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Working Party on Aid Evaluation

**RESULTS BASED MANAGEMENT IN THE DEVELOPMENT CO-OPERATION
AGENCIES: A REVIEW OF EXPERIENCE**

Executive Summary

This document is submitted to the Working Party on Aid Evaluation for CONSIDERATION at its meeting on 10-11 February 2000. It was prepared by Annette Binnendijk, consultant to the Secretariat. The full report will be made available as a background document for the meeting.

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EXECUTIVE SUMMARY

Public Sector Reforms in the OECD Countries

1. During the 1990s, many of the OECD countries have undertaken extensive public sector reforms in response to economic, social and political pressures. Budget deficits, structural problems, growing competitiveness and globalisation, lack of public confidence in government, and growing demands for better and more responsive services and for more accountability have all been contributing factors. Often, government-wide legislation or executive orders have driven and guided the public sector reforms.

2. While there have been variations in the reform packages implemented in the OECD countries, there have been many common aspects. For example: the focus on performance issues and on achieving results; the devolution of management authority and responsibility; an orientation to customer needs and preferences; more participation by stakeholders; reform of budget processes and financial management systems; and application of modern management practices.

Results Based Management

3. A central feature of the reforms has been the emphasis on improving performance; that is, on ensuring that government activities achieve desired results. Performance management, also referred to as results based management, can be defined as a broad management strategy aimed at achieving important changes in the way government agencies operate, with improving performance (achieving better results) as the central orientation.

4. A key component of results based management is performance measurement, which is the process of objectively measuring how well an agency is meeting its stated goals or objectives. It typically involves several phases: e.g., articulating and agreeing on objectives, selecting indicators and setting targets, monitoring performance (collecting data on results), and analysing and reporting those results vis-a-vis the targets. While performance measurement is concerned more narrowly with the production *or supply* of performance information, performance management is broader. It is equally concerned with generating management *demand* for performance information -- that is, with its uses in management decision-making processes and with establishing various organisational mechanisms and incentives that actively encourage its use. In an effective performance management system, achieving results and continuous improvement based on performance information is central to the management process.

Results Based Management in the Donor Agencies

5. As has been the case more broadly in the OECD country public sectors, the donor agencies have faced considerable external pressures to reform their management systems to become more effective and results-oriented. "Aid fatigue", the public's perception that aid programs are failing to produce significant development results, declining aid budgets, and the government-wide reforms have all contributed to the donor agencies' recent efforts to establish results based management systems.

6. This paper focuses on the experiences and approaches of the donor agencies with establishing results based management systems. It is based on a document review of selected donor agencies with the most experience, including five bilateral and two multilateral agencies: USAID (United States); DFID (United Kingdom); AusAID (Australia); CIDA (Canada); Danida (Denmark); the UNDP; and the World Bank.

7. Thus far, the donor agencies have gained most experience with establishing performance measurement systems -- that is, with the provision of performance information -- and some experience with external reporting on results. There is less documented experience with the actual use of performance information for internal management decision-making.

8. Results based management and measurement processes take place at three key organisational levels within the donor agencies. The first level, which has been established the longest and for which there is most experience, is at the project level. More recently, efforts have been underway in a few of the donor agencies to establish country level systems within their country offices or operating units. Moreover, establishing performance measurement and management systems at the third level -- the corporate or agency-wide level -- is now taking on urgent importance in many donor agencies who face increasing public pressures and government-wide mandates requiring annual reporting on agency-wide performance and results.

Phases of Results Based Management

9. Key elements or phases of results based management include:

- i. Identifying clear and measurable objectives (results), with the aid of conceptual frameworks.
- ii. Selecting indicators that will be used to measure progress towards each objective.
- iii. Setting explicit targets for each indicator, used to judge performance.
- iv. Developing performance monitoring systems to regularly collect data on actual results
- v. Analysing and reporting actual results vis-a-vis the targets.
- vi. Integrating evaluations to provide complementary performance information not readily available from performance monitoring systems.
- vii. Using performance information for internal management learning and decision-making and for external performance reporting to stakeholders.

10. The first three phases or steps generally relate to a results-oriented planning approach, sometimes referred to as *strategic planning*. The first five steps, together, are usually included in the concept of *performance measurement*. All seven phases combined are essential to an effective *results based management system*. Thus, integrating complementary information from both evaluation and performance monitoring systems and ensuring management's use of this information are viewed in this paper as critical aspects of results based management.

Other Components of Results Based Management

11. Other reforms are often associated with results based management systems. Frequently, these other components act to reinforce or facilitate the use of performance information. Some of these organisational changes include:

- **Accountability** -- instituting new mechanisms for holding agency managers and staff accountable for achieving results at appropriate levels.
- **Decentralization** -- delegating authority to the management level accountable for results, and empowering them with flexibility to shift resources to better performing activities.
- **Client focus** – consulting with beneficiary groups concerning their preferences and satisfaction with goods and services provided, and being responsive to their needs.
- **Participation** -- including partners and stakeholders in all aspects of performance measurement and management.
- **Reformed policies and procedures** – instituting new policy and procedure directives for changing the way the agency conducts its business.
- **Supportive mechanisms** – assisting managers to effectively implement performance measurement and management in various ways, such as providing training, technical assistance, performance information databases, guidebooks, tips and best practices series.
- **Cultural change** – equally important for successful results based management is transforming the organizational culture and attitudes.

Special Challenges Facing the Donor Agencies

12. The donor agencies face special challenges and issues in establishing their performance management and measurement systems, that are either unique or more pronounced than those confronting the domestic government agencies. These factors can make establishing performance measurement systems more complex and costly than normal. For example, development agencies:

- Work in many different countries and contexts.
- Have a wide diversity of projects in multiple sectors.
- Often focus on capacity building and policy reform, which are harder to measure than direct service delivery activities.
- Are moving into new areas such as good governance, where there's little performance measurement experience.
- Often lack standard indicators on results that can be easily aggregated across projects.
- Are usually only minor actors affecting impacts, with consequent problems in attributing them to their agency's activities.
- Typically rely on outcome and impact data collected by partner countries, who have limited technical capacity and resources, with consequent quality, coverage and timeliness problems.

13. In particular, these factors can complicate donor agencies' efforts to aggregate results across projects and programs to higher organisational and agency-wide levels.

Performance Measurement at the Project Level

14. Performance measurement at the project level is concerned with measuring both a project's implementation progress and results achieved. i) *Implementation measurement* is concerned with whether or not project inputs and activities are in compliance with design budgets, workplans, and schedules, whereas ii) *results measurement* is concerned with whether or not actual results are achieved as planned. Results are usually measured at three levels – immediate outputs, intermediate outcomes and long-term impacts. While traditionally the development agencies focused mostly on implementation concerns, as they embrace results based management their focus is increasingly on measurement of results. Moreover, emphasis is shifting from immediate results (outputs) to medium and long-term results (outcomes, impacts)

15. Measuring performance at the project level can be divided into five elements or phases, as briefly outlined below. The donor agencies stress the importance of participatory or collaborative approaches in all phases of performance measurement – that is, involving not only donor agency project managers but also representatives from the implementing agency, the partner government, the intended beneficiary groups, and other stakeholders. This helps build agreement around the project's objectives and commitment to the performance measurement process.

