



**DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE**

DCD/DAC(2002)31  
For Official Use

**MANAGING FOR DEVELOPMENT RESULTS AND AID EFFECTIVENESS**

**DAC Development Partnership Forum: Background Paper**

**11-12 December 2002**

*This paper provides some background material, drawing from recent DAC work in evaluation and peer reviews, and suggests some questions for DISCUSSION in the DAC Partnership Forum on 11-12 December, 2002.*

Contact: Mr Sean Conlin (email: [sean.conlin@oecd.org](mailto:sean.conlin@oecd.org); fax (33) 1 44 30 61 44); or Mr Hans Lundgren (email: [hans.lundgren@oecd.org](mailto:hans.lundgren@oecd.org); fax: (33) 1 44 30 61 47)

**JT00135782**

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## Managing for Development Results and Aid Effectiveness

(DAC Development Partnership Forum, 11-12 December, 2002)<sup>1</sup>

### Purposes of the Forum<sup>2</sup>

1. The Forum aims to help advance work on results management and aid effectiveness through discussions and sharing of experiences of managing for results at the operational level, both from a donor and a partner perspective, and through identifying emerging lessons for management.
2. The **specific purposes** of the Forum are:
  - To consider results oriented management approaches in the broader strategic context of the Millennium Development Goals and the increased priority given to aid effectiveness.
  - To discuss experiences with managing for development results at the operational level, both from a partner and donor perspective, and to identify the key lessons learned so far.
  - To discuss linkages between management reform initiatives in the donor community and results oriented public management reforms in partner countries.
  - To identify the implications for development management of the above.
3. The Forum will explore performance management practices, especially attempts by donors and partners to assess the results of their activities. In particular, the Forum will consider the implications for two main aspects of development management, namely the experiences of donor agencies in becoming more results-focused, and the experiences of public sector reforms at partner country level. The Programme gives detailed information about the structure of the discussions.
4. The Forum will also consider the implications of managing for results in both project-based approaches and programme-based approaches such as SWAps).

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<sup>1</sup>. This background paper sets out some areas of our understanding of the issue in order to stimulate further discussion in the DAC Partnership Forum.

<sup>2</sup>. The Forum builds on DAC work, notably peer review findings and work by the DAC Working Party on Aid Evaluation. It also draws on the Roundtable on better measuring, monitoring and managing for results that was held in Washington on 5-6 June 2002 and the Development Committee discussions.

## Session 1: Strategic Context

5. **Development results and aid effectiveness** have moved to the centre of the development debate<sup>3</sup>. Reasons for this include:

- i. The lingering effects of declining aid volumes in the 1990s accompanied by questions surrounding the accomplishments of almost a generation of development assistance in advancing development in poor countries, notably in Africa;
- ii. Greater demand in OECD countries for public sector efficiency and effectiveness, coupled with domestic reforms towards results orientation in management of public entities overall affecting development co-operation;
- iii. The prospect of substantially increased aid flows from most major donors, as announced in recent major international conferences, including Monterrey, if these funds can be used effectively and with credible demonstration of results. This is a potential important reversal of trends in aid volume seen during the 1990s.

6. A **shared global development vision**, based on a series of UN Summits in the 1990s, has therefore emerged for the first time setting out more clearly the shared development agenda. “Shaping the 21<sup>st</sup> Century” (OECD DAC, 1996), set out some targets to inspire effective development co-operation. These targets later became the Millennium Development Goals against which development results can be monitored.

7. **Public sector reforms** are affecting both donors and partners. As donors are searching for better results on the ground, and the management systems to track them, partner countries are working on reforming their public sectors aimed at delivering results more effectively and efficiently to their publics. In partner countries, the governments’ efforts at public sector reform are a response to the development needs of improving governance and ensuring the efficient and effective delivery of public services. These management concerns in donors and partners have also been associated with establishing processes to measure results<sup>4</sup>.

8. **Country ownership and partnership** in development policy have been re-asserted by certain institutional trends in the development process. This trends include increasing co-ordination of projects within sectors by government Ministries, formal SWAps, country wide strategies and the formal PRSP led by the Ministry of Finance. All of these institutional changes put more emphasis on demonstrating the contributions of stakeholders to outcomes at different levels. These approaches pose a challenge of attribution for donors.

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<sup>3</sup>. In this paper, “development effectiveness” refers to the attainment of desired development objectives by a developing country. Partner countries are principally responsible for their own development. Donors can only have a contributing effect to development outcomes since there are many factors beside aid influencing such outcomes. “Aid effectiveness” refers to the achievement of the objectives of an aid activity, programme or of a total ODA programme. Donors have a direct influence over aid effectiveness since they can decide on delivery instruments, modalities and the policies governing their aid programme.

