allocated for achieving desired results. For example, this year ASIP aims to increase net enrolment of children (differentiated by girls) by 4 percentage points over the last year, and to increase learning achievement in primary and secondary education.

5. *Use results information for management learning and decision making, as well as for reporting and accountability.*

- Recent statistical information is used to make decisions on resource allocations for block grants, scholarships, earmark grants for teacher support to schools with high PTR, grants for construction of classrooms, and so on.
- However, using results information for management learning needs high capacity and development of culture of work.

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EMIS

## For more information

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# Part 4. Examples of MfDR in Development Agencies

## Overview

**D**evelopment agencies are converging around results agendas that share common elements and approaches. They aim to enhance the focus on results in their strategies and instruments, incentives, and reporting systems. Furthermore, development agencies are increasingly working together toward harmonized results-based approaches and better coordinated support to strengthen partner country capacity to manage for results.

### Results-Based Country Programming

Many development agencies are using results-based approaches to improve alignment of their country programming to country strategies. They are deriving country programming objectives directly from the results specified in partner country poverty reduction strategies (or equivalent), and linking their support to partners' national expenditure frameworks.

### Operational Products and Services

Important as country strategies and programming are, by themselves they do not achieve results. If the individual development interventions that international agencies fund are to achieve results, they must be high quality, relate to the country strategy, and have synergies with other operations at the national and sectoral levels. Many agencies are giving greater attention to the quality and impact of their operations through enhanced planning, monitoring and evaluation, portfolio management, and life-cycle management.

### Incentives

The lessons derived from processes of organizational change management suggest that when senior and middle management systematically focuses attention on a key corporate issue or practice, they give staff a clear signal to adjust human resources and budgets. In most international agencies, management is increasingly demonstrating its interest in and commitment to the results agenda. Development agencies are beginning to identify and adjust human resources and budget policies so as to provide incentives to achieving the results management agenda. There is also increased attention to building staff capacity to implement the results focus at the country level, to monitoring and reporting upon their contribution to the partner countries' development, and to providing appropriate guidance, training, and information technology systems.

### Corporate Reporting

Corporate reporting is critical for informing stakeholders – both the partner countries and the donors' funding authority – about progress on the agenda and for ensuring sustained management attention and institutional follow-through. Since Monterrey, both bilateral and multilateral development agencies have been upgrading their development effectiveness and strengthening their reporting.

### Performance-Based Aid Allocation

A few international agencies are experimenting with formalized performance-based approaches to aid allocations. There is some debate as to how this fits with other aspects of the global agenda on managing for development results. Many issues need to be taken into consideration, whether at the level of how individual agencies and partner countries operate or within the international aid system as a whole. Further analysis and debate are needed to help determine if and when such approaches should be used.

### Harmonization of Tools and Systems

The results management tools used by agencies have many common characteristics and applications, although the labels vary slightly from organization to organization. MfDR provides a common language and set of concepts around which to create a better results dialogue and stronger coordination among agencies, as well as between agencies and partner countries. Agencies are starting to share their internal tools and practices widely with each other and with partner countries, to foster further management learning and organizational change. Many examples in the Sourcebook demonstrate how development agencies are learning to apply MfDR tools effectively in their internal organizational and program management, and as the basis for stronger synergies and harmonization with partner countries – all to achieve stronger country, regional, and global outcomes. Sharing experiences among donor agencies and with partner countries should help advance the learning process in MfDR.



MfDR Principles	Examples of tools being used to manage for results in development agencies	Why these are important
Focus the dialogue on results at all phases of the development process	Agency policy/priority frameworks Country programming strategies Thematic/sector strategies Project results frameworks Stakeholder/partner planning and consultation mechanisms Logic models or results chains (integrated in all of the above)	Results-based tools and processes are used to plan for and implement intermediate results linked to country outcomes. Different tools are adapted depending on the level at which they are used, but they all show how policy, country program, thematic and project results contribute to country, regional, or global outcomes, including supporting the Millennium Development Goals (MDGs).
Align programming, monitoring and evaluation with results	Agencywide multiyear strategic plans or rolling work plans Annual program/project management plans, work plans and budgets Training and guidelines for project/program planning and results management Performance management plans	Results-based tools are used to demonstrate how agency investments and inputs will contribute to country, regional, or global outcomes, as well as to indicate how different agency management processes can support the achievement of results.
Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	M&E systems, plans and guidelines (incorporating MIS) Audit and risk management frameworks Performance measurement frameworks Program/project monitoring frameworks Audit guidelines and tools Evaluation guidelines and tools Risk analysis guidelines and tools Training and guidelines for indicator design, data collection, and analysis	Tools and guides describe the steps and processes to be used in collecting and analyzing performance data at different levels within development agencies, and form the basis for continuing skill building with agency managers and staff.
Manage for, not by, results, by arranging resources to achieve outcomes	Performance reviews and evaluations Internal/external performance monitoring processes and reviews Performance and management audits Thematic and sector studies	Performance information from monitoring and evaluation is used as the basis for assessing progress toward identified country, regional, or global outcomes at various levels.
Use results information for learning and decision making as well as reporting and accountability	Annual agency performance reports to advisory boards/committees, elected officials and their citizens Annual country program performance reports to agency decision makers/committees, elected officials, and country citizens Training and guidelines for management decision making based on results information Analysis of evaluations and reallocation of resources to better achieve results	Reports within and among agencies, and between agencies and their main stakeholders, provide the basis for ongoing agency strategic review, performance adjustment, and reallocation of resources.



# Canadian International Development Agency: Corporate Managing for Development Results

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## Executive Summary

**A**s a development agency, CIDA's approach to Managing for Development Results (MfDR) – its regime for results-based management – functions as an integral element in its resource allocation and decision making, emphasizing the importance of setting realistic expectations for results, engaging in meaningful stakeholder participation, assessing risk, monitoring progress, and ensuring transparency in performance reporting. It encapsulates the importance that the agency places on collaborating closely with its country partners (and fellow donors) to ensure that their needs, interests, and capacities are reflected in the results management processes used in CIDA-supported interventions, and sharing what is learned within the international community.

In managing for development results, CIDA acknowledges that it has far to go, despite its reputation as a leader and being identified among fellow Canadian government departments as a good example of implementing results-based management. One of CIDA's most difficult challenges is to reconcile its accountability to demonstrate the results from expenditure of public funds to Canada's Parliament and taxpayers, and at the same time, to fulfill its commitment to OECD DAC Principles of Donor Harmonization, which support partner countries in taking ownership of their own development processes.

This example illustrates how a strong corporate culture of MfDR can help solidify partnerships with developing countries, fellow donors, and other stakeholders, and use the principles of aid effectiveness to support sustainable development. It also provides a snapshot of what CIDA has achieved thus far, what has been learned, and how improvement in performance is continuously being sought.

## Objective Pursued

CIDA has 10 years of experience in managing for development results. Since implementing its first performance review policy in 1994, CIDA has endorsed the Millennium Development Goals, supported the Addis Ababa declaration and the Monterrey consensus, promoted the Marrakech principles of February 2004, and endorsed the Paris Declaration of April 2005 – all the while attempting to improve the consistency of its own performance with these approaches and principles. With respect to its accountability, CIDA has also had to balance its commitments to both national and international constituencies.

CIDA's "Policy Statement on Strengthening Aid Effectiveness" of September 2002 reiterated the agency's strong focus on results, and it set the course for CIDA itself to become a more knowledge-based learning institution. The agency's Third Sustainable Development Strategy 2004–06 is a rolling work plan, complementing an annual Report on Plans and Priorities (the planning element of the performance management lifecycle) and the annual results-based Departmental Performance Report required of all Canadian government departments.

CIDA is accountable to Canada's Parliament and taxpayers as required by the governmental regime "Results for Canadians" (Treasury Board Secretariat, 2000). The Office of the Auditor General does not demand attribution for each dollar of development assistance given to its partners. It is recognized that CIDA contributes to the efforts of others and thus shares accountability with its developing country partners and the rest of the global development community for achieving development results, progress on the Millennium Development Goals, and meeting other international commitments.

## Design and Implementation

CIDA's current corporate logic model, articulated in 2002, comprises the Key Agency Results, which operate at three levels of outcomes:

**Development Results (impact on developing countries).** CIDA's longstanding performance framework contains four key areas of sustainable development: economic well-being, social development, environmental sustainability and regeneration, and governance. Gender equality and the environment are considered cross-cutting themes.



**Enabling Results (effective programs and strategies).**

These outcomes reflect CIDA's control over its programming orientation, strategies to improve development effectiveness, management policies and procedures, choice of appropriate sectoral and thematic focus, choice of appropriate geographic focus, efforts to engage Canadians in improving aid effectiveness, and institutional strengthening of CIDA's partners.

**Management Results (the right tools, internal to the agency).**

CIDA is fully accountable for the achievement of its management results, which in turn contribute to development results. These include human resource management, information technology, and the alignment of planning priorities, resource allocation, and reporting.

These key areas form the core of CIDA's Results-Based Management Accountability Framework. Incorporating CIDA's mandate, the Millennium Development Goals and related commitments, and the principles of effective development, these results statements provide the conceptual basis for CIDA to plan, fund, implement, monitor, report upon, and evaluate its work.

Although an inclusive Risk-Based Audit Framework is yet to be developed, considerable work has been done to identify key risks to achievement of development results – both corporate risks internal to CIDA and risks with respect to the partner countries – and to elaborate measures to mitigate and bring those risks to manageable levels. As CIDA becomes more involved in multistakeholder programs, joint responsibility with partner countries not only reduces the risk to individual donors, it also strengthens the management and accountability of the program being supported and contributes to better and more lasting results.

Implementing MfDR requires solid monitoring and assessment of performance in conjunction with partners. This ensures decision making based on the interplay of results, risks, and resources. Information on development results is key to the lifecycle management of individual investments and programs. In the case of enabling results, information on Canada's contribution to a particular multidonor effort – for example, Canada's particular policy leverage with a partner country, its technical assistance, its support of M&E capacity) is monitored and captured, especially in sectorwide investments and budgetary support. Moreover, CIDA is progressively able to report on enabling results with respect to institutional partnerships that in turn affect development results. Thus there is evidence to justify Canadian financing of respected international partners – such as UN agencies and international financial institutions, as well as Canadian part-

ners such as NGOs – in order to jointly achieve international development goals.

CIDA's strong performance culture is based on a two-pronged review process. Some evaluations are conducted by the Performance and Knowledge Management Branch, and others are led by the geographic or program branch. An important aim of CIDA internal audits and evaluations is to orient reports toward “decision windows.” These are the leverage points where findings, recommendations, and lessons will have the greatest impact on agency policy and on program planning, design, and delivery. According to the Agency's Results-Based Management Accountability Framework, a representative sampling of CIDA's business – including agency policies, programs, investments, sectoral themes – must be assessed annually by internal audit and evaluation functions. Therefore, independent internal audit and evaluation divisions in the Performance and Knowledge Management Branch lead about a third of all assessments because of their strategic nature. These may include participation in multidonor assessments of joint investments of partner institutions or of partner country development programs. For internal audits and evaluations conducted by the CIDA program and regional offices, the Performance and Knowledge Management Branch constitutes a performance team to provide technical support to facilitate self-assessment, primarily of investments and programs.