Formulating Objectives

- As part of project planning, the project's objectives should be clarified by defining precise and measurable statements concerning the results to be achieved (outputs, purpose, and goal) and then identifying the strategies or means (inputs and activities) for meeting those objectives. The project logframe is a favourite tool used by development agencies for conceptualising a project's objectives and the strategies that will be used to attain them. The logframe is typically based on a five-level hierarchy model with logical cause-effect relationships among them, with those at the lower level of the hierarchy contributing to the attainment of those above. Thus, *inputs* are used to undertake project *activities* that lead to the delivery of *outputs (goods/services)*, that lead to the attainment of the *project purpose* that contributes to *project goal*.

Selecting Indicators

- Next, performance indicators are selected for measuring progress in implementing activities and in achieving results. The logframe provides a five-level structure around which the indicators are typically constructed. Indicators specify what to measure along a scale or dimension in order to gauge progress (e.g., number of workshops held, percentage of farmers attending demonstration sessions, changes in crop yields, etc.). The relative importance of indicator types is likely to change over the project's life cycle, with more emphasis on input and process indicators at first, then shifting to output, outcome (purpose-level), and impact (goal-level) indicators later on as the project matures. Also, different management levels tend to place emphasis on different indicator types. For example, project field staff will find input and process indicators of most use, whereas project managers will be more interested in achievement of project outputs and purpose /outcomes. Senior agency officials will be interested in the longer-term and broader social and economic impacts of the project, which may not be evident until after the project is completed. These different intended uses and users need to be kept in mind when selecting indicators.

16. Many of the donor agencies have devised checklists of criteria against which proposed indicators can be judged and selected. For example, some commonly used criteria include:

- *Valid* – Does the indicator directly represent the result it is intended to measure?
- *Objective* – Is the definition precise and unambiguous about what is to be measured?
- *Reliable* – Is the data consistent or comparable over time?
- *Practical* – Can data be collected easily, on a timely basis and at reasonable cost?
- *Useful* – Will the data have utility for decision-making and learning?
- *Owned* – Do stakeholders agree that this indicator makes sense to use?

17. Tradeoffs among these indicator selection criteria may exist. Probably the most important, overarching consideration is that the indicators provide managers with the information they need to do their job. While indicator data should be of sufficient quality to be credible and ensure the right decisions are made, it also needs to be practical - timely and affordable. The number of indicators selected should be limited to the minimum needed to adequately capture the key dimensions of a result. Keeping the performance measurement system simple will avoid overburdening managers and staff with unnecessary data collection responsibilities.

Setting Targets

- Once indicators have been identified, actual baseline values should be collected for each, before the project activities get underway. This will be important for gauging whether progress is being made later. Often agencies also set explicit targets (that is, a particular value for an indicator to be accomplished within a given timeframe, such as contraceptive prevalence rate increased to 65% by 2003.) Targets help clarify exactly what needs to be accomplished by when. It represents a commitment and can help orient and motivate project staff and managers to the tasks at hand.
- A natural tension exists between setting targets that are high enough to make project managers and staff stretch to achieve them, and yet low enough to be realistic and achievable. If they are set unrealistically high and unattainable, confidence and credibility will suffer and may even set in motion perverse incentives to hide or distort the figures. Any information that helps to ground a target setting exercise and ensure its realism is useful. For example, it is useful to establish a baseline, identify historical trends, seek implementing agency views, survey expert opinion about what is possible, review research findings, or identify benchmarks (i.e., compare what results have been achieved by similar projects with a reputation for high performance).

Monitoring Performance (Collecting Data)

- Once indicators are selected and targets are set, actual data for each indicator is collected at regular intervals. *Implementation monitoring* involves the frequent, on-going recording of data on project operations -- e.g., tracking funds and other inputs, and processes. It involves keeping good financial accounts and field activity records, and frequent checks to assess compliance with workplans and budget. *Results monitoring* involves the periodic collection of data on the project's actual achievement of results -- e.g. its short-term outputs, medium-term outcomes, and long-term impacts. This type of monitoring demonstrates whether a project is moving towards its objectives.
- Project managers have found it useful to prepare performance monitoring plans to record key aspects of data collection, such as providing definitions for each indicator, source and methods of data collection, frequency/schedule for collection, and assignment of responsibility for collection.
- A number of common patterns in data collection approaches can be observed to vary according to levels of the project logframe hierarchy. These common patterns include typical variations in data collection sources/methods, frequency of collection, and assignment of responsibility. As one moves to higher and higher levels of the logframe hierarchy, there is the tendency for data collection efforts to become more expensive, time-consuming, and technically complex. Also, there is a tendency for data collection efforts to be conducted less frequently. The placement of responsibility for data collection also tends to shift from the implementing agency at the lower levels to the donor agency and/or to the partner government at the higher levels.

- Data on project inputs, processes, and outputs are generated mostly by project staff and are based on simple reporting systems updated frequently. Data on outcomes are generally collected periodically (e.g., annually) from low-cost rapid appraisal methods, mini-surveys or consultations with project clients. Measuring impacts usually require conducting expensive sample surveys or relying on already existing data sources such as national surveys, censuses, registration systems, etc. Impact data are usually only collected every few years or at the project's beginning and end (or ex post). Data collection at the higher levels -- especially at the impact level -- is often considered beyond the scope of the implementing agency's normal responsibility. Donor agencies will need to make special arrangements with partner country organisations with statistical/data collection expertise for conducting or adding-on to planned surveys. Since several donor agencies working in the same sector may share needs for similar impact-level data, it would be useful to consider co-ordinating or jointly supporting these data collection efforts, to avoid duplication of effort and to share costs. Moreover, to ensure valid and reliable data, supporting capacity-building efforts may be called for as well.
- At what level should the focus of performance monitoring be placed? Concentrating on just one level of the logframe hierarchy may have unintended, even dysfunctional, consequences. For example, concentrating only on the output level may result in "doing the wrong things well". Concentrating only on higher outcome and impact levels may lead to lack of basic monitoring information about project activities and services, and result in poor implementation. The answer appears to lie in taking as comprehensive and balanced an approach as is possible, within reason/practicality. Developing a more comprehensive performance monitoring system that recognises the need for performance information at various levels is least likely to lead to distortions. Moreover, as already discussed, different stakeholder groups and management levels will have varying interests in these levels of results, so satisfying everyone means having a comprehensive system.

