Measuring and managing results in development co-operation

A review of challenges and practices among DAC members and observers

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MEASURING AND MANAGING RESULTS

IN DEVELOPMENT CO-OPERATION

A review of challenges and practices among DAC members and observers

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"Between 2000 and 2012, an estimated 3.3 million deaths from malaria were averted due to the substantial expansion of malaria interventions". This quote from the 2014 Millennium development goals report is a clear example of how the development community is trying to address the need for results information for development. Measuring development results helps development partners better communicate what they want to achieve as well as what they have achieved. It helps them being accountable for their actions in an understandable way.

In addition, measuring and managing results can potentially be instrumental in changing the way an organisation operates. Measuring and managing for results enables an organisation to use results information to understand what works, what does not, and adjust accordingly. It can help tell success from failure and draw lessons from them. Demonstrated successes can be rewarded and recognised failure can be corrected. Insufficient attention to results may, on the contrary, prevent learning, waste resources and lead to weaker development outcomes.

The results agenda also has the potential to influence the relationship between development partners. Political dialogue on expected and achieved results can help create a strong partnership on shared goals, with shared responsibilities, and mutual accountability, while acknowledging diversity in terms of ways of achieving these results.

Although results are high on the development agenda, DAC members and other development providers face many challenges when implementing results management in practice. This review contributes to knowledge sharing and peer learning, and to better understanding the strategic, organisational and technical challenges organisations face. Providing insights into current practices, it also presents the reader with interesting and specific examples on how agencies have addressed important aspects of the results agenda. The review concludes with key dimensions to improve results measurement and management. This is a timely contribution when development partners will have to find ways to measure and manage their contribution to the new set of Sustainable Development Goals.

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EXECUTIVE SUMMARY

There are strong indications that the international community is evolving towards "results-based management" approaches for better results in development. This evolution gained momentum with commitments made for the Millennium Development Goals, followed by the 2005 Paris Declaration on Aid Effectiveness and the High Level Forums in Accra, Busan and Mexico. However, the application of results management approaches in international development has not been simple; progress in meeting international commitments is uneven.

The purpose of this review is to identify the main challenges faced by Development Assistance Committee (DAC) members and observers when measuring and managing results in development co-operation, and to gain insights into their practices.

Measuring results

A system that measures results effectively must have the expected results of the policy or intervention clearly defined, with indicators to measure progress, and data to inform the indicators.

Most DAC members have created a specific unit at their headquarters to operate a results system. In practice, they face difficulties in identifying clear objectives in changing and complex environments. They also struggle to select measurable indicators without losing focus on long-term deliverables, and showcase results at corporate and country levels while keeping their number manageable. Some DAC members find that detailed risk and context analysis, comprehensive approaches, complex-aware monitoring, as well as strategic selection of indicators can help overcome these multiple challenges when designing their results systems. Finally, the challenge most encountered when measuring results is weak data availability and reliability to inform baselines and indicators. To strengthen data collection and analysis, some donors secure resources and reduce costs by creating specific budget lines for monitoring and for evaluation, pooling funds for data collection and developing partnerships with third parties such as universities or CSOs.

Using results information

Results information can be used for accountability or as a management tool. These two purposes – and their implications for how and why data are collected – have a natural tendency to conflict.

Because of increasing pressure from the public to demonstrate that aid is actually working, many DAC members have been focusing their efforts on accountability. Results systems include reporting at intervention, country and corporate level on both positive and negative performance, but generally shy away from providing analysis or explanation of performance.

DAC members report a lack of institutional demand for results information for decision making and learning. The main reasons are organisations' lack of a "mature results culture" and staff with ability to use results information. The agencies trying to develop a results culture have taken several approaches to do so: using incentives for staff, providing an enabling environment where both good and poor performance can be discussed, implementing training at headquarters and country levels, or developing peer support. Some agencies also mention the importance of having a strategic vision that clarifies what an organisation is trying to achieve in terms of development, and which will drive the results agenda. The difficulties to link results with planning and budgeting as well as the lack of feedback loops and access to real-time information also weaken the use of results information for decision making at intervention level.

Supporting partner countries

Partner country governments, DAC members and the wider development community have committed to work together to achieve development results. Partner countries are expected to develop their own results frameworks, while donors are expected to use these systems.

Although there has been progress in meeting these commitments, it has been slow, and important challenges remain. The latest progress report of the Global Partnership for Effective Development Co-operation (OECD/UNDP, 2014) notes that efforts to strengthen country systems have been sustained, although it is too early to say whether these efforts are translating into increased use by donors of partner countries' own results systems.

DAC members stated that they support partner countries initiatives that promote quality data and training to build capacity. Other members involve partner governments in the planning and assessment of results in order to share results management knowledge and practice, foster partnership and transparency, and develop skills. Nevertheless, the lack of available and reliable data and difficulties in aggregating data at corporate level often lead donor agencies to develop their own results systems in addition to those of partner countries.

Measuring and managing for results in fragile contexts

The many challenges in measuring and managing for results are particularly pronounced in fragile situations. Working in settings of conflict and fragility requires an in-depth and updated understanding of the context as settings of conflict and fragility are characterised by their rapidly changing environments.

Collecting data to inform context analysis as well as analyse performance might require innovative approaches and a higher level of expenditure in a fragile setting than in other contexts. For example, most development agencies rely on local organisations to understand the political and social environment that led to the conflict, reach those in need and report on results. In terms of results measurement, some DAC members have found

innovative ways to access information including using third party for monitoring and taking advantage of progress in information technology.

New modalities – results-based funding approaches

One of the new initiatives for promoting results management is results-based funding, a mechanism through which a funder is willing to make payments to an agent who assumes responsibility for achieving pre-defined results. Results-based funding aims to increase accountability by creating a more direct link between aid and results, improve partner country ownership of results, and create incentives to increase effectiveness. Several donors, including multilateral and bilateral agencies as well as foundations, are piloting or scaling up results-based funding modalities. Others are providing support to these modalities through multilateral banks or trust funds. Results-based funding interventions highlight the need to understand the role of financial and non-financial incentives and the potential spill-over effects of the instrument on governance.

Key dimensions for results measurement and management

This report identifies the following key dimensions to improve results measurement and management within development agencies from a strategic, organisational and technical perspective:

- a clear purpose for the results system
- a mature results culture with:
  - a strong leadership
  - an enabling environment to learn from both positive and negative results that hold managers and staff accountable while empowering them to make corrective adjustments
  - appropriate incentives.
- buy-in from donor agency and partner organisations
- clear results set at country and intervention levels
- balance between short-term and long-term results
- manageable results frameworks aligned to priorities
- strengthened data availability and reliability.

Technical challenges should not take precedence over the political and strategic aspects of results measurement and management. DAC members should pursue their practice of sharing experiences and mutual learning on how to implement these changes. Results frameworks are multiplying in both donor and partner countries; DAC members will need to pursue their efforts to strengthen consistency between donors' and partners' results strategies.

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AFD	*Agence française de développement* [French Development Agency]
AfDB	African Development Bank
CIDA	Canadian International Development Agency
CoD	Cash on Delivery
CSI	Core Sector Indicator
DAC	Development Assistance Committee
Danida	Danish International Development Agency
DFAT	Department for Foreign Affairs and Trade
DFATD	Department for Foreign Affairs, Trade and Development
DFID	Department for International Development
DIE	*Deutsches Institut für Entwicklungspolitik* (German Development Institute)
DLI	Disbursement-linked indicators
GAVI	Global Alliance for Vaccines and Immunisation
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit* [German Agency for International Cooperation]
IEG	Independent Evaluation Group, World Bank group
IMF	International Monetary Fund
KfW	*Kreditanstalt für Wiederaufbau* (KfW Development Bank)
MAEDI	*Ministère des Affaires Étrangères et du Développement International* (Ministry of Foreign Affairs)
MDG	Millennium Development Goal
NGO	Non-governmental Organisation
Norad	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Co-operation and Development
PbR	Payment by Results
PDL	Performance-Driven Loans
PforR	Payment for Results
REDD	Reducing Emissions from Deforestation and Forest Degradation Initiatives
RBL	Results-Based Lending
SDC	Swiss Agency for Development and Cooperation
Sida	Swedish International Development Cooperation Agency
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund
USAID	United States Agency for International Development
USD	United States dollars

GLOSSARY

Definitions directly linked to results-based management are from the OECD Glossary of Key Terms in Evaluation and Results-Based Management (OECD, 2002).

Accountability: Obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results mandates roles and/or plans.

Baseline study: An analysis describing the situation prior to a development intervention, against which progress can be assessed or comparisons made.

Community of practice: A group of like-minded people who regularly share information on results to allow their members to learn and conduct their work more efficiently and effectively.

Evaluation: The systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. It differs from monitoring in that it involves a judgment of the value of the activity and its results.

Feedback loops: Mechanism through which information is collected and used to make an intervention more effective and efficient. Feedback loops can bring the perspective of beneficiaries and other stakeholders into account to enable changes to be made to the project, programme or policy intervention.

Fragile state: A state with weak capacity to carry out the basic state functions of governing a population and its territory and that lacks the ability or political will to develop mutually constructive and reinforcing relations with society.

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.

Monitoring: A continuing function that uses systematic collection of data on specific indicators to provide management and stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds.

Outcomes: The likely or achieved short-term and medium-term effects of an intervention's outputs.

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.

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 framework: The programme logic that explains how the development objective is to be achieved, including causal relationships and underlying assumptions.

Results management, results-based management, managing for results: a management strategy focusing on performance and achievement of outputs, outcomes and impacts.

Theory of change: The description of a sequence of events that is expected to lead to a particular desired outcome.

1. INTRODUCTION

In many developing countries, citizens and civil society organisations are increasingly pressing their leaders to demonstrate the effects of public spending and policies on everyday life. In donor countries, taxpayers are also demanding that their governments demonstrate the positive development changes resulting from aid expenditure. In a climate of rapid change and fiscal retrenchment, these factors have put pressure on development co-operation agencies to demonstrate that aid is actually working to combat poverty.

The Millennium Development Goals (MDGs) were one of the first attempts to focus development co-operation on quantifiable results rather than monitoring inputs. From the Paris Declaration to the Accra Agenda for Action, and more recently the High Level Forums in Busan and Mexico, development agencies and partner countries have made commitments to work together to measure, manage and report on results.

Managing for results is about systematically gathering and analysing information to understand whether institutions, policies and programmes are effectively and efficiently producing the expected results – and how improvements can be made for future performance. This is not a new approach in the public sector. Focusing on performance and on achieving outputs, outcomes and impacts was part of management theory throughout the twentieth century. The "management by objectives" approach became popular in public administration and private businesses during the 1960s and 1970s, and focused on objectives and performance. In the late 1980s and early 1990s, extensive public sector reforms occurred in many member countries of the Organisation for Economic Co-operation and Development (OECD) in response to economic, political and social pressures. Until this period, governments had emphasised tracking resources and activities and paid little attention to what the activities actually delivered – the results. But reforms began to change the focus of systems to the delivery of results and the impact of public expenditure on policy priorities such as poverty, job creation and growth. "Performance-based budgeting" emerged in the 1990s and performance management became a basic component of modern public administration and a key feature of private sector management as well.

However, the application of results-based management approaches to international development has not been simple. Progress is uneven in meeting international commitments, as evidenced by the OECD's evaluation of the Paris Declaration on Aid Effectiveness implementation (OECD, 2012a); Development Assistance Committee (DAC) country peer reviews; discussions within the Building Block on Results and mutual Accountability; and the recent progress report from the Global Partnership for Effective Development Co-operation (OECD/UNDP, 2014).

Such uneven progress is partly explained by technical and organisational difficulties in applying results management approaches. As this review shows, results systems can be difficult to implement in institutions that are not designed for learning and with weak accountability feedback mechanisms. Staff need the skill to develop a suitable number of quality indicators to track results, and, more importantly, to use results information effectively. Many international discussions on development results have become mired in

the technical aspects of the process such as defining results terminology, appropriate indicators, or developing frameworks. They have consequently neglected the critical issues of incentives, complexity, politics and institutional change. Moreover, donor agencies operate in many different country contexts, across numerous sectors, with a wide variety of stakeholders on issues that are often difficult to measure. They also rely to a large extent on partner governments' data and results systems, which can vary greatly.

The purpose of this review is to identify the main challenges in measuring and managing for results in development co-operation, and to present examples of DAC members' experience. Throughout the review, the term "results" refers to the DAC definition: "output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention". The main sources of information were a 2013 online survey on DAC members' results measurement and management (OECD 2013b); an extensive literature review including peer reviews and online research on grey literature; a review of corporate evaluations of results systems from major bilateral and multilateral donors; ongoing discussions on results-based management and results-based funding approaches in the development community; and two workshops organised by the Development Co-operation Directorate (DCD) on the results agenda and results-based funding.

Each chapter presents challenges identified in the literature, findings from the survey on how donors perceive and face these challenges and a selection of practical examples. One of the difficulties encountered when conducting the review was that many DAC members are in the process of reforming or creating a new approach to results measurement and management. Therefore, few evaluations or in-depth analyses of the systems in place were available.

Chapter 2 examines challenges and practices when measuring results, Chapter 3 focuses on the use of results information, and Chapter 4 on support provided to partner countries. Chapter 5 presents the specific challenges of measuring and managing for results in fragile contexts. Chapter 6 then addresses results-based funding, a new mechanism of aid delivery currently being implemented by a few DAC members. Finally, Chapter 7 highlights key dimensions to improve results measurement and management.

2. MEASURING RESULTS

To measure results, development practitioners collect and analyse data to examine how well a project, programme or policy is performing against expected targets. According to the 2013 survey on DAC members' results measurement and management, two thirds of DAC members' ministries and development co-operation agencies have a specific unit responsible for results measurement and management (21 among a total of 28 respondents). These units are situated at ministry or agency headquarters and oversee performance management, quality assurance or policy and planning – functions that are not necessarily mutually exclusive of each other. In organisations which do not have a specific division devoted to this function, results are measured through thematic departments, regional departments, embassies, or via partner organisations that implement projects and programmes in partner countries.