<sup>4</sup>. There have been several OECD public sector reform meetings focused on “Governing for Results,” including a meeting on Implementation Challenges in Results Focused Management and Budgeting, 11-12 February 2002 an OECD-Germany High Level Symposium in Berlin 13-14 March 2002, and the OECD Public Management Committee on 21-22 March 2002 discussions. .

9. The **measurement of the results** of development co-operation now presents a challenge for donors and partners. For their part, donors have found it difficult to measure the effectiveness of their aid, not least because of problems of attributing effects to different partners in a country owned process. At the same time, the inadequacy of data in partner countries is stimulating greater efforts to develop and use statistical capacity.

*Issues for discussion in Session 1*

- *What are the main challenges of linking the MDGs to operational activities at the country level?*
- *What are key considerations for further discussions in panels 1 and 2?*
- *What opportunities and challenges are presented by initiatives (such as MCA) that try to establish direct links between development performance and resource allocations?*

## Session 2: Managing for Results at the Operational Level

### Panel 1: Making development agencies more results-focused

#### *Aims underlying a results focus among donors*

10. There has been a **variety of driving forces** behind the introduction of a results focus by donor countries. It often arises from a broader civil service reform or as a particular initiative by the Ministry of Finance<sup>5</sup>. Such initiatives can go beyond the boundaries of the donor country. According to the National Security Strategy of the United States, "the United States is committed to a comprehensive reform agenda for making the World Bank and other multilateral development banks more effective in improving the lives of the poor." The G-7 Finance Ministers also referred to the need for a greater results focus in the multilateral development bank context in June 2002. "We urge the MDBs to continue to increase their collaboration and the effectiveness of their assistance, including through increased priority on improving governance in recipient countries, an enhanced focus on measurable results, and greater transparency in program decisions." The IDA 13 replenishment contains an agreement on specific arrangements to track results and parts of the UN system, notably the UNDP, have launched results based management initiatives as part of reform efforts to improve effectiveness.

11. The requirement to show results may have the following **intended uses**:
- *Accountability, evaluation and reporting.* To demonstrate results to authorities and the public.
  - *Knowledge and learning.* To bring continuous improvements in agency performance according to donor concern.
  - *Performance management.* To ensure operational staff share the policy vision, or to increase efficiency.
  - *Resource allocation.* There is also an intention among some donors that allocations to countries, sectors, and instruments will respond to results, i.e. better performing activities will attract more support over time.

#### *Systems for managing for results.*

12. To implement the aims above some donors have established systems for tracking the results of aid activities.

13. **Key principles** of such systems include:
- Focus on outcomes and results rather than inputs, activities, and processes
  - Logic chain of causality from inputs and activities, through outputs, to outcomes
  - Identifications of indicators and data collection
  - Mixture of donor performance data and contextual data
  - Increased attention to accountability and transparency

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<sup>5</sup>. For a discussion of reforms in several OECD countries, see "In search of results: Performance Management Practices." (OECD, 1997) and more recent PUMA work including "Results Focused Management and Budgeting in Government", (OECD, 2002).

14. **Performance measurement** requires monitoring and evaluation systems that go beyond inputs and activities, setting out results at various levels. For the most part, these results monitoring systems are in their infancy, and donors are still learning and adapting their systems.<sup>6</sup>

*Emerging lessons and challenges for results management*

15. Several recent DAC peer reviews have provided information about the present status of donor systems of managing for results. A review of donor practice with results-based management, by the DAC working party on evaluation (WP-EV), focused on the experiences of several donors. The study's final report set out the current practice at different levels, drew several lessons and highlighted some remaining challenges for donors in implementing a results focus<sup>7</sup>.

16. There have been several **initial positive effects**. A main impact of a results focus is in the area of information systems and learning. Donors have set up systems that encourage their staff to learn how actions impact on the development context. Attention is also paid to monitoring and evaluation systems, not just as a separate activity which is the responsibility of a specialist evaluation unit, but one which is increasingly integrated into the whole management approach. For example, USAID's operational units undertake evaluations to inform design and implement decisions. Some donors see the need to increase their evaluation capacity by integrating all the evaluative functions to give better feedback on performance assessment. In this context, Germany's BMZ and Canada's CIDA have in recent years made a structural link between audit and evaluation to improve their performance assessment capabilities, and AusAID established a Quality Assurance Group in 1998. These models have increased donors' capacities to improve the relevance of their aid programmes and to report on their effectiveness to both political leaders and the public.

