Improving Project, Program and Policy Performance in Developing Countries through Managing for Development Results

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CONTENTS

ABSTRACT

The paper seeks to answer five questions—(i) what is "Managing for Development Results (MfDR)," (ii) what are the known conditions for the successful adoption of MfDR?, (iii) Do these conditions apply to developing countries?, (iv) does MfDR produce better results in developing countries?, and (v) what are some of the emerging challenges in adopting MfDR? In noting that that MfDR is results-based management expressed in the language of development, the reasons for the adoption of the new term and the possible consequences of this are explored. While the perils of transferring management practices from one cultural context to another are noted, the experience of evaluation capacity developing in developing countries supports the view that the known conditions for successful adoption of MfDR generally apply to the developing country context. However, many developing face special challenges not faced by rich countries and they need to deal with the particular cultural context that may support or impede successful adoption. There is little empirical evidence that MfDR delivers better develop results although it is intrinsically seen as doing so. However, the evidence presented in the paper supports the view that applying the principles of MfDR can bring about significant improvements in project, program and policy performance. Aside from the preconditions for success, a number of emerging challenges in adopting MfDR are discussed. The paper concludes that MfDR can contribute to better results. Paradoxically though, those countries that need the benefits the most are the least likely to be able to apply "whole of government" MfDR. Notwithstanding this, more limited adoption where the conditions are favorable offers hope for better results from projects, programs and policies in the future.

I.   INTRODUCTION

1.   Managing for Development Results (MfDR) is a firmly established part of the global development agenda.[1] The question for development agencies and their client countries is not whether they should adopt MfDR, but how. Heads of the multilateral development banks at the Second International Roundtable on Managing for Development Results stated that "We accord the highest importance to supporting countries in strengthening their capacity to better manage for development results." In acknowledging a new partnership of shared responsibility they noted that "Within this global partnership, countries must take the lead in managing their development and transition processes." To assist in this process the heads of the multilateral development banks committed to "Strengthen partner countries' own institutions, systems, and capabilities to plan and implement projects and programs, report on results, and evaluate their development processes and outcomes, avoiding parallel donor-driven mechanisms." An action plan was agreed.[2] This direction was further strengthened by the 2005 Paris Declaration on Aid Effectiveness.[3]

2.   This paper addresses the broad topic of improving project, program and policy performance in developing countries through MfDR by suggesting answers to five questions:

   (i)   What is MfDR?
   (ii)   What are the known conditions for the successful adoption of MfDR?
   (iii)   Do these conditions apply to developing countries?
   (iv)   Does MfDR produce better results in developing countries?
   (v)   What are emerging challenges in adopting MfDR in developing countries?

3.   The evidence base for answering these questions is largely drawn from evaluation work carried out by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB). The paper ends by drawing conclusions.

II.   WHAT IS "MANAGING FOR DEVELOPMENT RESULTS"?

4.   MfDR is an approach to the delivery of aid (grants, technical assistance and concessional finance) that aims to produce better development results ("doing the right things and doing them right") through:

   (i)   being clear about the desired results in terms of impacts, outcomes and outputs,
   (ii)   understanding what must be done to achieve those results (spelling out the program logic or results chain), and
   (iii)   making management decisions on the basis of performance in producing results rather than the use of inputs.

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[1]   As outlined at www.mfdr.org, MfDR had its origins in the establishment of the Millennium Development Goals and the International Conference on Financing for Development in Monterrey, Mexico (2002), and was concretized in the International Roundtable on Measuring, Monitoring, and Managing for Results (2002), and Second International Roundtable on Managing for Development Results, in Marrakech, Morocco (2004).

[2]   African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank. 2004. *Joint Marrakech Memorandum* and *Annex 1: Promoting a Harmonized Approach to Managing for Development Results* and *Annex 2: Action Plan on Managing for Development Results.* Available at http://www.mfdr.org/2ndRoundtable.html

[3]   Available: http://www.aidharmonization.org/ah-overview/secondary-pages/editable?key=205

5.   The results being sought according to global consensus are "sustainable improvements in country outcomes" (footnote 2).

6.   According to the ADB's Action Plan for Managing for Development Results, the purpose of MfDR is to help managers answer three questions—are we being effective?, how do we know?, and how do we use this information to determine future action?[4]

7.   MfDR is results-based management (RBM) expressed in development terminology. Given this, the question arises, why invent a new term? Why not just call it RBM and get on with it? Clearly, any initiative to speed up the pace at which development takes place is highly desirable, and it is very positive that aid agencies, which are using tax-payer provided money, and developing countries which are spending it along with their own resources, are willing to be accountable for the results obtained. So, maybe we need not worry too much about what term is used. On the other hand, it can be asked if the focus on the achievement of development results (in the developing countries) has the effect, whether intended or not, of deflecting attention from the application of the principles of RBM inside the aid organization itself. If aid agencies are not practicing RBM internally—that is they do not "practice what they preach" in their internal management—can they realistically expect to achieve better development results and, how credible is their message to their clients? As suggested by this paper, better development results can be achieved, to some extent at least, by following the principles of MfDR only in client countries. However, by not practicing RBM internally, development agencies are transferring responsibility for achieving results principally to their clients and missing opportunities to improve their own effectiveness. Is this fair given the frequent difference in capacity? Probably not. Also, client feedback provided to OED as part of its evaluation work indicates that clients recognize that ADB does not always practice what it preaches and this affects their perception of ADB as a credible source of learning and policy advice.

8.   Another concern regarding use of the term MfDR is that it may restrict the focus to getting better results from aid flows rather than improving the results from public expenditure in general. While improving the effectiveness of aid is important, for most developing countries, aid makes up a very small percentage of total public expenditure. The real gains are to be made in applying RBM to the entire government budget. If MfDR can act as a pilot for this to happen it will have achieved a great deal. However, there is a danger of isolation of RBM principles to the aid budget alone. We need to guard against this.

9.   Turning now to the question at hand, MfDR/RBM can be broken down into three distinct activities—specifying expected results, measuring results and using that information to improve performance. MfDR only takes place when all three have been carried out.