As noted above, internal audits and evaluations by program branches are considered independent corporate assessments. Yet it should be noted that Canada's Office of the Auditor General also periodically assesses CIDA. These assessments are undertaken to ensure that the agency does not compromise the ability of its internal auditors and evaluators to conduct objective performance reviews.

**Problems Encountered**

CIDA has had the best of intentions to make its lifecycle management approach to results planning, monitoring, and reporting as simple, cost-effective, and user-friendly as possible. Yet much progress still needs to be made in this area. CIDA prepared its first costed work plan for its 2003/04 planning cycle, linking expected results with resource allocations more rigorously than ever before. This meant that they were articulated in the logic model, but the staff had not had a full year cycle to work out their indicators and know what was appropriate for their particular programming within the agency.

When this requirement was instituted, CIDA was still in the process of shifting its focus from investments (projects or initiatives such as technical assistance) to



a higher level country, regional or institutional programs focus. But, with the changed focus, how best to measure the results? The solution was two-fold. First, the guidelines for country development program frameworks urgently needed to be updated, including a new program-level performance measurement framework. This revision could be made to better reflect Canada's specific support as well as linkages between CIDA's program and the partner country's broader development program, for example, its Poverty Reduction Strategy.

Secondly, while this new performance measurement model was being developed, it became apparent that certain programming types did not fit the Country Development Program Framework model. In many cases, an institutional Performance Measurement Framework was more appropriate. CIDA is now working to better capture development results and enabling results through its support to multilateral development banks, the United Nations, and other partners. This refinement will further Canada's ability to comply with its commitments to international development.

Beyond the need to assess performance of the overseas programs that CIDA supports, staff were struggling with performance monitoring and reporting requirements for which all Canadian government bodies are held responsible. Compliance with these responsibilities meant that opportunities were sometimes lost for joint performance assessments and decision making with other development partners. A 2003 study of performance reporting for this level indicated that CIDA program managers did not generally see reporting requirements as a performance management tool; indeed, the gathering of information relevant for compliance was essentially disconnected from reporting on program performance and on the agency as a whole. This inconsistency clearly needs to be addressed for there to be a solid evidence base for reporting; and within CIDA, the will to do so has to be nurtured.

The performance review function is critical; yet CIDA program branches still lack human resources with sufficient skills in results-based management. A good sign is that an independent review of the Performance and Knowledge Management Branch in 2004 indicated that its RBM Unit had a very favorable impact on the agency's ability to manage for results, despite only two full-time employees to support the branches to build their skills in results-based management and managing for results.

Although the OECD/DAC peer review of CIDA in 2002 was generally positive, some caution was sounded on the high donor costs of managing Cana-

dian overseas development assistance. The current approach aims at administrative cost reduction by shifting more support to countries with enhanced program relationships. CIDA will participate with other donors in more program-based approaches, including SWApS and budgetary support. This strategy will be assessed internally through program audits and evaluations over the coming years.

### Adaptations in Implementation

Adaptations have been required to address three levels of results management – investment, program, and corporate performance.

Since 2002, attention to program-level Performance Management Frameworks has been enhanced. Parallel efforts were also undertaken to increase coverage of performance reporting at the investment level, thereby improving the evidence base for program-level reporting. User-friendly electronic templates needed to be developed, and deadlines had to be adjusted for annual reporting. This enabled CIDA staff and partners to share information electronically more easily, and it facilitated collaboration in joint performance monitoring and reporting.

In 2004/05, an initiative was launched to improve reporting at the investment level. An investment monitoring and reporting tool (IMRT) is being piloted in early 2005, with the goal of being made more relevant to every line of CIDA's business. It should better reflect not only CIDA's bilateral programs, but its multilateral programs, and cooperation with NGOs, Canadian universities, and the Canadian private sector. The IMRT incorporates a new feature: It will reflect both enabling and development results as well as principles of development effectiveness. Moreover, it can provide a necessary link between individual investments and the programs they support, as well as provide evidence of their contribution to corporate results.

Over this same period, CIDA also carried out its first evaluation of a policy – the gender equality policy. Lessons learned have fed usefully into the drafting of the next generation of policy documents as well as improving the data fields for the new IMRTs.

In addition, basic Results-based Management training has been redesigned, focusing now, for example, on staff comfort level with the performance tools, skills in developing logic models, logical framework analyses, performance measurement frameworks, and identifying and managing risk. Staff is being encouraged to monitor progress toward results in collaboration with country partners and fellow donors. A community-of-practice network has been formed to help test these new tools.



As part of its Departmental Performance Report, CIDA attempted its first corporate scorecard in 2003/04 – a tool that will be perfected in future years. In most of the Key Agency Results areas, CIDA’s rating was “successfully meeting expectations”, although there can still be improvements.

### Results Achieved

CIDA’s evolving application of Results-based Management includes the following achievements:

- Staff is more involved in the process, and is “buying-in” to the development of new performance tools.
- The corporate approach to results by country (through bilateral, multilateral, and Canadian partnership channels) has improved.
- Linkage is stronger between the investment level, the program level, and corporate reporting.
- In areas such as donor harmonization, ability has improved to manage according to aid effectiveness and to capture results.
- The training and coaching of CIDA staff has improved.
- Results, resources, and risk management are all more closely linked.

### Lessons Learned and Factors for Success

***A strong commitment must be made by the government.*** The Canadian government’s strong commitment to Managing for Development Results has been a critical factor in progress toward harmonization efforts and working jointly with fellow donors and partner countries. Improved training and tools are helping to build staff skills. An early iteration of a results-based management outreach team within the Performance and Knowledge Management Branch is actively involving other corporate players – for example, the Policy Branch. Overall guidance in performance management is being extended throughout the agency.

***The agency must be committed from top to bottom.*** Within the development agency itself, there must be a very strong commitment, both top down and bottom up. The effort needed to communicate the message to donor staff – and then provide training, guides, and tools – should not be underestimated. The MfDR concept cannot be internalized merely for compliance purposes. Until an agency has its own clear development logic model and can articulate its own results in a transparent manner, it cannot reasonably demand MfDR from its partners. Then, donors must be willing to help partners to develop their own results framework and to build institutional capacity according to their own needs.

***Donors must strike the balance between accountability to their governments and accountability to their partners.*** One of the greatest lessons is that development agencies must balance the tension between accountability to their partners and fellow donors and accountability to their own government’s funding source. Sometimes the two responsibilities complement and reinforce each other; but other times they do not. The agency must invest effort in negotiating with its own source of funds. That means informing taxpayers and Parliament of appropriate expectations from development programming, especially with respect to making decisions on resource allocation, assessing progress, and reporting on performance. Until this tension is resolved, donor agencies cannot easily and fully support country partners in managing for development results.

***The old mindset of bilateral control lives on; but it needs to be replaced – in practice as well as theory – with principles of partnership, accountability, and trust.*** CIDA continues to reorient staff who were trained in the assumption of bilateral control, meaning that Canadian companies or organizations would be hired to directly implement projects and initiatives, with far more emphasis on process than results. With greater emphasis today on Strengthening Aid Effectiveness principles – for example, untying aid and using partners’ procurement capacities – a shift in mindset is needed. This applies to joint development programming in partner countries, to collaboration with other donors, and to trusted international partnerships.

***There is more to funding than merely achieving targets.*** While firmly supporting the Millennium Development Goals – either directly with partner countries or through multilateral partners – CIDA has learned that it cannot manage its funding merely with respect to achievement of targets. Longer-term goals and potential impact must be articulated. They must be visible and understandable to CIDA and to partners. Consider, for example, that a basic education SWAp could fail to meet the targets agreed upon with donors, yet the partner country might be making substantial progress in relation to indicators such as institutional capacity. Increasingly, CIDA has learned to take a longer-term view when faced with situations such as these. It would begin by reviewing the options to how to better reach the established goal (greater access to basic education for girls and boys), thus promoting dialogue on possible reallocation of resources, and by reviewing the strategies in process to more effectively achieve the intended results.



## Conclusion and Application to other Donors

Solid MfDR requires testing an approach and monitoring it for learning. No process is perfect and it should never be static; continuous improvement is the aim. Had CIDA assigned human resources more intensively at the early stages, corporate integration of results-based management might have evolved on a more solid basis. Within the agency and in relationships with its partners, progress is still uneven. With the luxury of more time and greater resources, CIDA could take stronger measures to intensify its own performance – for example, by updating and enhancing results-based management tools, guides, and training.

The fact that results-based management is integral to the Canadian government's performance framework bodes well for the sustainability of CIDA's efforts. CIDA will continue to plan, manage, and report upon its development programming in a results-based manner. In terms of programming in partner countries, CIDA takes into account its relation to other donor involvements. CIDA may still consider direct support through specific bilateral interventions; yet the lens of results-based management allows the agency to better analyze the context for assistance and decide upon the best role for Canada to play. As an active participant in the donor community, CIDA is open to sharing its experience with other donors and partners. It is strongly committed to building – and using – the evolving body of knowledge on Managing for Development Results.

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## Results-oriented Country Programming: Applying the Principles of Managing for Results and Emerging Practices and Lessons<sup>52</sup>

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### Introduction

Countries and donors have long been concerned with the effectiveness of development resources, but efforts are growing among donors and partner countries alike to use aid resources better. A stronger results orientation provides countries and donors with a tool to improve decisions on strategic allocation and management of resources (relevance and effectiveness) and a mechanism to show the demonstrable results (accountability).

Results-oriented country programming can be a powerful tool. It can improve strategic selectivity and alignment with a country's development and poverty reduction goals. It also can enable better diagnosis of trade-offs and help establish priorities through more careful analysis of plausible causality in the development process. It can facilitate cross-sectoral approaches to assessing and responding to a country's development policies and institutions in light of long-term development objectives. Finally, it provides a tool for managing to achieve results, including a stronger monitoring and evaluation framework.

The process of designing a results-oriented country program is equally as useful. An opportunity is provided for development agencies and governments to build consensus around the best approach to achieve development goals and identify agency contribution. This can also set the stage for implementation that focuses on outcomes and partnership to achieve results.

This study provides an overview of the emerging principles and practices in designing and implementing results-oriented country programming. It draws heavily on the recent work of the World Bank in piloting the results-based country assistance strategy. It also draws on discussions with other aid agencies involved in improving the results focus of their country strategies and programs. A workshop in September 2004 of the OECD/DAC Joint Venture on Managing for Results provided an opportunity for practitioners from the various development agencies to share their experiences on results-oriented country programming. Subsequent materials from this workshop will complement the focus of this study.

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<sup>52</sup> This study was prepared by Elizabeth M. White and Rosalía Rodríguez-García. It draws heavily from the work by Alison Scott and John Paul Fanning of the UK Department for International Development, which is preparing a paper, "Emerging Practices in Improving Aid Performance in Managing for Development Results: Results-based Country Programming." The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the World Bank Group, its Executive Directors, or the countries they represent, and should not be attributed to them.



## Objectives and Principles

Development agencies are increasingly aligning their cooperation programs with country priorities as articulated through a poverty reduction strategy or other national strategy. This alignment is being strengthened with frameworks that clearly link agency support to expected country outcomes. Results-oriented country programming respects the consensus on managing for results and harmonization.<sup>53</sup> While experience is still early in regard to what constitutes best practice in results-oriented country programming, emerging principles have been useful for articulating the objectives of results-oriented country programming. These principles are applicable across all country contexts, and enable adaptation and flexibility to unique circumstances. The principles are also well aligned to the five core principles of managing for results.