Analysing and Reporting Performance Data

- Periodic management reviews, analysis and reporting of project performance monitoring data most typically emphasises effectiveness in achieving targets, by comparing actual results with planned results. However, analysis of performance monitoring data may address a broad variety of issues. For example:
 - *Economy* -- the relationship between costs and physical inputs.
 - *Efficiency* -- the relationship between costs and outputs.
 - *Productivity* -- relationships between inputs and outputs.
 - *Excellence/quality* - producing high quality.
 - *Equity* - extent to which disadvantaged sub-populations have equitable access to results.
 - *Customer satisfaction* - how well project outputs correspond to client preferences.
 - *Effectiveness* - extent to which results (outputs, outcomes, or impacts) are achieved as planned.
 - *Attribution* - extent to which outcomes and impacts can be attributed to project outputs.
 - *Cost-effectiveness* - relationship between costs and results attributable to the project.
 - *Sustainability* - the capacity for results to extend beyond the formal life of the project.
 - *Relevance* - the continued appropriateness of a project's results to the needs of the target population, the partner country's national development priorities, and to the donor agency's corporate goals.

- Routine performance monitoring alone may not be adequate for addressing some of the performance issues listed above (e.g., attribution, cost-effectiveness, attribution), which because of their long-term nature and/or complexity may require special in-depth evaluation studies.
- A number of donor agencies have established performance rating systems whereby managers, drawing on data from performance monitoring systems, judge their project's performance by assigning a rating along a scale (e.g., highly satisfactory, satisfactory, unsatisfactory, or highly unsatisfactory), against a number of criteria (e.g., effectiveness, efficiency, relevance, sustainability, etc.). These performance ratings or self-assessments are typically reported to agency headquarters in standard reporting formats at specific times, such as at project completion or in annual progress reports. A particularly useful characteristic of project performance rating systems is that they enable consistent comparisons and aggregation across the project portfolio.

Performance Measurement at the Country Level

18. A few donor agencies have developed performance measurement systems for broader country programs – defined as sets of related projects or activities sharing the same development objective within a partner country. The country program approach is a much more comprehensive and strategic approach to performance management and measurement than the project approach. It focuses on a significant development objective within a country, usually a sector, sub-sector, or a crosscutting objective. Thus, the unit of analysis is not a single project but a country program that typically includes many activities implemented by different donor agencies and partner organisations over a relatively long time period.

19. USAID pioneered this approach during the mid-1990s, abandoning its previous focus on projects and moving towards more strategic and results-oriented country programming approaches as part of its broader reengineering reforms. The UNDP's new results based management system also adopts a similar model.

20. A conceptual tool that is being used by some donor agencies for strategic planning and performance measurement at the country program level is the *results framework* (also called program logframes, performance frameworks, etc.). A results framework is a graphic display of the strategies necessary and sufficient for achieving a significant or strategic development objective in a developing country. The results framework relies on objective tree concepts, and diagrams the logical cause-effect relationships between activity outputs at the bottom, intermediate results or outcomes in the middle, and the strategic development objective at the top. Thus, it embodies the development hypotheses underlying multiple partners' harmonised strategies for achieving a shared development objective. Results frameworks should be developed via collaborative processes involving all donor agencies and other development partners working towards a shared development objective, ideally under the leadership of the partner country government.

21. Results frameworks are useful as strategic planning and management tools. They help identify what program strategies are necessary and sufficient to achieve a significant development objective, and then enable collaborating partners, working in harmony, to sort out their individual responsibilities or contributions to the overall strategy. This can help donor agency operating units to better align (focus and concentrate) their assistance activities into those program strategies for which they have taken responsibility, rather than just have a diverse portfolio of seemingly unrelated projects. The country development objectives and intervention strategies selected by a unit usually have to be in line with the donor agency's overall corporate goals and areas of comparative advantage.

22. The framework is also a performance measurement tool -- providing a structure for measuring and monitoring progress towards the achievement of those results for which the unit is responsible. Performance data from the monitoring system is used to alert managers when actual results are not meeting targets as planned, indicating the need for adjustments to be made in relevant projects and activities. It may be useful to occasionally supplement more routine reviews of the performance monitoring data with complementary strategic, program-wide evaluations that assess the relative effectiveness and cost-effectiveness of alternative strategies and activities for achieving the development objective.

23. Whereas the project approach puts equal weight on monitoring all elements of the logframe hierarchy, and may even traditionally have favoured implementation monitoring, the country program results framework puts the higher-order development objective and intermediate outcomes at centre-stage. It is less concerned with defining the individual project means (inputs/processes) and outputs, and much more concerned with measuring and achieving the higher-level results. The shift from individual projects to programs also implies a different time-frame dimension, freed from the confines of a single project's life cycle. By focusing on country level development objectives and intermediate outcomes, the timeframe now becomes longer-term, outliving the comings and goings of individual project activities.

24. Individual project activities tend to be less well defined in this approach, allowing for more flexible designs and implementation, rather than rigid "blueprint" approaches. Moreover, in some agencies, headquarters no longer approves projects. Instead, authority is delegated to operating units in the field so they can shift course mid-stream if results monitoring information indicates certain activities are not working well.

25. This country program level approach puts a premium on partnerships and more collaborative approaches, since achieving a strategic, long-term development objective is clearly dependent on the activities of many development partner actors -- e.g., various donor agencies, the NGO community, and of course the partner country government. Some of the tools developed for country program level strategic planning and performance measurement should be particularly well suited to new modes of development assistance based on joint multi-donor/partner sector programs in which investments and activities are harmonised to achieve shared country development objectives.

26. While this approach holds considerable promise, its actual use has often fallen short of its potential. Donor agency operating units have tended to develop results frameworks in relative isolation and from their own agency's perspectives. While there is typically some limited participation by their implementing agency partners and stakeholders, the focus is usually on the agency's own programs and strategies, rather than placing equal focus on all relevant partners' programs. Country-level results frameworks work best when developed jointly, in a collaborative fashion.

27. Another potential danger with this approach is that by concentrating on the higher-order results, their linkages with project activities may become vague (disconnected) and implementation monitoring may be ignored. It is suggested that those adopting the country program approach take time to clearly align their individual project activities into the overall results framework.

Performance Measurement at the Agency Level

28. Largely driven by domestic public pressures and government-wide legislation for annual reporting on agency performance, the donor agencies are clarifying their overall goals and seeking ways to summarise their achievements vis-a-vis those goals. Measuring and reporting on results at the agency-wide level poses a significant challenge for the development agencies. As already discussed, they face a number

of obstacles in attempting to aggregate results, some of which are either unique to or complicated by the nature of development co-operation .

29. All of the agencies reviewed have recently developed and issued policy papers or strategic plans that clearly articulate the agency's overall mission and the key development goals or priority areas on which they will concentrate. Most of the agency goals are sector-oriented (e.g., better education, improved health, good governance) although some may be crosscutting special concerns (e.g., gender equality, partnerships) or internal management efficiency goals. These statements about agency goals serve to articulate to external audiences what the overall aims of the development assistance program are, and provide a framework or structure for gathering and reporting data on overall agency results achieved. This is viewed as important in an era of declining aid budgets, increasing competition for funding, and growing public scepticism about the effectiveness of development aid. Clarifying agency-level goals has also been useful as an internal management tool for strategic planning -- that is, for focusing and concentrating the agencies' assistance portfolio and resources within priority goal areas. Agency country offices in many cases have been asked to align their country development objectives, assistance programs and projects within the new agency goal structures.