The majority of governments and development agencies measure results across all organisational levels; that is, they measure deliverables in projects and programmes, by sector or country, or at the agency-wide or corporate level. For projects, many members measure short-term achievements or outputs – the products, capital goods or services which result from the intervention. For programmes they measure changes or outcomes – the short-term and medium-term effects of an intervention outputs. Tracking at the sector and country levels is more disparate, without a clear focus on one link of the results chain. Most DAC members also track results at a corporate level and produce a corporate results report (see Figure 2.1).

Figure 2.1. Main focus of tracking (number of respondents)
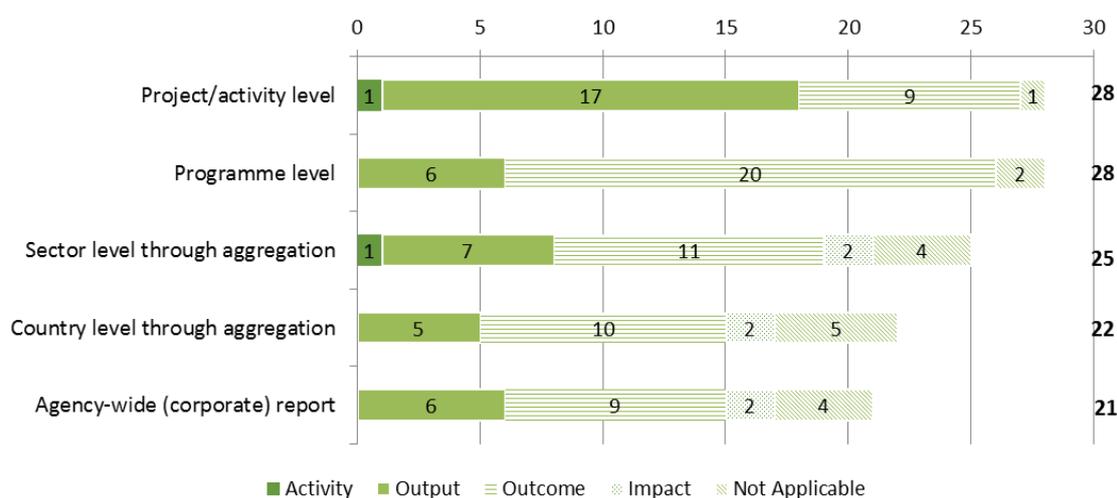
Source: OECD (2013b), *Managing and Measuring for Results, Survey Highlights*, OECD Publishing.

Because of the nature of development work, government ministries and agencies face many challenges when designing and implementing their results measurement and management systems. DAC members work across different countries, contexts and in multiple sectors. They often work on issues – such as capacity building, policy reforms and governance – that take more time to achieve results and are more difficult to quantify than direct service

delivery activities. More recent topics that have received international attention, such as gender or climate change adaptation, tend to lack standard measures of progress on results that can be easily compared and aggregated across programmes, countries or sectors to tell a consistent performance story. Donor agencies are usually one of several development actors working on the same objective in a particular country, making it difficult to measure or attribute the joint results. The next paragraphs outline the main challenges faced by DAC members when measuring results and how some agencies have managed these.

A. Designing the results systems

To measure results, development practitioners create a system that gathers information on how a project, programme or policy intervention is progressing. Practitioners identify and formulate in clear measurable terms the expected results or intended effects to be achieved, looking at the political, social, environmental and economic factors that can influence their fulfilment. A results chain is developed which sets out the cause-and-effect sequence: from resources, through activities, towards achieving the desired change or result.

A monitoring system is also established to track progress towards the expected change, as well as an evaluation system to explain these progresses. Baselines describe the situation prior to a development intervention, and combined with targets and indicators (quantifiable factors to measure change) they help assess whether performance is on or off track - through monitoring - and reasons for this - through evaluation.

The results information produced from such a system can be synthesised in a results framework and then used for internal management or external reporting.

Box 2.1. DFID results framework at corporate level

The **UK Department for International Development** (**DFID**) has developed a four-level results framework to monitor and manage the progress of development results at corporate level, as well as to publicly report on delivery.

- **Level 1: Progress on key development outcomes.** These indicators represent the development outcomes that DFID is seeking to contribute to in partner countries. These outcomes cannot be attributed to DFID alone; they result from the collective action of countries and development partners.
- **Level 2: DFID results**. Indicators measuring outputs and intermediate outcomes that can be directly linked to DFID interventions.
- **Level 3: Operational effectiveness**. Indicators for monitoring DFID's operational effectiveness. Improvements at this level can lead to better delivery of results and greater value for money.
- **Level 4: Organisational effectiveness**. These indicators aim to monitor improvements in the efficiency of DFID's internal corporate processes, to help improve its capacity to provide more effective frontline delivery.

Figure 2.2. DFID four-level results framework

Level 1: Progress on key development outcomes

- MDG1: Eradicate extreme poverty and hunger
- MDG2: Achieve universal primary education
- MDG3: Promote gender equality and empower women
- MDG4: Reduce child mortality
- MDG5: Improve maternal health
- MDG6: Combat HIV&AIDS, malaria and other diseases
- MDG7: Ensure environmental sustainability

Level 2: DFID results

- Bilateral programme results
- Multilateral programme results

Level 3: Operational effectiveness

- Portfolio quality
- Pipeline delivery
- Monitoring and evaluation
- Performance against structural reform plan

Level 4: Organisational effectiveness

- Human resources
- Employee engagement
- Workforce diversity
- Finance
- Procurement
- Estate

Source: DFID (2013b)*, DFID's Results Framework: Managing and Reporting DFID Results,* Department for International Development.

The DFID's framework is similar to the four-tier models adopted by the major multilateral development banks as one element of their results systems.

The four-tier frameworks shape data collection and measurement methods carried out by multilateral development banks. In practice, indicators at level 1 are generally internationally agreed and mainly draw on data from international statistical systems. The MDGs are usually included, representing an overall strategic framework and reference point for development agencies worldwide. Level 2 indicators are more specific to each institution's strategies, and data are drawn from national statistics and donors' own systems. Level 3 and level 4 capture data from the institutions' information systems. Models mainly differ from one another in three respects: the definition of targets at each level; how level 1 and level 2 are linked – be it explicit, implicit or de-linked; and whether level 2 attributes results to the institution's interventions or measure its contribution to the partner country results. The European Commission is in the process of adopting a similar approach.

Some DAC members have developed lighter results frameworks of one or two tiers, with an emphasis on country level results. Such frameworks usually encompass a first tier that presents a snapshot of contributions to output and outcomes across countries, and a second tier that measures outcome and impact level development progress in partner countries. Defining a results-focused country strategy usually serves as a first step when designing a results system at country level.

Box 2.2. Danida's results framework for country programmes

In 2013, the **Danish International Development Agency** (Danida) introduced a new framework for results management and reporting at country level. The objective was to put into practice Danida's co-operation priorities at the level of each partner country, with "country policy papers" and "country programme documents".

Figure 2.3. Danida's results framework for country programmes: schematic overview
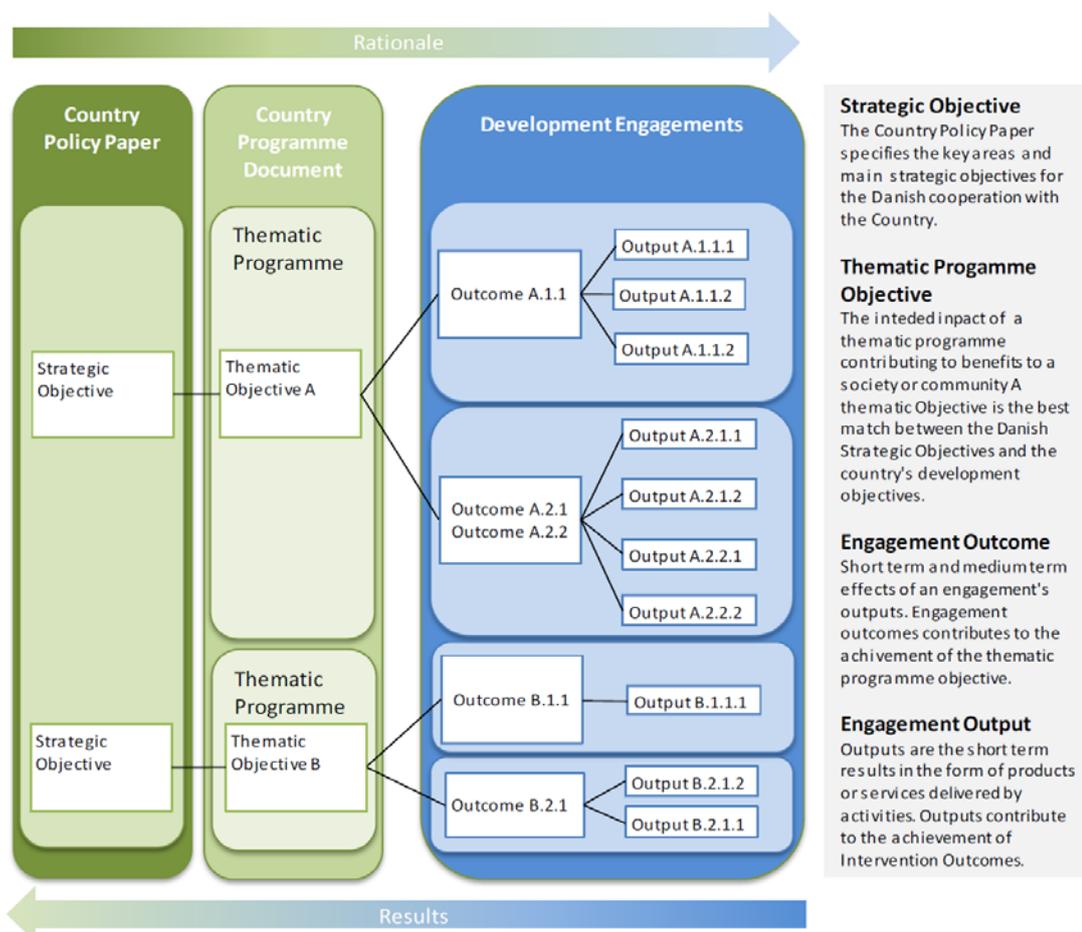
Source: Danida (2013), *Guidelines for Country Programmes*, Ministry of Foreign Affairs of Denmark, Copenhagen.

A country level results framework consists of a country policy paper, a country programme document and development engagements with each partner country. It is organised around strategic and thematic programme objectives, engagement outcomes and engagement outputs.

- The country policy paper specifies the main strategic objectives.
- The country programme document states clear and measurable goals that are linked to the partner country's results frameworks as far as possible. It includes a maximum of three thematic programmes that support the Danish strategic objective of the policy paper. For each thematic programme, a concise and measurable thematic objective is defined.
- Development engagements specify the agreed results, activities and budget. For each development agreement, a limited number of engagement outcomes are defined, to contribute to the thematic objectives. These outcomes may result from factors both within and beyond the engagement's control.

The recent online survey of DAC members (OECD, 2013b) indicated that development agencies and partner countries often design development interventions with unclear objectives. The expected results are often only vaguely defined; they are not necessarily identified in the results frameworks; and data are not always available in the results systems. A lack of clear results not only affects how performance is measured, but can also create confusion and misunderstanding for those trying to achieve them.

Such weaknesses can be explained in part by considering that it is not always easy to define which result an intervention should target, and how this result can be reached. Pathways to development results are seldom linear or direct.

It is often incorrectly assumed that addressing immediate needs will lead to longer term desired outcomes, and "doing an intervention right" will lead to a particular result. Actually, measuring outcomes does not necessarily provide information on the probability of achieving impacts. On the contrary, focusing on short-term results can impair long-term results if the two sets of objectives are not aligned. Some responses to natural disasters have demonstrated that focusing exclusively on short-term results can get in the way of addressing root causes and building the necessary foundations for sustainable development and resilience. Interventions in traditional development sectors might face the same limitations if the root causes of a situation are not addressed properly.

Moreover, as many interventions can span a number of years, they are subject to changing environments. Development practitioners report being constrained by rigid results frameworks that are not flexible enough to include new sets of information to adapt to changing contexts and emerging challenges. DAC members have said that despite detailed context and risk analyses during the planning phase of many programmes, context and risk are often not monitored during subsequent phases and therefore not used for decision making. Some donors therefore encourage more flexible approaches and a stronger focus on risk management.

Box 2.3. Experiences in facing rapidly changing environments

In order to address both countries' and stakeholders' short-term needs (or "symptoms") and build toward long-term results during implementation, findings from evaluations conducted by the **World Bank** (World Bank and IEG, 2012b) suggest focusing on the root causes of a situation as well as having an eye on potential evolutions. Risk monitoring, and strong management response to risk, are crucial to keep the balance and help develop a more proactive approach.

Such challenges are amplified in conflict-affected and fragile settings, where the state has weak capacity to carry out the basic state functions of governing a population and its territory and lacks the ability or political will to develop mutually constructive and reinforcing relations with society. Such settings are often characterised by a highly dynamic, changing environment. In practice, this dynamism may provoke causal leap in the theory of change or sequence of events that is expected to lead to a particular desired outcome. **DFID** is looking at moving away from a linear perspective on change, towards a new approach based on systems thinking, or addressing an issue as one part in an overall system, and complexity. In order to be adjustable enough, part of the new approach is to keep outputs flexible for change without losing sight of long-term outcomes. Indeed, the theory of change should be adapted over time as necessary in response to changes in circumstances or new analysis and understanding. Links between each step of the theory of change should be tested frequently, including identifying sets of typical incidents and drivers of change. Modifying the theory of change accordingly will then impact implementation.