The principles of results-oriented country programming are drawn from internationally agreed principles for aid effectiveness. These have been set out in a number of forms, such as the DAC Agenda for the 21<sup>st</sup> Century (1996), the Comprehensive Development Framework (1998), the Monterrey consensus (2002), the DAC Rome High Level Forum (2003), and the MfDR principles agreed at Marrakech (2004). These are:

***Align the result oriented program to country owned goals – selectively.*** A results-oriented country program starts with country goals (such as the Millennium Development Goals, growth, etc.) articulated in the national strategy. It then links financial support, analytical tools, and policy dialogue to those goals where the program as a whole can add the most value. It requires that the team make necessary trade-offs among many priorities and analyze different options to contribute to development outcomes. Thus, the process of undertaking a results-based approach enables a more explicit discussion of plausible causality in the development process, and it facilitates a cross-sectoral approach to assessing and responding to the country's development policies and institutions in light of long-term development objectives. The process provides an opportunity for development agencies and government to build consensus on the best approach to achieve development goals and identify agency contribution.

***Specify outcomes that can be directly influenced and managed by the country program during the implementation period.*** Another level of selectivity is needed in defining outcomes directly influenced by the country program during the implementation pe-

riod. Specifying development constraints that the country program will address – often in a multi-sector fashion – is the first step in defining the intermediate outcomes (sometimes referred to as the “missing middle”). By drilling down from the priority higher order development goals to the expected outcomes to be achieved during the implementation period, the team is better able to plan across the full range of products and services. This includes determining whether the ongoing program is still relevant to current development priorities, how the portfolio and dialogue with government are progressing toward outcomes, and the implications for strategy design.

***Steer implementation toward outcomes with good monitoring and evaluation systems that use, not duplicate, government systems.*** A results-oriented country program provides a framework against which to design the country program, monitor progress toward expected outcomes, and test its relevance. A solid results framework provides a tool for tracking progress toward results and then evaluating performance. During implementation, the monitoring framework can be used for oversight, portfolio management, and dialogue with the government. It helps assess whether implementation is on track and flags the need to investigate shortcomings in the overall strategy, in turn encouraging mid-course correction. The intent is not to follow a strictly predetermined plan nor instill command-and-control dictated by quantitative targets, but instead, to provide relevant, timely information so that necessary changes can achieve intended results.

Monitoring should draw on indicators and data sources that are part of the government's national and subnational monitoring systems. To avoid taxing country capacity, flexibility is needed on expectations for baselines, quantitative targets, and “the perfect indicator.” In the process, weaknesses in government monitoring and evaluation systems become evident, creating an opportunity to strengthen country systems.

***Support strengthening of country capacity to manage for results.*** A sustainable and successful results orientation is contingent on the capacity of government to manage for results. This is consistent with the international community's commitment to strengthen national systems for monitoring and evaluation that are integrated into public sector management.<sup>54</sup> A results-oriented country program underscores the importance of assessing the capacity of government and determining how best to strengthen this capacity. This requires going beyond a project-by-project approach;

<sup>53</sup> DAC Good Practice Paper: Harmonizing Donor Practices for Effective Aid Delivery.

<sup>54</sup> Results-based monitoring and evaluation includes statistical capacity.



it requires integration of results management in the country's own institutions and systems.

**Create an environment that encourages action-based on information.** Results-oriented country programming only works to the extent that managers, team members, and counterparts actively use an effective monitoring system. This may entail important managerial changes. Managing for results is not only a technical solution, it involves organizational and human factors. The program team will need to define a system to oversee implementation. It must encourage each actor to routinely and consistently analyze and use information. There are many ways: dialogue with the government on possible operational modifications, reallocation of resources, strengthening synergies across elements in the portfolio, and necessary revisions of strategies and policies. Program plans need not be rigidly bound by the initial blueprint. How individual country programming fits into the broader organizational system is important to the sustainability of the results orientation during implementation.

### **Early Experience in Design of Results-Oriented Country Programming – The Cases of Mozambique and Cameroon**

This section draws heavily on the recent piloting at the World Bank. The immediate applicability of the principles was most evident in lower-income countries, where the poverty reduction strategy process had already provided an organizing framework for priority setting.<sup>55</sup> This enabled deeper discussion of trade-offs and ways to work with other development partners toward country outcomes.

In Mozambique, the methodology shifted the thinking about development and expectations to a strategy focused squarely on results. The team determined the key results that the country program should deliver in four to five years and how these contribute to country goals. The focus shifted from inputs, activities, and outputs to expected outcomes directly influenced by the country program. This conversation was continued with the government. The content of the dialogue changed – from how much funding was to be expected to results to be achieved and how they could be accomplished. Fully discussed, the framework provided a structure for in-depth examination of goals and expectations from all sides and a way to monitor and measure progress. During this process, the Bank and government teams engaged in a process of priori-

<sup>55</sup> It should be noted that the quality of the results orientation in PRSP was noted as the weakest principles in case studies conducted by OED – OED Review of the PRS Process May 4, 2004

tization and selection; they collaboratively agreed on trade-offs that were acceptable to everyone.

In addition, the results-based country approach leveraged the donors' work in support of poverty reduction. Fourteen donors had grouped themselves to work with the government on the poverty reduction plan and to support specific sectors. While they agreed on the principles, they had not been able to translate the national plan into a living document with an operational direction and resource allocations. The results framework provided the starting point: it helped to organize the discussions, define the common ground, and make sense of the donors' support to link budget to the poverty reduction plan. The World Bank's country team, the government, and other donors developed a matrix that everyone could support. That enabled the Bank to align its program to reflect its comparative advantage.

The Cameroon team experienced similar benefits. They defined clear outcomes and indicators to be measured. Fleshing out these outcomes brought to the forefront the critical role of strong monitoring and evaluation capacity. The country team's work was supported by consultations with government and civil society. It became increasingly apparent that the ability to measure results was an integral component of what needed to be achieved. Indicators to measure progress toward outcomes, and then outcomes themselves, could not be a parallel system. Instead, they had to build on already established government systems. At times, the process highlighted areas of weaknesses in these systems, though that was useful for the country's own monitoring of progress toward poverty reduction.

### **Early Implementation**

Many of the country teams are using the results frameworks developed during design to manage the program for results. After defining strategic alignment to the Poverty Reduction Strategy Paper, a team in Zambia zeroed in on intermediate outcomes, determining synergies across programmatic support, project lending, analytical work, and policy dialogue. The degree to which the ongoing and planned program might be spread too thin became more transparent, prompting a useful rethinking of the areas of engagement. This positioned the discussion with government on portfolio performance within the broader context of results. The country team has developed a management system to track progress toward the Country Assistance Strategy. What outcomes are being used in implementation? Where should allocations be made in support of results?



## Lessons from Experience on Design and Early Implementation

It is far too early to assess the impact of the approach on development effectiveness. Yet the process of results-oriented country programming and early implementation has brought out key lessons. Results-oriented country programming clearly contributes to the consistency in a country program, national development priorities, and international commitments. For example, Millennium Development Goals serve as a mechanism to show links between the country level, program/project level, and agency performance. They make results measures, as well as the methods and systems that can be used to track progress. The process of designing a results-oriented country program highlights the use of multisector approaches; it fosters coordination around results between development agencies; and it enables governments to better understand where and how development agencies can add value toward achieving development results, thereby improving harmonization efforts (see chapter on harmonization).

In the cases that have been analyzed, certain critical factors stand out in regard to process and content:

### Process

- Strong leadership from the program director and core program team – should always focus on results and in country
- Good understanding of the country's openness or possible resistance to a results-oriented approach, with a plan to build support
- Just-in-time support from experts who can help the team at critical junctures
- Properly positioning the approach as a strategy and management tool, not just another form of conditionality or reporting
- Reasonable focus on individual sector goals – too much can increase the tendency toward top-down priority setting, working against multi-sector approaches and country selectivity.

### Content

- Recognize that the Poverty Reduction Strategy may have limitations in its results orientation, especially in the setting of goals and indicators. The process of results-oriented programming can reinforce messages on the need for priority setting. It brings up issues of realism and reveals the priorities for capacity-building support.
- The process of identification of intermediate outcomes may point to weak analytical work, especially on linkages between policies/ programs and

outcomes. This may result in programming to address these weaknesses.

- Ensuring that focus stays on what needs attention, not what can be measured – and keeping in mind the motivational force of indicators.
- Make sure the right skills are available. The link must be made between the management needs of the country program and what this implies for capacity strengthening.

## Factors for Success and Constraints

Success in applying a results-oriented approach is dependent on broader organizational and institutional systems. Strong champions on program teams may produce a good results-oriented country program with critical buy-in from key actors on the ground and within the teams. However, implementing the results orientation may produce competing demands on the program by the organization, as well as misaligned incentives and capacity constraints.

Experience is insufficient to date to evaluate the implications of the organizational system on the actual management and achievement of results. However, the following possible constraints were identified:

**Competing demands.** Results-oriented country programming is a management tool that can strengthen incentives to manage for results. However, it can face competing demands – for example, accountability or reporting. This can lead to various compromises and trade-offs in practice. The proper level of accountability is a key driver for managing for results. However, accountability systems must be designed to differentiate levels of responsibility and not confuse the process of results-oriented country programming with declaring “attribution.”

**Incentives.** In a nutshell, effective results-oriented country programming needs to be complemented with incentives for all actors.

- **Autonomy for program managers.** Autonomy must be sufficient in terms of decision-making authority and budget flexibility so that resources can be allocated to achieve desired results.
- **For team members.** Management signals are important. Signals may be sent in regard to individual activities and projects, recognition of innovative problem solving based on results, performance reviews, and so forth. Formal incentives, such as promotions and performance reviews, can also influence team members. They help determine whether they will work in a multi-sector collaborative manner, as needed for this type of programming, or whether they will work against it.



- **For counterparts.** Counterparts may have reservations about the approach, creating implementation blocks. Bringing these actors into the process early is critical for future success.
- **Evidence on results can be motivational.** Discussing principles creates an environment that is important for maintaining the focus on results. Evidence on results can inspire high levels of performance, just as focused management reviews should be designed into implementation.

In the box below, some new forms of results-based country-programming illustrate the range of diversity of experiences among donors.

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### Some New Forms of Results-based Country Programming <sup>56</sup>

**African Development Bank** – Strategic Plan 2003–07 articulates four key strategic priorities, including greater selectivity in operations and maximizing development effectiveness. The new generation of Country Strategy Papers (CSP) stresses greater selectivity in the Bank's interventions in individual countries. The areas of Bank operations have been limited to two or three sectors in countries, selected on the basis of the Bank's comparative advantage in relation to other development partners, and taking into account the Bank's limited resources, its relative strengths, and overall risks. A new results-based CSP is being rolled out.

**Canadian International Development Agency** – Introduced a country development programming framework that is aligned with Poverty Reduction Strategies and has a results-based management and accountability framework. Sets out a strategic results model, directly linked to the Millennium Development Goals.

