Joint Venture on Managing for Development Results

Managing for Development Results

- Draft Policy Brief -

OECD

Draft Policy Brief[1]

Managing for Development Results (MfDR)

I. Introduction

Managing for Development Results, or MfDR, has emerged as a centerpiece of global efforts to improve public management, achieve the Millennium Development Goals (MDGs), and implement the principles of the Paris Declaration. While discussion of the topic has been widespread, that discussion has occurred mostly at the technical level. The primary audience for this Brief is government policymakers. Its purpose is to define MfDR, emphasize its most important implications, and direct decision-makers to places where they can find additional information and examples of MfDR.

II. The International Context

The 2004 Marrakesh Roundtable on Results defined MfDR as "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."

MfDR has major implications for national leaders, public sector officials, donors and citizens. At its most fundamental level, it calls for an emphasis on results in all aspects of the development process[2]. As such, it embodies generally accepted tenets of good government – clear objectives, evidence based decision-making, transparency, and continuous improvement. In the current context, MfDR also relates directly to a range of active policy issues including international goals and standards, country ownership, harmonization and alignment of donor efforts, accountability for development results, and civil society participation.

MfDR provides governments with a management philosophy, approach and set of tools for enhancing government performance and expanding accountability at all levels. Advocates of good governance in partner countries additionally see MfDR as a means to elevate their interactions with their own citizens and with donors. And supporters of increased aid levels see MfDR as a way to galvanize national and international commitment around the positive effects on people's lives that these resources can – and do – have.

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[1] This draft policy brief was commissioned by the Task Team on Conceptual and Technical Guidance of the OECD DAC Joint Venture 'Managing for Development Results' with a contribution of the United States. Members of the Task Team are: Germany (chair), Austria, Ireland, Switzerland, the United States and the DAC Secretariat.

[2] Agreement on the following core principles emerged from the Marrakesh Roundtable: (1) focusing the dialogue on results at all phases of the development process; (2) aligning programming, monitoring, and evaluation with expected results; (3) keeping measurement and reporting simple; (4) managing *for*, not *by*, results; and (5) using results information for learning and decision-making, as well as for reporting and accountability.

In the past five years, MfDR has been the subject of three major Roundtables, the most recent being a meeting of more than 500 officials from 45 countries and 32 donor organizations in Hanoi in February of 2007. There are active and ongoing Communities of Practice in Asia, Africa, and Latin America. Many governments have established units responsible for key aspects of MfDR as have most major donors; and some countries such as Chile, Uganda and Vietnam have implemented high-visibility MfDR agendas. Anecdotal evidence and published case studies suggest that these efforts are producing tangible benefits[3].

Despite this growing emphasis on MfDR, the World Bank's 2007 Aid Effectiveness Review found that most countries still have "a long way to go". The proportion of countries with "largely developed results-oriented frameworks" – a prerequisite for comprehensive MfDR -- was a modest 5%. More encouragingly, 56% of countries reported having taken some action since 2005.

III. Essential Features of MfDR

There are four major features that distinguish MfDR from traditional public administration. Each of these features has important policy implications, raises difficult issues, and requires determined leadership. These features, implications and issues are summarized in the paragraphs below.

Feature #1: Shared Goals and Strategies

Elements: (1) MfDR, as currently understood, implies that goals are not only clear and measurable, but that they are expressed as *development outcomes* (e.g., reduced child mortality, increased school attendance). It is generally accepted that these goals should be limited in number and concrete, with *agreed indicators* and *time-bound targets*. (2) It is also a central tenet of MfDR that goals should be broadly endorsed within the country and that donors should *align* their efforts with these national goals wherever possible. (3) In an effort to improve planning, increase attribution of results to interventions, and systematize performance monitoring, MfDR systems regularly make use of *results chains*, which are logic diagrams showing the strategies and assumptions linking inputs, outputs, outcomes and the impacts[4] to which they contribute.

Issues: Arriving at an agreed and prioritized set of goals and strategies is a complex political and technical undertaking. Typically, the process includes transformation of plans into strategies, "wish lists" into priorities, and long lists of potential indicators into a limited set of key metrics. (1) Among the most important and sensitive policy issues associated with shared goals are the means by which such goals are established, legitimized and measured. As a practical matter, primary emphasis within MfDR has been on Millennium Development Goals and on goals established through Poverty Reduction Strategies and other collaborative national or sectoral planning exercises. (2) Ensuring national consensus on these goals and metrics, and ensuring donor alignment around them, often requires significant changes in planning processes. (3) Developing and implementing robust consultative mechanisms and prioritizing among goals are particular challenges given the number and range of potential stakeholders and the many demands placed on governments. Where they are most meaningful, these consultative exercises are linked directly to budget formulation and review.