Moreover, focusing on outcomes and impact requires analysis on how results interlink over time and across sectors. When working towards long-term development results, outcomes in one sector are often linked with results in other sectors. For instance, reconstruction following a natural disaster rebuilds physical infrastructure but also creates employment and preserves social relationships. Some DAC members are beginning to examine this challenge more closely. For instance the Swedish International Development Cooperation Agency (Sida) has a new approach to results management that focuses on specific development challenges spanning numerous sectors (Box 2.4).

Box 2.4. Sweden's experience of developing a comprehensive approach

Sweden has centred its country strategies on specific development challenges spanning a number of sectors in an effort to make results more specific. It defines specific expected results for each challenge. As results are measured at the level of these challenges, it is easier to identify the influence of the different factors. An important part of this approach is the stakeholders' analysis and a focus on results for poor people.

For example, the new results strategy for Sweden's international development co-operation in Zambia for 2013 – 2017 (MFA, 2013b) aims to contribute to creating conditions for sustainable growth in the country. One of the objectives is to increase poor people's opportunities to support themselves by obtaining work, and by starting up and running productive businesses. To do so, Sweden will aim to:

- Increase the number of productive jobs, particularly for women and young people. Sweden aims to contribute to at least 120 000 people getting productive work in the agricultural sector.
- Increase access to secure and sustainable energy for households, public services and businesses.
- Increase access to financial services for small-scale farmers, entrepreneurs and businesses. Sweden's goal is to contribute to at least 30 000 small-scale farmers having access to financial services.
- Increase access to markets for small-scale farmers, entrepreneurs and businesses.
- More sustainable use of natural resources, focusing on agriculture, with the aim that Sweden will contribute to at least 14 000 farmers making sustainable use of land and resources.

B. Selecting indicators

Choosing the correct measurements, or indicators, to feed into the results framework is crucial. Indicators are qualitative or quantitative factors or variables that provide a simple and reliable means to measure achievement, reflecting the changes connected to an intervention or helping to assess its performance. They specify what is to be measured along a scale, determining how expected results are measured and what data are collected. Combined with a target and a baseline analysing the situation prior to the intervention, indicators can report accurately on how an intervention is performing. Using similar indicators over a period of time also provides consistent measurement over time.

However, according to the OECD survey on DAC members' results management and measurement systems (2013b), DAC members often find it difficult to select appropriate indicators that measure results at the relevant level of the results chain (see Figure 2.4) and that are good proxies of the expected results, without focusing exclusively on short-term deliverables.

Figure 2.4. How often does your ministry of development agency encounter the challenges below when using your systems for managing and measuring results? (Number of respondents)
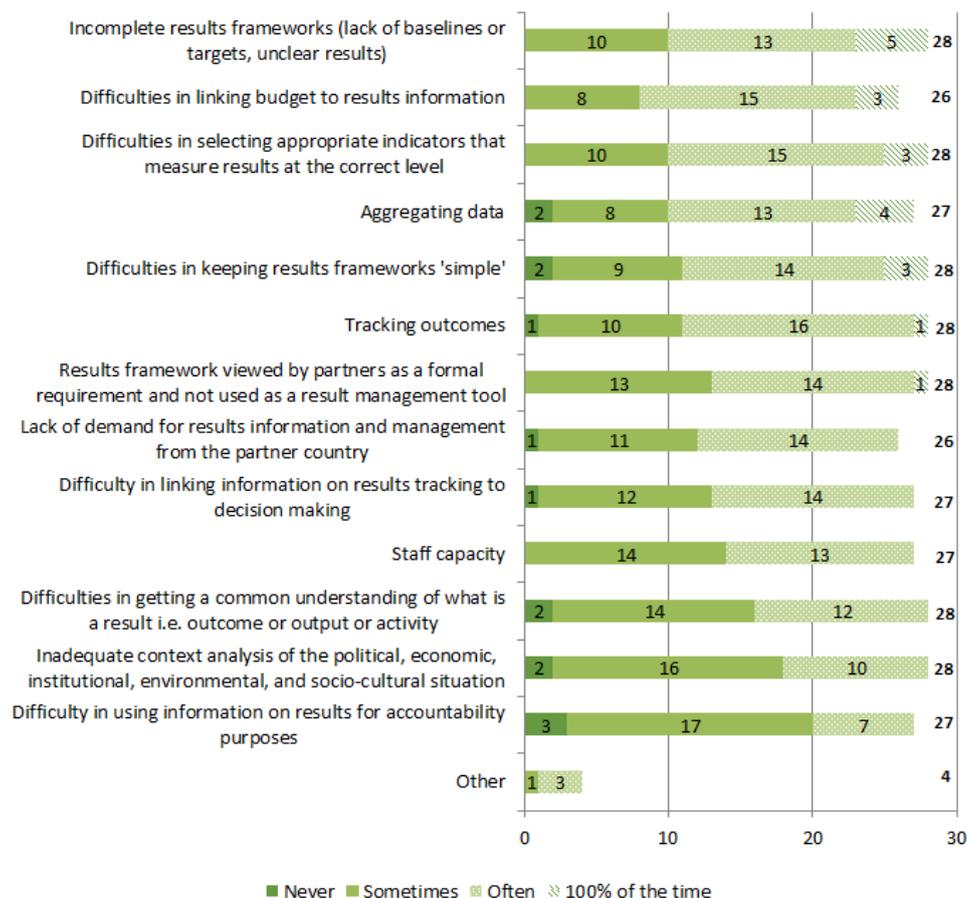
Source: OECD (2013b), *Managing and Measuring for Results, Survey Highlights*, OECD Publishing.

There has been a good deal of research on what makes a good indicator. Agencies and ministries generally use a checklist of criteria such as SMART (Specific, Measurable, Achievable, Relevant and Time-bound) or RACER (Relevant, Accepted, Credible, Easy, Robust). Staff need specific skills to apply these criteria in their own setting. Yet capacity to select good indicators is often weak among embassy level staff or partner country governments. Many DAC members are undertaking capacity building of their staff and partners and developing specific and more detailed guidelines to select indicators.

Box 2.5. DAC members' experiences of building capacity to select indicators

Canada's Department for Foreign affairs, Trade and Development (DFATD Canada) has developed its own criteria for performance indicator selection in its results-based management "how to" guide (DFATD, 2013). These criteria focus on the following:

- Validity: does the indicator measure the intended result?
- Reliability: will the indicator allow for results to be measured and produce the same data if it is applied repeatedly over time?
- Sensitivity: will the indicator be sensitive to changes in the result, both positive and negative?
- Simplicity: how easy is it to collect and analyse data for the indicator? Are the sources of information easily accessible?
- Utility: Does the indicator meet the needs of its audience? Will it provide timely information so as to allow it to be useful for investment management (decision making, learning and adjustment)?
- Affordability: are resources available to collect information to measure this indicator and will spending these resources will allow the best possible measurement of the result?

In order to facilitate the definition of indicators, Canada also developed an explicit results chain, introducing the notion of immediate and intermediate outcomes – intermediate outcomes being realistically achievable by the end of a project.

Figure 2.5. DFATD's results chain
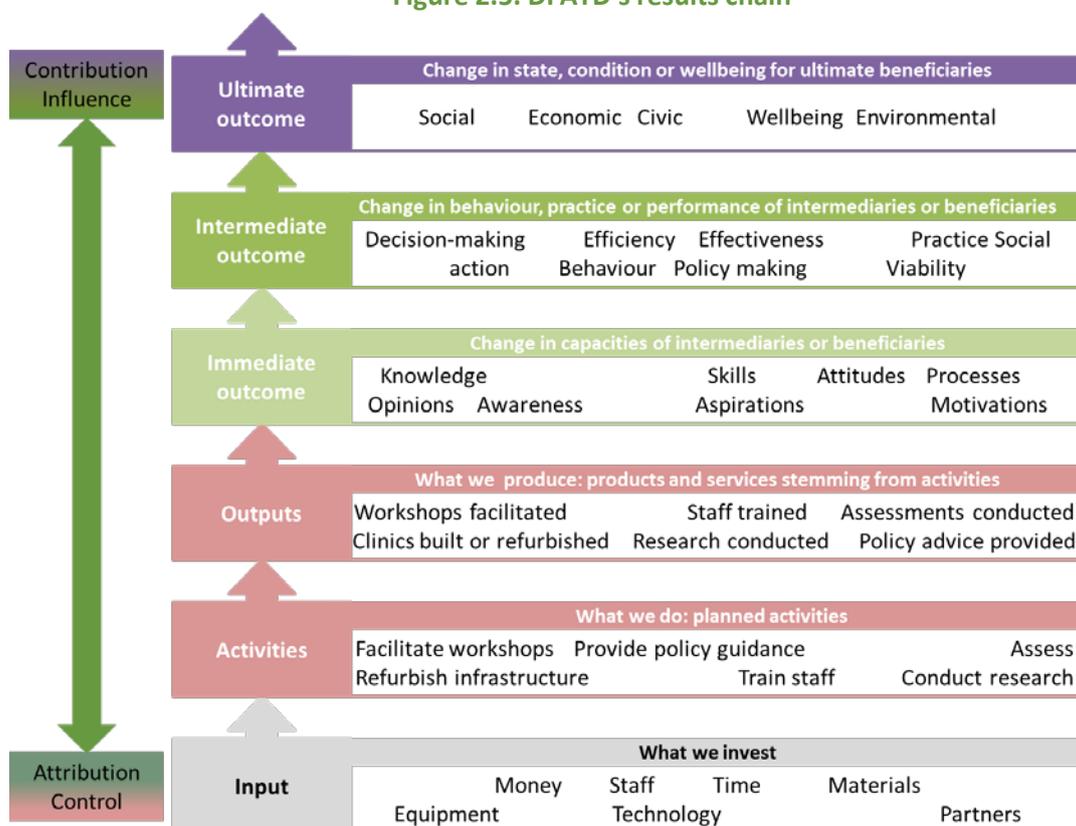
Source: DFATD (2013), *Results-Based Management at CIDA*, adapted from St. Mary's University.

Ireland focused on capacity building and trained over 100 staff across missions and headquarters in results, including the rational, concepts, terminology, process, tools and frameworks (Irish Aid, 2013). In addition, a pool of 40 internal "results resource persons" have received advanced training to support other colleagues. Structured guidance and peer support is available through an intranet-based resource and a community of practice: a group of like-minded people who continuously share information on results so as to allow their members to learn and conduct their work more efficiently and effectively. Moreover, Ireland provided capacity support on managing for development results at the country level with missions engaging with partners to advance results management approaches.

Due to the technical difficulties of measuring results, it is tempting to choose indicators that track quantifiable effects which are easy to achieve and easy to measure – but can fall short of measuring complexity and progress towards long-term changes. Choosing indicators is easier in services delivery sectors such as health and education, where there are jointly agreed global monitoring indicators and outputs can be good proxies for outcomes (see the MDGs). Nonetheless, one should bear in mind that results systems do not only consist of results frameworks; feedback loops and analytical tools can provide more qualitative data. For instance, feedback mechanisms can bring the perspective of beneficiaries and other stakeholders into account to enable changes to be made to the project, programme or policy intervention. Sweden is developing a comprehensive approach to designing its strategy (see Box 2.4). Similarly, the United States Agency for International Development (USAID) encourages its staff to implement complexity-aware monitoring methods (see Box 2.6).

Box 2.6. USAID and complex-aware monitoring

USAID is now also exploring complexity-aware monitoring methods. These methods aim to synchronise monitoring with the pace of change; develop a systemic approach; and address three common blind spots in monitoring: emergent outcomes, alternative causes, multiple and non-linear pathways of contribution. USAID staff are encouraged to experiment with the following complexity-aware monitoring methods:

- *Sentinel indicators*, which help monitor the mutually influencing relationship between the programme and its context. Sentinel indicators capture the essence of a process of change and are easily communicated. They should be used to trigger further observations.
- *Stakeholder feedback*, which may involve one time or ongoing measurement. Examples include citizen report cards, community scorecards and surveys.
- *Process monitoring* of impacts, which describe how a result at one level is used to achieve results at the next level.
- *Most significant change*, which involves collecting and analysing stories describing the most important project outcomes in a given domain of change.
- *Outcome harvesting* which enables users to identify, verify, and make sense of outcomes, with or without reference to predetermined objectives.

Source: USAID (2013a), *Complexity-Aware Monitoring,* Discussion Note, USAID, Washington DC.

The complexity of selecting relevant indicators increases when aggregating data (combining data from several measurements). Development practitioners need to aggregate data to tell a consistent performance story of funds disbursed in partner countries – for accountability as well as for strategic management. However, finding common indicators that can measure results and be aggregated across countries, sectors and programmes is difficult. Data might not be comparable if indicators are chosen for a specific programme, country, region or sector context. Moreover, project results do not necessarily translate at country level as projects can be too narrow or specific, have no effects at country level or be influenced by external factors. The tendency observed among DAC members reporting at corporate level is to develop a list of standard definition to be informed across the institution when relevant. The list of indicators is usually designed in a participatory and incremental manner. To facilitate aggregation and to streamline indicators at programme and country levels, Canada also developed new concepts: consolidated indicators and a nesting model (see Box 2.7).

Box 2.7. Experiences of aggregating data

The **World Bank** developed standard definitions that allow corporate aggregation for a subset of indicators (World Bank, 2013b). Such standardised core sector indicators (CSIs) were first used in four sectors and have now been rolled out for 26 sectors or themes. These indicators enable staff to gather data on a uniform set of indicators at the project level in a more consistent and automated fashion, and improve the World Bank's ability to aggregate and report on results at the country, sectoral and institutional level across the results chain. Quantitative data – enhanced by the core sector indicators – are complemented by qualitative overviews at the country, sector, thematic and project levels.

The **African Development Bank** (AfDB) developed similar CSIs through a participatory approach (AfDB, 2010). Staff reviewed project reports and sector strategies from the last few years to compile a list of frequently used indicators. Based on this list, task teams from each sector proposed a shorter list for managers to consider. Each list was then refined, agreed and endorsed by sector directors in sectoral workshops. Selection criteria were that core sector indicators must:

- be easy to measure
- measure results that could be directly linked to concrete AfDB's interventions
- measure outputs and outcomes that correspond to the AfDB's operational priorities.