     (i)   **Specifying expected results.** Making explicit what results we expect to achieve before the policy, program or project is put in place usually calls for results to be spelled out as outputs to be produced, the outcomes that directly flow from having produced the outputs, and the broader impacts on people to which the project, program or policy will contribute. The main reason for breaking results down into this hierarchy is to account for differences in timing, measurability and attribution. At each level, measurable targets and indicators are set and baseline values determined. Additional steps are to (i) spell out the data sources which will yield the required information for monitoring the achievement of results, and (ii) the assumptions and risks that exist in the program logic of outputs leading to

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4   Available: http://www.adb.org/MfDR/actionplan/default.asp.

outcomes and impacts. What I have just described is the logical framework or design and monitoring framework as we term it in the ADB.[5]

(ii) **Performance measurement**. The targets and indicators are tracked as a means of determining progress towards achieving the expected results. It is also desirable to monitor whether the program logic assumptions are continuing to hold true and risks, whether identified ex-ante or not, have occurred thus requiring mitigation. Collectively, these activities comprise monitoring. Evaluation goes beyond monitoring to determine why results were or were not achieved, and to identify good practice and lessons for the future.

(iii) **Performance management**. This involves the use of the data provided by performance measurement. "Managing for results involves using information to improve decision-making and steer country-led development processes toward clearly defined goals" (footnote 2).

III.   WHAT ARE THE KNOWN CONDITIONS FOR SUCCESSFUL ADOPTION OF MfDR?

10.   What does the literature tell us about the necessary conditions for MfDR's adoption? OED recently completed an evaluation of ADB's progress in adopting MfDR[6] and this contains a literature review which identified seven success factors that need to be present in an organization for MfDR to be successfully adopted. These are:

(i)   strong support from the senior leadership;
(ii)   staff with the necessary skills, receiving appropriate training;
(iii)   an organizational culture that focuses on achieving results;
(iv)   supportive staff management practices and incentives;
(v)   sufficient operational capacity and resources;
(vi)   appropriate management of change process for introducing MfDR; and
(vii)   suitable business systems and processes in place.

11.   Lessons emerging from international experience (taken from the same OED study) are summarized in Box 1 under three categories—(i) promoting favorable implementation conditions, (ii) developing performance measurement systems, and (iii) using performance measurement information.

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[5] ADB. 2007. *Guidelines for Preparing a Design and Monitoring Framework*. Manila. Available: http://www.adb.org/Documents/Guidelines/guidelines-preparing-dmf/default.asp
[6] ADB. 2007. *Managing for Development Results in the Asian Development Bank: A Preliminary Assessment*. Manila.

Box 1: Lessons from Adoption of Results-Based Management

Promoting Favorable Implementation Conditions
- ✓ Customize the results-based management system to users' needs rather than adopting someone else's approach
- ✓ Take time and maintain momentum—be patient and persistent as it can take years for success
- ✓ Connect performance management to the business plan and budget to give meaning.
- ✓ Align management systems to support implementation but use existing systems and information whenever possible
- ✓ Provide adequate financial and human resources
- ✓ Take care over the location within the organization of the stewardship of the performance management process—do not isolate it
- ✓ Pilot projects can be a useful approach
- ✓ Developing a performance management culture is essential but changing an established culture is not easy, thus it takes time
- ✓ Changes are required in the notions and locations of accountability in public sector organizations
- ✓ Senior level leadership is necessary for successful implementation and this should be a shared responsibility at both political and management levels
- ✓ Broad-based participation fosters support for implementation
- ✓ Training and education build success by contributing to culture change and helping overcome a lack of experience and expertise
- ✓ Communicate the purpose of RBM throughout the organization and to external stakeholders

Developing a Performance Measurement System
- ✓ Keep it simple and use a manageable number of indicators but use a balanced set of measures to ensure an adequate performance assessment
- ✓ Consider three performance measurement system essentials—design, use and updates
- ✓ Understand the three types of performance measures—key results indicators, performance indicators and key performance indicators
- ✓ Clearly define key terms and concepts
- ✓ Use logic charts to help define expected results, indicators and risks
- ✓ Align performance measures with accountability and decision-making authority—individuals should be held accountable for what they can influence and they must understand the system and how they can influence results. Ultimately, there should be a shared accountability for results
- ✓ Generate credible performance information (valid and reliable) and subject this to some form of independent checking
- ✓ Use frameworks to achieve balance in measurement systems
- ✓ Performance standards and targets are essential for measurement and accountability—benchmarking can be a useful approach while the use of baseline data is also highly recommended.

Using Performance Information
- ✓ Demonstrate the use of performance information—it must be used and seen to be used by others. Visible use by top managers is particularly important
- ✓ Effective management requires performance information, capacities to use that information, and incentives to act on the performance information—without an incentive to act, performance information and capacities are useless
- ✓ Evaluation complements performance measurement by helping explain why targets were not met or they were exceeded and giving guidance on how to improve programs
- ✓ Incentives can be used to foster support—the most successful RBM systems are nonpunitive
- ✓ Performance reporting is needed for decision-making—a vital flow of information is required. However, the information reported must be credible and presented in a way that facilitates its use
- ✓ Learn, review and adjust performance measurement systems

IV. DO THE CONDITIONS FOR SUCCESSFUL ADOPTION OF MfDR APPLY TO DEVELOPING COUNTRIES?

12.   The perils of transferring management practices from developed to developing countries are well known (see for example Schick, 1998[7]) so, since MfDR is the product of a "Western" management tradition, we need to be cautious about saying that these lessons apply, or that they apply to the same extent, in the developing country context. Perhaps there are other factors that are more important in terms of success? Is MfDR even relevant to many developing countries? Schick provides a sobering assessment in respect of the relevance of the New Zealand reform model to developing countries.

> I believe there are important preconditions for successfully implementing the new public management approach and these should not be ignored by countries striving to correct decades of mismanagement. In contrast to those who take the position that managerial deficiencies should be the driving factor in determining the suitability of these type of reforms, I argue that they should be deterring factors. The greater shortcomings in a country's established management practices, the less suitable the reforms (footnote 7).