**UK Department for International Development** – Changed its country strategy guidance in 2001 and the new strategies were renamed Country Assistance Plans. Some 25 were in place by 2004. This reflects the focus on the operational level, results-based management, and the link to national poverty strategies through three to five year strategic plans. There are annual implementation plans with a clear performance management framework. The principles behind the new Country Assistance Programs were that they should: be results-oriented, fit into the organizational performance management system, be aligned to national strategies and policies, and minimize transaction costs for DFID, partner governments and other stakeholders.

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<sup>56</sup> Source: OECD/DAC Joint Venture on Managing For Results Emerging Practices in Results-based Country Programming, prepared by DfID, January 2005.

**The Netherlands** – Introduced a multi-annual 4-year strategic country-planning instrument (MASP) in 2004, after a piloting phase in 2003. The MASP will be developed in 36 countries. Its strategic objectives are PRSP-aligned and there is a strategic results framework and results-oriented M&E process.

**UNDP** – Introduced results-based principles into its ongoing programs as part of a strategic planning exercise in 2000. This involved the establishment of a hierarchy of results, which were tracked and reported on in results-oriented annual reports. Today, more than 60 country programs are results-based.

**The World Bank** – Introduced results-based Country Assistance Strategies in 2003 on a pilot basis. Results from the pilot experience are being presented to the Board in 2005.

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### Conclusion

Though still relatively new and limited, experience to date underscores that the new approach helps strengthen strategic selectivity and the alignment of the country's development goals. To work, this approach needs to be taken seriously; but when that happens, it sharpens the design of the country program and mobilizes country teams around a vision of delivering results on the ground.

Success of results-based country programming faces several challenges. Most importantly, its effectiveness hinges on whether it evolves into a living management tool in the day-to-day process of development. Early experience is encouraging. The results framework has demonstrated that it can play an important role in managing country programs, and it is serving effectively as a framework for dialogue between countries and development partners.

### How Results-oriented Country Programming is Being Applied

1. *At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- The core of results-oriented country programming is focusing on outcomes at all stages – from strategy design, through implementation, to self evaluation at mid course, and the end of the programming cycle.
- The core also requires that the dialogue on results be undertaken with partner countries, development agencies, and stakeholders inside and outside of the program team.



2. *Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- The third principle of results-oriented country programming focuses on developing an M&E system that is appropriate to the country context, uses government systems, and is useful for managing the program.

3. *Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- The principle of results-oriented country programming necessitates that the M&E system, and thus the results reporting system, is useful for management. This implies that it is responsive to management needs and designed based on the availability of data in country. This drives the cost effectiveness.

4. *Manage for, not by, results, by arranging resources to achieve outcomes.*

- The principles note that managing for results is the primary reason for results-oriented country programming. The framework provides a road map, and is not linked to hard targets that have to be met to obtain funding. Rather, the indicators and the objectives serve as guideposts and enable the teams to evaluate whether or not the programs are moving toward results.

5. *Use results information for management learning and decision making, as well as for reporting and accountability.*

- The first principle is that the results-oriented country programming is for management and learning. Inappropriate accountability and reporting systems may undermine the usefulness of results-oriented country programming. The study notes that too much focus on reporting and accountability is a risk that must be managed.

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## For more information

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# Emerging Practices of Results-Based Country Programming among Aid Agencies

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## Executive Summary

**R**esults-based country programming has become a key mechanism through which aid agencies are managing for development results. This involves a shift in emphasis from the project to country strategies and programs. As agencies work to implement this shift, a new set of principles and good practices is emerging. This process is complex and requires a number of institutional changes. This survey provides examples of emerging practices among several major aid donors.

## Introduction

The country strategies and programs of development agencies have traditionally been supply driven – that is, they primarily reflected the donor’s priorities and interests. The strategies were not rooted in national priorities, not were they results-focused; they were rarely evaluated, or even evaluable. Coordination with other aid agencies was generally poor. Country ownership of donors’ programs was limited. Duplication of effort was common. Typically, aid was crowded into high-visibility sectors, while other sectors were underserved.

As part of the international commitment to improving the quality and effectiveness of aid, donors have been turning their attention to the role of the country strategy in guiding country programs and projects. In working to improve the country ownership and the results focus of their strategies and programs, a new set of principles and good practices is emerging. This note on results-based programming was developed as part of work on agency performance organized by the DAC-MDB Joint Venture on Managing for Development Results. It reflects discussion among agencies and papers that were presented at a workshop on results-based country programming (London, September 2004).

## How Aid Agencies Are Changing: A New Way of Doing Business

The new thinking on aid effectiveness and managing for development results implies major changes in how aid agencies plan, implement, and monitor their work at the country level. Most importantly, the fundamental unit of account is shifting from the project to country programs and strategies.

Country programming instruments vary agency by agency, but typically include: Country Strategy Papers (CSP), Country Assistance Strategies (CAS), Country Assistance Plans (CAP), and a Country Development Programming Framework (CDPF). Although the terminology may differ, *country strategy* and *program* emerge as the central instruments for the delivery of aid.

Changes in country programming involve major changes in how aid agencies work. They must align their aid to national strategies and priorities and make their programs more results-oriented. They need to coordinate more effectively with other aid agencies, exercising greater selectivity in their choice of projects and programs in order to reduce duplication. These changes in country programming should be linked to broader processes of results-based management and resource allocation decisions. Changes in management practices, staffing, and incentives may be required. In short, it is a new way of doing business.

Institutional change among donors does not come easily or quickly. Nevertheless, the newer results-based country strategies offer important benefits, including:

- Increased country ownership
- More effective support to national priorities
- More efficient division of labor among aid agencies
- An improved framework for monitoring and evaluation of agency programs
- Improved accountability to funding sources and government partners
- Improved efficiencies and transparency from harmonized monitoring and evaluation systems
- Improvements in the aggregate effectiveness of aid at the country level.



## Emerging Principles for Results-Based Country Programming

The general principles for results-based country strategies are drawn from internationally agreed principles for aid effectiveness, which can be traced to the DAC Agenda for the 21<sup>st</sup> Century (1996) and the Comprehensive Development Framework (1998). These principles were reaffirmed in the Monterrey Consensus (2002), the DAC Rome High Level Forum (2003), the MfDR principles agreed at Marrakech (2003), and the Paris Declaration (2004). They include:

- Aligning the country strategy to country owned goals, objectives and priorities
- Looking for synergies and complementarities with other donors; focusing on comparative advantage
- Establishing a performance framework that relates agency inputs and outputs to intermediate and long-term development outcomes
- Improving the monitoring and evaluation of country strategies, using government monitoring systems as far as possible
- Strengthening internal accountability for country level results.

### Examples of Agency Change: New Forms of Results-Based Country Programming

#### The African Development Bank (AfDB)

The AfDB's Strategic Plan 2003–07 articulated four key strategic priorities, including greater operational selectivity and maximization of development effectiveness. The new generation of Country Strategy Papers places particular emphasis on *selectivity* in the Bank's interventions in individual countries. Areas of operation have been limited to two or three sectors, based on comparative advantage relative to other development partners, and taking into account the Bank's limited resources, its relative strengths, and overall risks. AfDB has recently rolled out a new template for Results-Based Country Strategy Papers.

#### Canadian International Development Agency (CIDA): The Country Development Programming Framework

CIDA has introduced a Country Development Programming Framework (CDPF) that is aligned with Poverty Reduction Strategies (PRS) or failing that, with a country's National Development Plan. This framework is results-based and includes a performance measurement framework. It sets out a strategic results model that is linked directly to the Millennium

Development Goals (MDGs) and other international commitments such as the Rio Convention.

The CIDA framework defines a corporate programming orientation (i.e. bilateral programming as well as funding via Canadian partners, international partners and multilateral agencies to the country). This framework is based on analysis of partner plans and priorities, the relative strengths of the agency's programming in this area, its accountability framework, the programming activities of other donors, and global development goals. Results, critical assumptions, risks, and resources are included in this framework. Critical lessons are applied from past programming efforts and interventions.

In the Performance Measurement Framework (PMF) of the CDPF, the desired results are set out as medium-term and long-term outcomes; the expectations are enunciated in the first step of the PMF, which is the Strategic Results Framework (SRF). The program-level results are linked to the partner country's priorities. The planned project-level results which support the CIDA program are then linked to country program-level results and to longer-term developmental outcomes.

In line with this shift from the project to the program level, a narrative performance report is required annually from each project or investment and also from each country (or regional) program. Step two of the PMF is the Results Assessment Framework I (RAF I), which incorporates the data requirements for reporting, including the baseline at the beginning of the CDPF period, indicative targets for the program, indicators, data sources and their frequency, and indicates who is responsible for gathering this data. The final step is the report based on RAF II, thereby assessing progress against the program results.

To put the above in its context, it should be noted that the program-level reporting provides evidence for performance reporting at the corporate level, for the annual Departmental Performance Report. CIDA's 2002 corporate Results-Based Management and Accountability Framework (RMAF) sets out a strategic results model that is linked directly to the Millennium Development Goals and other international commitments. The Key Agency Results (KARs) have been developed on three levels – development results that are based on the MDGs, enabling results, and management results. In concept and practice, all are inter-linked: efficient management supports enabling programming, which in turn contributes to development impact for the target group.



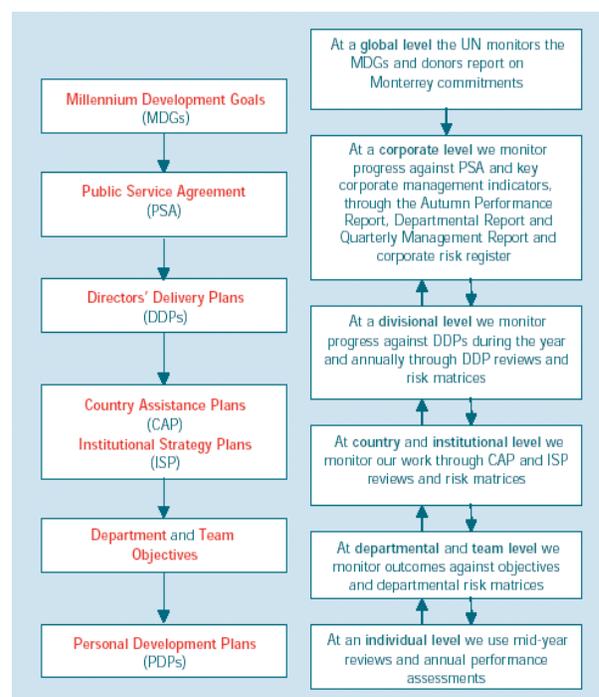
### The UK Department for International Development (DFID): Linking individual and organizational performance to country strategies and Millennium Development Goals

In 2001, DFID changed its country strategy guidance, and the new strategies were renamed Country Assistance Plans (CAPs). This reflects the focus on the operational level, results-based management, and the link to national poverty strategies through strategic plans for three to five years. The principles behind the new CAPs are that they should be results oriented; they should fit into the organizational performance management system; they should be aligned to national strategies and policies; and they should minimize transaction costs for DFID, its partner governments, and other stakeholders. The CAPs have an annual implementation plan within a clear performance management framework.