CSIs are now subject to regular monitoring as part of project supervision and aggregated across projects and countries to facilitate corporate reporting.

To facilitate aggregation and streamline indicators at programme and country levels, **Canada** developed indicators that can be consolidated (DFATD, undated). Consolidated indicators are created from project level indicators that are clustered together with other related indicators. For example:

- Project 1: proportion of nurses passing certification exams
- Project 2: proportion of doctors granted membership in college of physicians
- Project 3: proportion of lab technicians in rural health clinics that pass training courses in clinical laboratory techniques
- Consolidated country programme level indicator: proportion of qualified health professionals in country X.

Canada also introduced a nesting model to structure the relationship between corporate, programme and project level results chains. In this model, DFATD's corporate strategic and intermediate outcomes horizontally inform the country programme, which informs the project design. Expected changes remain the same at each level but their degree of specificity and granularity (level of detail) changes (see Figure 2.6).

Figure 2.6. DFATD's nesting model: alignment between corporate-programme-project

Flow of planning →		
Corporate	Country programme logic model	Example of one project logic model from a portfolio of projects under a country programme
Strategic outcome	Ultimate outcome	Ultimate outcome
Reduction in poverty for those living in countries where DFATD engages in international development	Improved well being for women, men and children in Elbonia	Improved health for young mothers in selected rural communities of Region X of Elbonia
Intermediate outcome	Intermediate outcome	Intermediate outcome
Improved national health systems in countries where DFATD engages in international development	Improved management of national health services by Elbonian Ministry of Health	Improved delivery of pre-, peri- and post-natal services to young mothers in Region X
	Immediate outcome	Immediate outcome
	Increased capacity in health system management for Elbonian Ministry of Health	Increased skills in of pre-, peri- and post-natal services among midwives in selected communities of Region X
← Flow of reporting		

Source: DFATD (2013b), *Nesting Model in DFATD International development* (unpublished).

A similar horizontal relationship exists between indicators at the corporate, programme and project levels. However, with the exception of consolidated indicators, an indicator identified at country level could be the same as the one used at project level.

Finally, if indicators sensitive to context are not established from the beginning, external factors that can influence the pursuit of development objectives might not be measured. Conducting evaluations to analyse these dimensions can be a solution.

The online survey (OECD, 2013b) also shows that DAC members do not find it easy to keep results frameworks simple. When selecting indicators, DAC members need to strike a balance between results measurements for their own domestic stakeholders' needs, their partner countries' needs, and for management purposes. Often results frameworks have become saturated with indicators that are too complex to use or excessive in number. Indeed, the creation of lists of standard indicators by donor agencies for aggregation and reporting has led to a multiplication of available indicators (see Chapter 3, Box 3.1 on national accountability). Keeping results frameworks simple while maintaining their usefulness as a management tool – and also capturing complexity – is a challenge faced by all development practitioners. To do so, DAC members have tried to be more strategic when choosing indicators. Selection relies on technical expertise, focus on strategic priorities, and budget allocations (see Box 2.8).

Box 2.8. DAC members' experiences of keeping results frameworks simple

In **New Zealand**, programme results frameworks are focused at a strategic level, only collating and analysing key information that can guide active programme management (MFAT, 2013a). In other words, the focus is on tracking progress and achievements towards key results of the intervention and short-term and medium-term objectives that New Zealand is directly contributing to.

The **Swiss Agency for Development and Cooperation (SDC)** designs results framework in a consultative process with national authorities and civil society. A limited number of strategic outcomes are selected (two to three per area of intervention), aligned to partner countries' results frameworks. Each outcome is tracked via a limited number of key performance indicators or fields of observation (two to three per outcome) which measure the quality of the Swiss contribution to partner countries' development results. Annual reports integrate results information from projects and programmes into results statements for each area of intervention through involved stakeholders carrying out a joint assessment of the results achieved. These result statements are based on quantitative and qualitative information and synthesise the contribution to country development results. They provide a basis for identifying steering implications for the next period.

Following the same logic, **DFATD Canada** suggests a maximum of two to three indicators per result: one qualitative, one quantitative and one to triangulate performance information, which can be either quantitative or qualitative depending on the nature of the outcome (DFATD, 2013a).

C. Collecting and analysing data

According to the OECD survey on DAC members' results management and measurement systems, the challenge most often encountered by donors when measuring and managing results is results frameworks that are incomplete, lacking available data and relevant indicators (see Figure 2.4).

The necessary data to populate results frameworks are not necessarily available or reliable. As a consequence, results frameworks may lack baselines, clear targets and a clear presentation of how the results chain is interlinked. Low quality data at the programme inception phase can also weaken performance measurement since the level of performance at the start of the intervention or period is not known. A lack of data can also lead to selecting indicators that do not measure the appropriate link in the chain of results. These issues, as well as the need to account for corporate objectives, have led some DAC members to establish results measurement systems for their own needs. This can lead to a multitude of co-existing results frameworks and potentially increase the administrative burden of data collection for development partners. To limit this multiplication of frameworks and indicators, and to facilitate data collection, DAC members recommend strengthening partner country systems (see Chapter 4); developing and using standard common indicators collected at the national, regional or sectoral level by major stakeholders; and adopting an incremental approach to improve frameworks over time.

> **Box 2.9. DAC members' experiences of collecting data**
>
> **New Zealand's** approach to the problem of unavailable and unreliable data is to strengthen partner country systems, and to partner with other organisations to share information on indicators. New Zealand has worked with the Australian Department for Foreign Affairs and Trade (DFAT) and with the Asian Development Bank (ADB) in the South Pacific to develop a set of standard common indicators to apply across programmes and activities. An internal database is updated every six months tracking progress against standard common indicators.
>
> With the progress made in data transparency, **DFID** encourages its staff to use data collected by major stakeholders. For example, its guidance note *Measuring and Managing for Results in Fragile and Conflict-Affected States and Situations* (DFID, 2011b) lists the following sources of data for monitoring conflict and fragility at country level:
>
> - Afrobarometer – perception survey data from several African states
> - Bertelsmann Transformation Index – indicators on political legitimacy, democratic transitions and so on
> - Corruption Perceptions Index – Transparency International's global perception survey of corruption
> - Failed States Index – includes indicators on social, political and economic pressures, and state legitimacy
> - Freedom in the World – comparative assessment of global political rights and civil liberties
> - Gallup World Poll – perception surveys from a range of countries on political and social issues
> - Ibrahim Index of African Governance – includes indicators on safety and rule of law; participation and human rights; sustainable economic opportunity; and human development
> - Minorities at Risk – monitors and analyses the status and conflicts of politically active communal groups
> - Open Budget Index – measures budget transparency and accountability
> - State Fragility Index – includes measures of state effectiveness and legitimacy
> - UN Statistics Division – wide range of data including MDGs, economic, social, and environmental indicators
> - Uppsala Conflict Data – rigorous data on numbers of conflict deaths
> - World Bank/IMF DSA – debt sustainability assessments (DSAs) for low-income countries that aim to guide borrowing decisions
> - World Development Indicators – over 400 indicators on many aspects of development.
>
> DFID staff are also encouraged to use innovative data sources (see Chapter 5).
>
> When managing results frameworks with unclear or missing data, the **Swiss Agency for Development and Cooperation (SDC)** treats frameworks as living documents which can be improved over time. For instance, missing baselines can be managed by using baseline statements, proxy indicators and beneficiary results assessments when planning for "softer" development issues such as governance or gender. The first annual reporting exercise can also be used to improve and clarify missing data.

In some cases, the management or development partners in the field do not properly estimate the time and resource investments required – not only for data collection, but also for analysis. Externally, as indicated in the 2013 survey, DAC members often find that their partners view results frameworks as formal requirements for funding and not as tools for management. Data collected are not necessarily used for internal objectives and in some cases are only considered as a way to report back to donors. Internally, time devoted to measure and analyse results usually competes with resources available for actual project or programme implementation.

In order to overcome these obstacles, some donors advocate securing resources via specific budget lines for monitoring as well as for evaluation, distinct from the implementation

budget. To reduce costs, some members suggest creating synergies when collecting data for different interventions and building partnerships with third parties such as universities (see Box 2.10). How development agencies interact with partner countries on this matter is presented in Chapter 4.

Box 2.10. Experiences of resources constraints

New Zealand emphasises the need to have specific budget lines for monitoring as well as evaluation tasks, such as data collection, in an activity budget. As part of all its activities, New Zealand recommends specifying budget needs in detail during the design phase of an intervention so as to be clear on the funding required.

The **World Bank** also advises ensuring that the monitoring and evaluation budget is distinct from the implementation budget, and not to allocate a particular percentage for monitoring and evaluation activities but rather to define the budget in more detail during planning. The monitoring and evaluation budget should not necessarily be calculated for one intervention only but could encompass a pool of interventions in order to facilitate synergies in data collection. Obtaining additional funds from other funding sources and working together with universities could be additional solutions.

Source: OECD (2013c), "*Workshop on the results agenda*", workshop report, Paris, 29–30 October 2013.

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3. USING RESULTS INFORMATION

Results information can be used for accountability or as a management tool.

Development co-operation agencies and partner countries are put under increasing pressure to demonstrate that aid is actually working to combat poverty. Accountability requires being transparent and accounting for the use of aid resources to ministers, auditors, oversight agencies, or their constituencies. The use of results information focuses on communication of progress, achievements and expenditures.

In the performance management realm, results information is used within an organisation to improve organisational performance and achieve better results. In this instance, results information is used for planning, tracking progress, learning and decision making. This requires results data to be integrated into management processes such as strategic planning, policy formulation, project or programme management, budget management, and human resource management.

Results information can be used for accountability or as a management tool but these two purposes – and their implications for how and why data are collected – have a natural tendency to conflict. Results information for project and programme improvement seeks to understand whether, why and how long-term effects have been achieved. The cause-and-effect in the results chain provides valuable lessons; learning from projects and programmes' negative consequences can be just as beneficial, if not more so, than their positive performance. On the other hand, results data for accountability purposes tend to emphasise the positive. They can focus on short-term results that are easily attributed to a particular donor and to which the public can easily relate. The risk then is that practitioners focus downwards in the results chain and report mainly on outputs failing to gain an understanding of the long-term effects of their interventions.

Focusing on accountability could also encourage more risk-adverse behaviour. The need to demonstrate results may lead development practitioners to engage in less important or innovative initiatives; set targets which lack ambition; focus on shorter term or quantifiable results; focus on those which may entail lower risks; or limit their involvement in lower performing countries.

Using results data for donors' accountability might also create tension with the principles of ownership (partner countries setting their own strategies and results) and alignment (donors aligning with and using country's own systems, including the results systems). For accountability purposes, a development agency might be pressured to "claim the flag" and attribute results to its own interventions instead of showcasing country results. Moreover, donors might have to develop additional results systems to inform aggregated indicators when data are not available at country level. If the donor results systems are not flexible enough to take into considerations those of the partner countries when cascading down from corporate to country and intervention levels, it might create a tension with the principles of alignment.

Collecting data for either performance management or for accountability functions also implies different data collection methods. Whereas collecting data for performance management favours rapid low-cost data collection techniques to gather information of sufficient quality on specific issues for rapid decision making, data collection for accountability requires aggregated information that tells a consistent performance story at country and corporate levels. While performance management objective encourages more participatory methods and first-hand learning experiences, accountability approaches might call for a more independent assessment. Because of limited resources for data collection, donors and partners might have to choose one method over the other.

In practice, DAC members use results information for different purposes whether the information is collected at corporate, country, programme or project level. The main uses include external reporting for accountability and communication, tracking progress and decision making. Very few indicated in the 2013 survey (OECD, 2013b) that they would prioritise using results information either for policy development or for reporting to intended beneficiaries.

Table 3.1. How results information is used (number of respondents)

LEVEL	MOST CITED FIRST PRIORITY	MOST CITED SECOND PRIORITY
Agency/corporate	For accountability to parliament/legislature (11)	In external communication (11)
Country	To track progress (9)	For decision making (7)
Sector/programme	To track progress (13)	For decision making (8)
Project	To track progress (15)	For decision making (11)

Source: OECD (2013b), *Managing and Measuring for Results, Survey Highlights*, OECD, Paris.

A. At corporate level

The primary use for performance information at corporate level is external reporting of results. Accountability to parliament and external communication feature as the top priority (see Table 3.1). The fact that few DAC members face difficulties when using results systems for accountability (see Figure 2.4 in Chapter 2) translates this priority.

When reporting for accountability purposes, DAC members use corporate results frameworks, standard indicators at agency level and qualitative information feeding into corporate reports. In addition, or as an alternative to corporate level reporting, more and

more donors publish results information at the intervention level on the web. Some donors have created specific database sets while others publish information in the form of reports complying with international common standards.

To report at corporate level and provide useful and credible information, members need to aggregate information across countries. Many feel that they lack experience and expertise in aggregating data beyond projects and programmes. As a consequence they tend to emphasise output level results instead of longer term outcomes, and focus reports on the immediate instead of the lasting impact (See Box 2.7, Chapter 2, on attempts to make aggregation more straight forward). Some DAC members chose not to aggregate data at corporate level. Reasons for this include the technical difficulties in aggregating. They also argue that data aggregated at corporate level do not necessarily provide meaningful information that can serve as a basis for discussion with parliament or the general public and put emphasis on the country context as a reference framework.