13.   To help address the question of what factors are important in the developing country context, we can use the experience of OED's efforts since the early 1990s to build evaluation capacity in seven of ADB's developing member countries. This draws on an OED evaluation of that experience up to 2001[8] supplemented by further experience in the People's Republic of China. The main lessons from this experience are:

(i)   It proved more complex and time-consuming to build a functioning results-based monitoring and evaluation system than first thought;

(ii)   High-level commitment to performance evaluation is essential—this should be clearly demonstrated by allocation of sufficient budget and staff, the status of the activity within the government and individual institution, and the existence of at least one influential "champion" for results management;

(iii)   There are a number of preconditions for success in building evaluation capacity— (a) a commitment within the government to accountability, (b) management decisions are not made on political grounds, (c) an incentive structure exists that encourages public sector employees to operate in the public interest, and (d) stability in staffing;

(iv)   Building capacity in results monitoring and evaluation requires incentives and training at all levels—field, project management unit, province and central agency levels;

(v)   Establishing a results-based monitoring and evaluation system is a means to an end, not an end in itself. It has a cost. Benefits are only obtained when the results are used in key budget, investment and policy/strategy decision-making processes. The design of results monitoring systems should not assume that information produced by these will be used. Rather, specific design features must be included to encourage and formalize use. Opportunities need to be captured for providing results-based monitoring and evaluation information to policy makers;

(vi)   Capacity building is a long-term process.

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[7] Schick, A. 1998. Why Most Developing Countries Should Not Try New Zealand Reforms. *The World Bank Research Observer, vol. 13, no. 1, pp. 123-131*.

[8] ADB. 2001. *Selected Technical Assistance for Strengthening Evaluation Capacity in Developing Member Countries*. Manila.

14.   A World Bank Independent Evaluation Group study produced similar findings to that of ADB.[9] It notes that "first and foremost is that **substantive demand from the government is a prerequisite to successful implementation**" [emphasis in original]. The study identifies three dimensions of success as (i) utilization of monitoring and evaluation information, (ii) good quality monitoring and evaluation information, and (iii) sustainability. In citing Chile as an example of what "success looks like", Mackay (2006) says that "in particular it is the intensive utilization of the monitoring information and evaluation findings which the M&E system produces…[that] are used by the Finance ministry for its resource allocation decisions with the budget process, and to impose management and efficiency improvements on sector ministries in the programs for which they are responsible."[10]

15.   Clearly, there are a number of similarities among the lessons emerging from the international literature and OED's experience in seven of ADB's client countries. The importance of leadership, the time required for success, the need to create demand for results-based monitoring and evaluation information, and the need to align with existing budget and other systems stand out. However, there are clues to possible important differences. One is the availability of resources to support MfDR. These are likely to be much scarcer than in developed countries. Another difference is the extent to which the necessary preconditions for success identified in point (iii) above—namely, a demonstrated commitment to public sector accountability, limited political interference in management decisions, an incentive structure that encourages public servants to operate in the public interest and a degree of stability in staffing. Most of these can safely be assumed to be true in developed countries, at least most of the time. The same cannot be said for developing countries. Another significant difference between developing and developed countries is the level of capacity, particularly at mid and lower levels.

16.   Another factor that should be considered is that of culture. The literature on RBM emphasizes the importance of establishing a culture change that is supportive of managing on the basis of results. Even the most superficial observation reveals that developing countries cover a wide range of cultures and cultural traditions and that these differ greatly from that prevalent in the developed countries where RBM originated. Does national culture matter when introducing MfDR and can we measure the likely effect? In reviewing eight studies that sought to cluster countries on the basis of cultural variables, Ronen and Shenkar (1985)[11] concluded that this was a valid process that reflected real differences. In his seminal work, Hofstede (1980, 1991)[12] ranked countries on the basis of four value dimensions (later five)—(i) power distance, (ii) individualism/collectivism, (iii) masculinity/femininity, (iv) uncertainty avoidance, and (v) short-term/long-term orientation. Cultures also vary in terms of the way they establish truth and reality—for example, the relative importance placed on facts and figures, as opposed to logic and feeling, intuition and spirituality (Schneider and Barsoux, 1997[13]). Without entering into details of the many studies on national culture and the implications of this for management, the reality of differing cultural values among nations certainly supports a conclusion that the introduction of MfDR in developing countries will have to confront challenges that may differ significantly from the

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[9] Mackay, K. 2007. *How to Build M&E Systems to Support Better Government*. Washington: World Bank Independent Evaluation Group.

[10] Mackay, K. 2006. *Institutionalization of Monitoring and Evaluation Systems to Improve Public Sector Management*. Washington: World Bank Independent Evaluation Group.

[11] Ronen, S., and O. Shenkar. 1985. Clustering Countries on Attitudinal Dimensions: A Review and Synthesis. *Academy of Management Review, 10(3), 435-454.*

[12] Hofstede, G. 1980. *Culture's Consequences: International Differences in Work-Related Values*. Beverley Hills: Sage Publications. Hofstede, G. 1991. *Cultures and Organizations: Software of the Mind*. London: McGraw Hill Book Company.

[13] Schneider, S. C., and J-L. Barsoux. 1997. *Managing Across Cultures*. Hemel Hempstead: Prentice Hall.

countries in which the approach originated. While the globalization of ideas and education may have narrowed the cultural differences among nations somewhat since much of this research was done, enough differences remain to demand caution when introducing MfDR in developing countries.

17.   Another difference between developed and developing countries is discussed by Caiden and Wildavsky (1990) when seeking to explain budgetary practices in rich versus poor countries—in particular, the need for repetitive budget changes in the latter. They argue that the occurrence of the problem in many poor countries of very different races and culture suggests that common problems (rather than differences) are at play. In their view "the basic cause of the of the phenomenon in low-income countries is extreme and extensive uncertainty which, when combined with severe scarcity of financial resources, narrows the time horizons of top officials to two or three months or less."[14] This is hardly a context in which MfDR will flourish. Paradoxically, therefore, it appears that the countries that need MfDR the most may be the least likely to be able to adopt it. Conversely, the conditions may be more suitable in countries where greater certainty prevails.