17. The report to the WP-EV highlighted these **emerging lessons**:

- Leadership support for results based reforms is important
- Begin with pilot efforts to demonstrate effective practices
- Keep the performance measurement system relatively simple and user friendly
- Provide a wide variety of support mechanisms and institutionalise practices agency-wide by issuing clear guidance
- Allow sufficient time and resources to build effective results based management systems
- Monitor both implementation progress and results achievement and complement performance monitoring with evaluations to ensure appropriate decisions
- Ensure the use of performance information for management learning and decision-making, as well as reporting and accountability
- Anticipate and avoid misuses of performance management systems
- Give managers autonomy to manage-for-results
- Build ownership by using participatory processes within the agency.

<sup>6</sup>. Some donors are more advanced. USAID has had a results-based management system in place for a decade, and has been refining its system since 1998. Canada is also refining its well-established system.

<sup>7</sup>. "Results-based management in donor agencies", A. Binnendijk (2001), DAC WP-EV meeting 22-23 May 2001.

18. There is a need to **enhance impact**. Peer reviews and the WP-EV study show the need for some improvements to develop the systems before the other intended uses of results-oriented management can be fully realised across the donor community. The assessment of results needs to be integrated more actively into performance management, staff incentive structures, improvement of service quality, and the allocation of ODA resources. Other factors compete in management decision making in these areas.<sup>8</sup>

19. There are some **remaining challenges** for donors that have introduced a results focus to their operations. Three particular challenges are discussed below. Several donors have been taking steps to increase the relevance of their present systems, to integrate top-down and bottom-up approaches, and to reduce the burdens of their systems. Examples of the challenges being addressed by some donors can be seen in the comparison of CIDA and USAID in Box 1, DFID's aims for results framework in Box 2, and the World Bank's approach in Box 3.

#### Box 1. Managing for results in CIDA and USAID

The **USAID** system is driven by the requirements of the Performance and Results Act 1993, and addresses the key principles of a results focused system. Based on its early experiences, USAID has been refining its systems since 1998. Results are expected for four pillars, and some management objectives. They are clearly specified, and the indicators of progress are also clearly set out. There is a requirement to set out a development hypothesis, which is the logic model linking the inputs to the process and the outputs and results. The systems for collecting the data are set out in great detail and there are teams for each Strategic Objective. Results feed back into the agency's performance report, the Congressional Budget Justification, and the Strategic Plan.

The **CIDA** system has been driven by requirements from the Treasury Board to demonstrate results in the public sector. CIDA produced its framework for specifying results in 2001. There are four clearly defined results in each of the three areas (development results, enabling results and management results), and a very clear logic model working down to agency activities. Results are specified for different levels, and the indicators are similarly precise at each level. The system for collecting the data is clear, along with the responsibilities of different actors in the system. Agency responsibility is set at the levels of inputs to outputs. The results are intended to influence resource allocation, performance, and all other aspects of the organisation's work.

Both CIDA and USAID recognise some **common challenges**. In CIDA, there are many different results and indicators, and in USAID many strategic objectives. Both agencies are taking action to reduce the burden of the tracking and to focus on the most significant results. Both agencies recognise their lack of control over longer term, higher order outcomes. In the case of CIDA, it is now looking to show its contribution to achieving the MDGs, recognising these require collective action, which poses an "attribution problem." The agency expects to have indirect influence through its partnership strategy, involving a wide range of other Canadian actors. USAID sets its sights on the immediate and medium term objectives, within a longer-term vision. Again, a wide range of American actors is involved in a partnership to achieve these objectives.

The two agencies also recognise their own **particular challenges**. CIDA's system, established on a project-based approach, is being adapted to address policy-based interventions and to scale up to the programme level. For USAID, the perceived need to improve data quality has led to substantial efforts in training a critical mass of staff who can support the production of reliable performance information.

#### *a) Design of donor results frameworks*

To assess the contribution of aid to overall development effectiveness donors have set themselves an ambitious agenda to track results systematically. In this respect, donors appear to be reconsidering whether the framework of results is capable of assessing the impacts of policies, resources, and organisation, and whether some redesign is necessary. For instance, management results frameworks tend to be designed from the bottom-up, being based on previous project assessment methodologies, while discussions on aid effectiveness require a system designed from the highest level activities.

<sup>8</sup>. These other factors include pressures from political authorities or from decentralisation, uncritical continuation of historical trends and relationships, lack of attention to efficiency of delivery and aid untying, and continuing emphasis on inputs rather than outcomes.