30. In some cases, agencies have elaborated their agency's key goals into several sub-categories, forming a multi-level framework or hierarchy of objectives. These multi-level strategic frameworks serve to clarify even further what the agency aims to contribute towards achieving and how it intends to contribute. The hierarchies serve as detailed structures for reporting on agency results at several levels. For example, a typical three-level hierarchy structure might include agency goals, sub-goals, and supporting program approaches. Some agencies have found it useful to present their strategic frameworks as graphic diagrams or visual displays, using objective tree concepts.

31. Collecting data for agency-wide performance assessments and reporting takes place from two basic sources; i) from existing international sources/databases that maintain country level statistics on sector development trends, and ii) from the project/program performance measurement systems maintained by the agency's country operating units. Some agencies also integrate findings from a third source -- evaluation reports. In most cases, these data are entered and stored in automated, central agency databases to facilitate agency-wide analysis and reporting. Computer databases and software programs facilitate data sorting, aggregation, statistical analysis and graphic presentation of results. They can greatly aid the work of analysing large amounts of performance/results data across project or program portfolios. Results of these agency-wide analyses of aggregate project/program performance and results are usually reported in annual performance reports.

32. Development agencies have a number of basic options to consider for aggregating or summing up performance and results achieved at the agency-wide or corporate level. At the two extremes -- project outputs and country-level sector statistics -- aggregation of indicator data may be relatively easy. But in the case of outputs, the question "so what?" may be raised. With country level statistics, it is rarely possible to link changes credibly to a single agency's interventions, especially on a year-to-year basis. In the middle are project outcomes, which should be both significant yet have clearer linkages to agency activities than national statistical trends. The problem here is that often there is great diversity in projects' objectives and in their performance measures, so aggregating across standard indicators is often not possible. Some agencies have overcome this by developing rating systems that score a project's success in meeting its objectives and then summing across projects the numbers and percentages that were successful or unsuccessful in achieving outcomes.

33. The three basic options for aggregating results are discussed below.

i. **Selecting the project output level for agency-wide reporting on results.** Outputs of projects (such as number of units of goods and services delivered or numbers of beneficiaries/clients reached) are relatively easily summed up across projects, assuming they are comparable. For development agencies with fairly centralised structure and a standard set of project outputs (goods/services) across country settings, this approach may be feasible. Some agencies (e.g., Danida) are establishing guidelines for their country offices to use standard, sector-specific indicators for reporting on their outputs. For agencies that have more decentralised structures and great variation in project types or approaches, summing across diverse project outputs may not be that easy. Moreover, reporting at the output level will only be valuable to the extent that the intended external audiences/stakeholders will be impressed with this level of results. If the response is "Is that all we're achieving?", summing and reporting on outputs may be counterproductive in terms of defending the aid program before parliament or the taxpaying public.

ii. **Selecting long-term sector development trends for agency-wide reporting of results.** Another option for reporting on results achieved at the corporate level is to report on long-term social and economic improvements at the country sector and global levels using international statistical datasets, which have some measure of comparability across countries. Advantages of this approach include its appeal in terms of reporting on significant impacts that matter to stakeholders, (e.g., alleviate poverty, reduce infant mortality, achieve universal primary education) and the ready availability of international indicator datasets covering many of the sector concerns of the development agencies. On the other hand, there are some serious issues with using this approach, especially in the context of reporting on *agency* performance. Attempting to link and attribute these country-level and global-level socio-economic improvements to the activities of a single donor agency is a wide stretch of the imagination that many will question. Donor agencies using this approach would be advised to adopt the goals and indicators from among those agreed to by the international community (as articulated in the DAC report, *Shaping the 21st Century: The Contribution of Development Co-operation*, 1996). Moreover, their reports might clarify that these results are the consequence of many partners' contributions, and cannot be attributed to individual agencies. Another complication is that agency performance reporting is usually required annually, whereas data on country development trends is often only available at intervals of several years apart. Moreover, even if it was available annually, the long-term nature of development improvements at this level means year-to-year changes may not be significant.

iii. **Selecting the project/program outcome level for agency-wide reporting of results.** In between project outputs and macro-statistics, there's the level of intermediate outcomes. A major advantage is that performance monitoring systems at the project or program level are generally already established and thus data on project/program outcome achievement should be available. A key problem with aggregating the project or program outcomes for agency-wide reporting is the typically great diversity of outcomes and their indicators, especially in decentralised agencies. Without standard indicators of project/program outcomes, direct aggregation is not possible. Agencies may deal with this problem in different ways. For example, by developing standard outcome indicators for common "program approaches" within a sector or sub-sector. However, this approach is only advisable for more centralised agencies with fairly structured program approaches. Another way of getting around this incomparability problem is to devise rating systems that score a project's success in meeting its objectives. The agency can then aggregate across projects within an objective or program area with statements like "85% of projects aimed at improving child survival successfully met or exceeded their outcome targets". Issues with this approach may include the extent to which standard criteria for making judgements about scores are applied across projects, and the reliability of "self-assessment" ratings especially when managers fear the consequences of poor scores.

34. None of these options for aggregating results to the agency-wide level appear to be ideal, and the donor agencies face considerable challenges in their current efforts to summarise and report performance at the corporate level. The donor agencies, for the most part, are still experimenting with different options, and may benefit from mixing or balancing the various approaches available. How to best co-ordinate, synthesise and integrate findings from evaluation reports into annual agency performance reports is another issue needing attention.

The Role of Evaluation vis-a-vis Performance Measurement

35. Performance measurement and evaluation are generally viewed by donor agencies as two distinct but complementary sources of performance information, both of which are necessary for effective results based management. However, the definitions and distinctions made between the two functions differ from agency to agency, with each emphasising somewhat different aspects. However, some common themes emerge, which are summarised below.

36. Annual project or program performance monitoring reports and completion reports are generally considered an integral part of the performance measurement and reporting system, while evaluations are viewed as supplementary.

- The performance monitoring reports are self-assessments by project or program managers, whereas evaluations are typically conducted by larger evaluations teams, often comprised of external evaluators that can provide an independent judgement about project/program performance. However, trends towards more participatory forms of evaluation in some agencies may make this less of a distinction.
- The performance monitoring reports are typically *mandatory* for larger projects and thus provide a reasonably complete coverage of the overall project portfolio, whereas evaluations are usually conducted on a much more *selective* (i.e., occasional, optional) basis for projects or programs of particular management interest or concern.
- Performance reports involve relatively straightforward presentations of performance data or ratings, following standard, comparable formats that can be easily entered into databases and analyzed across the portfolio. They are meant to provide consistent types of information covering a *broad* range of performance issues and results, but without great depth of analysis. Evaluations, on the other hand, usually are less standardized, following individual scopes of work. Moreover they tend to focus on fewer performance issues but analyze them in greater *depth*.
- Performance monitoring reports focus mostly on *whether* or not results were achieved as planned, whereas evaluations can better explain *why and how* they were achieved or not. In other words, evaluations seek to analyze and understand the project's or program's context and factors influencing performance.
- Routine performance monitoring can serve as an early warning system to alert managers when there are performance shortfalls. However, they do not assess the causes of the shortfalls nor make recommendations for appropriate management actions, as do evaluations.
- Because of timing as well as the need to use more rigorous methods and in-depth analysis, some performance issues, such as long-term impact, attribution, cost-effectiveness, and sustainability, can probably be better addressed by evaluation than by routine performance monitoring reports.