DFID undertook an internal review of its CAPs in 2003, during which it became apparent that there were tensions in some elements of the process. Key issues were the need to clarify the role of the CAP as a partnership or a management tool; how to reconcile internal processes with country ownership; how to reduce the transactions costs of country planning and monitoring; and the scope for developing joint donor country strategies. Revised guidance is currently addressing these issues.

The CAPs are an integral part of DFID's overall performance framework. At the top of this framework, DFID's corporate objectives are informed by the Millennium Development Goals. These are translated into Public Service Agreement (PSA) targets – that is, measurable rolling targets with specified contributions toward the Millennium Development Goals for each government spending period. The performance framework is mapped to DFID's internal organizational structure. Each target is "owned" by one of the eight Directors. That Director is individually responsible for delivery through a Director's Delivery Plan, which sets out how targets are to be met using the resources that the Secretary of State and the Management Board allocates to that Director. The Director's Delivery Plan is operationalized through Country Assistance Plans, Institutional Strategies, and Department plans. These are linked to the annual objectives of individual staff, as shown schematically in the accompanying figure.

### The Management Framework Linking DFID's Performance to the Millennium Development Goals



### The Netherlands: the MASP

Since 1996 the Netherlands has delegated the implementation of its foreign policy and development cooperation to the embassies in its partner countries. Embassies receive their mandate through an annual plan that is to be approved at headquarters. However, it was felt that the annual plans had an inadequate relationship with the strategic framework at headquarters – their horizons were too short-term and they lacked management information for steering purposes and political use.

In 2004, the Netherlands therefore introduced the MASP, a multi-annual strategic plan for the period 2005–2008. The MASP was first introduced for the embassies in the 36 partner countries. Experience with the introduction of the MASP showed that this instrument was less suitable for smaller non-ODA embassies. In 2005 it was therefore decided to introduce this instrument in only 10-15 larger non-ODA embassies.



The MASP follows an eight-step approach in which an effort is made to link the main development trends and priorities of the partner country and the policy priorities of Dutch Development Cooperation. It includes an analysis of the main stakeholders (both national and international) in the national development process and a SWOT analysis with respect to possible Dutch interventions and contributions. The strategic nature of the planning process is characterized by the focus on improving conditions for and/or lifting bottlenecks for the accelerated achievement of development goals, and a thorough analysis of the added value of the embassy. The strategic objectives of the MASP are aligned with the national Poverty Reduction Strategies.

The final product of this approach is a MASP for a period of four years with clear intervention strategies, strategic goals and results, and a corresponding results-oriented monitoring and evaluation framework. The annual plans in the same period are formulated within the multi-annual framework established by the MASP and follow its strategic goals and results. Major adjustments can be made only when significant changes in the external conditions occur.

#### **United Nations Development Programming: Mainstreaming a Results Orientation**

The UNDP introduced results-based principles into its ongoing programs as part of a strategic planning exercise in 2000. This involved a hierarchy of results that were tracked and reported upon in annual reports. Today, more than 60 country programs are results-based.

The first Multi-Year Funding Framework (MYFF), for 2000–2003, was approved in September 1999. It set the stage for the introduction of results-based principles into UNDP's ongoing programs at more than 160 country and regional locations. Country and regional programs were launched with strategic planning exercises encapsulated by a Strategic Results Framework. This strategic planning function expresses development objectives in terms of intended outcomes, which are supported by various outputs. Country offices and regional programs produce Results-Oriented Annual Reports (ROARs) to assess these strategic plans by benchmarking outcomes against performance. Since

2000, these reports have gradually fed into corporate learning, influencing policy direction and helping to guide management decisions.

In 2001, UNDP program modalities at the country and regional levels were revised. The results logic is interpreted through a “hierarchy of results,” which has been fully internalized into the program cycle. In 2002, similar reforms were instituted for UN country programming, paving the way for more results-oriented operations at the country level. Today, over 60 results-based UNDP country programs are prepared jointly with national counterparts. This approach has been applied and extended down to the project-document level.

The deepening of results-orientation in UNDP has continued under the second Multi-Year Funding Framework (MYFF) for 2004–07.

This new framework promises greater integration with the way UNDP manages for development results. To this end, the second MYFF has two purposes.

First, it is designed to serve as UNDP's main policy document defining directions and strategies. It expresses the focus of the organization; it allows country demand and corporate priorities to converge; and it serves as the main vehicle for interaction with external partners.

Second, the MYFF is a guide to how UNDP seeks to manage for development results during 2004–07. It does so by providing conceptual underpinnings. It enables UNDP to adopt and learn from the latest thinking in the results community and to contribute to the evolving process – for example, the notion of *intermediary outcome*, which reflects new ideas on how to assess organizational effectiveness. It elaborates not just on intermediary outcomes congruent with UNDP's strengths, but on those that are likely to make critical contributions to development effectiveness. Lastly, it introduces the concept of *drivers of development effectiveness*, which enables UNDP to operationalize key crosscutting values such as capacity development and to promote gender equality in all the thematic work of the organization.



### The World Bank Results-Based CAS: Thematic Results Matrix

The World Bank piloted results-based Country Assistance Strategies in 2003, with results from this experience presented to its executive board in 2005. Of particular interest is the development of a conceptual framework for linking Bank inputs and outputs to country intermediate and long-term outcomes and the new processes and instruments for monitoring and evaluating the CAS (World Bank Assessment of the Results-Based CASs, 2005). The thematic results matrix adopted by the World Bank is shown below.

Longer-term strategic goals	Shorter-term CAS outcomes			Bank priorities and performance		
Millennium Development Goals and "MDGs Plus"	Sector-related issues	CAS outcomes that the World Bank expects to influence through its interventions	Intermediate indicators to achieve expected CAS outcomes	Strategies and actions to achieve expected intermediate indicators and outcomes	Bank and partner interventions in the sector	Process and implementation measures of World Bank performance

**Long-term strategic goals.** Column 1 addresses the question, "What are the strategic long-term goals, such as MDGs or national goals that the country identifies as a priority?" Not all MDGs need to be included here, only those to which the Country Assistance Strategy outcome will contribute in that sector (or multiple sectors). The current baseline, the national target, and the associated time frame are thus captured. (For example, "Increased literacy rate from 60 to 70 percent for those over 15 years of age in the northeast of the country by 2010; increase national literacy level to 75 percent.")

**Sector-related issues.** Column 2 answers the question, "What are the issues in achieving the selected MDG or other country development results?" This category describes critical issues that must be addressed to achieve country results, including specific risks to longer-term development results. (For example, "Increasing literacy levels requires improvements in the quality of the educational system, especially in terms of student learning outcomes, as well as targeted programs for adult education.")

**CAS outcome that the World Bank expects to influence through its interventions.** Column 3 answers the question, "What outcome should the World Bank's interventions influence directly?" This is the objective during the CAS period upon which the sector's program will focus. It includes country-level outcome indicators for measuring against the outcome objective. It should relate to key sector-related issues, without having to address all issues. (For example, "The World Bank's interventions are designed to improve the learning outcomes of primary and lower-secondary students in the northeast region of the coun-

try from 54 to 75 percent in grade 5 and from 33 to 55 percent in grade 10 from 2003 to 2008.")

**Intermediate indicators to achieve expected CAS outcomes.** Column 4 answers the question, "Which intermediate indicators track progress?" This column summarizes select country indicators that can be used yearly to track progress toward the CAS outcome, with baselines and targets specified. (For example, "(i) A reduction in dropout rates for primary and lower-secondary students in the northeast from 20 to 15 percent by 2005, (ii) 15,000 nonqualified teachers upgraded through certification by 2004, (iii) Increase in the percentage of the national budget for education from 3.5 to 4.1 percent of GDP from 2003 to 2006, and (iv) 50 percent of community-based school funds operational in the northeast region for purchase of learning and other classroom materials by 2005.")

**Strategies and actions in achieving expected intermediate indicators and outcomes.** Column 5 answers the question, "How will this be achieved?" It selectively summarizes the government actions needed to achieve the specific strategy objective. Are they supported by the World Bank's program in conjunction with partners? (For example, "To improve the learning outcomes and reach intermediate indicators, the World Bank interventions will focus on key strategies and actions, including better deployment of teacher training and management, technical assistance to the Department of Education, and increased parental involvement in the system.")

**World Bank and partner interventions to achieve CAS outcomes.** Column 6 answers the question, "What World Bank and partner interventions are needed to assist the government in achieving the CAS outcome and intermediate goals?" This cell in the ma-



trix shows the World Bank's ongoing and planned lending as well as its advisory and knowledge services that will achieve the desired outcome with partners' support. (For example, "The World Bank supports a targeted education sector project and a public sector reform adjustment operation. A learning and innovation loan for out-of-school youth is planned to enter the portfolio in 2006. An educational policy note will be undertaken in 2007. Partners are actively supporting education projects in basic education and facilities.")

**Process and implementation measures of the World Bank's performance.** The final column answers the question, "What performance is expected of the World Bank in its portfolio management and support to government?" Performance is measured across several dimensions that are specific to the sector or theme – in particular, against previous World Bank performance in the sector as well as expected targets for major lending or analytical and advisory activities. (For example, "Past implementation progress of education projects has been slow. Thus, keeping the IP rating at a satisfactory level is one of the World Bank's measures. Timely implementation of components in the education sector projects will also be tracked. Planned interventions will be assessed at CAS midterm. The Bank will increase its collaboration with other donors and prepare an educational policy note by CAS midterm.")

**Joint donor country programming.** In a number of countries, donors are getting together to produce joint country strategies. For example, in Uganda, the World Bank and DFID are developing a Joint Assistance Strategy (JAS) for the next five years in response to Uganda's newly revised Poverty Eradication Action Plan. The JAS has three strategic elements: a response to Uganda's own poverty reduction strategy; a response focused on results; and a response that is harmonized, taking into account the JAS partners' comparative advantage. The process has and continues to be a challenge, as it is coordinating different approaches and view points. A number of lessons are already emerging, e.g. the importance of the lead partner being based in the country, and the need for all involved to be clear early on about how they will apply the joint strategy. Despite the ongoing challenges, the partners remain committed due to the innovative nature of this exercise and its important contribution to the harmonization agenda. In Tanzania, the government is leading an exercise that is intended to produce a common country strategy for all donors.

## Key Challenges

While there is strong support among aid agencies for the principles of results-based country programming, the scale of necessary internal change is vast, and the pace of change has been slow. There are many technical, political, and institutional challenges:

Constructing a results framework is not easy. It is difficult to establish indicators that will link inputs to ultimate impacts across the results chain, especially when outputs may be intangible or when an aid program is not large enough to produce identifiable impacts. There is limited understanding among aid agency staff of causal linkages and constraints that operate at the country rather than project level. Problems of attributing and aggregating results are complex and remain largely unresolved. The results frameworks can easily become overly complex with excessive numbers of indicators. Despite adherence to the notion of using a results framework as a "living management tool," it is difficult to keep the framework sufficiently lightweight.

It may be difficult to develop a results framework in the absence of a viable Poverty Reduction Strategy, good country data, and monitoring systems. Capacity building at the country level takes time. Meanwhile, it is not always clear what system to use.

Countries may not be entirely committed to a results-based approach. They may be suspicious about an agency's use of results information, especially in performance-based allocation systems. They may fear that poor results will diminish the flow of aid.