Moreover, all DAC members reported having difficulty in measuring attribution at the outcome and impact level for external reporting and communication. While attribution is easier to measure at the output level, it becomes more difficult further up the results chain. Indicators will tell you whether a change has occurred but not why, and therefore whether it is linked to a particular intervention. Attributing results to one partner is difficult, as usually several development partners work on similar or related objectives at the same time. Donors faced with less pressure to account for the use of taxpayers' money tend to communicate on their contribution to the development results obtained by the partner countries, and not to attribute results to their own interventions. Such an approach can also be explained by the principles of ownership and development effectiveness as opposed to aid effectiveness. When under pressure to be accountable, one option that some DAC members have developed is attributing results according to the proportion of financial inputs provided to a programme or policy.

Donors are also dealing with the issue of communicating poor performance to parliament and the wider public in times of austerity. In general, corporate reports tend to present the positive and the negative aspects of performance. However when citing negative performance, DAC members shy away from providing analysis or explanations. A recent study on understanding public attitudes towards aid and development in the United Kingdom (Glennie et al., 2012) highlighted how this communication could affect public support for aid. According to the study, the British public may be less supportive of maintaining current levels of aid because of the economic crisis and a degree of pessimism about aid's effectiveness. However, the study showed that the public has a considerable appetite for greater understanding of development and for more complex stories of how change and progress happens. Citizens from OECD countries are interested in learning what work or not, why, how, and why aid alone cannot achieve development targets. It seems therefore important to balance simple messages on results with more complex narratives especially at a time when basic results information is increasingly available online. Communicating analysis and explanations could be more effective than communicating figures alone. Reporting about the risk taken especially in fragile contexts or in humanitarian situations can also increase the public willingness to accept less than perfect projects (OECD, forthcoming).

Box 3.1. Experiences of accountability to constituencies

Members use different approaches to report aggregated data to their constituencies.

USAID produces an agency level annual performance plan and report, and project level evaluation results are published on its Development Experience Clearinghouse website. The USAID Annual Performance Plan and Report (US Department of States and USAID, 2012) provides an example of data aggregation based on data from all USAID operating units managing programmes that receive foreign assistance. A subset of the 450 foreign assistance indicators – which can be quantitative or qualitative – are used to represent performance. The report indicates if the indicators are improved, on, below or above targets, and provides concise explanations.

The **Swedish Ministry of Foreign Affairs** reports on aid results in the annual government budget bill to parliament. In addition, the Swedish International Development Cooperation Agency (Sida) reports on results in its annual report to government. Sweden invests and plans for communicating results and is open with the public about the successes and failures of its aid activities. Sweden is currently aiming to streamline its objectives by creating a set of high-level indicators to aggregate progress across all of its development co-operation. It is hoped that this will assist with linking programme outcomes better with expected country strategy outcomes.

France used to report to the parliament on operational effectiveness and organisational efficiency in an annual performance report. In order to improve transparency and accountability, in 2013 France introduced outputs and outcomes reporting. The Ministry of Foreign Affairs and International Development, the Ministry of Finance and the French Agency for Development (AFD) designed a grid consisting of 30 results indicators, 16 related to bilateral aid and 14 to multilateral aid (MAEDI, 2013). Each indicator will be tracked annually and included in the biannual report to parliament on implementing the French co-operation strategy. Indicators are aggregated across projects and programmes to demonstrate France's specific contribution to development in partner countries. The grid covers the main sectors of French co-operation intervention as well as the major French multilateral contributions. At the moment, only a restricted number of results are covered per sector. Additional indicators should be developed at project and programme level for management purposes.

> **Box 3.1 bis. Experiences with ratings**
>
> A number of DAC members use a rating scale when reporting on performance to the public, ratings in absolute terms (USAID), percentages of fulfilment (Danida) or a colour-coded traffic light system (DFID, ADB, World Bank, AfDB).
>
> For example, in its annual report, **Danida** presents a summary of goal fulfilment at corporate and priority country levels, rated from "very satisfactory" to "not satisfactory" depending on the percentage of goals fulfilled. In 2012, results were measured in relation to 251 objectives for bilateral assistance in the countries where Danida operates. These objectives and targets are not included in the report, only a synthesis.
>
> The **World Bank** corporate scorecard (World Bank, 2013b) provides information on the overall performance of the Bank, as well as the results achieved by client countries, particularly on key global development objectives. It establishes a baseline value and year against which progress can be measured. For the indicators assessing the Bank's performance – including development outcomes, operational and organisational effectiveness – a colour-coded traffic lights system indicates the management's rating of the current status, based on changes from previous reporting periods or in comparison to an established performance benchmark.
>
> The **AfDB** uses a results scorecard (AfDB, 2013) for the four levels of its results framework. Level 1 reports on the African continent's development progress based on a baseline and indicators adopted by the Bank. For each indicator progress is measured in two ways:
> - Relative performance, by comparing Africa's progress to that of its peer group (low-and middle-income countries around the world) illustrated by colour-coded traffic lights.
> - Direction of change for each indicator, showing whether the situation has improved or worsened.
>
> Level 2 measures the AfDB contribution to Africa's development through the AfDB's key sector outputs and intermediate outcomes. Colour-coded traffic lights compare the percentage of achievements to the target for all completed operations; no baseline is presented. A similar colour-coded reporting is used for level 3 (how well the AfDB manages its operations) and level 4 (organisational efficiency). Baselines and targets for each indicator of these two levels complete the reporting.

B. At strategic management level

At the strategic management level, development experts advocate the use of results information, not only for accountability, but also to inform decision making and for learning. However, the 2013 survey underlines the lack of institutional demand for the latter (see Table 3.1). One reason is a limited results culture in organisations where results management is not part and parcel of staff's daily work. This may point to a lack of leadership, incentives and staff motivation. To develop a results culture, some DAC members insist on the importance of a long-term strategic vision for the institution that staff will agree upon and own. This vision, that clarifies what an organisation is trying to achieve in terms of development, will drive the results agenda. Some institutions also offer incentives to learn from successes and failures, and use results information to change strategies and policies. These incentives include the creation of user-friendly results systems, building results management capacities within organisations, action on staff daily tasks and high-level management responses to results information.

Box 3.2. DAC members' experiences with internal incentives

Sida's reorganisation in 2010 included creating a new department for organisational development, partly to improve the institution's results measurement and management systems (OECD, 2014b). Staff are trained on results frameworks, theory of change, and monitoring. All staff will undergo training in results-based management, mainly targeting the project and programme levels. Moreover, Sida has established a contribution management system (known as "Trac"), a software that ensures that rules and regulations are followed and that planning and follow-up are documented. Sida is also considering using new information technology to reduce any additional burdens of results-based management.

Finland has recently introduced new results-oriented country strategies. The strategies include Finland's objectives and indicators, how they relate to the situation in the partner country and its policies as well as indicators on overall development results at country level. Reporting is then focused on results-based management. Once annual reports are received, results information is discussed at regional departments' management groups and a management response is issued. Conclusions should then be discussed with the minister, and country strategies updated accordingly. According to internal discussions (Alanko, K, 2014), the resulting management responses have contributed to job satisfaction within country teams.

One of the principal elements of results-based management is improving performance over time through learning. A lack of balanced reporting prevents accountability, and gives a skewed image of programme performance that can lead management to make poor decisions. Indeed, learning occurs from both positive and negative experiences; less than satisfactory performance can often encourage more learning and change. In institutions with a weaker results culture, there may be a resistance to presenting performance information for fear that this might cut or divert funding from areas development practitioners feel are important. Those DAC members who, in practice, use results information for management purposes report endeavouring to create an internal mature results culture where both good and poor performance can be discussed (see the examples in Box 3.3). They also recognise that building such as culture is a long-term process and should elaborate on the existing organisational culture.

Box 3.3. Experiences of reporting positive and negative performances to management

Annual corporate performance reporting at the **ADB** is comprised of five elements. These are: i) collecting data on result indicators and comparing them to targets; ii) using signals to score indicator performance (traffic light approach); iii) discussions with high level management about corporate performance; iv) learning by looking at reasons behind lack of performance or good performance; and v) decision making to improve performance which feeds into the planning process. The ADB has promoted a mature results culture, where low performance can be discussed with an emphasis on improvement, rather than punitive action. Pressure from shareholders and leadership championing the framework were keys to successfully bringing in this results culture.

New Zealand is also focusing efforts on building a mature results culture within its aid programme. Results leaders and results champions are identified at all organisational levels to help advocate for it. Results champions are managers, ministers or institution that publicly support or defend the results approaches, use them and demonstrate their benefits. According to New Zealand, results champions are critical to the sustainability and success of results-based monitoring systems as they can advocate for well-informed decision making and serve as results focal points. As for the ADB, building a results culture is essentially about cultivating a safe environment in which both positive and negative performance can be openly discussed. In order to do so, New Zealand is promoting the value of a learning and improvement organisation, acknowledging that the institution often operates in high risks environment where poor results are possible, emphasising that poor and positive results data are essential for effective management and that what is important is the responses and follow-up actions to these results.

The budget is a central tool through which results and priorities are realised. Linking planning and budgeting processes is crucial within institutions. However, donors find it difficult to allocate resources according to expected outcomes and outputs, and more difficult still to feed results information back into the budget process; results information does not speak for itself. A programme's poor performance could provide good reason for either increasing support or closing it down. Moreover, DAC members are careful not to create perverse incentives when linking the budget to results, for instance focusing on the low hanging fruits only. For these reasons, using performance data to inform budgetary allocation processes is not straightforward. The majority of DAC members who do link budgets with results do not automatically base budgetary decisions on performance. Decisions to adjust budgets and activities are made on a case-by-case basis to keep a balance between supporting best value poverty reduction programmes and being able to adjust to evolving circumstances. Such decisions can also be informed by risk analyses.

Box 3.4. Experiences in linking results to budgets

The **ADB's** approach to linking results information to budgets has three layers. First, assess the performance of countries receiving concessional resources. Second, allocate concessional resources based on performance, but consider increasing allocations even when performance is weak if country circumstances warrant it. Third, ADB has used incentive schemes in the organisation to improve performance, allocating additional resources in specific areas. However, the inclusion of such targeted areas in the corporate scorecard has reduced the need for these schemes.

Since **DFID** introduced its results framework (see Box 2.1), it has strengthened its use of results information for managing resource allocations and delivering development programmes. DFID's senior management team receives regular management information on results, reviewing portfolio performance, including the level of uncertainty and risk in delivery, and where and how to drive better value. Where necessary DFID can decide to make an intervention as a priority to ensure it remains on track to deliver the "We Will" commitments (DFID, 2011c) set out in the results framework. Managing and monitoring results provides an incentive to look at the evidence, innovate and learn, thus helping ensure that development assistance is focused on the best value poverty reduction programmes.

In recent years, **USAID** modified its approach to the annual planning, budgeting, and performance management cycle to create important feedback loops between strategic planning, budgeting, programme management, and monitoring and evaluation that maximise the impact of USAID resources. To ensure that country programmes and strategies are managed to achieve results, USAID has updated performance monitoring and programme evaluation guidance in the last few years. For example, USAID introduced a new Evaluation Policy in 2011 that makes the majority of programme resources subject to evaluation by independent third parties. Findings must be action-oriented and should identify ways to apply the lessons learned. USAID country missions report using evaluation findings to inform budget decisions and to make mid-course corrections to projects. USAID's performance monitoring guidance requires all country programmes to monitor the results of their strategies through a comprehensive performance management plan and requires all new projects to have a monitoring and evaluation plan with well-defined performance indicators. Furthermore, as part of its accountability and transparency efforts, USAID created a website called "Dollars to Results" to show the link between the money the agency spends each year and the results achieved. Through this website, USAID is able to depict precisely what it has achieved as a result of investments in 36 countries.

C. At project or programme level

At the programme or project level, DAC members use results information mainly to track progress, and then for decision making (see Table 3.1). Interestingly, as for strategic management, learning is not cited as a priority.

According to the United Nation Development Programme (UNDP) handbook on planning, monitoring and evaluating for development results, managers have to check whether the activities are implemented on time; outputs are delivered according to plan and contribute to the desired outcomes; and whether outcomes will lead to the expected development impacts. Based on this information, and contextual indicators, managers can identify areas where corrective action can be taken.

At this level, DAC members face similar organisational and operational challenges as for strategic management. The lack of a mature results culture, complex results frameworks and weaknesses in data collection undermine DAC members' ability to learn from experience and inform decision making. Previous reviews on results-based management pointed out that results frameworks are often seen as additional requirements and not an instrument for learning and management. Therefore, results information is insufficiently used to improve project implementation.

Box 3.5. Sida's experience in linking results to decision making

Sida developed four good practices to make active use of results (Sida, 2007):
- Sida's contribution management system requires an annual (minimum) update of the risk analysis and registering of results information based on available results data.
- The review is formalised in an annual conclusion on performance, summarising the results achieved, adjustments in risk levels, lessons learned and course correction (including exit when corrections have failed or are an insufficient response).
- Sida ensures that lessons learned from completed interventions are considered when designing or assessing new interventions.
- Sida ensures that results information is systematically considered in dialogue with partner country organisations and other donors.

Moreover, DAC members have observed that results systems frequently lack feedback loops through which information from the field can be fed back into an intervention to improve its effectiveness and efficiency (OECD, 2013b). Indeed, feedback loops can bring beneficiaries' and other stakeholders' perspectives into account while an intervention is being carried out and provide real-time information. One of the observed trends among DAC members is to track progress frequently – every six to 12 months – to ensure that information will arrive in time for decision making.

> **Box 3.6. Experiences with real-time information**
>
> As mentioned in Chapter 2, **DFID's** results framework is organised into four levels through which it captures performance against country results. Level 3 looks at how well DFID manages its operations. At this level, DFID produces data on the extent to which it is reviewing its programmes and using information for learning purposes. So as to improve operational effectiveness, DFID has committed to review programmes during implementation, formally once a year, and at completion to see whether an intervention still provides value for money.
>
> The **World Bank** Implementation Status and Results reports (ISRs) track the progress made by each Bank operation. Every six to 12 months reports are updated and captured in the Bank's data systems for real-time reporting at country level.
>
> **New Zealand** also works towards using results data as soon as possible in internal processes. According to the MFAT, ensuring the quality of results data goes hand in hand with recognising the need to put it to use as soon as possible, particularly to maintain and build the profile of results data and their value to the organisation. This means balancing quality control with the demand and opportunity of results data. Staff have a responsibility for quality control before and after results are centrally analysed and made available for use.