CIDA has been addressing this challenge in its approach to its own results framework (see Box 1). There are also particular challenges in tracking long term capacity building programmes.

***b) Integration of levels***

While the results frameworks try to set out the logic models that link inputs through activities to outcomes, it is important that the causal logic is tested by the system of checking results. There are challenges in reaching the highest level outcomes associated with aid effectiveness or the Millennium Development Goals. The UK has been attempting to address this issue through its own system (see Box 2). In general, donors are making increasing efforts to:

- Ensure that the logic chain reaches as far as the MDGs.
- Evaluate the linkages in the logic chain.
- Address the problems associated with aggregating project level assessments.
- Set out clear indicators for inputs, processes, outputs and outcomes throughout the system.
- Evaluate partnership relationships and country ownership in terms of the effectiveness of selectivity, informal dialogue, facilitation and political dynamics
- Identify more transparent ways to bring together political judgement and technical results

**Box 2. Linking DFID results to MDGs**

A key driving force behind the UK government's performance-oriented management reforms is the Treasury's requirement for Departments to prepare Public Service Agreements. These are now supplemented by detailed Service Delivery Agreements.

The National Audit Office considers the Department for International Development an example of good practice among government departments. According to its 2002 report on DFID's performance management, DFID should maintain a focus on intended results, "looking to improve their alignment with the International Development Targets and Millennium Development Goals which DFID have endorsed." Linking DFID performance to such high order goals is inherently challenging, which is recognised by the NAO. DFID has recently made a determined effort to link its Public Service Agreement for 2003-2006 to the MDGs, using country level indicators. Its Service Delivery Agreement also shows how DFID intends to meet these requirements.

***c) Streamlining the system***

To ensure that their systems are practicable and useful for managers, donors find that they need to look at the following improvements:

- Focus on the results that matter and be selective. It is not necessary to track every activity, only those likely to give significant results.
- Simplify the evaluative procedures. It is not necessary to test every chain in the causal logic linking activities to outcomes
- Undertake institutional change and staff training. There are problems if a small group, demanding data from others, drives results management.
- Consider joint monitoring and evaluation arrangements with other donors and the partner country. A focus on individual donor activities will face major methodological challenges in situations where many donors are involved.

### Box 3. World Bank

The World Bank launched a major effort to increase its results orientation earlier this year and, following Development Committee endorsement in late September, has moved into the implementation phase. Its approach draws heavily on the international Roundtable on "Better Measuring, Monitoring, and Managing for Development Results" that the Bank and the other multilateral development banks sponsored in June, in cooperation with the DAC. The conceptual framework underpinning the approach builds on the simple but powerful idea that development results can be improved by enhanced management focus on them. The framework brings together three strands of the development dialogue of recent years: country-led development and partnership, results-based management, and development effectiveness. Focusing on sustainable growth and poverty reduction, it puts a premium on country efforts to manage for results, as set out in national strategies such as the PRSP. This requires coordinated donor support for the enhancement of the knowledge base, statistical systems, and monitoring and evaluation capacity that countries need to do so effectively. The focus on country outcomes, including the MDGs and other priorities, has implications for the architecture of donor accountability and evaluation systems. In particular, it is desirable to increase the use of joint evaluations of donor programs. These can complement assessments of individual agencies' performance, such as those carried out within the Bank by its Quality Assurance Group (QAG) and the independent Operations Evaluation Department (OED).

Central to the implementation of the enhanced results orientation within the Bank is the design and piloting of the so-called results-based Country Assistance Strategy (CAS), a distinguishing feature of which is its enhanced "evaluability" in terms of outcomes. This evaluability derives from the articulation of a clear CAS monitoring and evaluation framework and the introduction of self-assessment through a CAS Completion Report, as a basis for subsequent peer review and independent evaluation. Efforts are also underway to ensure that the monitoring and evaluation framework used in the CAS and the supporting lending and knowledge activities are effectively "joined-up," including a clear link to the country's own efforts to manage for results. Meanwhile, staff-learning programs and incentives are being reviewed to ensure their alignment with the Bank's enhanced results focus. Buildings on these efforts are the investments in corporate reporting on results on three levels: corporate strategy and budget documents, QAG operational reports (e.g. the Annual Report on Operational Performance and Results), and the IDA Results Measurement System.