There is a risk that each individual donor's emphasis on monitoring its own country strategy or program will lead to an overall proliferation of monitoring activity at country level. This would raise transaction costs for partner governments and undermine harmonization efforts.

For aid agencies, too, results-based approaches and new ways of working can translate to high transaction costs. Specialized technical knowledge and in-house training may be required. Greater selectivity in program focus may make some staff redundant. The results focus may conflict with the incentive to lend.

It may be difficult to find the balance between corporate and country priorities in cases where aid agencies' mandates and political priorities do not coincide with those of a particular country. Aid agencies may attach higher priority to HIV/AIDS, for example; or a middle-income country may feel that poverty reduction and the Millennium Development Goals are not the key priorities.



Aid agencies' flexible response to country priorities may lead to a loss of consistency at the corporate level. The shift to a longer-term focus may conflict with accountability pressures for short-term results. Different corporate cultures may mean that agencies respond differently when results are not achieved as expected. There is a need to manage expectations regarding what can be achieved (and demonstrated) from the introduction of results-based approaches.

Aid agencies have widely different accountabilities and pressures (from their domestic constituencies, parliaments, senior management, executive boards, and governing bodies). Are they really prepared to "lower the flag," suspend their individual procedures in favor of joint strategies, decrease the number of individual voices at the table, and become silent partners represented by other donors? There are a few good examples in these areas, but still only a few.

### Conclusions

Despite the complexity and difficulties of such changes, aid agencies are increasingly aligning their country strategies with national poverty reduction strategies. At the same time, they are developing results frameworks to show how their new strategies are contributing to national long-term development results. They are also identifying those intermediate outcomes for which they are accountable, increasingly linking them to national M&E systems.

### Part 4. Examples of MfDR in Development Agencies

The donor agencies are also adapting their internal management systems to promote the results focus of their country programs. They do so by devolving more responsibility to their country teams, lengthening the planning cycle, encouraging cross-sectoral synergies and teamwork, providing training on results measurement, and realigning internal staff incentives toward country-level results.

Interagency dialogue and coordination is also improving. New principles of selectivity are being introduced, based on matrices that record each donor's activity in a particular country. With this information in view at the outset, comparative advantage can be identified and trade-offs discussed.

However, these are complex processes involving wide-ranging changes in institutional practices and incentives. It takes time for these processes to bed down and become fully institutionalized. There are also a number of political challenges, in terms of how to reconcile conflicting accountabilities and suspend individual agency identities in favor of a more collective approach.

### For more information

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## Part 5. Findings and Lessons Learned

The MfDR Sourcebook cases reveal many important lessons that can be applied to programs and projects in a wide variety of settings – for example:

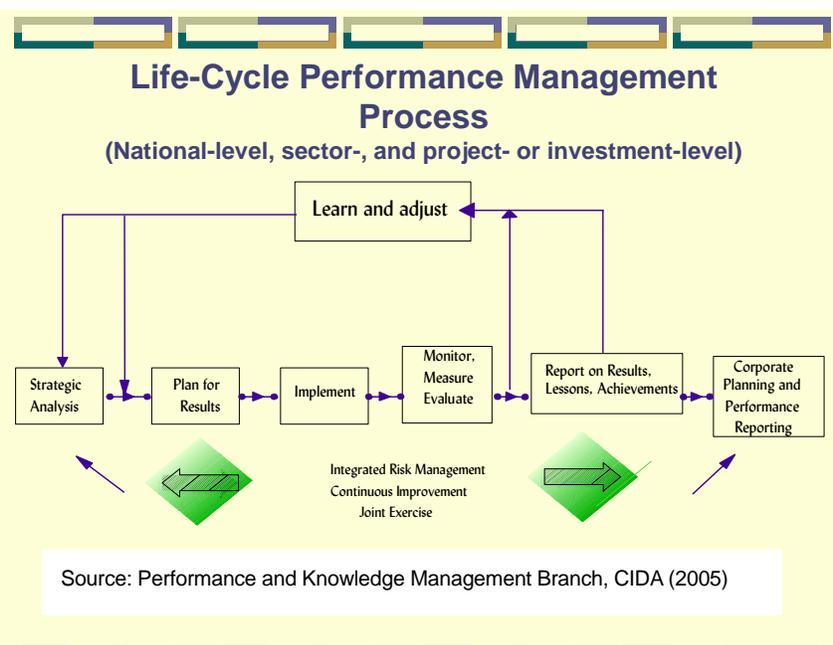
- The middle-income countries of Eastern Europe, Latin America, and East Asia
- High-growth countries such as Brazil, China, and India
- The low-income countries of Sub-Saharan Africa and elsewhere that are heavily dependent on concessional aid flows
- The fragile states of the Caribbean, which frequently have to contend with natural disasters requiring large amounts of emergency recovery assistance
- Newly independent states such as Timor-Leste, and postconflict countries such as Afghanistan, where the first result must be a stable nation, and only then can detailed program/project measurement follow
- Global programs

The examples in the Sourcebook fall mostly into two categories: (i) new programs that have applied MfDR principles in their framework, but may not have reached much beyond the output stage; and (ii) earlier initiatives or programs that have drawn lessons from a structure or approach that did not originally embody the MfDR principles but are now evolving to take a more outcome-focused approach. They yield lessons that can be useful for projects and programs in a wide variety of other settings. This part of the Sourcebook discusses the key findings and lessons learned in terms of the five Core Principles of MfDR. The findings are summarized in Tables 1, 2, and 3 at the end of this section.

**Core Principle One: At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.**

Demonstrating that results have been achieved requires moving from plan to action and converting conceptual ideas into practical implementation.

To achieve results on the ground, the progress of the project/program needs to be continuously and systematically assessed against the original development objective and against any significant midcourse adjustments that have been adopted. The first core principle requires an integrated approach to planning and implementation, as well as an integrated group of actors – partner countries, development agencies, and civil society. This is illustrated in the schematic below:



In this process, the emphasis is first on preparing the strategic analysis, then planning for the expected results, implementing the results framework, monitoring the progress, and finally preparing reports that focus on the results achieved and lessons learned. A key aspect is to keep adjusting as the program findings emerge. The life-cycle approach focuses on the downstream elements (performance assessment and continuous improvement) that will assist the learning stage – ultimately to maximize the achievements at the outcome and eventually the impact level of the particular program/project in question.

The Sourcebook examples that best embody the integrated approach are the Brazil Bolsa Familia Social Protection, the Chile Management Control and Results-based Budgeting System, the Thailand Rationalization of Specialized Financial Institutions, and the Madagascar Environmental Action Plan – all exercises in which both the partner countries and the development agencies clearly focused the dialogue on results.

Ownership is the key. In these cases, the government defined the program, enabling the officials who have the greatest stake in the outcome to exercise the responsibilities that come from strong ownership of the program. Of the various submissions that the Sourcebook team reviewed, the programs in which the greatest problems arose in the results aspects tended to be those with poor ownership – the donors had played too strong a role in defining the program for the partner countries. Implementing agencies in the countries felt that they were not sufficiently vested in the program and were not responsible for shaping the outcomes.

The Country Programming example in the Sourcebook describes how the MDBs and several bilateral aid agencies are developing their methodologies and approaches to mainstream their country-focused strategies. The time they have been spent on intensive design, adaptation, and implementation aspects should pay high dividends, allowing effective implementation and scaling-up of the whole effort. In the World Bank, the overall experience with results-based CASs has been very positive: officials can now point to clearer development outcomes that go well beyond measuring the individual project/program to draw on nationwide issues and solutions.

**Core Principle Two: Align actual programming, monitoring, and evaluation activities with the agreed expected results.**

To varying degrees, all of the Sourcebook illustrations embraced a results focus and integrated it into the original strategic plan. This allowed them to move forward from a blueprint idea to effective implementation, and in some cases onto completion. As regards agency exam-

ples, CIDA's approach to aid planning and programming shows good alignment with country-focused results. The sector examples that show good alignment are the Malawi HIV/AIDS Program and the Yemen Social Development Fund. Success comes from integrating the approach and framework into a comprehensive results focus throughout the programming cycle. Partial attempts to define a results focus, coupled with imprecise M&E arrangements, have generally led to poor results.

That said, however, the examples do illustrate that this principle is easier to announce than to implement. Setting up an M&E system can be a very labor-intensive exercise, and problems can easily arise if the conceptual methodology is not sufficiently advanced to be transferred from one project to another, or from one donor to another. Implementing agencies in partner countries frequently receive conflicting advice and inconsistent approaches. An uncoordinated approach brings little sustainability in terms of designing and implementing a mutually agreed results frameworks at both the country level and the specific project/investment level.

In Uganda, the Assistant Commissioner in charge of performance-based monitoring raises important points that apply to many sectors (in Uganda and elsewhere): specifically, do the physical outputs achieved in the water and sanitation sector really get to the heart of improving people's lives through better health conditions? And what is the cost/benefit quotient of these investments? Uganda's Performance Measurement Framework aims to measure the outcomes, and also to assess the efficiency of the water utility enterprises. The government has selected a set of golden indicators for the water and sanitation sector, drawing on consultations with affected stakeholders in the towns and villages where water services are being upgraded, and with the water utility enterprises.

**Core Principle Three: Keep the results reporting system simple and user-friendly.**

Generating and compiling the necessary data lies at the heart of being able to align programming with results through monitoring and evaluation. Those not measuring the results (e.g., because they do not have the data) soon find that they lack the basis to assess the outputs or the outcomes. A results-based focus requires compiling data that are administratively feasible to collect, simple to monitor, appropriately time-bound, and that can be used throughout the program.

The Sourcebook examples bring out an important fact: results reporting systems vary greatly from country to country and from one program to another, even within the same country. One might expect countries or implementing agencies with greater institutional capacity to



be better able to design detailed results frameworks and use monitoring systems than those with rudimentary capacity. But this is not always the case. Countries such as Burkina Faso, Mozambique, and Uganda – all with extensive experience in working with development agencies – may have greater capacity to design and implement results frameworks than some of the countries of Eastern Europe, for example. The Sourcebook examples bring out this aspect.

Information and knowledge on what constitutes clear and user-friendly reporting systems need to be well disseminated. In many instances, cross-fertilization of knowledge has been poor. Thus, the Sourcebook has the potential to become a major avenue of knowledge dissemination about best practice cases. The Sourcebook examples that best exemplify a simple and user-friendly approach are the Malawi HIV/AIDS program and the Uganda Water and Sanitation program.

Although as a general rule it is best to begin with simple systems, some programs have installed quite complex reporting systems in order to capture specific kinds of data – for example, to disaggregate state/provincial differences in a country, or to correct for urban versus rural bias, as well as gender bias.

#### **Core Principle Four: Manage for, not by, results.**

A focus on results requires a fundamental change in mindset – from focusing on programming inputs to focusing on the desired outcomes and then identifying what inputs and outputs are needed to achieve them. As the Sourcebook illustrations show, many policymakers and practitioners have made this change. All of the examples have a clear project or program objective, deriving from an outcome-based focus, against which it is indeed possible to monitor the broader impact of the development initiative.

Managing by results could imply using results information to reward or penalize countries – for example, by altering funding allocations. While such an approach may be appropriate in a commercial setting, it is not in a development setting. Indeed, if a country misses key targets, development partners should respond by analyzing together whether and why things have gone off track, and how they can be brought back on track.