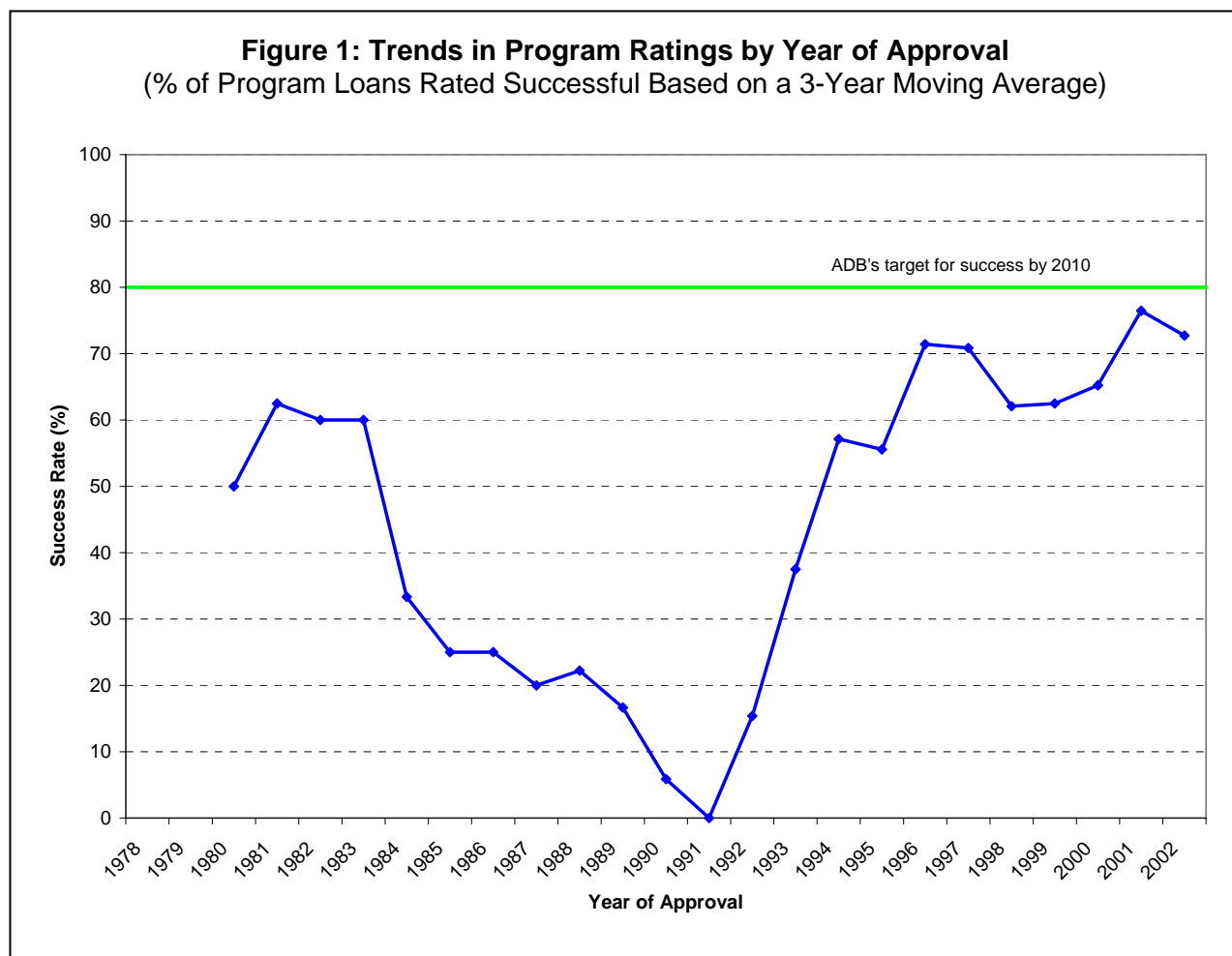## V.   DOES MfDR PRODUCE BETTER RESULTS IN DEVELOPING COUNTRIES?

18.   Whether the adoption of MfDR produces better results is a critical question but, perhaps surprisingly, there is a lack of empirical evidence addressing it. On the other hand, perhaps this is not so surprising as is generally considered axiomatic that MfDR is a "good thing." As evaluators we support the principles of MfDR wholeheartedly but we should be objective in assessing the performance of MfDR in practice. Clearly, MfDR has a cost and the benefits should exceed the costs to make the effort worthwhile. In this section four pieces of evidence are presented in support of a positive answer that MfDR can contribute to better results—(i) the improvement in the performance of ADB's policy-based lending operations, (ii) the overall trend towards improved performance of ADB lending operations and the convergence in the performance of ADB's ordinary capital resource and concessional lending operations, (iii) shared characteristics of successful projects in ADB, and (iv) an example of anecdotal evidence from a client. Certainly, the evidence is not conclusive, but it is suggestive that positive gains for development are possible from applying the principles embodied in MfDR. However, the question of whether the value of the benefits exceeds the costs remains to be answered.

A.   The Case of ADB's Experience with Policy-Based Lending

19.   As well as funding investment projects, the ADB provides budget support loans to encourage policy reform—these operations are known as program or policy-based loans. The loans are generally disbursed in one to three tranches following compliance by the client with a number of agreed reform conditions. Since introducing program lending in 1978 until 31 December 2006, ADB approved 184 such loans to 31 client countries for a total amount of $24 billion.[15] The success of the 101 completed operations with program completion or independent evaluation assessments has varied widely over the years but with noticeable trends as shown in Figure 1. Overall, 51% were rated "successful", 46% "partly successful" and 3% "unsuccessful."

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[14] Caiden, N., and A. Wildavsky. 1990. *Planning and Budgeting in Poor Countries* (5th Printing). New Brunswick: Transaction Publishers.

[15] The information on program lending is taken from a recent OED evaluation (ADB. 2007. *Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries*. Manila).