#### *Issues for discussion in Panel 1*

- *What are the emerging lessons from donors in introducing and experimenting with results focused approaches? Recognising that some donors have a longer experience, what are the lessons for increasing the effectiveness and efficiency of results focused approaches?*
- *How might donors address the remaining challenges for improving their systems of managing for results?*
- *In particular, how might donors address the particular challenges of tracking results effectively in linking their results to the MDGs?*
- *What is the view of partners?*

## Panel 2: Results- management in public sector reform in developing countries

20. Public sector reforms in partner countries during recent years have been concerned with the development of government capacity to lead the development effort in their countries. Many of these public sector reforms have promoted a results-focus in government agencies, with implications for internal management. This section briefly sets out some of the implications of partner countries' public sector reforms and results-focus.

### *Types of public sector reforms.*

21. Increasing numbers of partner countries have been involved in public sector reforms with several different dimensions. Many earlier reforms, often under pressure from structural adjustment and fiscal stabilisation, were concerned with administrative efficiency and involved retrenchment of civil servants. The present reforms, which may be included in a comprehensive approach, are concerned with three main issues:

- **Promotion of effective governance**, which encompasses a wide range of issues from election processes to local government decentralisation to anti-corruption strategies.
- **Enhancing the efficiency and effectiveness of public services**, notably health, education and agricultural extension, often in the context of different forms of sectoral co-ordination and involving various forms of public-private partnerships. (An example of such a reform in Tanzania is given in Box 4).
- **Improving government financial management and accountability mechanisms**, often associated with broader partnerships in SWAp and PRSP.

#### Box 4. Public Sector Reform in Tanzania

The Public Sector Reform Programme is part of a broader reform including local government, public financial management, legal sector reforms, and sectoral reforms to improve social and economic services. It aims to improve performance management systems, restructure public and private sector participation, improve management of information, strengthen personnel management, and develop leadership and good governance

The programme's operational focus is on the effective delivery of public services. This has involved the specification of expected outcomes at different levels, identification of enabling factors, and systems for monitoring the results of the reform programme.

Donors have been supporting this programme during different stages. There is a Joint Consultative Forum. Some donors have also joined a Common Basket Fund with joint reporting and accounting requirements, and some support associated projects within the sector framework.

**Source: Donor Working Group Sept 2001**

*Emerging lessons and challenges for partner countries.*

22. The DAC Network on Good Governance and Capacity Development (GOVNET) undertook a country engagement initiative<sup>9</sup>. This initiative began with a study of public sector reform experiences in Anglophone Africa, with case studies in Ghana, Kenya, Tanzania, Uganda, and Zambia. The study set out a number of critical factors in the examples of successes, constraints encountered, and lessons learned.

23. There have been several **initial positive effects**. Reform programmes have moved from narrow cost containment to focussing on service delivery within a comprehensive approach to public sector reform. In *Tanzania*, public sector reforms have been successful in controlling numbers improving pay and enhancing basic systems. There has been good progress in capacity building. A number of agencies have been established, with a focus on service improvements. *Uganda* has also taken radical steps to improve pay and reduce numbers, and is now engaged in a comprehensive programme to improve its structures, introduce results-based management and new information systems. It is also setting up autonomous agencies. *Kenya* has a strategy for improving service delivery through enhanced performance. The strategy emphasises the role of the private sector and NGOs. New legislation is intended to improve financial accountability and auditing. There has been an overhaul of public procurement. In *Ghana*, the current phase of the reform includes a public financial management reform programme and a policy on public sector incomes. There are some demonstrable improvements in revenue collection and service efficiency. In *Zambia*, reforms have had their most positive impact at the sectoral level, where there are new arrangements for service provision. A more supportive political environment and an engagement of stakeholders were also noted.

24. The study notes a number of **emerging lessons and success factors**<sup>10</sup> including:

- A broadly favourable political environment, including efforts to promote democracy, poverty reduction and economic development, with continuing support at the highest levels.
- A clarity of vision and strategy by Governments to institutionalise reform management. This should set the Public Sector Reform Programme in a comprehensive context of other government reforms in financial management, local government reform, etc.
- Effective management by Government, including the ability to be flexible to adapt to circumstances.
- Technical assistance which is supportive and promotes ownership.
- Effective collaboration with a range of stakeholders, including civil service managers, even through periods of retrenchment.
- Attention to capacity building by civil service managers who have to manage difficult adjustments.
- Public sector institutions should be structured around service delivery targets, and adopt a customer-oriented focus. Piloting of agencies in key service areas can be valuable.
- Success of a “quick wins” initiative, which was important in gathering support and building up confidence. As confidence grows, the ability to be more innovative is important.
- Sufficient resources to cover the costs of the programme, especially for retrenchment.

<sup>9</sup>. Report on the London Meeting of the Donor Public Service Reform Working Group DCD/DAC/GOVNET(2002)2, 24-25 October 2002.