#### **Core Principle Five: Use results information for learning and decision making, as well as for accountability.**

Both partner country policymakers and donor agencies seem to be using results frameworks more for information than as a decision-making tool or learning tool. Managing for results is only partially achieved unless results information is fed back into ongoing efforts (for midcourse corrections) and new efforts (for improved

design from the start). Governments face many constraints in using results information in this way: for example, lateness in generating data and compiling progress reports; unwieldy presentations of findings, combined with excessive detail; the failure to systematically track the outcome indicators against the original program or project development objectives; and lack of agreement on a common set of indicators, when several development agencies are involved (SWAps are one way to encourage such agreement). The Malawi M&E system is a good blueprint, but it remains to be seen whether policymakers involved in the country's HIV/AIDS program will use the system to its potential. Further work in this area is needed.

#### **Going Forward: Focus on Country Capacity**

As the Sourcebook shows, both partner countries and donor institutions have made considerable progress in managing for results. Many staff have made the necessary change in mindset, and have begun implementing the principles of managing for results in their work. However, there is still a long way to go before the approach is truly mainstreamed as the “standard operating procedure” in the development community. The key issue that urgently needs to be addressed is that of country capacity.

For a country to be truly engaged in managing for results requires national-level M&E frameworks and country systems – which depend on the country's public sector capacity, and therefore on the depth of training or sophistication of the country's civil service, and its experience. Although in general middle-income countries have more capacity to develop solid M&E systems than poor countries, donors and all partner countries will need to continue working closely together on a broad front to build and strengthen these capacities.

One area that will require particular attention is developing countries' statistical capacity. It is obvious that managing for results and working toward them requires an ability to measure before, during, and after – a capacity that many countries lack. Some capacity-building exercises are under way – for example, the STATCAP program in Ukraine and Burkina Faso – but more funding and much more attention to the issue will be needed.

Just as donor institutions have learned – and continue to profit from – each other's experiences in managing for results, so partner countries can benefit greatly from sharing their experiences. This Sourcebook is one effort to gather and disseminate useful information about such experiences, and the plan is to maintain and continually update an online version. Various regional and international conferences and workshops have served as venues for networking and sharing experiences, and more such meetings are planned. In addition, late 2005 will see the



launching of a special effort, the Mutual Learning Initiative, under which bilateral and multilateral donors will work intensively with selected partner countries to en-

hance their managing for results efforts, and generate and document good practices that other countries and agencies can draw upon.

**Table 1: MfDR Lessons/Findings at the National Level**

MfDR Lessons/Findings at the National Level		
MfDR Core Principle	Illustrations	Findings
1. Focus the dialogue on results at all phases of the development process – from strategic planning through implementation to completion and beyond	<ul style="list-style-type: none"> <li>• Poverty Reduction Strategies: PRSPs (e.g., Vietnam CPRGS)</li> <li>• Sector development plans or frameworks that form part of National Development Plan: Health and education sector examples (Malawi Health, Nepal Education)</li> <li>• Medium-term expenditure frameworks: Chile Management Control and Results-based Budgeting System</li> <li>• Thailand Rationalization of Specialized Financial Institutions involves support to a broad range of industrial and commercial activities</li> <li>• Stakeholder consultations: Madagascar Environmental Action Plan involving biodiversity and conservation programs</li> </ul>	<ul style="list-style-type: none"> <li>• At the national level, government-wide assessment tools enable measurement and monitoring of national development outcomes.</li> <li>• In large countries that have embarked on fiscal decentralization, this should be supplemented with state-level and local government level planning and budgeting tools, as well as M&amp;E capacity and decision making.</li> <li>• Ownership is key. In all of the illustrations, there is ownership by the government: the government, not the development agencies, defined the program and is implementing it.</li> <li>• Comprehensive PRSPs, as in Vietnam, are a clear embodiment of strong country focus and ownership. Some 50 countries today have PRSPs under way, many with a results focus, including performance measurement frameworks (Paris indicators).</li> </ul>
2. Align actual programming, monitoring and evaluation activities with the agreed expected results	<ul style="list-style-type: none"> <li>• Comprehensive policy reform strategies</li> <li>• Governmentwide public sector reform strategies: Chile, Vietnam illustrations</li> <li>• Organizational change strategies (ministries or departments)</li> <li>• National public expenditure management plans, budgetary systems, and sector policy: Chile, El Salvador, Vietnam, Nepal illustrations</li> <li>• Sector/ministry annual operational strategies and budgets: Chile, Vietnam are examples of annual public expenditure reviews</li> </ul>	<ul style="list-style-type: none"> <li>• To be fully effective, the plans and systems need to be consistent, transparent, and open to modification where necessary.</li> <li>• Excessive ministerial changes involving organizational restructuring can disrupt the ability to implement a clear, consistent results focus. The Malawi HIV/AIDS program, which embodies a national approach to solve a major social problem, points to the costs of having diffuse government responsibilities and a multitude of government departments trying to combat a national health issue.</li> <li>• Few countries have been able to align programming and M&amp;E with a capacity to assess outcome-based results and make subsequent decisions as a result of the findings, as well as learning from the findings. Chile has such capacity/experience and can advise others.</li> </ul>



MfDR Lessons/Findings at the National Level		
MfDR Core Principle	Illustrations	Findings
3. Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	<ul style="list-style-type: none"> <li>Performance measurement plans and guides, with specific indicators defined according to national outcomes</li> <li>Governmentwide MIS: Vietnam, Chile, El Salvador, Nepal</li> <li>Functional management reviews for sectors/ministries</li> <li>Policy/program performance reviews: Chile, El Salvador</li> <li>Organizational assessments (departments and ministries)</li> <li>Performance and financial audits: Uganda Water</li> <li>Stakeholder surveys and quality of service reviews: Uganda Water, Yemen Social Fund, done at sector level but have evolved into national level; El Salvador</li> </ul>	<ul style="list-style-type: none"> <li>User-friendly measurement systems can be simple if they rely, whenever possible, on existing data. It is necessary to assess progress at the state or provincial level or in the outlying regions of large countries. The data need to come from local regions and districts and be fed upwards into national data.</li> <li>The Brazil Bolsa Familia Program presents lessons on how to design a large countrywide system.</li> <li>The Malawi M&amp; E design is a good illustration of a smaller, well-targeted setting at the national level.</li> </ul>
4. Manage for, not by, results, by arranging resources to achieve outcomes	<ul style="list-style-type: none"> <li>Semiannual and annual progress reports to ministry/sector leaders</li> <li>Annual performance reports to legislative bodies and/or elected officials and/or external donors: Chile Public Expenditure, Uganda Water, Brazil Bolsa Familia illustrations</li> <li>Annual public report cards to civil society</li> </ul>	<ul style="list-style-type: none"> <li>Defining the appropriate outcomes and building systems to measure them is not always straightforward.</li> <li>Issues of terminology (outputs vs. outcomes) and of substance (are the goals measurable?) need to be tackled.</li> <li>The M &amp; E reporting needs to show how inputs and outputs have contributed to the attainment of outcomes. Performance information assessments should be used to adjust operational plans and strategies, if need be.</li> </ul>
5. Use results information for learning and decision making as well as reporting and accountability	<ul style="list-style-type: none"> <li>Stakeholder and public consultation at the national level: extensive in Timor-Leste and Nepal cases; Vietnam could have more consultations.</li> <li>Program, sector, and/or institutional performance reviews and evaluations: extensive in Chile illustration (93 indicators are followed)</li> <li>Internal knowledge management systems (governmentwide or for specific sectors/ ministries). The Doing Business Report provides examples of how knowledge and information do help to influence policy change.</li> </ul>	<ul style="list-style-type: none"> <li>While learning seems to be occurring, the instances of results reporting actually influencing national-level decision making are relatively few, or are not documented. Thus, there is little accountability.</li> <li>This is exacerbated by people changing jobs (or being moved around) too frequently, so that continuity becomes difficult to build up. Stability of organizations and of people is key.</li> </ul>



**Table 2: MfDR Lessons/Findings at Sector, Program, and Project levels**

MfDR Lessons/Findings at Sector, Program, and Project Levels		
MfDR Core Principle	Illustrations	Findings
1. Focus the dialogue on results at all phases of the development process – from strategic planning through implementation to completion and beyond	<ul style="list-style-type: none"> <li>Sector development or policy reform frameworks: Brazil Bolsa Familia Social Protection, Uganda Water and Sanitation, Malawi HIV/AIDS Project results framework</li> <li>Multistakeholder planning workshops were held in all the program and project illustrations. Madagascar Environmental Action Plan involving biodiversity and conservation programs.</li> <li>Interagency coordination mechanisms are crucial.</li> </ul>	<ul style="list-style-type: none"> <li>Sector frameworks need to align with the national strategies, goals, targets, and indicators.</li> <li>Sector frameworks can enable results measurement and monitoring if appropriate indicators are selected.</li> <li>Sectoral plans are updated annually, but the framework and indicators need to be set in place for several years. They should be monitored and used for decision making.</li> <li>Goals and targets should not be changed unnecessarily.</li> <li>MfDR needs close dialogue in partner countries between sectoral ministries and central government departments (e.g., between the Ministries of Education and Ministries of Finance). Communications should be both vertical and horizontal.</li> <li>Coordination among donors is especially critical to obtaining harmonized results. SWAPs represent an important instrument.</li> <li>Importance of joint assessments such as mid-term reviews, internal audits, and evaluations (e.g., Burkina Faso Education).</li> </ul>
2. Align actual programming, monitoring and evaluation activities with the agreed expected results	<ul style="list-style-type: none"> <li>MTEFs with annual work plans and budgets</li> <li>Financial management systems: Brazil Bolsa Familia, Uganda Water value-for-money studies</li> </ul>	<ul style="list-style-type: none"> <li>The conversion of “results blueprints” into practical implementation steps requires advance planning and clear formulation. Annual reviews of a particular program’s or project’s status need clear reporting systems and feedback loops.</li> <li>The Brazil Bolsa Familia program reaches down to state-level programs, including the poorer regions. Includes social targeting, means testing, and outcome indicators aimed at poverty reduction.</li> <li>Countries with weak institutional capacities at the sector level face more difficulty in aligning their programming with M&amp;E and in achieving results. Thus, capacity needs to be built up and learning shared among countries.</li> </ul>
3. Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	<ul style="list-style-type: none"> <li>Sectorwide and/or project M&amp;E systems, including MIS: Uganda Water and Malawi HIV/AIDS</li> <li>Sectorwide and/or project M&amp;E operational plans and guides: Malawi HIV/AIDS</li> <li>Performance measurement frameworks: El Salvador: Evaluating Public Policy, Yemen Social Fund</li> <li>Sectorwide performance monitoring strategy</li> <li>Annual quality control reviews for service delivery to clients/ beneficiaries</li> <li>Data source assessment/review</li> </ul>	<ul style="list-style-type: none"> <li>Substantial strengthening of statistical data collection capacity is needed, especially sector-wide.</li> <li>The Uganda Water ‘golden indicators’ should make the results measurement system more cost-effective and transparent.</li> <li>Sectoral indicators should link back to national goals and indicators, e.g., the health HIV/AIDS indicators that are part of the M&amp;E system.</li> <li>The implementation of user-friendly systems requires having documentation in the local language, and the methodologies should be accompanied by thorough training. Program and project budgeting should include adequate provision for training.</li> </ul>