Figure 1: Trends in Program Ratings by Year of Approval
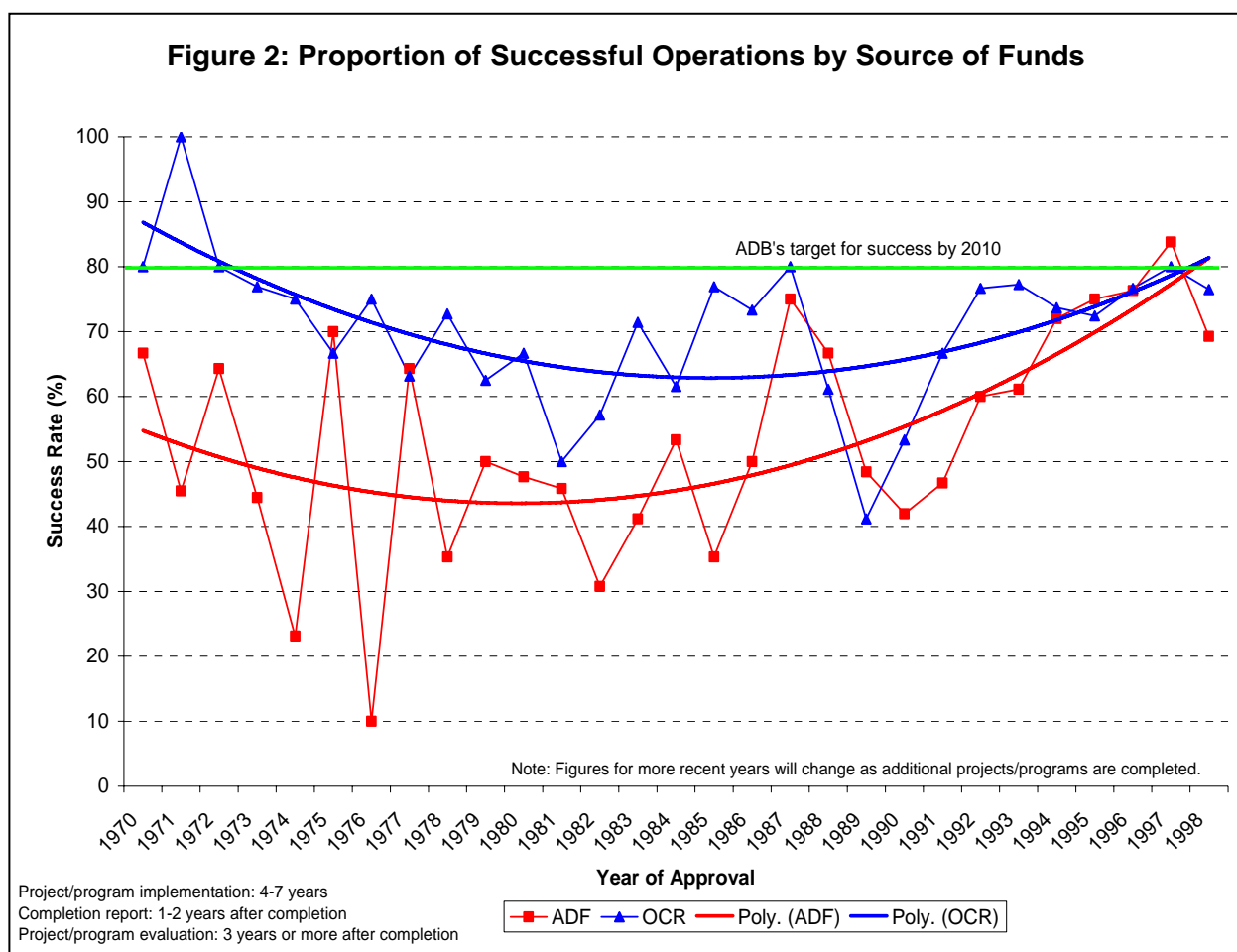(% of Program Loans Rated Successful Based on a 3-Year Moving Average)

20.   The evaluation study referenced in footnote 15 set out to identify the factors that favor or hinder success. While not a specific finding of the study, it is reasonable to suppose that the steady decline in the performance of program loans in the 1980s to a nadir of 0% successful in 1991 focused the attention of managers on the need for corrective action and certainly, the success rate has climbed dramatically since then, being maintained around the 70% mark. The evaluation highlighted a number of factors associated with a lack of success—among others these included:

(i)	over-ambition within the proposed timeframe, overly complex designs;
(ii)	deficiencies in the program logic;
(iii)	a lack of clarity on expected results and a failure to communicate these,
(iv)	the importance of political economy dimensions;
(v)	absence of, or deficiencies in, measurement indicators for expected results (particularly quantitative indicators);
(vi)	a lack of reliable and timely information upon which to base reform program management;
(vii)	a failure to monitor results following program termination;
(viii)	a lack of dialogue around the emerging evidence on outcomes;
(ix)	the need to link policy reform to budgets via medium-term expenditure frameworks.

21.   Taking these success factors into account has contributed to better performance of ADB's policy-based lending.

B.   The Case of Trends in the Overall Performance of ADB Operations

22.   The second piece of evidence in support of the contention that application of the principles underlying MfDR can contribute to better development results is provided by the trend to improved overall project performance (not just policy-based lending) and the convergence of the success rate of ADB's lending under its Ordinary Capital Resource and Asian Development Fund windows (the latter provides concessional funding to the poorer countries). The success rates are shown in Figure 2.[16] The trend is for improved performance and a convergence of performance by funding source.

Figure 2: Proportion of Successful Operations by Source of Funds

Project/program implementation: 4-7 years
Completion report: 1-2 years after completion
Project/program evaluation: 3 years or more after completion

23.   OED's 2005 Annual Evaluation Review[17] confirmed the trend to improved performance after controlling for the variables of country and sector (projects are more likely to be successful

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[16] Figure 2 shows project success rate by year of approval. Most projects approved after 2000 are still ongoing. The results shown for later years rely on fewer projects and more on self-evaluations by operational departments than independent evaluation. The completion of less well-performing projects is frequently delayed so these may not yet show up in the results. Hence, the success rates for later years may be lower as more delayed projects enter the database.

[17] ADB. 2005. *The 2005 Annual Evaluation Review*. Manila.

in some countries and sectors than others). The study found a clear association between design quality and project success. Based on an assessment of 2001 projects with post-evaluation reports, it found that 85% of projects with minimal design issues were rated successful, compared with 52% with moderate design issues, and 17% for those with major design issues. Further, it found that the proportion of projects with minimal design issues rose from 18% for those approved in the period 1976–1979, to 42% for 1980–1989, and to 65% for 1990–1995. The report concludes that "the design of ADB projects has progressively improved, an indication of continued learning and the effectiveness of initiatives aimed at strengthening project quality." Having said this, as noted later, the designers of ADB-funded projects are still having difficulty in defining expected results at the impact and outcome levels and a significant part of the judgment of success may have been on the basis of output rather than outcome or impact achievement.

24.   A recent OED study on the two most recent replenishments of the Asian Development Fund calls the degree of convergence achieved between the performance of Ordinary Capital Resource and Asian Development Fund operations "remarkable" given the generally lower levels of capacity in the less developed countries that receive concessional funding. While acknowledging that no rigorous statistical analysis was carried out, it opines a number of factors may have contributed to this trend including: improved capacity in the poorer countries following repeat operations; the gradual delegation of responsibility for project administration to ADB's resident missions; and, the smaller size of Asian Development Fund operations (they are on average three times smaller) which may allow them to receive relatively more attention. In addition to the factors identified by the evaluation study, one can note the introduction of strategic planning by ADB in the early 1990s and the adoption of a set of strategic development objectives that brought greater clarity to the outcomes being sought from ADB's operations; use of the logical framework became prevalent and then mandatory during the decade; and, an action plan produced by a task force on project quality was implemented to improve project performance. These initiatives embodied many of the principles of MfDR.