However, across all levels, many DAC members lack the capacity to use results information. This can also be the case among their development partners. Often a lack of time, technical skills, competencies and operational requirements are obstacles in using results data. In order to address capacity challenges, DAC members strive to create better opportunities to learn about managing for results. As mentioned earlier, many DAC members focused their efforts on training staff internally, in embassies and headquarters. A few have used results champions to advocate a mature results culture, and other developed communities of practice (See Box 4.3 for more information on communities of practices).

4. SUPPORTING PARTNER COUNTRIES' RESULTS SYSTEMS

From the Paris Declaration to the Accra Agenda for Action – and more recently the High Level Forums in Busan and Mexico – partner country governments, DAC members and the wider development community have committed to work together to manage aid to achieve development results. Partner countries committed themselves to develop results frameworks, while donors agreed to use these systems. Donors were encouraged to rely more extensively on partner countries' statistical, monitoring and evaluation systems, and assist in strengthening partner countries' national statistical capacity and information systems.

The OECD survey monitoring progress on the Paris Declaration (OECD, 2012a) notes that between 2005 and 2010, partner countries substantially developed results-oriented frameworks. Many governments were working on building a results culture within their ministries, improving their poverty reduction policies, strategies, and performance assessment systems. Some had taken steps to educate senior politicians on what the ''results approach'' is about and had attempted to make government planning systems more results-focused. The capacity of countries to produce, analyse, and use statistics had strengthened, and the quality of data had improved with MDG-related statistics increasingly available at the country level.

Although there have been advances in developing results management in partner countries, the latest progress report from the Global Partnership for Effective Development Co-operation (OECD/UNDP, 2014) concludes that further efforts are needed to adopt country-led results frameworks as a common tool to assess performance. Progress has been slow and important challenges remain, such as underuse of results information, weak statistical capacities and poor data availability and quality. Partner countries have had to retrofit results-based management practices into country systems which were not designed for such management, with limited technical capacity, resources, and feedback mechanisms. In many instances such practices were introduced as an add-on, causing administrative burdens and reducing the time available to staff to actually carry programmes out.

As development agencies, partner country governments have not found it straightforward to measure long-term development results, which are multi-sectoral by nature. This required working in partnership with other sector line ministries. However, government systems were not conducive to such partnerships. In some countries, sector planning, budgetary processes, and their related performance assessment systems were not aligned with similar processes in other line ministries. They were also insufficiently incorporated into national planning and budgeting cycles.

Partner country governments struggled to set out the pathways towards achieving development results in national development plans. This "missing middle" in results chains made performance management difficult. Moreover, long-term development objectives were harder to measure as a result, emphasising the focus on measuring and reporting performance in terms of resources and short-term outputs. Some reports indicate that this

challenge was also encouraged by the DAC member demand for input and output information to respond to domestic accountability needs in the donor country.

As partner countries made their systems more results-focused, the demand for better data increased. Over the years partner countries have made strides in improving the production, analysis and use of results information, particularly in the health and education sectors. However, progress differs from region to region. Some sectors are still lagging behind, and data disaggregated by sex are only available in some countries and for some indicators. Although national strategies for statistical development have been developed in many countries, literature indicates that these are either not properly valued, seem unrealistic, or lack the funding to be put into practice.

The following paragraphs highlight the challenges and practical experiences taken by DAC members to comply with the international commitments made to align to partner country priorities, use country systems and strengthen them.

A. Aligning to partner country priorities

It is difficult to assess the degree to which DAC members align to partner country priorities. Neither the 2012 Paris Declaration monitoring survey (OECD, 2012a) or the progress report by the Global Partnership for Effective Development Co-operation (OECD/UNDP, 2014) can offer a general conclusion on this topic, mainly because of measurement issues. According to the 2012 survey, while most donors do consider country's policies and strategies when designing their interventions, it is not possible to determine if they are actually "aligned". The 2014 progress report indicated that even though country ownership continues to strengthen, stronger dialogue is needed to promote greater alignment with the priorities and systems of the partner countries.

Donors have difficulties aligning to priorities which have not been clearly articulated by the partner country, or which are not stated in national plans and strategies for development. Moreover, donors indicated (OECD, 2012a) that they have difficulty aligning to countries' sectoral strategies when those strategies prioritised support to sectors with more direct or attributable impact on the attainment of the Millennium Development Goals, at the expense of crosscutting priorities.

Box 4.1. DAC members' experiences of aligning to partner country priorities

In 2008, **Irish Aid** developed guidelines – A Results-Based Management Approach to Country Strategy Papers (Irish Aid, 2008) – to strengthen strategic planning in partner countries and to commit Irish Aid to use jointly agreed partner countries' results frameworks to measure and report progress against results. The approach includes a results and monitoring framework, a performance measurement framework, and a risk analysis matrix. In this way according to Irish Aid management, the development agency strives to align with national plans and programmes, and works closely with partner governments to improve aid effectiveness objectives. The DAC Peer Review of Ireland (OECD, 2010b) highlights Irish Aid's use of this approach with the Ugandan government. Its aim was to strengthen partner countries results frameworks and link its contributions to outcomes agreed with the partner country and the donor community.

Danida developed a similar approach with the introduction of guidelines for country programmes (Danida, 2013; see Box 2.2). The new country programme results frameworks are simplified logical frameworks that build on objectives and selected indicators from partners' results frameworks. Indeed, one outcome indicator and one to five key output indicators are stipulated for each country programme results framework, drawn from the partner programme's results. Such frameworks are used to focus dialogue with partners and to report development co-operation progress to the public.

B. Using country results systems

From the donor side, the Global Partnership for Effective Development Co-operation progress report (OECD/UNDP, 2014) notes that efforts to strengthen country systems have been sustained; though it is too early to say whether these efforts are translating into increased use of countries' results systems to guide development co-operation. Indeed, preliminary monitoring findings indicate considerable variation in the use of country results frameworks. As the sample size of the monitoring is limited, conclusions cannot be generalised. Nevertheless, individual donors seem to behave consistently across countries and multilateral development banks seem to perform better when using country results systems.

According to the latest OECD country peer reviews findings, DAC members often work with partner country results frameworks that are of poor quality or lack data such as baselines and indicators. In some instances partner country work plans are not supported by results frameworks, making performance assessments difficult. Furthermore, DAC members at times require reporting on additional indicators that may not be part of national frameworks, or may need information on resources spent, or short-term deliverables instead of long-term development results. The lack of available and reliable statistical data for results, and difficulties aggregating available data at corporate levels, often lead donor agencies to rely on their own internal data sources for reports and establish additional reporting systems to respond to information needs for accountability from their constituencies.

Box 4.2. DAC members' experiences of using and supporting country results systems

The **Norwegian Co-operation** draws primarily on partner country data and reporting systems for results-based management practices, without developing its own set of standard indicators. Responsibility for measuring results rests largely with Norway's partners in the field. The DAC peer review of Norway (OECD, 2014) points to its struggles in results measurement because of the lack of baseline data and indicators in each results framework, hindering Norway's ability to report on results – particularly at outcome and impact level.

Australia aligns its bilateral development agreements to its partner governments' strategic development plans, and relies on partner country results monitoring against national development targets as much as possible. Australia seeks to minimise the introduction of additional indicators, separate or parallel data collection systems and reporting requirements while still meeting its accountability needs (OECD, 2013b).

New Zealand reports that it develops its programme level results frameworks while being mindful of partner country results frameworks and approaches, acknowledging the value of partnership. To the maximum extent possible it seeks alignment between indicators, targets, and monitoring and reporting processes.

In the majority of priority countries, **Austria** actively participates in processes and platforms to contribute to country level results frameworks, such as Mozambique's General Budget Support dialogue and Ethiopia's annual progress review of the Growth and Transformation Plan. In some cases Austria participates in joint programming efforts, including in Burkina Faso, Ethiopia and Uganda.

C. Supporting country results systems

Figure 4.1 shows some of the ways in which donors support partner countries' results management capacity. According to the survey, DAC members stated that they mostly provide support to partner countries by using partner country results systems for their own decision making or programming, and by supporting initiatives or systems that promote quality data. However, as mentioned in the previous paragraph, partner country systems are not the primary sources of data for many donors.

Figure 4.1. How often do you use the following approaches to support partner country results systems? (Weighted average)
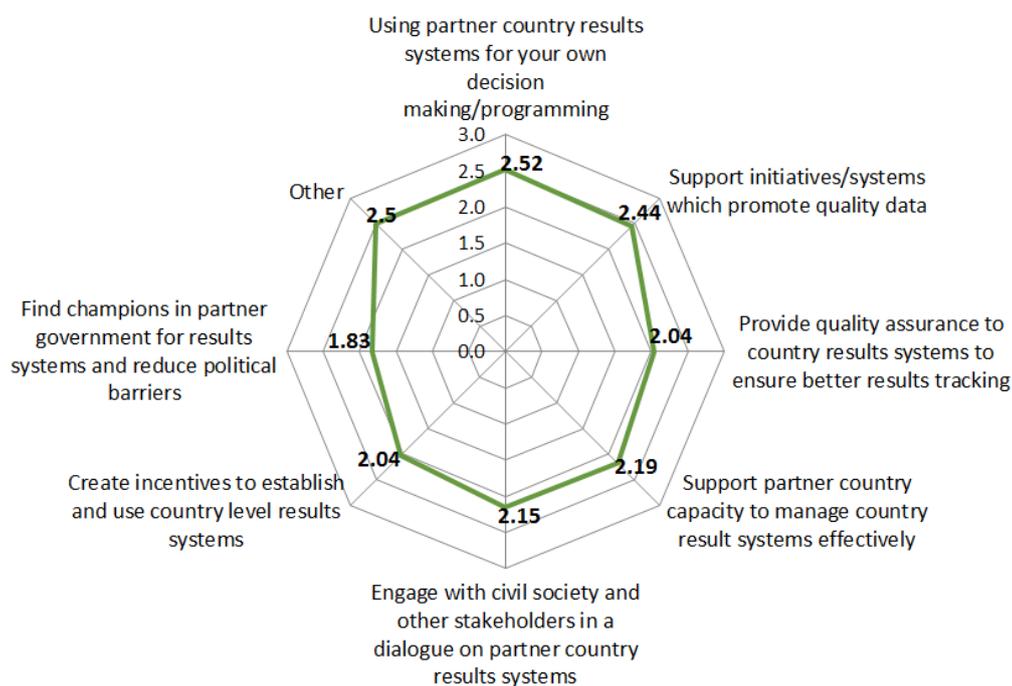
"Other" includes: support to the global partnership on output-based aid, assessment of partner country results systems, financial support to engage dedicated staff and finance data collection, statistical capacity building, involvement of partner country in planning and periodic assessment.

Source: OECD (2013b), *Managing and Measuring for Results: Survey Highlights*, OECD Publishing, Paris.

DAC members also focus on building capacity to monitor and evaluate directly in partner agencies, by supporting the recruitment of dedicated monitoring and evaluation staff or financing data collection mechanisms. Others involve partner governments in the planning and periodic assessments of results in country strategies in order to share results management knowledge and practice, foster partnership and transparency, and develop skills within partner ministries. Multilateral development banks also played a lead role in promoting capacity development for results management (OECD, 2012a).

Box 4.3. Experiences of supporting results management capacities

As part of the Global Partnership on Managing for Development Results, multilateral development banks have supported regional communities of practice in Asia, Africa and Latin America. Their objective is to strengthen capacities in results measurement and management through information sharing and peer learning on a regional scale. Communities of practice provide a medium through which information can be exchanged on possible solutions to improve evidence-based decision making and policy development for results delivery.

The **European Commission**'s development and co-operation directorate, EuropeAid, supports partner countries results systems through their budget support channels. For example, using and strengthening country statistical systems is a prerequisite to budget support.

Finally, when the partner country lacks demand for results information and management (see Figure 2.4.), some DAC members work to support an institutional results culture as well as building capacity. Strong political will and the definition of a national policy on results is essential to build this type of culture. Strategic leadership at a politically high level is also important, providing direction to all government ministries through a national development plan.

As both partner governments and implementing agencies need to have a sound knowledge of results management practices, DAC members suggest ensuring that both parties are included in all aspects of results measurement and management. Facilitating partner country government bodies to take the lead in developing monitoring and evaluation processes not only helps to foster ownership; it can also build their capacity in these two areas.

5. MANAGING RESULTS SYSTEMS IN FRAGILE CONTEXTS

The many challenges in results management are particularly pronounced in fragile situations. Fragile and conflict-affected countries are complex settings with highly changeable environments and weak or non-existent national and local capacities, making developing strategies, implementing programmes, and monitoring performance very difficult. In such contexts there is a higher probability of intervention failure and corruption, as well as a prevalent risk to the reputations of donors and implementing agencies.

Each conflict has a unique history and culture that can influence the pathway towards results. The non-linear nature of development interventions is magnified and theories of change can be difficult to design in rapidly changing contexts. It is also harder to agree and prioritise a set of goals and strategies in a highly politicised environment, especially as goals encompass both long-term development activities and those categorised as humanitarian, diplomatic or military. Moreover, it is more difficult to carry out technical measurements in these complex and multi-faceted situations. There can be numerous issues of risk management and potential harm, data reliability and collection, opportunities to engage with beneficiaries, and staff security.

During an OECD workshop on the results agenda (OECD, 2013c), participants underlined two major bottlenecks they face when measuring and managing results in conflict and fragile situations: informing context analysis to set relevant targets, and availability of reliable data for measurement and management purposes.