<sup>10</sup>. This does not imply that the programmes were all successful. Tanzania and Uganda are regarded as successful, whereas the other countries have a more patchy outcome with some falling back in some areas.

25. Several **challenges** also emerged in the study, even where there was overall success. Some of these provide a mirror image of the critical success factors noted above, but others include:

- Highly centralised decision making, which does not empower managers.
- Narrow vested interests within the public sector try to intervene in the programme.
- Over-stretched capacity, including shortage of critical staff.
- Difficulty to set out priorities and sequencing of reforms.
- Poor work cultures and incentives, and low morale, related to low pay, make the reforms hard to implement.
- Tendency to create parallel systems to resolve the over-cautious attitude of donors to providing resources.
- Insufficient management autonomy.
- Difficulty in demonstrating impact, with weak monitoring and evaluation systems.
- Inadequate public information and education, especially to counter the early negative perceptions created by retrenchment.

*Systems for measuring results in partner countries*

26. Managing for results implies certain **data requirements**. However, in partner countries, surveys do not generally provide reliable data below the level of the largest province, thereby providing insufficient coverage of administrative areas at the sub-national level. Data collection at country level may not adequately integrate various sources, although there are techniques that integrate surveys, census and administrative data to give reliable predictions of poverty at the village or small area level. These kinds of techniques require planning and a consistency of approach, which has not been the norm in most developing countries. Country level statistical data may lack credibility if the autonomy and neutrality of the government system is compromised and the role of civil society is important in these cases.

27. Three main considerations for improving the **capacity of measurement systems** to inform management decision-making in partner countries are:

- **Data types.** Both qualitative and quantitative data are needed to assess short and long term objectives, activities, processes, outputs, and outcomes. Data producers and users need to collaborate closely to ensure that the scarce statistical resources available are used to produce the priority information required.
- **Data quality and availability.** Consistent data collected over time are vital for assessing results and calibrating indicators of progress. There are many areas where basic data is lacking. The systems that produce the basic data underpinning the indicators of progress are under-performing in many partner countries and much of the data collected has been of an ad hoc nature, leading to data gaps and inconsistencies in time series. Investment in statistics has not been considered a priority by national governments. There is a need to build capacity in a strategic manner, to improve the production and use of data, and to integrate qualitative, administrative and survey data.
- **Data use and dissemination.** The publication and use of data can be extremely important for strengthening governance at different levels. The use of data in Uganda is often cited as a

best practice example, since data on public expenditure is available to local people so they can hold political leaders to account. In many other countries however, while data may be collected, there are often constraints on the analysis and presentation of the results, both to the potential professional users within government and to the wider public. These constraints may concern technical capacity and lack of human resources, as well as political constraints, with interference in the publication of uncomfortable results (either suppression or delay).

*Issues for discussion in Panel 2*

- *To what extent are improvements in the public sector in a country, especially a strengthened results focus, necessary for enhancing partnerships and achieving better development outcomes?*
- *How can reformers encourage political authorities to emphasise a results focus in the public sector reform process?*
- *Given the competing demands on government capacity, what attention should government pay to developing its capacity to gather and publish data for results assessment at all levels?*
- *How do partners go beyond measurement to use the results framework to strengthen their capacity for policy analysis, policy formulation, monitoring and evaluation and to inform the development of new/ successor strategies?*

### Session 3: Implications for management

#### *Agreeing results oriented strategies to achieve Millennium Development Goals*

28. It is necessary to **sharpen the focus on development effectiveness** and the contribution made by aid. Elements of international consensus have already been reached in the MDGs. These overarching goals resolve the challenge of specifying outcomes at the top of the logic chain. Such clarity on the overall outcomes helps sharpen the focus of donors and partners on the country's own development strategy.

29. Several donors are trying to **make the MDGs more operational**. Donors have endorsed the multi-faceted definition of poverty, and many partner countries are pursuing development strategies that are aligned with the MDGs. Nonetheless, it is still a challenge to internalise the concept, and to devise appropriate sub-strategies. Donors still face challenges in clearly defining their own comparative advantages and added value within a collective donor framework to achieve the MDGs, and to attributing impact to their efforts. Partner countries find it challenging to develop intermediate indicators linked to the MDGs and to gather the requisite data.

#### *Partnership strategies to support country ownership*

30. **Instruments for developing ownership and partnership** need development. There is widespread agreement that development policy should be country owned, and recognition that donors should aim help strengthen leadership capacity at country level. Donors that favour project approaches have increasingly sought to co-ordinate their efforts within an overall sectoral strategy. Experience on the ground has been brought to bear on sector policy dialogue. Donors recognise that PRSP and SWAp have put greater emphasis on participation of civil society in policy formulation, and on co-ordination between donors and governments. There are unresolved debates about the role of budget support or other forms of basket funding in PRSP and SWAp frameworks. DAC discussions have also focused on improving aid delivery mechanisms within the policy reform environment.