C.   Characteristics of Successful ADB Projects

25.   A third strand of evidence in support of the contention that adoption of MfDR produces better results is provided by looking at the characteristics of successful projects. OED's 2006 Annual Evaluation Review[18] sought to identify common factors contributing to successful projects in five core sectors (road, power, water supply/sanitation, education, and irrigation/drainage sectors). Among the 10 common factors, the following were noted:

  (i)   A striking feature of successful projects was their ability to learn lessons from past experience and incorporate these lessons in the design of subsequent projects;
  (ii)   executing agencies and ADB staff were able to identify and solve problems during the implementation of successful projects;
  (iii)   flexibility by ADB in allowing appropriate design changes, a proactive stance in solving problems, and making approvals in a timely manner were characteristics of successful projects;
  (iv)   the presence of baseline information appeared to be associated with more successful outcomes in the road sector; and
  (v)   over-optimism in the specification of expected results were often associated with less successful projects in the power and road sector operations.

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[18] ADB. 2006. *The 2006 Annual Evaluation Review*. Manila.

D.   The Experience of the Bangladesh Local Government Engineering Department

26.   The fourth element of evidence is the experience of the Local Government Engineering Department in Bangladesh, as presented in a workshop funded under an ADB regional technical assistance.[19] The presentation compared the assessment of success based on output delivery versus outcome achievement. The example was of two bridges with associated approach roads. In one situation despite 99% of the outputs being delivered, one part of an approach road was not complete. No benefits flowed so the outcome of "increased and improved accessibility and mobility of people and of agricultural/non-agricultural goods" was not achieved. The very different assessment of performance when outcome attainment is taken into account is illustrated in Figure 3. This simple example belies a revolution in thinking which underpins it. Very different decisions will be made when success is judged on outcomes rather than outputs, and these decisions can make a dramatic difference to people's lives and hence development.

Figure 3: Assessing Outcome versus Output Achievement Changes View on Project Success

Bridge 1: Progress 99% Cost 99m	Bridge 2: Progress 100% Cost 100m
One approach not complete. Users can not cross the river.	Users can cross river.
No RESULT to Users / Clients !	VERY USEFUL to Users / Clients !

Source: Taken from a presentation by M. Zulyaminayn, Monitoring Engineer, Local Government Engineering Department, Bangladesh as presented in a seminar held in Bangkok, 13–14 November 2007 under the auspices of Asian Development Bank Regional Technical Assistance 6306: *Mainstreaming Managing for Development Results in Support of Poverty Reduction in South Asia.*

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[19] ADB. 2006. *Mainstreaming MfDR in Support of Poverty Reduction in South Asia.* Manila. Available: http://www.adb.org/projects/project.asp?id=39601. The web site for the technical assistance is available at http://www.adb.org/Documents/Events/2007/Mainstreaming-MfDR/default.asp.

VI.   WHAT ARE EMERGING CHALLENGES IN ADOPTING MfDR?

27.   Accepting that the application MfDR can produce better development results, this section deals with a number of challenges we have encountered in ADB in seeking to apply it. It is suggested that many of these are relevant to developing countries in this part of the world as (i) the experience derives from designing and implementing projects in the Asia-Pacific region, and (ii) a substantial majority of ADB's staff are from the region.

A.   Specifying and Agreeing Expected Results is Not as Easy it Seems

28.   A starting point for successful MfDR is to be able to specify expected results at various levels (outputs, outcomes and impacts), along with targets, indicators, baseline levels, data sources for monitoring and evaluation, and assumptions and risks. As previously mentioned, all ADB projects are required to have a design and monitoring framework where the required information is spelled out. Detailed guidelines exist and these have been modified several times over the years (footnote 5). ADB has invested considerable resources in providing training to staff to ensure the high quality of design and monitoring frameworks. Internal quality control systems have been put in place. Notwithstanding this, the quality remains disappointing. According to assessments carried out for OED, frameworks for projects approved in 2006 were only marginally better than those approved in 2000.

29.   OED's experience in assessing the quality of design and monitoring frameworks has revealed two things—(i) it's hard to get the "experts" to agree on what constitutes good quality, and (ii) it's very hard to get project, program and policy proponents to come up with a good quality frameworks—statements of expected results are at the wrong level or unclear (particularly at the outcome and impact levels), the program logic is not logical, indicators are missing for some results areas or are not relevant, targets and baselines are not given, data sources are poorly specified, and statements of assumptions and risks are often inadequate (including the inclusion of so-called "killer risks or assumptions" that have a high probability and would doom the project, program or policy to failure if they occur (risks) or do not hold true (assumptions).

30.   Our experience shows the following may contribute to the difficulty in getting good quality design and monitoring frameworks:

(i)   Despite instructions to the contrary, design and monitoring frameworks tend to be produced as an adjunct to the formulation process of the new project, program or policy rather than being used as (a) a design tool for conceptualizing and analysis, (b) the basis for engaging with project stakeholders during formulation, and (c) an effective means of communicating thinking on results and the program logic to key decision makers **throughout** the formulation process. Previously, design and monitoring frameworks were mostly prepared as an afterthought following completion of design simply because it was mandatory to include one in the documentation. Given this reality, those responsible for project or policy formulation often see the design and monitoring framework as a necessary evil rather than something useful.

(ii)   Projects, programs and policies are too frequently submitted for funding with a very unclear definition and understanding of the problem to be solved (or in the worst cases, none at all). Not surprisingly, it is impossible to specify expected results if there is a lack of clarity about what the problem is, and what its underlying causes are. As the Cheshire Cat said to Alice in Wonderland in a well-

known children's story, "if you don't know where you are going, any road will take you there." ADB requires project design teams to construct a problem tree but this appears to be done infrequently.

(iii)   Even where the problem is reasonably well defined, there is generally a lack of quantified baseline information. Often the need for baseline information is acknowledged by saying this will be collected as part of implementation, but frequently this does not happen. Setting achievable targets is pretty well impossible in the absence of baseline information.