37. Thus, evaluations and performance measurement/monitoring can be viewed as distinct but complementary functions. Both are management tools. Both are important sources of performance information that together can contribute to management learning and decision-making processes and to external performance reporting requirements.

38. However, there is some concern within the donor agencies that performance measurement and reporting tasks, often required by government-wide law or executive orders, may be “crowding out” evaluations. That is, they may be competing for the same, increasingly scarce staff and other resources. Typically, agencies have not been given adequate additional funding to establish their performance management and measurement systems, while overall agency budgets have often been on the decline. For example, since the mid-1990s when USAID reengineering reforms mandated the establishment of performance management and measurement systems, the size of USAID’s central evaluation office staff and resources has declined rapidly. Moreover, the number of evaluations conducted by USAID’s country operating units also declined sharply, from 489 reports in FY1994 to 70 reports in FY1998.

Key Uses of Performance Information in the Donor Agencies

39. In results based management systems, performance information (drawn from both performance measurement and evaluation sources) serve two primary uses. One use is as an internal management tool for making program improvements; the second is for external accountability reporting.

- i. ***Internal Management Improvement (managing-for-results)***. This first intended use of performance information is for continuous feedback to managers about the results they are achieving, so they can then use the information to improve their performance even more. Sometimes discussions of this internal management use are further sub-divided into two related aspects or processes – promoting learning and facilitating decision-making.

Performance information promotes continuous project/program managers’ learning about what results are being achieved by their projects/programs and why – i.e., what factors are influencing good or poor performance. This improved knowledge is a prerequisite for making appropriate decisions. In addition to directly helping project or program managers to improve their implementation and achieve greater results, lessons from experience across the portfolio can be synthesised to help agency senior managers with policy formulation, strategic planning, program design and management guidance, and resource allocation decisions. In particular, performance information is increasingly being called upon to influence budget allocations. Experience with performance based budgeting approaches is limited, but appears to caution against using a rigid or mechanistic formula of “better performance = more funding, poorer performance = less funding”. Such actions may not always be appropriate and moreover may act as disincentives against honest reporting. Moreover, the predominance of political considerations in budget allocations may constrain the influence performance may have.

- ii. ***External Reporting (accountability-for-results)***. The second key use of performance information is to report agency performance to various stakeholder audiences. Donor agencies, like other domestic government agencies, are accountable for achieving and reporting results to the taxpaying public and their elected representatives, and to designated central oversight agencies. The donor agencies reviewed are committed to publishing annual performance reports that transparently report the performance and results achieved by their development assistance programs. Often there are now government-wide legal requirements for reporting results, at certain times and in specific formats, which are being audited by oversight agencies. Moreover, overall agency accountability for results is increasingly being devolved and translated into accountability at lower organizational levels (e.g., operational units, teams, or even individual managers). Several agencies are experimenting with management contracts and personnel appraisal systems that specify what results are to be achieved, when, and by whom. In addition to being responsible to domestic stakeholders, the donor agencies are also accountable to their partner country governments and ultimately to their intended beneficiary groups.

40. As experience with using performance information grows, the potential for conflict between its two key intended uses is emerging. Managing-for-results implies a shift in focus from inputs and processes to outputs, and from outputs to even higher outcomes and impacts. Not only is it important to know what results are being achieved at these different levels, but also to understand the cause-effect linkages between them – e.g., why an activity is successful or not, which approaches work better, and under what conditions or contexts. Emphasis on accountability-for-results, however, may ironically shift focus back down to outputs, which can be more easily attained and attributed to agency activities, and for which data can be easily collected on an annual basis. Managers have relatively greater control over outputs and thus are understandably more comfortable with being held accountable for this lower level of results than for outcomes or impacts over which they have less influence. Moreover, outcomes and especially impacts are longer-term changes that may not show improvements quickly or annually. Since performance reporting is generally conducted annually, this further encourages managers to focus and report on lower-level results that will show changes faster. Furthermore, there is a growing concern among auditors and oversight agencies with attributing results to agency interventions. Since demonstrating attribution becomes increasingly difficult for higher-order outcomes and impacts, this also acts to encourage managers to focus and report at lower results levels. Furthermore, accountability reporting tends to emphasise measuring what is being achieved (and comparing it to pre-set targets), rather than analysing why or how it is being achieved. In contrast, a management improvement approach is equally concerned with analysing the context and factors influencing performance, and with drawing lessons for improving performance.

41. Accountability reporting versus management improvement uses also implies different data collection and analysis approaches. For example, attributing outcomes and impacts to specific agency interventions requires rigorous designs and data collection methods. It also implies extensive attention to data quality, validity and reliability, and to independent verification. On the other hand, a management improvement approach would tend to emphasise more rapid and low-cost data collection/appraisal techniques, with data of sufficient quality for decision-making needs but not necessarily up to standards required for social science research. Moreover, it would favour a self-assessment approach to ensure management's ownership and a first-hand learning experience, and also would encourage more participatory methods and stakeholder involvement. In contrast, an audit/accountability approach might either call for more independent assessments or for a system of spot-checks, reviews and verification of management self-assessments.

42. These conflicting aims present a dilemma for donor agencies, as it does for other government agencies implementing results based management. Both uses should be kept in mind when establishing performance measurement and evaluation systems. To the extent possible, the systems will need to address both uses and mix or balance data collection and analysis approaches to satisfy both interests. For example, an independent series of central impact evaluations might be undertaken to address auditors' concerns about attribution, while managers in the field might be encouraged to conduct self-assessments employing more rapid appraisal and participatory techniques.

43. Another potential conflict among performance information uses is more unique to the donor agencies. Donor agencies are accountable not only to domestic stakeholder audiences but also to the partner country stakeholders. To the extent that donor agencies' performance measurement and reporting systems may vary considerably for one to the next, partner country governments will have to deal with trying to co-ordinate, compare and make sense of widely different donor agency approaches, frameworks, indicators, data, etc. Harmonisation among donor agencies of their performance measurement and reporting systems, particularly at the country level, would lessen the burden on partner country organisations. However, the extent to which this can be accomplished may be limited given the variation in government-wide performance reporting systems that have evolved in different OECD countries that may dictate the donor agencies' approaches.

Conclusions, Lessons and Next Steps

44. This final section offers some concluding remarks about the state-of-the-art of results based management and remaining issues or challenges facing donor agencies. Also provided are some preliminary lessons being learned regarding effective practices for establishing results based management systems. These comments are based on the review of donor agency documents, the discussions held at the DAC Working Party on Aid Evaluation's Workshop on Performance Management and Evaluation (New York, October 1998), as well as a brief review of the broader literature on performance measurement and management.

45. Some next steps for further work on performance management are also suggested for consideration by the Working Party on Aid Evaluation at their next meeting on 10-11 February 2000.