31. **Further dialogue** is needed regarding how partners make policy choices and identify priorities. Country ownership and partnership need to be based on performance, both of the donor and partner, and of the interaction between the two. Donors, whether involved in projects or programmes, increasingly recognise that they must take account of the partner country's development management system, not just their bilateral partnership with the country.<sup>11</sup> The dialogue needs to encompass a framework of results for operations at different levels, linking project outputs with sector results and country outcomes. This will allow donors to avoid micro-management and to be flexible on the choices made by partners within the agreed framework. The dialogue can also include the overall governance situation and trends, and the nature of conditionality employed by donors<sup>12</sup>.

32. This dialogue has to take account of **capacity implications** on the part of both parties. There needs to be country capacity for analysis and priority setting and donor capacity for policy discussions at

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<sup>11</sup> . The DAC Task Force on Donor Practices is taking up the challenges for donors of improving their partnership by harmonising procedures.

<sup>12</sup> . Selection by donors in terms of "good and bad performers," another item within this partnership perspective, will be one of the issues for a separate workshop. The DAC and the World Bank have recently held a joint workshop on the subject of "difficult partnerships" where agreements on results frameworks is usually not feasible.

the level of country and sector strategies. This has implications for donor support to countries and donor management organisation.

33. **Donor co-ordination** continues to be an issue for the DAC. Several studies<sup>13</sup> in recent years have pointed out that, at country level, donors can improve the effectiveness of their aid for partner countries. There is also a need to co-ordinate around the identification and monitoring of results.

*Managing for results in partnership.*

34. Donors and partners need to **bridge the gap** between their respective results systems for a better assessment of development effectiveness. There are several general considerations:

- **Types of results.** Donors and partners need to distinguish between various kinds of results. A possibility is, following the CIDA framework, to define three types of results:
  - *Development Results* should specify the agreed development outcomes in a country. Acceptance of the MDGs as a frame of reference for reporting achievements appears to be increasingly likely, despite the inherent data challenges.
  - *Enabling Results* should show how donors and partners take account of and seek to influence the development context.
  - *Management Results* should show how the operational units in both the partners and donors systems aim to improve their performance and service quality.
- **Selection of results at different levels.** Partner countries have made some progress in specifying results at the activity and sector levels, but there are serious challenges to specifying and measuring results at the programme and national levels. In donor agencies, results management systems seek to assess the impact of policies and procedures at the different levels but, in practice, tend to give greater attention to the activity level and sector levels. Several donors are trying to streamline their procedures to focus on the significant results in the logic chain, requiring a convergence with systems of results measurement in partner countries. Further joint work in partnership will be required.
- **Attributing outcomes to the stakeholders' performance.** The theory that links activities to outcomes becomes weaker higher up the logic chain. Recognising that outcomes are the result of collective action, and attribution to individual efforts not feasible, there needs to be agreement on how to present and assess results on a collective basis. At the same time, such presentations of results need to be helpful in sustaining individual stakeholder support.

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<sup>13</sup> . The DAC Task Force on Donor Practices has facilitated discussions on donor co-ordination, sector-wide approaches, and the harmonisation of donor practices in countries, and as also undertaken country studies. The DAC has organised several discussions of donor co-ordination and partnership, and in 1999 jointly sponsored with UNDP and World Bank a Partnership Forum: From Aid Co-ordination to Development Partnership. The UNDP presented an evaluation study of policy reform and co-ordination [Round Table Mechanism: An Interim Report.] The World Bank also presented an evaluation study [World Bank Operations Evaluation Department 1999 *The Drive to Partnership: Aid Coordination and the World Bank.*]



*Measuring collective performance.*

35. The **collection of performance data** to meet donor requirements implies a different strategy to data collection for promoting country ownership of policy reform. The data collected are likely to be different in each case, but there is a likely trade-off between the two, and it is necessary to consider how donor requirements may undermine principles of country ownership. There is also a risk that if donor needs are not integrated within a statistical and information strategy, then country systems will be overloaded.

36. **Building country capacity** requires human development of relevant individual skills for data collection and analysis and the institutional development of integrating a country's information systems. Box 5 outlines contributions from PARIS 21.