A. Informing context analysis to set relevant targets

Working in settings of conflict and fragility requires an in-depth understanding of context: what the environment surrounding an intervention looks like, and what the associated risks are. The context analysis must also be frequently updated as settings of conflict and fragility are characterised by their tendency to change rapidly. Practitioners also face the challenge of accessing information and stakeholders. Local organisations know and understand the political and social environment that led to conflict or fragile situations in the first instance, and could provide key data to inform context. Most development agencies rely on these organisations to better understand context, reach those in need and report on results. DAC members have also developed specific guidance. The box below highlights some of the ways in which DAC members acquire the necessary knowledge of the environment.

Box 5.1. DAC members' experiences of understanding context in fragile situations

To address the political challenges of results management, **DFID** works on building an in-depth understanding of the context (DFID, 2012). Country offices' results frameworks outline how the country programme will contribute to reducing conflict and fragility and provide information about the general direction the country is taking. Indicators are then used to test the validity of the theory of change of the intervention. To do so, the set of indicators must monitor key sector objectives as well as peace-building and state-building objectives. Indicators should also be disaggregated (broken down) by target groups and gender.

To help analyse fragility, **USAID** has published a guide called *Measuring Fragility: Indicators and Methods for Rating State Performance* (USAID, 2005). This guide identifies four categories of outcomes or domains that are particularly relevant: political, security, economic, and social. It considers these domains in terms of their effectiveness and legitimacy, and produces state performance outcomes matrix indicators that analyse context. These indicators can be used as proxies for results measurement and management in fragile scenarios.

B. Collecting data for results measurement and management

Interventions in conflict-affected countries aim both for long-term development results focused on poverty and peace building, and for more short-term results focused on stabilising the situation. Results measurement and management therefore require both short-term and long-term information. However, the basic components for performance measurement and management – such as a testable logic or theory of change, clear and measurable results, baseline information, key indicators, context analysis, and monitoring data – may be lacking or missing from interventions, especially in countries or regions of prolonged fragility or where there is open and armed conflict.

Collecting data in a fragile environment might require innovative approaches. Weak or lacking state statistical capacities and numerous international actors with incoherent data systems may mean that timely, relevant and comparable data are scarce. Choosing indicators and collecting data is made even more difficult by erratic access to field data in these environments, with staff turnover making irregular fly-in monitoring visits. DAC members have found innovative ways to overcome these challenges, mainly by using third party monitoring and taking advantage of progress in information technology, although this might require a higher level of expenditures than in other contexts. Box 5.2 provides some examples.

Box 5.2. Experiences of collecting data in fragile contexts

The **World Bank** has developed practices to tackle data availability and reliability bottlenecks in fragile contexts. For example, the Bank collects information from inaccessible areas in Afghanistan through third party monitoring (such as schools and other implementing partners). It also uses satellite imagery to make assessments, as well as tablets and SMS systems to upload data in remote areas of Somalia. In Darfur, the World Bank has built a "Who does What Where" database which it regularly taps into to seek information from its development partners for results measurement and management (OECD, 2013c and OECD, 2012b).

To find and select suitable indicators for measuring results in fragile settings and state building programmes, the World Bank works closely with g7+ partners (a collective of fragile and conflict-affected states) under the New Deal. The Bank has also produced a toolkit on fragile and conflict situations that provides a list of relevant indicators (World Bank, 2012). In cases where in-country data are not available, it makes use of internationally available data as a benchmark, while continuing to build national monitoring systems and tools.

DFID encourages its staff to use official data sources where possible and to supplement them as necessary with other sources (DFID, 2012). Other sources include partnership with local actors such as NGOs, the private sector, or the beneficiaries. For example, providing local committees with digital cameras and mobile phones can be a low-cost way of obtaining additional data. Staff are also encouraged to use innovative approaches that gather data via SMS, email or the web. The DFID-funded Healthy Village sanitation programme, implemented by the United Nations Children's fund (UNICEF), is testing the use of mobile phone technology for monitoring. The system aims to collect and validate real-time programme data for monitoring and planning, using text messaging and the Internet. The system is easy to use and cost-effective. It uses a pre-formatted SIM card (developed with the mobile phone provider) that allows operators to capture and transmit data in the expected format, reducing the risk of error.

6. NEW MODALITIES – RESULTS-BASED FUNDING APPROACHES

Different international initiatives have been implemented to promote results measurement and management. Chapter 4 illustrated some of the initiatives to support partner countries such as capacity building, community of practices, and so on. This chapter is dedicated to a new approach focusing on incentives to achieve results: results-based funding.

Results-based funding is one major attempt to overcome traditional pitfalls of input aid by focusing on results from the outset and linking them to payments. It establishes a mechanism through which a funder is willing to make payments to an agency which assumes responsibility for achieving pre-defined results. In this regard results-based funding differs from other aid approaches, where funds are used to finance specific inputs for achieving results. As there is still no common terminology agreed internationally for this approach, this review uses the term results-based funding as an umbrella term covering a variety of applications, such as payment by results (PbR), payment for results (PforR), results-based lending (RBL), performance-driven loans (PDL), performance-based aid, performance tranches in budget support, cash on delivery (CoD) and output-based aid. The umbrella terms "results-based approaches" and sometimes "results-based financing" are used interchangeably with results-based funding in the literature.

The approach aims to shift the paradigm of aid from a focus on inputs and activities to a focus on results by reshaping the relationship between development partners/donors and partner countries. It is argued that results-based funding would increase accountability, creating a more direct link between aid and results, improve partner country ownership of results, and create incentives to improve programme effectiveness.

Several donors, including multilateral and bilateral agencies as well as foundations, have started piloting and implementing results-based funding modalities. According to the recent OECD survey on DAC members' results management systems, a small number of agencies indicated that they have well-established programmes (USAID, World Bank, European Commission), mainly in the service delivery sector and infrastructures.

Figure 6.1. What is your agency's current experience using results-based funding modalities? (Number of responses)

Source: OECD (2013b), *Managing and Measuring for Results: Survey Highlights*, OECD Publishing, Paris.

Box 6.1. Performance tranches in budget support

Variable performance tranches in budget support as implemented by the **European Commission** and some members of the European Union are one of the well-established instruments implementing results-based approaches. Budget support is usually linked to a performance assessment framework that contains results-based indicators. Fixed tranches of budget support are disbursed based on targets met for selected indicators. Part of the support is also disbursed via variable tranches in proportion to the degree of results achievement for selected indicators.

Moreover, half of the DAC members who took part in the survey stated that they are experimenting with results-based funding or are providing support to such modalities through multilateral or trust funds, and 11 indicated that they are considering new modalities, indicating a growing interest among donors in this area (see Figure 6.1). For example, many DAC members are supporting results-based funding initiatives established by the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccines and Immunisation (GAVI Alliance), and the Millennium Challenge Corporation. Some donors such as the Australian DFAT, the Dutch Ministry of Foreign Affairs and Sida are supporting the Global Partnership on Output-Based Aid, a multi-donor trust fund established in 2003. Others are at early stages of designing and implementing results-based service delivery.

Box 6.2. Results-based funding approaches pilots and instruments

DFID is currently experimenting with a new results-based funding approach called "payment by results" in a number of countries and sectors. DFID distinguishes different types of payment by results depending on who the risk is transferred to: the partner government, a service provider or investors. In Ethiopia, DFID has partnered with the government to establish a pilot, Ethiopia's results-based aid (RBA), which aims to improve student learning in the country over time. Under this pilot, DFID has committed to make grant payments to the Ministry of Education amounting to a possible total of £30 million over a three-year period for an increase in the number of students completing grade ten. The increase is measured by the number of additional students (over an agreed baseline) that sit for or pass national grade ten exams. The Government of Ethiopia receives higher payments for students in emerging regions, and for girls compared to boys. In this partnership the Ministry of Education is responsible for measuring and reporting on annual outcomes which are independently verified prior to DFID making a payment. In effect, DFID is investing in the government's capacity to measure and report on results. DFID has also established an independent evaluation process to learn whether and how the incentive is operating in Ethiopia.

Since conducting the OECD survey, the **ADB** has been setting up a new instrument called "results-based lending" (RBL). The main features of the instrument are: support for governments' own programmes, linking disbursements to results indicators, financing expenditure programmes and use of programme and country systems. At the moment, two pilots have been approved in the education sector in Sri Lanka and four more programmes are in the pipeline in India, the Philippines, Solomon Islands, and Viet Nam. The instrument constitutes about 1.5% of ADB financing but this ratio could increase by 7 to 10% by 2016. Interestingly, only upper middle and middle-income countries have so far shown any demand for such a funding modality, including the People's Republic of China, which is considering a pilot. In the future, however, RBL could also be introduced for lower income countries and beyond the current focus on social sectors and infrastructure. Initial feedback from clients indicates a particular appreciation of RBL because of its strong use of country systems, lower transaction costs, better policy dialogue and more aid co-ordination.

Results-based funding approaches are fraught with technical and political challenges. As most donors are still in piloting or scaling-up mode, little evidence is available on how and whether this approach works. Pilots have been implemented in various sectors and regions and research institutions have begun to document initial challenges faced by development practitioners using this aid modality. However, more lessons on how and whether results-based funding works will require further experimentation and evaluations.

The paragraphs below present some early findings on the current issues related to technical implementation and to political economy aspects. Indeed, some major challenges related to results measurement and management are even more pronounced in results-based funding approaches because of the financial and political implications of paying for achieved results and transferring part of the risk of implementation to the partner countries.

A. Technical implications

Results-based funding characteristics affect how interventions are designed and carried out, from agreeing on what a result should be to agreeing on the payment schemes once the results are achieved.

The first characteristic of results-based funding is that payments are made based on achieved results agreed in advance. In practice, the notion of results is understood in a broad sense and can include payments from improved processes, outputs or outcomes depending on the sector of intervention and the characteristics of the partner countries.

Box 6.3. Examples of predefined results

The **World Bank's** Program for Results introduced in 2012 directly links disbursements to tangible and verifiable results. Disbursement-linked indicators (DLIs) are used to provide governments with incentives to reach milestones and improve performance. These indicators are driven by outputs, outcomes, intermediate outputs and process indicators. For example, in Morocco, the National Initiative for Human Development disbursement linked indicator is the percentage of population provided with access to improved water supply in rural communes. In Nepal, disbursements for the results-based bridges improvement and maintenance programme depend on the percentage of bridge works completed on schedule.

Source: Deng, F. (2014), "Program-for-Results: an overview and experiences", Presentation at OECD/German Development Institute technical workshop on results-based funding, OECD/DIE, Paris, 19-20 May 2014.

Selecting and formulating appropriate indicators is especially crucial in results-based funding since performance incentives largely depend on them. The risk of focusing on deliverables is to favour those results which are short term and easier to measure. Neglecting other priorities to focus on more quantitative goals might create disincentives and non-systemic strategies. Members found that such perverse effects can be more easily avoided when the targets are closer to the impacts than to the outputs of a results chain. It explains partly why, for the moment, more results-based funded approaches have been implemented in the health sector than other areas. Expected results in this sector are easier to measure and verify; donors know what to buy because outputs can be good proxy for outcomes. Applying this aid modality for the softer development areas, such as governance or gender, in which results are more qualitative and long-term in nature is more difficult. However, some pilot projects are being implemented in the governance sector, especially in two areas: i) administrative reforms and decentralisation; and ii) public finance management.

Box 6.4. DAC members' experience of results-based funding approaches in governance

The **French Development Agency (AFD), DFATD Canada**, **Danida** and Germany's **KfW Development Bank (KfW)**, together with the government of Ghana, have established a district development facility in Ghana to provide performance-based grants to metropolitan, municipal and district assemblies to complement their major source of funding, the district assembly common fund, and a transfer from central government. This facility aims to mobilise additional resources, provide incentives for performance, and establish a link between performance assessment and capacity development support. It features an annual assessment for all assemblies which has two main components:

- assessment of the basic prerequisites of the assemblies that ensure absorption capacity and proper management of funds
- assessment of the performance based on more qualitative indicators and institutional outputs.

The facility is divided into three grant components; the main one is a performance grant with 68% of the resources available and the two other are basic grants and capacity-building grants.

Source: Janus, H. (2014), *Real Innovation or Second-Best Solution? First Experiences from Results-Based Aid for Fiscal Decentralisation in Ghana and Tanzania,* Discussion Paper 3/2014, German Development Institute, Bonn.

The second characteristic of results-based funding is that the recipient – the government or the service provider – is responsible for the achieved results. As the risk related to implementation shifts from the donor to the recipient, negotiating the targets and their price is crucial. Regarding pricing, donors tend to decouple the price or reward from the outcome-related expenditure. This tendency is explained by the fact that linking outcomes to specific expenditures can cause delays in disbursement. Moreover, results-based funding pilots are

not implemented in a vacuum. They operate alongside other types of input-funding which can cover part of the necessary costs to achieve the outcomes. As prices should cover the necessary incentives to take on risks, targets and prices should be agreed via an extensive negotiation process where every stakeholder understands the shift towards results. Experiences from the health sector underline that when negotiating the incentives, stakeholders should bear in mind that each financial restriction or requirement decreases its value because of the burden caused by the reporting.

Transferring the risk to the government or the service provider also raises the issue of local capacity, whether financial or technical. To address the issue of financial capacities donors can choose to include pre-financing mechanisms (disburse part of the funds before results are achieved), depending on the local capacity and the risk taken by their partners, although pilots are usually complementary to traditional input-funding programmes. In terms of technical capacity, the question of whether donors should develop a hands-on or hands-off approach is still discussed among practitioners. Some advocate a hands-off approach to increase partners' ownership and sustainability and to improve efficiency. Others are more in favour of a hands-on approach to strengthen partner systems. Whatever their stance on the issue, donors tend to combine their programmes with technical assistance or capacity-building interventions, be it at the partner request during implementation or during the design phase.

Box 6.5. DAC members' experiences of addressing risk

Under the same umbrella of payment by results pilots, **DFID** developed common but differentiated approaches to adapt programmes to specific contexts. Comparing two pilot programmes implemented in Rwanda and Uganda illustrates how the design can be adapted to address the different level of risks in each country and sector.