Some Conclusions and Remaining Challenges

46. The OECD countries are increasingly facing "aid fatigue" and there are growing pressures on donor agencies to show development results. This is part of a much broader trend within the OECD countries to reform their public sectors to make them more effective and performance-oriented. Stakeholders want and expect the donor agencies, like other domestic government agencies, to be accountable for and report on specific results accomplished with taxpayers' resources. In response, many donor agencies have been establishing performance measurement and management systems to complement their more traditional monitoring and evaluation systems.

47. Donor agencies face special challenges in developing effective performance measurement and management systems that are either different from or more pronounced than the challenges faced by domestic agencies. For example, donor agencies must work in many country settings and across many sectors. Their products and services are much more diverse and finding comparable indicators that can be aggregated across programs and countries is difficult. Moreover, donor agencies typically are not just doing simple service delivery, where results are relatively easy to measure, but instead do a lot of institutional development/ capacity-building and policy reform or advocacy work, which are less easily measured. The donor agencies' performance measurement systems are also constrained by their dependence on the typically weak institutional capacities of their partner countries for collecting results data.

48. Progress and experience with results based management systems differs considerably from agency to agency. Some donor agencies reviewed (e.g., USAID) have accumulated nearly a decade of experience with implementing performance measurement and management systems. However, most are still in early stages of developing their systems.

49. Generally speaking, most donor agencies have a tradition of monitoring performance and using such information at the project level. However, most emphasis has previously been on monitoring project *implementation* performance -- that is, with tracking inputs, activities and processes. With the introduction of results based management, however, there has been a shift in emphasis to monitoring project *results* -- that is, outputs, outcomes and impacts. There are differences among donors in terms of the level of results emphasised. Some donors (e.g., USAID) have focused mostly on monitoring higher-order outcomes and impacts, while others (e.g., Danida, AusAID) have at least initially focused their systems on tracking immediate project outputs. A challenge for donors will be finding the time and resources to "do it all"-- that is, balance performance monitoring needs at all logframe hierarchy levels, without overburdening the monitoring system or having it displace evaluation or implementation activities.

50. Some donor agencies are also beginning to develop performance measurement and management systems at higher organisational levels – above the traditional project level. USAID has perhaps gone the furthest with establishing systems at the country program level, although there is significant interest and effort going on in other donor agencies as well. Developing systems at the country program level imply a high degree of collaboration among donors and partners, and are well suited for newly emerging modes of assistance such as joint sector investment programs.

51. All the donor agencies reviewed are also now feeling pressures to report annually on agency-wide results to their external domestic stakeholders and taxpaying public. In some cases, such reporting is now a government-wide requirement under law or executive order. Thus, performance measurement and reporting at the overall agency or “corporate” level is becoming an urgent priority. Efforts to measure and report on performance at these higher organisational levels raise the twin challenges of *aggregating* and *attributing* results. *Aggregating* results refers to how the donor agencies can best “add up” or summarise their results from lower organisational levels – i.e., from projects or country programs – to agency-wide, global levels. *Attributing* results refers to convincingly demonstrating that they are the consequence of an agency’s interventions and not of other extraneous factors. Attributing results convincingly becomes progressively more difficult as one moves from the project level, to the country program level, and ultimately to the global level.

52. Stakeholders may be asking for inherently conflicting things. Not only do they usually want to hear about results that are developmentally significant, but also about results that can show annual improvements and be attributed to agency projects/programs. The former implies monitoring higher-order outcomes and impacts while the latter implies tracking more immediate outputs. Moreover, the results data needs to be relatively comparable across projects or country programs, which would argue in favour of choosing the extremes of either impact or output level data, and against selecting intermediate outcome data, which is generally more diverse. Some donors have also tried to enhance comparability of results either by developing menu systems of “common indicators” or by establishing standard performance rating systems. None of these approaches appears clearly superior to others at this point, and for now donors may be best advised to continue experimenting and mixing these approaches. More work needs to be done to develop methodologies for aggregation and attribution of results that will be convincing and credible but also of reasonable cost/effort.

53. A related challenge is seeking to strike a balance between top-down direction and bottom-up flexibility. Results based management and reporting at the corporate level requires a clarification of overall agency goals and the development of a framework that facilitates measuring and aggregating results globally within these goal areas. Therefore, some direction and structure from headquarters is necessary. On the other hand, there are dangers in designing performance management systems too much from the top-down. Unless there is a sense of ownership or “buy-in” by project/program management, the performance data are unlikely to be used in operational decision-making. Moreover, imposed, top-down systems may lack relevance to actual project/program results, may not sufficiently capture their diversity, and may even lead to program distortions as managers try to do what is measurable rather than what is best. Field managers need some autonomy if they are to manage-for-results. Some operational level flexibility is needed for defining, measuring, reporting, and using results data that are appropriate to the specific project/program and to its country setting. Striking a balance between a headquarters determined structure (needed for aggregating and reporting results) and field unit flexibility (for determining what results are appropriate) is another key challenge facing donor agencies. Different donor agencies have been approaching this issue differently, with different degrees of centralisation.

54. The donor agencies (and also OECD public sector agencies more generally) have most experience with implementing performance measurement systems, some experience with reporting performance, and least experience with using performance information for management improvement. In

other words, documented examples of the actual uses of performance information in management decision-making processes in the donor agencies are still limited. Also, not much has been written about experiences with specific mechanisms, procedures and incentives these agencies may have adopted to stimulate demand and use of performance information for management learning and decision-making purposes. More attention to these areas and identification of “best practices” would add significantly to the current state-of-the-art.

55. There is growing evidence that the two primary intended uses of performance management systems – that is, (a) for external reporting/ holding an agency and its managers accountable for results, and (b) for influencing internal management decisions and learning -- may not be entirely compatible with one another. To some extent, they imply focusing on different types of results data and alternative methodologies, and may even influence management incentives and behaviours differently. There is growing concern whether and how RBM systems can simultaneously and adequately serve *both* of these uses – particularly when the external reporting function appears to have the greater urgency. Avoiding overwhelming the system with external demands, and keeping an appropriate focus on internal *managing-for-results* uses is yet another challenge facing the donor agencies.

56. Also worth noting, donor agencies are different from most public agencies in an important way. In addition to the usual accountability to their *domestic* stakeholders and public, donor agencies also have unique responsibilities to *foreign* stakeholders and publics – that is, to the partner country agencies and beneficiary groups with whom they work. The types of performance information most suitable for the domestic versus foreign/partner country audiences and users may be different, placing additional demands on performance measurement and management reporting systems.

57. One of the key decision-making processes that performance information is intended to influence is resource allocation. Initially, performance budgeting involves estimating the budget requirements needed to achieve specific planned results (project/program outputs, outcomes). However, this may not be as simple as it seems. Because traditionally budgets were linked to inputs or activities, linking them now to results may require changes in financial accounting practices and coding systems. A number of the donor agencies are now making such accounting changes to enable better linking of resources (expenditures) with planned results. Moreover, if the results are *outcomes or impacts*, there is the additional issue of the extent to which these results are attributable to specific project/program expenditures.