**Box 5. PARIS21**

The PARIS21 Consortium was established in 1999 as a partnership to promote results-based management and the use of statistics in developing countries. The partnership between policymakers, statisticians, and users of statistical information has so far promoted advocacy for better statistics and for their effective use in monitoring and developing policy. Work is required to sensitize statisticians to the new policy environment, and to ensure that the statistics that are available are accessible and targeted at policy makers.

The partnership aims to increase the importance of statistics in policy discussions and to encourage stakeholders to take a strategic, integrated approach to planning the statistical system. A virtuous cycle is envisaged, where the funders of statistics are provided with the statistics information they need, and so increase the resources available for their production, thus building a sustainable developing system. PARIS21 facilitates and stimulates country action to improve the ability to produce and use effectively the statistics and other information required for setting and monitoring policy. Other partners carry out the operational work in countries to provide the support needed to implement the improvements identified.

The work so far in task teams, regional and country workshops included the sharing of best practices, advocacy materials, south-south co-operation, assessment of statistical capacity, and the promotion of a strategic approach to statistical management. Action has started in Africa and Latin America, and further work is programmed for those continents and for Asia, the Arab States, the Pacific, and the Caribbean. The work of the Consortium is guided by a steering committee with representatives of developing and transition countries from each region of the world, bilateral donors, and the UN, OECD, World Bank, IMF, and EC. Progress of PARIS21's work can be followed on its website at <http://www.paris21.org>.

37. Relatively little attention has been given to the possibility of **partner country reviews of aid**. The New Partnership for African Development (NEPAD) is concerned with developing a peer review approach to countries' own governance and management, i.e. a "mutual review." This might be extended to consider the overall development performance, and the systems in place to produce the information needed for monitoring and evaluation. The NEPAD has requested work on the design of such a system from the Economic Commission for Africa and the OECD, and involving the Strategic Partnership for Africa.

38. It is also possible to consider more **joint assessments and joint evaluations by donors** of collective performance, given the increasing co-ordination of donor efforts in countries. The OECD has undertaken two joint assessments (Mali and Mozambique)<sup>14</sup> and is planning another (possibly Tanzania).

<sup>14</sup>. OECD/DCD, Club du Sahel and UNDP, 1999 "Improving the effectiveness of aid systems: The case of Mali"; "DAC joint assessment of the aid programmes of Germany, the Netherlands and the United Kingdom in Mozambique" DAC Journal 2001, Volume 2 No. 4 pp III-1 to III-30. The OECD/DCD also participated in a World Bank sponsored review of donors' activities in Nepal during 2001.

The WP-EV has undertaken some joint evaluations and is actively trying to promote further joint evaluations. Various instruments including guidance on joint evaluations and systematic and standardised exchange of information on evaluation plans, developed to facilitate joint exercises. While some results have been achieved, further efforts are needed recognising that partnerships can not start in the evaluation phase but must build on collaboration in earlier phases of the programme cycle including possible joint monitoring arrangements. Moving from an individual donor approach to a joint evaluation approach will stimulate fundamental changes in the way evaluation is currently conducted, and in the way evaluation results are demanded. Are donor agencies prepared to engage in collective search for results and impact on development with less focus on individual donor accomplishments?

*Considerations regarding results-focus at partner country level.*

39. Within these different aspects of a results focus at the country level there are some key considerations for partners and donors. Development managers need to consider those policies, and delivery instruments that promote better partnership and country ownership. In particular:

- Reform of governance structures and public sector management, with an emphasis on improving outcomes, such as efficient and effective delivery of public services, can increase the benefits of development assistance.
- Country ownership, broad participation and good donor partnerships are essential elements of such policy reform.
- In their dialogue with partners, donors should seek to achieve the optimal use of resources to attain agreed development results, sustainability, replicability and diffusion of lessons learned.
- Donor co-ordination can reduce the burden of aid procedures, but co-ordination has its own transaction costs. Some transactions costs, absorbed by partner governments, can also help build capacity.
- Accountability and transparency to the public in the partner country, as well as to taxpayers in the donor country, can be enhanced by a clear results focus of partner governments.
- Public sector reforms should include monitoring systems and measurement of results. Such systems will need to take account of the increasingly collective nature of the development management system in a country, affecting projects as well as programmes.

*Issues for discussion in Session 3*

- *What needs to be done to ensure that results-based approaches are fully integrated into partners' poverty reductions strategies and donors' country assistance strategies?*
- *Given a results focus in a country's own development strategies at national, regional and sectoral levels, and the global results framework provided by the Millennium Development Goals, how are the results frameworks of donors to be integrated into partners' approaches?*
- *How should donors support the building of country capacity to measure, and monitor results at different levels?*