(iv)   If they can get away with it, people would rather not be held accountable for specific achievements so there is a natural reluctance to establish the basis by which one might be held accountable in the future.

(v)   There is frequently a conflict between a stated commitment to the achievement of development results and the political reality of multiple agendas and objectives (both within the development agency and the government). A focus on the achievement of development results calls for simple designs with a limited number of outcomes whereas the political reality of multiple agendas often results in projects, programs and policies with multiple expected outcomes with consequent complexity and, in ADB's experience, reduced changes of success.

B.   Problems in Performance Measurement during Implementation

31.   Beyond the problems with ex-ante specification of expected results, there are also problems in measuring performance during project implementation—in ADB the tool for this is known as the project performance report (PPR). This is designed to be a tool that alerts managers to underperforming projects that need remedial attention. It does this by rating projects as "problem projects" (or not) and "potential problem projects" (those not currently a problem but showing early warning signs that they are heading in that direction) with the combination of the two categories being known as "at risk projects". Every completed project has an evaluation of performance in the form of a project completion report (PCR). These rate projects as highly successful, successful, partly successful or unsuccessful. If the project performance monitoring system is working as intended, there should be a close relationship between the proportion of projects rated "at risk" in the final PPR before closure and the PCR. As shown in Figure 4, this is far from the case. This phenomenon is known as the "deathbed" conversion whereby apparently satisfactory projects become partly successful upon completion.

Figure 4: Less than Successful/Satisfactory Ratings in Project Performance and Completion Reports
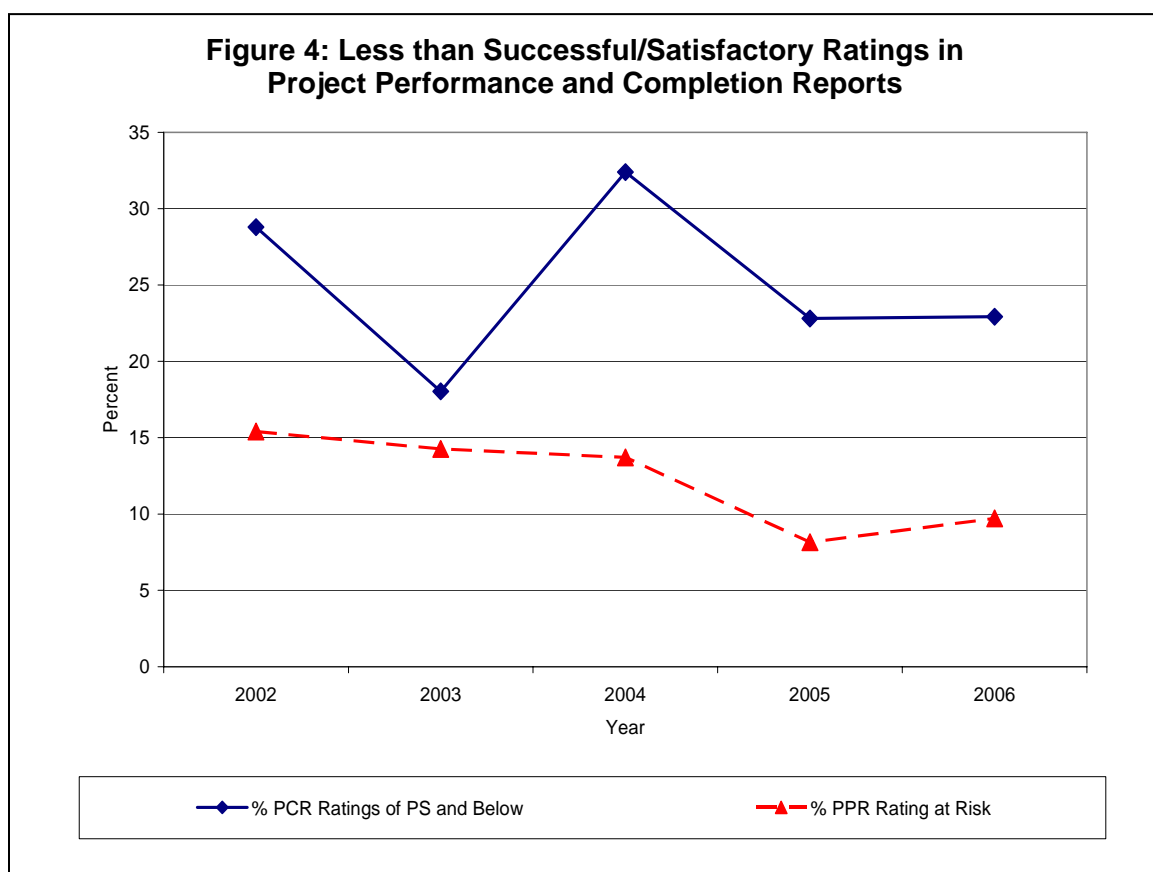
32.   OED's Annual Report on 2006 Portfolio Performance examined this problem in some detail.[20] Using a random sample of 65 projects under implementation, it found that 44% lacked the basis to measure progress towards the achievement of impact and outcome while 11% even lacked the basis for determining implementation progress. Whereas according to the 65 PPRs, 98.4% of projects were rated satisfactory or better, OED's reassessment was 25.4%—the corresponding figures for partly satisfactory were 1.6% for PPRs and 28.6% for OED's assessment. Interviews were conducted with project staff and 50% of project officers doubted the system's ability to track progress towards the achievement of development objectives. The following factors were identified as contributing to this reality:

(i)   Poor quality design and monitoring frameworks rendering monitoring difficult, if not impossible;

(ii)   Deficiencies in the use of the PPR, including a lack of sector expertise among project staff, excessive optimism, and insufficient candor in the reporting and ratings;

(iii)   Systemic inconsistencies in the PPR system;

(iv)   User unfriendliness of the system;

(v)   Contradictory incentives through also trying to use the ratings generated by a system designed as an early warning tool as an overall measure of success of the portfolio—for the purpose for which the system was designed it is desirable to

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[20] ADB. 2007. *Annual Report on 2006 Portfolio Performance*. Manila.

have around 25% of the portfolio identified as being "at risk" to know where remedial attention is required. If used as a measure of success as few as possible should be rated "at risk."