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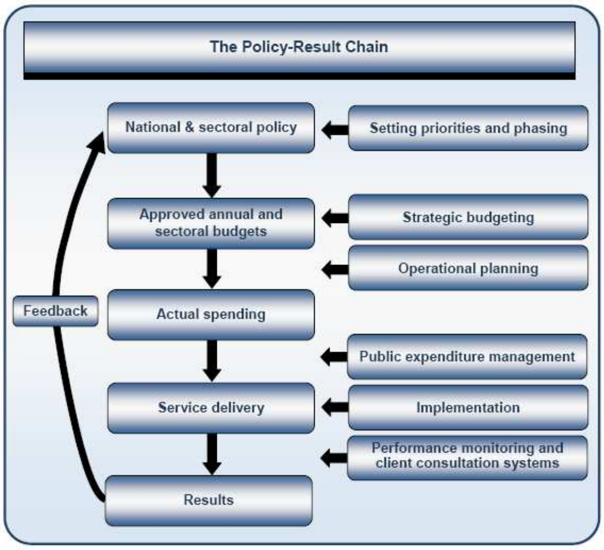
[3] Based on case studies published in Volumes I, II and III of the MfDR Sourcebook (for reference see footnote 12), and cases cited by the Asia, Africa and Latin America MfDR Communities of Practice.
[4] See Glossary below.

Feature #2: Performance-Based Budgets

Elements: (1) The budget is a central tool through which MfDR results and priorities are realized[5]. MfDR requires establishing clear mechanisms and procedures for translating political priorities into budget realities by *linking planning and budgeting processes at national and sectoral levels* (see Figure 1). (2) This usually includes some form of *program budgeting* where resources are clearly associated with the outcomes and outputs to which they are expected to contribute. (3) Since few development outcomes can be achieved in a single year, MfDR benefits greatly from the use of *Medium Term Expenditure Frameworks* by governments and from *predictable, multi-year pledges* by donors.

Issues: Few, if any, governments have fully implemented performance-based budgeting, but many have taken constructive steps to enhance the role of performance information in their budgeting processes. These changes face a host of operational challenges caused largely by existing systems, established interests, and constitutional hurdles. (1) In most countries, planning and budgeting are distinct processes with distinct bureaucracies and interests. (2) Most countries have difficulty making binding commitments that go beyond their current budget cycle. (3) There is also a danger of defeating the broader intent of performance-based budgeting by applying it in too mechanistic a way.



Feature #3: Evidence-Based Decision-Making

Elements: While policy objectives and political realities continue to exercise important influence on funding priorities, MfDR implies that performance information will have a significant impact on those priorities. (1) MfDR requires credible data and procedures for forecasting expected results, and robust *statistics, performance monitoring systems and evaluation protocols* for assessing actual performance and feeding it back into the planning and budgeting cycles. To be useful, this performance information needs to be demand-driven and tailored to reflect decision-makers' needs and timetables (e.g., the budget cycle). (2) It is also essential that decision-making about budgets and operations allow sufficient *budgetary and operational flexibility* to adjust budgets and programs based on this information and to support organizational learning. (3) Annual *multi-stakeholder performance reviews* and joint government-donor evaluations have proven to be effective means for galvanizing these efforts.

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[5] MfDR goals and strategies are also prominently reflected in a host of substantive policies and regulations (e.g., pricing, distribution, and social sector policies) which reinforce and elaborate budget allocations and priorities.

Issues: (1) Most countries provide inadequate resources for monitoring and evaluation and lack systematic procedures for introducing empirical data on performance into budget debates and decisions. (2) There are few incentives for bureaucrats, Ministers or legislators to encourage learning or to base their decisions on performance data. (3) Reporting on performance indicators often lacks the necessary rigor, timeliness and credibility; and audit agencies, parliaments and civil society often lack capacity to analyze information on government performance.

Feature #4: Public Accountability

Elements: (1) MfDR is based on *domestic accountability* of governments to their citizens and *mutual accountability* [6] between donors and recipient countries. (2) Both forms of accountability assume a very high level of *transparency and openness* in the way information about results and expenditures is collected and shared. (3) The principles on which this accountability is based presume an effective set of *performance-based incentives.*

Issues: (1) While some countries have implemented innovative ways of soliciting input from citizens, getting feedback from citizens on government performance, and disseminating information about plans and performance, many governments are still reluctant to employ such methods. (2) The international community has not yet developed agreed and practical measures for making the concept of "mutual accountability" operational. (2) There is a mounting body of information suggesting that, when data on results are used only to reward achievement and penalize failure, candid reporting is difficult to achieve. Best practice now emphasizes positive incentives for honest reporting about programs that fail to achieve their intended results and for learning from that experience.