Table 6.1. Payment by Results: two pilot programmes

	Education Results Based Aid in Rwanda	Health Results Based Financing Uganda
Results	Improved completion of education, measured by sitting key grade exams.	Improvements to key maternal and child health indicators.
Risk	100% paid on delivery of results, a component of a mixed-modality education disbursed as Sector Budget Support.	Essential medicines and small seed grants paid up front.
Who gets paid?	Government of Rwanda, Ministry of Education.	Individual health facilities.
Technical Assistance (TA)	No initial TA given – recipient discretion emphasised.	TA to business planning, financial management, supply of drugs, and District Health Teams for independent monitoring of services.

Source: Cockburn, E. (2014), "Department for International Development, Payment by Results", Presentation at OECD/German Development Institute technical workshop on results-based funding, Paris, 19-20 May 2014.

Results-based funding approaches require available and reliable data so that results can be measured. In cases where anticipated changes have been clearly defined and specific targets agreed, good baseline information and suitable indicators are essential to measure performance. The choice of benchmark, increasingly difficult as one moves along the results chain towards impact, can have important implications for how performance is judged and therefore on the amount of pay-outs. Experiences from the reducing emissions from deforestation and forest degradation initiatives (REDD+) highlight how changes in the baseline can lead to huge variations in the estimated pay-outs (see Box 6.6) and which can be used as an argument for allowing ex-post adjustments when necessary.

Box 6.6. REDD + and the issue of reference level

The Brazil-Norway agreement on the REDD+ initiative aims to continue reducing deforestation rates to the point of zero illegal deforestation. In the case of the Amazon biome, such a specific goal may prevent emissions of up to 4.8 billion tonnes of carbon dioxide in the period between 2006 and 2017, based on an estimate of 100 tonnes of carbon per hectare. According to the agreement, the rate of deforestation reduction used to measure performance is calculated using the last ten-year average. In this case, the total amount paid from 2009 to 2013 should be USD 10 398 million. However, if the average over the last five years (updated every year) was used instead, the payment would have been less than half that amount.

Table 6.2. Simulation of annual payments with changing baselines (USD million)

Year	Actual reference level	Alternative reference level
2009	2 213	1 707
2010	2 298	1 060
2011	1 814	733
2012	2 153	789
2013	1 920	301
Total	10 398	4 590

Source: Angelsen, A. (2014), "REDD+ as performance-based aid", Presentation at OECD/German Development Institute technical workshop on results-based funding, OECD/DIE, Paris, 19-20 May 2014.

Due to the financial implications of measurement, independent verification is crucial to check whether what was agreed was actually realised. Indeed, it is focusing on the results and not the process that allows enough flexibility to adapt implementation to local issues and challenges. In practice, verification arrangements are usually handled by government independent entities (such as the court of audit), private firms or NGOs. These arrangements can require huge technical and financial efforts to limit the risk of corruption and gaming.

The schedule of payments also plays an important role, both in terms of capacities and incentives. As for more traditional input programmes, the question of synchronising disbursement with the country's budget cycle is crucial. Moreover, results-based funding approaches face specific challenges when it comes to paying for results. Indeed, some results cannot be fully achieved in a short period of time; but the length of time that the recipient needs to bridge with finance until payments are received will increase its risk. Moreover, in

case of programmes targeting governments, the issue of turnover has to be taken into account. If the original recipient is no longer in charge when payments are received, the financial incentives for innovation and problem solving will not be as efficient. To address this issue, and when the type of results allows it, some pilots already include the possibility of partial disbursement for partial achievements.

B. Political economy challenges

Results-based funding also raises broader questions related to the political economy of the approach and how to put its potential benefits into practice.

To implement effective results-based funding mechanisms, understanding how the incentive to accelerate progress and value for money works on the donor as well as on the partner country is important. Indeed, advocates of results-based funding stress that such an approach can have spillover effects on the management of aid and public policies in general. According to experiences in the health, education and environment sectors, results-based funding pilots can enforce a results culture beyond the management of the pilots themselves, support innovation and creativity and help promote new issues on the political agenda. Are these changes due to the financial incentives or the non-financial incentives? Does the shift of paradigm towards results have more influence? In practice, pilots have the tendency to multiply the potential incentives. One common trend is to add an element of competition among possible recipients to the allocation of funds.

Such an element of competition can decrease the opportunity cost for a programme manager not to disburse funds for unsuccessful projects. Indeed, as mentioned in previous chapters, without organisational change staff might be more encouraged to disburse than to document results. Because of the pressure to disburse, there might be a risk to favour easy-to-measure and easy-to-achieve results, as well as countries with a good performance record, to the detriment of others – and therefore widen the resources gap between partner countries. To limit these perverse effects, pilots have been designed with a comprehensive approach to development co-operation. They are used as a complementary tool to accelerate progress and not as stand-alone programmes. Moreover, when programmes are implemented, some pilots present the possibility of adjusting incentives over time – tightening up indicators, for example – to ensure that partner countries still agree to take higher risks than usual.

Box 6.7. Examples of results-based funding and competition

The **EnDev programme** is a multi-donor programme supported by the Netherlands, Germany, Norway, Australia, the United Kingdom and Switzerland and is executed by the German Agency for International Cooperation (GIZ) together with partner institutions in 24 countries in Africa, Latin America and Asia. The programme aims to provide sustainable access to modern energy services for households, social establishments, and small and medium-sized businesses, and supports the competencies and capacities of key actors in the energy sector. The programme combines a results-based approach with elements of competition and flexible allocation of funds. Funds are disbursed based on the number of people sustainably provided with energy in relation to the costs and effects of allocated technologies and services. After initially financing pilot projects, additional financing is provided to successful projects with good performance (high outcomes and effects with high cost efficiency) for scaling up.

The **DFID** results-based aid programme in the education sector in Ethiopia presents a balance of a competition and equity elements (see Box 6.2 on the disbursement schemes). Once the government receives the funds, the Ministry of Education re-allocates them to the regions. Half of the funds are disbursed according to improvements in the numbers of those who sit and pass exams, and the other half are disbursed according to the total number of those who sit and pass exams in each region. Rewards are also publicly announced, thereby increasing the non-financial part of the incentives.

Source: OECD/DIE (2014), "Technical workshop on results-based finding", workshop report, Paris, 19-20 May 2014.

7. KEY DIMENSIONS FOR EFFECTIVE RESULTS MEASUREMENT AND MANAGEMENT

The previous chapters looked at donor agencies' challenges and practices in measuring results, using results information, supporting partner countries and managing results systems in fragile contexts. Based on DAC members' experiences, this chapter will look at some of the key dimensions to improve results measurement and management within development agencies from a strategic, organisational and technical perspective.

A. A clear purpose for the results system

Chapter 3 illustrated the potential uses of information, from decision making to learning and accountability. Different emphases are placed on results information depending on how it will be used. Results information for management emphasises learning how long-term results have been achieved while for accountability purposes, the emphasis is placed on short-term results that can be easily attributed to an institution. Because of conflicting consequences in terms of how results are measured, being clear on how the information will be used will help DAC members to adjust organisational and operational settings accordingly. It will also help leaders to give clear signals within their organisation.

In the case where results information is mainly used for accountability, aggregated data attributed to an institution can provide citizens with a concise message on achievements. When aggregated at country level and combined with context and performance analysis, and an explanation of the risk management approach, communication could help educate citizens in donor and partner countries on development challenges and progress. Communication of results information also involves citizens in partner countries. Supporting partner countries efforts to communicate the results of their public policies can strengthen political dialogue and support good governance.

With regards to using results information for management purposes, DAC members' efforts have been slowed down by weak results cultures within institutions.

B. A mature results culture

The lack of a mature results culture in development agencies– and the organisational consequences – constitute one of donor agencies' main concerns in using results for decision making and learning. A results policy without a strong results culture, as experienced by DAC members, is difficult to put into practice in a meaningful way and can be perceived as merely a formal requirement. Building such a culture requires:

- **A strong leadership** that i) communicates the strategic vision of what the organisation is trying to achieve; ii) clarifies how staff are contributing to this vision and how results should be part of their daily work; and iii) demonstrates

the benefits of a results focus. At the country level, an institutional champion who promotes, demands, and uses data can support this leadership.

- **Providing staff with the appropriate incentives** to strengthen results measurement and management practices institutionally. In practice, incentives include support mechanisms such as appropriate training, user-friendly guidelines, information databases to assist staff in their responsibilities, management responses to results information, or making results part of the performance assessment. However, introducing incentives should be done with caution in order to limit the risk of picking easy-to-achieve activities and not to turn discussions on results into a negotiation on performance or compliance.

- **Holding staff and managers accountable for results.** Within an appropriate incentives structure, the responsibility to strive for results should be part and parcel of staff's daily work. DAC members' discussions on results-based funding underlined that holding staff accountable involves balancing the pressure to disburse with the pressure to achieve results.

- **Empowering managers and staff to make corrective adjustments.** Managers should be held accountable for what is within their control, and equally should be empowered to make adjustments. Examples from fragile contexts illustrate how some flexibility in adjusting intermediate results during implementation, while aiming at consistent long-term outcomes, can improve the capacity to achieve long-term results.

- **An enabling environment to discuss poor and good performance.** In order to adjust the best way possible, managers must be able to learn from both positive and negative performances. An environment where it is not possible to report on negative performance may lead to unreliable reporting and inadequate analysis of non-achieved targets and unexpected results.

- **A corporate commitment and willingness to learn from results.** Results policies cannot be limited to data collection and targets. Qualitative information, analysis and evaluations must complement results measurement to understand how and why results were achieved or not.

C. Buy-in to the results from donor agency management and partner organisations at the country level

Buy-in from donor agency management and partner organisations is vital to ensure that interventions will target results and results data will be produced and used for decision making. Focusing on using country systems and building technical capacities alone will not be sufficient. Indeed, buy-in also implies discussions and negotiations among development partners on what development change is being sought before agreeing on how to achieve it. Without necessarily going as far as results-based funding, negotiating on results can shift relations with partner countries. Transparent expected results and results information can become an element of policy dialogue if they are discussed from the outset and during implementation to understand and support a common vision and agree on the necessary

adjustments. Such flexibility will help to build the necessary leadership at the intervention level and encourage management to pursue changes that are relevant to the country's needs, instead of just those that are easily measured.

D. Clear results set at the country and intervention levels

Buy-in from donor agency management and partner organisations also requires results that are clearly defined and described. Different stakeholders can have different perspectives of what a result looks like; much confusion can arise when expected results are misunderstood by those trying to achieve them. Clarifying objectives and performance not only gives a strategic direction to staff and development partners but also provides necessary information for decision making. For management purposes, results cannot be defined at corporate level alone. Country and intervention level results must be consistent with the corporate strategy in order to carry it out and keep focused on priorities.

E. Balance between short-term and long-term results

Pressure to account for clear and measurable results should not lead an organisation to focus exclusively on the short term. With all its complexities, the results agenda really only matters if it contributes to long-term sustainable improvements in the lives of the world's poor, not just changes in the ways in which development partners manage and account for results. Focusing on long-term development changes requires analysis on how results interlink over time and across sectors. Comprehensive approaches can help understand these links. For example, looking at changes at the level of the target groups could help measure and understand the missing middles between outputs in one sector and crosscutting outcomes. Such an approach requires strong monitoring and analytical capacities, including at the field level, to address linkages and qualitative changes.

F. Manageable results frameworks aligned to priorities

Setting results at multiple levels (corporate, country and intervention) while attempting to respond to both management and accountability needs can lead to multiplying indicators, wasting time and resources. It is therefore crucial to align results frameworks to strategic priorities and filter the information according to demand. This implies, however, being clear on who will use results information and for what. For example, selecting a limited number of indicators that will present aggregated data at corporate level can help design messages for the public while limiting the number of indicators. At intervention and country levels, relying on staff expertise and experience while being focused on priorities to filter select the indicators can also keep their numbers manageable.

G. Strengthened data availability and reliability

Results policies and systems depend on data being available and reliable. Collecting reliable data requires providing the necessary resources – resources that should not compete with those allocated to implementation. Experiences from fragile contexts can provide useful insights on how data can be collected in difficult settings. Indeed, in situations where reliable data are scarce, donors have had positive experiences of using local capacities, third party monitoring, open source databases, and resource pooling to collect data across donors and projects. This however should be linked to partner countries' need for information and efforts to support partner countries' results systems. Ways of support include focusing on improving data quality and timeliness, promoting a results culture, and using partner country results systems to inform decision making on donor interventions.

E. The way forward

The previous paragraphs highlighted how technical challenges should not take precedence over the political and strategic aspects of results measurement and management. Moreover, although results approaches are part of the Paris-Accra-Busan agenda, the way the results agenda is implemented – with an increasing emphasis on donor accountability – signals the risk that donors might move away from the principles of ownership and alignment. Placing results at the core of public interventions requires more than technical capacities; it requires a strong and mature results culture among all stakeholders. Although the key drivers of a mature results culture have been identified, many DAC members are still in the process of building up such a culture. DAC members should pursue their practice of sharing experiences and mutual learning on how to implement these changes. Results frameworks are multiplying in both donor and partner countries; DAC members will need to pursue their efforts to strengthen consistency between donors' and partners' results strategies.

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Measuring and managing results in development co-operation

A *review of challenges and practices among DAC members and observers*

The results community committed in international fora to manage for better development results. However, progress is uneven in meeting these commitments and in implementing results management in practice.

This review helps better understand the strategic, organisational and technical challenges organisations face in becoming more results focused. Providing insights into current practices, it also presents the reader with specific examples on how agencies have addressed important aspects of the results agenda such as measuring results, using results information, supporting partner countries' results systems and developing new instruments to link results with decision-making. The review concludes with key dimensions to improve results measurement and management. This is a timely contribution as development partners will have to find ways to measure and manage their contribution to the new set of Sustainable Development Goals.

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BETTER POLICIES FOR BETTER LIVES