C.   Organizational Challenges in Adopting MfDR

33.   In this section, selected results are presented from a recent OED evaluation of MfDR in ADB (footnote 6). This included a staff perceptions survey. When asked to rank the relative importance in ADB of 7 factors shown in the international literature to be critical for successful adoption of MfDR, 74% of 772 staff rated senior leadership support as "very important." The next two highest ranked criteria were human resources practices, and staff skills and training. Results are shown for some of the questions on senior leadership support and human resources practices and incentives, along with some questions looking at whether staff believe MfDR is here to stay and is seen as very important by ADB. The results should give pause for thought to those promoting MfDR at the institutional level.

1.   Getting Senior Management to Lead and be Accountable[21]

34.   Table 1 shows that only 33% of respondent staff agree that ADB's management actively supports the results agenda in a tangible way (e.g. by demanding information on results). Of particular note, only 16% of international staff below director level and somewhat less than a third at director level or above agreed with the statement. National officers and administrative staff were somewhat more positive although they had a high level of "don't know" answers. Clearly, ADB management is going to have to do a lot more to convince staff that it is serious about MfDR and not just paying lip service to it.

Table 1: Statement: ADB's Management Actively Supports the Results Agenda in a Tangible Way

	Disagreed	Neutral	Agreed	Don't Know	Total N
	% of responses				
Overall Result	21	29	33	17	811
International Staff Above Director	36	33	31	0	42
International Staff Below Director	43	30	16	11	227
National Officers	16	26	40	18	152
Administrative Staff	7	30	43	20	328

35.   Table 2 shows the results of staff views on whether ADB management is held accountable for the achievement of development results. Here, directors and above were the most positive with 43% agreeing with the statement. National officers and administrative staff were the most negative. More effort is required to demonstrate that achieving development results is taken seriously by the organization, particularly to lower level staff.

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[21] In the tables that follow international staff are professionals recruited in the international market place from among ADB's member countries; national officers are professionally qualified staff recruited and working in their home country—a majority is in resident missions; administrative staff are also working in their home country and are predominantly Filipinos in ADB's headquarters in Manila.

Table 2: Statement: ADB Management is Held Accountable for
Achieving Development Results

	Disagreed	Neutral	Agreed	Don't Know	Total N
		% of responses			
Overall Result	33	31	26	11	866
International Staff Above Director	36	21	43	0	42
International Staff Below Director	30	27	37	5	227
National Officers	34	31	26	9	152
Administrative Staff	33	37	16	15	328

2. Getting the Organizational Incentives Right

36. As shown in Table 3, ADB is a long way away from having got the right human resource systems in place to encourage a results focus. At one extreme, only 11% of international staff below director level agreed with the statement.

Table 3: Statement: Human Resource Systems Motivate Staff to Focus on
Results in Their Work

	Disagreed	Neutral	Agreed	Don't Know	Total N
		% of responses			
Overall Result	46	22	27	4	811
International Staff Director Level and Above	64	14	21	0	42
International Staff Below Director	69	17	11	4	227
National Officers	47	22	26	5	152
Administrative Staff	29	29	38	4	328

37. Staff was even more negative to the proposition that current incentives in the organization encourage staff to manage for development results—only 19% of director level and above international staff thought so while below the director level, almost none of the 227 respondents were of that opinion.

Table 4: Statement: The Current Incentives Encourage Staff to Manage
for Development Results

	Disagreed	Neutral	Agreed	Don't Know	Total N
		% of responses			
Overall Result	54	25	14	7	801
International Staff Above Director	64	17	19	0	42
International Staff Below Director	78	16	2	4	227
National Officers	51	25	15	9	152
Administrative Staff	37	33	21	9	328

3. Generating Belief

38. Table 5 indicates that a significant minority of international staff believe MfDR is just another development fad while around a fifth were neutral. Only around a third disagreed with the statement. More staff disagreed (substantially more in the case of international staff at any level and national officers) that achieving development results was more important than achieving disbursement targets in ADB that those that agreed with the proposition (Table 6).

Table 5: Statement: Managing for Development Results is a Fad

		Disagreed	Neutral	Agreed	Don't Know	Total N
		% of responses				
Overall Result		33	31	26	11	866
International	Staff	36	21	43	0	42
Above Director						
International	Staff	30	27	37	5	227
Below Director						
National Officers		34	31	26	9	152
Administrative Staff		33	37	16	15	328

Table 6: Statement: In ADB Achieving Development Results is More Important Than Achieving Disbursement and Lending Targets

		Disagreed	Neutral	Agreed	Don't Know	Total N
		% of responses				
Overall Result		38	23	29	11	904
International	Staff	55	21	24	0	42
Above Director						
International	Staff	66	14	16	4	227
Below Director						
National Officers		42	25	24	9	152
Administrative Staff		16	30	38	16	328

39. While the survey also revealed some positives, the overall message is that ADB has a long way to go to meet the conditions generally shown to be necessary for the successful adoption of MfDR. The study also concluded that progress in adopting MfDR was broadly similar among multilateral development banks. The results confirm that the adoption of MfDR can require a long-term commitment.

VII. CONCLUSIONS

40. The evidence supports the view that application of the principles of MfDR can improve the performance of projects, programs and policies in developing countries and it can do so to a very significant extent. However, MfDR is not a panacea for past poor performance. Its adoption will not address the underlying causes of poor governance, corruption, and the ineffective and inefficient management of inputs (including staff along with physical and financial resources). Paradoxically, those countries that are the least developed and which most require the benefits MfDR are less likely to have the necessary preconditions for success.

41. This seems like a fairly dismal conclusion but all is not lost. While "whole of government" adoption of MfDR may be beyond the less developed countries, a start can and should be made on putting it in place where conditions are favorable within individual departments or institutions

and at sub-national levels of government. The existence of a "champion for change" with power and influence is an essential ingredient for success at whatever level.

42.   Even where the preconditions are more favorable for successful adoption of MfDR, expectations about the pace of change need to be realistic and based on a clear understanding of the particular context—one size is most unlikely to fit all so customized solutions are needed. This is where initiatives such as the ADB-supported by country-led MfDR Community of Practice[22] can play a very effective role in helping practitioners customize the approach to the particular circumstances they are facing and to learn from the experience of others.

43.   For their part, development agencies such as the ADB need to do significantly more to apply the principles of MfDR to their internal workings.

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[22] More information is available at http://cop-mfdr.adb.org.