OPERATIONALIZING MfDR

Feature #1: Shared Goals and Strategies
- Focus on development outcomes with agreed indicators and time-bound targets
- Broad agreement on goals and alignment of resources
- Use of results chains

Feature #2: Performance-Based Budgets
- Linked plans and budgets
- Program budgeting
- Predictable donor pledges and MTEFs

Feature #3: Evidence-Based Decision-Making
- Results-based statistics, performance monitoring systems and evaluation protocols
- Budgetary and operational flexibility
- Annual multi-stakeholder performance reviews

Feature #4: Public Accountability
- Domestic and mutual accountability
- Transparent and open information sharing
- Performance-based incentives

IV. Launching and Managing the MfDR Process

Adoption of MfDR is not an all or nothing affair; it's a matter of degree. While, in concept, MfDR is a holistic set of principles and practices, in reality it is made up of a large number of individual but linked systems, procedures and decisions.[7]

No two countries implement MfDR in exactly the same way. While changes in planning and budgeting processes are the most common and logical entry points for improving MfDR, some countries have begun with changes in monitoring and evaluation of programs, changes in civil service procedures, or changes in

[6] Mutual accountability is "the process by which two (or multiple) parties hold one another accountable for the commitments they have voluntarily made" (for reference see footnote 9).
[7] Partner countries highlighted the following items as central for implementing MfDR: (1) political will; (2) strengthening country capacity; (3) alignment with national systems; (4) country-led joint evaluations; (5) establishing a results culture; and (6) support for South-South peer exchange.

project planning and selection. Each of these actions, properly conceived and executed, can yield tangible results and support a virtuous cycle of performance improvement.

Launching a serious MfDR process usually requires committed leaders with wide credibility and a willingness to spend political capital to reform entrenched systems and improve government performance. Experience suggests that fully institutionalizing MfDR takes a minimum of 7 years. In most countries, this means it spans at least one political transition, and much of that time is taken up with important but relatively unglamorous efforts to change core systems and assemble a valid empirical basis for decisions. For this reason, it is critical that the change effort develop constituencies inside and outside of government by focusing on a clearly felt need within the host country, and that it not be seen as partisan or donor driven.

V. Useful Resources

There are several recently completed and forthcoming resources that clarify, document or advance the state-of-the-art on key aspects of MfDR. Some of the most significant are:

- An Information Sheet giving an overview of the genesis of MfDR[8]
- A Technical Note summarizing key MfDR concepts and tools[9]
- Analytical work refining the notion of "mutual accountability" from both country-level[10] and international perspectives[11]
- Analytical work on "incentives" related to MfDR[12]
- Documentation of country experience on key aspects of MfDR[13]
- A self-assessment tool to assist countries in analyzing their current practices and future priorities with regard to MfDR, with particular reference to **L**eadership, **E**valuation and Monitoring, **A**ccountability and Partnerships, **P**lanning and Budgeting, and **S**tatistical Capacity (LEAPS)[14].

[8] See Joint Venture on MfDR (2008) 'Managing for Development Results – Information Sheet'.
[9] Forthcoming, December 2008.
[10] See Joint Venture on MfDR (2008) 'Mutual Accountability at the Country Level – Concept and Good Practice. Draft Report'.
[11] See Joint Venture on MfDR (2008) 'Mutual Accountability at the International Level – Review of Existing Mechanisms'.
[12] See Joint Venture on MfDR (2008) 'Incentives for Aid Effectiveness in Donor Agencies – Good Practice and Self-Assessment Tool'.
[13] Extensive documentation of country cases can be found in the three volumes of the Sourcebook on Emerging Good Practices in Managing for Development Results published by the OECD and the World Bank under the auspices of Joint Venture on MfDR. The third volume in this series focuses specifically on issues related to Leadership. Additional cases are available in a published document presenting cases highlighted at the Results Marketplace of the Third International Roundtable on MfDR in Hanoi in February of 2007. (See www.mfdr.org for links to these and other useful MfDR resources.)
[14] See World Bank (2008) 'Capacity Scan – MfDR Country Capacity Toolkit'.

Glossary: Key MfDR Terms[15]

Alignment[16]: Use of a country's own institutions and systems which typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, results frameworks and monitoring.

Development Outcome[17]: The medium-term effects or results of a development intervention. Outcomes are the observable behavioural, 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).

Harmonization[18]: Implementation by donors, where feasible, of 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.

Indicator: Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.

Managing for Development Results[19]: 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.

Outputs: The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.

Partners: The individuals and/or organizations that collaborate to achieve mutually agreed upon objectives.

Performance monitoring: A continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results.

Results: The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention.

Results Chain: The causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback.

Results-Based Management: A management strategy focusing on performance and achievement of outputs, outcomes and impacts.

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[15] Definitions are partly working definitions. References will be added for all definitions.
[16] From 2005 Paris Declaration on Aid Effectiveness.
[17] From OECD/DAC (2002) 'Glossary of Key Terms in Evaluation and Results-Based Management'.
[18] From 2005 Paris Declaration on Aid Effectiveness.
[19] Definition based on agreement at the 2004 Marrakesh Roundtable on Results.