58. At later stages, performance-based budgeting may also involve the re-allocation of resources according to *actual* results achieved. In other words, budget decisions may be influenced by actual performance data, so that resources are shifted towards better-performing activities and away from poorer-performing activities. The influence of such performance criteria on the budget allocation process across countries is likely to be limited, given the largely political nature of budget decisions, the existence of other legitimate criteria (e.g., country need, capacity, and commitment), legislative earmarks, etc. Generally speaking (with the exception of USAID), there is not much practical experience yet available in the donor agencies with using performance information as criteria in the across-country resource allocation decision-making process. It is likely that performance budgeting may be more appropriate for allocating resources among projects/programs *within* a partner country, rather than *across* countries.

59. Donor agencies have made some progress in clarifying the respective roles of performance measurement and evaluation. Most agencies view them as distinct functions offering complementary types of performance information – both of which are considered important for effective results based management. Whereas performance monitoring answers whether results were accomplished as planned, evaluation explains why and how these results were achieved, emphasising understanding of successes and failures, and drawing lessons and recommendations. Evaluations may also look beyond intended results, at issues of relevance, cost-effectiveness, sustainability, and unintended results. Monitoring is generally

viewed as the responsibility of project management, while evaluation may be conducted either by project managers or by external teams. The evaluation function may be the responsibility of an independent evaluation office or may be internal to project management, or a mix of both. External evaluations may also serve to validate the findings of performance monitoring, which is a self-assessment.

60. However, the specific distinctions made between performance measurement and evaluation functions vary somewhat from agency to agency. For example, the donor agencies vary in terms of the degree of importance placed on “independence” of the evaluation function.

61. While in theory both performance measurement and evaluation functions are now seen as critical to effective results based management, in practice there are signs that these functions may actually be competing for the same scarce resources and staff time. For example, in USAID the number of evaluations have dropped significantly since the mid-1990s when performance measurement and reporting procedures were first required agency-wide. Recent US GAO reports indicate there is a growing concern among US government agency evaluators about how the Results Act is affecting them, as evaluation budgets and staffing levels continue to decline. Donor agencies may be challenged to protect their evaluation activities from being overwhelmed by new performance measurement and reporting requirements.

62. A final set of opportunities and challenges facing the donor agencies are concerned with collaborative efforts. Harmonisation efforts among agencies, at least initially, need not necessarily mean adopting a standardised approach or sharing common performance information systems and databases. Rather, they might start with donors adopting similar terms and definitions for the same concepts, and by sharing information concerning useful tools and methods. There would certainly be advantages to sharing a common vocabulary, building on each other’s experiences, and avoiding duplication of efforts. The DAC Working Party on Aid Evaluation’s October 1998 Workshop on Performance Management and Evaluation and this review of donor experiences are first steps towards such information sharing. The DAC Working Party on Aid Evaluation is also currently making progress on a *Glossary* exercise that will cover definitions for not only evaluation, but also for performance measurement and management concepts as well. Moreover, a second phase of work on results based management that would identify and share “good practices” among donor agencies has been envisioned by the DAC Secretariat. Even such relatively simple steps are not without challenges, however. For example, once agencies have already “invested” in their own particular RBM terminology, it may be difficult for them to agree to change to a common set of definitions and terms.

63. Considerable progress towards performance measurement harmonisation has also taken place among donors on another front. Broad, sector development (“impact” level) goals and indicators for measuring progress at the country and global levels have already been adopted by the donor community in the shared strategy, *Shaping the 21st Century: The Role of Development Co-operation*. The DAC Working Party on Statistics has been at the forefront of the effort to identify and seek agreement on a common or core set of indicators for measuring performance vis-à-vis the shared goals. A number of donor agencies have linked their own strategic framework goals and indicators to these international efforts.

64. An even more ambitious form of harmonisation among donors and partners might be envisioned for the future. Donor agencies’ performance measurement/management systems could be co-ordinated and tailored at the country program level in a way that lessens the burden on partners’ capacities, builds ownership, and enhances development of sustainable RBM systems within partner countries.

65. Such a co-ordinated approach would reduce the burden on partner countries’ capacities of having to deal with separate, diverse and even competing performance information needs and systems of the different donor agencies. Sector program performance monitoring and evaluation systems could ideally be owned and maintained by the partner country to meet its own information needs on development results,

with the donors being supportive, assisting with capacity-building, and sharing in the use of the same results data. However, because indigenous support for performance management approaches may be limited in many partner countries, donor co-operation strategies might be needed to help build demand and capacity for this aspect of “good governance”.

66. The current trend in donor assistance away from separate projects and towards more collaborative sector assistance approaches, calls for greater donor and partner co-ordination in developing performance monitoring systems that track results, particularly at the sector/impact level. Old methodological tools such as the project logframe, might need adjustments to meet these needs for monitoring results of collaborative, sector-wide programs. Donors need to begin to support and use shared performance monitoring systems owned and maintained by partner countries, rather than creating separate and duplicative systems – even though the indigenous systems might be initially weak and may not necessarily address every specific information need a donor might have.

67. A serious obstacle to this vision is the specific requirements for external reporting many donor agencies now face, limiting their flexibility to agree to and adopt a common approach shared by other donors. Such changes would require that donor agencies educate their own domestic stakeholders (e.g., oversight agencies, auditors, legislative branches, etc.), who have often dictated approaches and data requirements, and demanded that the donor agency’s specific contributions to development results be demonstrated. Key stakeholder groups would need to be convinced about the advantages of a collaborative strategy of supporting and using indigenous performance monitoring systems, even though this might involve accepting some data limitations and less concern over attribution. A united front among donor agencies in support of collaborative principles might assist in convincing skeptical domestic stakeholder groups.

Lessons Learned

68. Some preliminary lessons learned about establishing effective results based management systems:

- ***Allow sufficient time and resources to build effective results based management systems.*** Experience shows that it may take up to five or more years to fully establish and implement performance measurement and management systems. It takes time to develop strategic plans, to monitor results data long enough to establish trends and judge performance vis-à-vis targets, and to evolve new agency decision-making and reporting processes in which performance data are used. Moreover, establishing these new systems appears to be quite costly and labour-intensive. The assumption sometimes made that they can be implemented without additional costs is highly suspect. Without allocating additional funds, it is more than likely that new performance measurement/management activities will substitute or compete with traditional evaluation efforts, or interfere with program implementation activities, or result in the collection of poor quality performance data of questionable use.
- ***Keep the performance measurement system relatively simple.*** Emphasis should be on keeping the systems simple and management-useful, particularly at the operational level. There is danger that they can become too complex, costly, and time-consuming. In USAID, for example, operating units and implementing partners are beginning to complain that there’s no time left for implementing programs, and that much of the higher-order results data collection is not considered directly relevant or useful to them, but is only being used to “report upward”. Large numbers of indicators and data can become cumbersome and expensive to collect, maintain, and analyse. Avoid creating a “measurement bureaucracy” that collects data that are never used.