MfDR Lessons/Findings at Sector, Program, and Project Levels		
MfDR Core Principle	Illustrations	Findings
4. Manage for, not by, results, by arranging resources to achieve outcomes	<ul style="list-style-type: none"> <li>• Special studies and policy review: Uganda Water value-for-money study</li> <li>• Sector program reviews</li> <li>• External and internal monitoring reports</li> <li>• Technical milestones linked to financial disbursement schedules: Brazil Bolsa Familia</li> <li>• Performance or financial audits</li> <li>• Scorecards and periodic activity reports</li> <li>• Midterm social impact assessments and/or sector/thematic outcome evaluations</li> </ul>	<ul style="list-style-type: none"> <li>• Spelling out the correct outcome indicators at the sectorwide or program/project level is not straight forward. Other cases should be consulted for examples of good practice. Issues of substance and of terminology.</li> </ul>
5. Use results information for learning and decision making as well as reporting and accountability	<ul style="list-style-type: none"> <li>• Annual sectorwide or project performance reports: Chile, El Salvador, Vietnam</li> <li>• Stakeholder consultations: Uganda Water, Madagascar Environment</li> <li>• Analysis of evaluations: Yemen Social Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers do not appear to be using the results information systems for decision making.</li> <li>• Problems include lateness in generating data, unwieldy presentations of progress reports and findings, and the failure to systematically track the outcome indicators against the original program or project development objectives.</li> </ul>



**Table 3: MfDR Lessons/Findings at the Development Agency Level**

MfDR Lessons/Findings at the Development Agency Level		
MfDR Core Principle	Illustrations	Findings
1. Focus the dialogue on results at all phases of the development process – from strategic planning through implementation to completion and beyond	<ul style="list-style-type: none"> <li>Agency policy/priority frameworks</li> <li>Country programming strategies: AsDB, IDB, WB, AfDB, CIDA</li> <li>Thematic/sector strategies: WB, AsDB, IDB; more recently, CIDA, DFID, USAID</li> <li>Project results frameworks: WB, AsDB, IDB, CIDA, DFID, Sida, DANIDA</li> <li>Stakeholder/partner planning and consultation mechanisms: CIDA, DFID, Sida, DANIDA, Netherlands, GTZ</li> </ul>	<ul style="list-style-type: none"> <li>Measuring results at the country level is the crucial step in scaling up result measurement.</li> <li>However, it requires national-level M&amp;E frameworks and use of country systems.</li> <li>Different tools show how policy, country program, and thematic and/or project results contribute to country, regional, or global outcomes.</li> </ul>
2. Align programming, monitoring and evaluation with results process	<ul style="list-style-type: none"> <li>Agencywide multiyear strategic plans or rolling workplans: all of the institutions cited above do this</li> <li>Annual program/project management plans, workplans, and budgets: all of the institutions cited above do this</li> <li>Training and guidelines for project/ program planning and management: all of the institutions cited above do this</li> <li>Performance management plans</li> </ul>	<ul style="list-style-type: none"> <li>Results-based tools – which are critical to evaluating country, regional, or global outcomes, as well as to evaluating how agencies can better support results achievement – have been gaining prominence.</li> <li>Having a good reading on the depth of the country's public sector capacity is critical. This depends on the depth of training of the country's civil service, and the experience.</li> <li>The M&amp;E system needs to reflect the specific country's capacity, whether it is a middle- or low-income country.</li> </ul>
3. Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	<ul style="list-style-type: none"> <li>M&amp;E systems, plans and guidelines (incorporating MIS)</li> <li>Frameworks for audit and risk management, performance measurement</li> <li>Guidelines and tools for audit, risk analysis</li> <li>Training and guidelines for indicator design and data collection</li> <li>Program/project monitoring frameworks</li> </ul>	<ul style="list-style-type: none"> <li>MDB systems have been too complex, WB is simplifying where possible.</li> <li>Harmonization of results reporting (Tanzania case) is a useful approach to follow in other countries/contexts.</li> </ul>
4. Manage for, not by, results, by arranging resources to achieve outcomes	<ul style="list-style-type: none"> <li>Performance reviews and evaluations</li> <li>Internal/external performance monitoring reviews</li> <li>Performance and management audits</li> <li>Thematic and sector studies</li> </ul>	<ul style="list-style-type: none"> <li>Although the agencies have focused more on outputs and activities, and have not developed their outcome-based methodologies, the culture is changing.</li> <li>Link the agency results to its budget (e.g. CIDA)</li> </ul>
5. Use results information for learning and decision making as well as reporting and accountability	<ul style="list-style-type: none"> <li>Annual agency performance reports to advisory boards/committees and elected officials</li> <li>Annual country program performance reports to agency decision-makers and external stakeholders</li> <li>Stakeholder/beneficiary consultation mechanisms</li> <li>Training and guidelines for management decision making based on results information</li> <li>Analysis of evaluations</li> <li>Accountability frameworks</li> </ul>	<ul style="list-style-type: none"> <li>MDBs and bilateral development agencies have been sharpening their focus on results in strategies and instruments.</li> </ul>



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## Resources

### 1. Managing for Development Results

[www.mfdr.org](http://www.mfdr.org)

This website provides background information on the origins of the concept *managing for development results* that was introduced in 2002 at Monterrey, International Conference on Financing for Development. There are also links to: Key Documents, the First Roundtable (Washington), the Second Roundtable (Marrakech), Partners and links to other related sites and resources.

<http://lnweb18.worldbank.org/MIP/BMMMDR.nsf/14BD965BFF0E39085256BE7005E3537/59835DBD0D91F5C85256BE70060199E?OpenDocument>

This World Bank website offers information on better measuring, monitoring and managing for results. There are additional links to: Communities of Practice, Research Papers, Roundtables on Results, and Key Documents.

<http://www.aidharmonization.org/secondary-pages/editable?key=106>

This World Bank website provides information regarding the High Level Forum on Harmonization that took place in Rome February 24 & 25, 2003. There are links here to the various presentations, list of participants, harmonization products & tools.

### 2. UN Millennium Development Goals

[www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

The official United Nations website on the Millennium Development Goals. Information on each of the goals and the indicators for success is provided. There are also links to: Progress Report 2004, Implementation Declaration, and links to related sites.

<http://www.unmilleniumproject.org/html/about.shtm>

The United Nations Millennium Project was commissioned by the Secretary General and is supported by the UN Development Group. The primary task of the Millennium Project is to recommend the best strategies for achieving the Millennium Development Goals (MDGs). This website has links to Millennium Project documents, Task Force documents, and the MDG Needs Assessments.

### 3. Strengthening Development Effectiveness

[www.oecd.org/department/0,2688,en\\_2649\\_3236398\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,2688,en_2649_3236398_1_1_1_1_1,00.html)

OECD/DAC website on Aid Effectiveness and Donor Practices. There are links here to information and documents on: Harmonization and Alignment, Managing for Development Results, Public Financial Management, Aid Untying and Procurement.

[http://www.oecd.org/document/10/0,2340,en\\_2649\\_33721\\_1916746\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/10/0,2340,en_2649_33721_1916746_1_1_1_1,00.html)

This link contains several major documents; among them the seminal document “*Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*” (<http://www.oecd.org/dataoecd/23/35/2508761.pdf>).

### 4. Comprehensive Development Framework

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/CDF/0,,pagePK:60447~theSitePK40576,00.html>

This is the World Bank’s website on the Comprehensive Development Framework (CDF). It provides information on what the CDF is, as well as related links to the Monterrey Consensus and the Millennium Development Goals.



## 5. General Links to the Multilateral Development Banks (MDBs)

The African Development Bank (AfDB)

[www.afdb.org](http://www.afdb.org)

The Asian Development Bank (AsDB)

[www.adb.org](http://www.adb.org)

The European Bank for Reconstruction and Development

[www.ebrd.com](http://www.ebrd.com)

The Inter-American Development Bank

[www.iadb.org](http://www.iadb.org)

The World Bank

[www.worldbank.org](http://www.worldbank.org)

## 6. Results Management, Monitoring and Evaluation

Asian Development Bank (AsDB)

[www.adb.org/MFDR/](http://www.adb.org/MFDR/)

Australia Aid (AusAid), Evaluation and Quality Assurance

[www.ausaid.gov.au/about/pia/Quality\\_Assurance\\_Page.cfm](http://www.ausaid.gov.au/about/pia/Quality_Assurance_Page.cfm)

Canadian International Development Agency (CIDA)

[www.acdi-cida.gc.ca/perfor-e.htm](http://www.acdi-cida.gc.ca/perfor-e.htm)

Department for International Development (DfID)

[www.dfid.gov.uk/aboutdfid/performance.asp](http://www.dfid.gov.uk/aboutdfid/performance.asp)

Inter-American Development Bank, Office of Evaluation and Oversight (OVE)

[www.iadb.org/ove/default.aspx](http://www.iadb.org/ove/default.aspx)

Japan International Cooperation Agency (JICA)

[www.jica.go.jp/english/evaluation/index.html](http://www.jica.go.jp/english/evaluation/index.html)

Norwegian Agency for Development Cooperation (NORAD)

[www.norad.no/default.asp?V\\_ITEM\\_ID=2655](http://www.norad.no/default.asp?V_ITEM_ID=2655)

OECD/DAC Evaluation of Development Programs

[www.oecd.org/departement/0,2688,en\\_2649\\_34435\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,2688,en_2649_34435_1_1_1_1_1,00.html)

United States Agency for International Development (USAID)

[www.dec.org/partners/evalweb/](http://www.dec.org/partners/evalweb/)

World Bank Group, Operations Evaluation Department (OED)

[www.worldbank.org/oed](http://www.worldbank.org/oed)



# Acknowledgements

This draft of the *Sourcebook on Emerging Good Practice in Managing for Development Results* is the product of many months of intensive collaboration among many agencies and partner countries. The Sourcebook Team, based in the World Bank, worked with authors under the overall guidance of the Sourcebook Review Panel, which comprises representatives of Canada, Denmark, Norway, the Inter-American Development Bank, and the World Bank. The Government of Canada provided additional financial support.

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The Sourcebook Team gratefully acknowledges the generous participation and advice of many colleagues in the World Bank and other institutions, as well as the essential contributions of all the authors whose names appear with their chapters; of Universalia (Ottawa, Canada), whose staff was responsible for introductory material; and of the translators: Aracely Barahona-Strittmatter for the Inter-American Development Bank (Spanish) and the CIDA Translation Service, Translation Bureau of the Government of Canada (French).





## **EMERGING GOOD PRACTICE IN MANAGING FOR DEVELOPMENT RESULTS**

Managing for development results is an important effort for countries and agencies alike. But how to begin, whom to involve, where to get help?

The Sourcebook contains some 20 examples of how different groups in different circumstances have applied the principles of managing for results and addressed the challenges that arose. It provides a wealth of ideas for others working in this area, whether they are just beginning or are well along in the process of managing for results.

[www.mfdr.org/Sourcebook.html](http://www.mfdr.org/Sourcebook.html)

[www.oecd.org](http://www.oecd.org)