- ***Leadership support for RBM reforms is important.*** Without strong advocacy from senior managers, results based management systems are unlikely to be institutionalised broadly or effectively within an agency. Leaders can send strong messages of support for RBM to their staff by giving speeches, sending out agency-wide notices, participating in RBM-oriented workshops, providing adequate budgetary support, etc.
- ***Begin with pilot efforts to demonstrate effective RBM practices.*** Several donor agencies found it useful to first introduce results based management approaches as pilot efforts in selected operating units, testing a variety of approaches. After a period of experimentation and lesson learning, the most effective practices were institutionalised agency-wide.
- ***Institutionalise RBM agency-wide by issuing clear guidance.*** For effective results based management systems to be established agency-wide, new operational policies and procedures should be spelled out in clear guidance, including statements on roles and responsibilities – who is responsible for what aspects of the systems and procedures.
- ***Provide a variety of support mechanisms.*** In addition to issuing new policies and procedures, agencies can support their internal organisational efforts to establish effective RBM systems by offering staff “reengineering” training, technical assistance, supplementary guidance, tools, etc. Some agencies have created central units to “champion” RBM efforts and to provide various types of support.
- ***Monitor both implementation progress and results achievement.*** While the current movement to monitoring higher-order results is positive, especially given its historical neglect, this should not be accomplished at the expense of traditional implementation monitoring. Both of these types of monitoring are needed, although for different uses and users. As a project matures, there may be a logical shift from an early emphasis on monitoring implementation to a later emphasis on monitoring results.
- ***Complement performance monitoring with evaluations to ensure appropriate decisions.*** Performance monitoring and evaluation should both be viewed as important dimensions of an effective results based management system, that can complement each other nicely. Performance monitoring data alerts managers to performance problems but without further analysis may not present solutions. Experience indicates that performance monitoring data alone are often not adequate for making wise decisions. Evaluations, which examine why performance is good or bad by exploring cause-effect relationships and which typically make action recommendations, are useful complements to simpler presentations of performance monitoring data. Unfortunately, evaluation activity (at least in some agencies) may be on the decline, despite the growing emphasis on results based management. Donor agencies may need to pay more attention to strengthening and integrating the evaluation function within their overall results based management systems, not just in *theory* but in *practice*.
- ***Ensure use of performance information, not just for reporting but for management learning and decision-making.*** There is growing evidence that these two primary uses of performance information may to some extent be in conflict (e.g., requiring different approaches and methods). Donor agencies need to be aware of these tensions, and attempt to balance their overall RBM systems to accommodate both needs. In particular, they should be on-guard against the possibility that “urgent” demands for performance reporting made by various external stakeholders do not overshadow equally (if not more) important internal management uses of performance information.
- ***Avoid misuses of performance monitoring data.*** Experience is accumulating that unless guarded against, performance monitoring data may be inappropriately used, even leading to program distortions and dishonest reporting. For example, it may lead to a concentration on those types of

activities that are most easily measured rather than on what's most important. Moreover, if resource allocations (or other rewards & penalties) are too rigidly tied to performance data, this may create incentives for biased reporting, as managers try to put their performance in the best possible light.

- ***Give managers autonomy to manage-for-results as well as accountability.*** Managers being held accountable for achieving results should also be empowered with the decision-making authority and flexibility to shift resources away from poorer-performing to higher-performing activities and projects. Without such authority, managers will be unable to act to improve performance and results, and will soon become sceptical and disillusioned.
- ***Build ownership by using participatory processes.*** Donor agencies' policies increasingly emphasise participatory approaches involving partners, beneficiaries and stakeholders in all phases of results based management – e.g., in strategic planning exercises, in developing performance measurement systems, and in results-based decision-making processes. Such a participatory approach has the potential to increase the effectiveness of an agency's development efforts and the ownership and commitment of partners and stakeholders to those efforts. However, it is also likely to be a time-consuming and labour-intensive process.

Next Steps for the DAC Working Party on Aid Evaluation

69. Below are some suggestions for how the DAC Working Party on Aid Evaluation might proceed with its work on results based management systems:

- ***Review and finalise this paper.*** The next step will be the review of this paper, *Results Based Management in the Development Co-operation Agencies: A Review of Donor Experience*, at the February 10-11, 2000 meeting of the DAC Working Party on Aid Evaluation. Based on Members' discussion and recommendations, this paper will be revised and finalised. In addition to correcting possible factual errors, the paper might possibly be further strengthened and improved by
 - (a) Reviewing additional documents suggested by Members
 - (b) Adding selected other donor agencies with relevant experience; and/or
 - (c) Obtaining information from other possible sources (beyond a document review)

For example, the experiences of donor agencies with the actual uses of performance information and with mechanisms for strengthening its use are not very well documented. Moreover, not much is written about lessons learned regarding effective practices for establishing performance management systems, nor about how agencies are approaching key challenges (e.g., attribution, aggregation, etc.). These aspects of the paper might be strengthened by discussing recent experiences more directly with selected donor agency officials; for example, by conducting some key informant interviews or focus groups.

Depending upon the extent of revisions recommended at the February meeting, the paper might be revised over the Winter or Spring of the year 2000. In any event, a final draft would be ready for the next Working Group meeting on 22-23 November 2000.

- ***Prepare a "good practices" paper.*** The work on performance management envisioned by the DAC Working Group on Aid Evaluation includes a second phase involving the development of good practices for establishing effective performance management systems (See Preface). A suggested next phase would thus involve preparation of a paper on *Practices for Establishing Effective Results Based Management Systems in the Donor Agencies*. This paper would be approximately 40-50 pages in length, following a format similar to that used in the paper, *Effective Practices in Conducting a Joint*

Multi-Donor Evaluation. It would offer practical, step-by-step advice for establishing and implementing a results based management system in the context of development co-operation work.

70. Development of this paper would draw extensively from this document review of experience, but would also rely upon other information-gathering approaches as well, to elaborate on useful approaches and practices of donor agencies that are not yet well documented. Other information-gathering approaches might include one or more of the following:

- Conduct a series of structured meetings (e.g., key informant interviews, focus group interviews) with selected representatives of donor agencies that have significant results based management experience
- Hold a small participatory workshop with selected representatives from donor agencies that have been practicing results based management, with the aim of sharing experiences and building consensus around what are effective practices
- Use some lower-cost communications approaches, such as telephone interviews, mail questionnaires, or email communications, to gather more experiential information directly from donor agency officials.

71. A rough timeframe for the development of a good practices paper might be as follows:

- (a) Further information gathering (e.g., interviews, workshops, etc): April-July, 2000
- (b) Drafting of the paper: August-October, 2000
- (c) Distribution to Members: early November, 2000 (before the next Working Group meeting)

- ***Other possible steps.*** The DAC Working Party on Aid Evaluation may also wish to consider other approaches and related actions (e.g., some suggested at the October 1998 workshop) such as:
 - (a) Working towards the development of commonly-accepted definitions and terminology (progress now underway by including RBM-related terminology in the on-going DAC Working Party's *Glossary* exercise).
 - (b) Developing an *Internet website* as a means to share Member donor agencies' performance measurement and management documents, guidance, experiences, lessons and best practices.
 - (c) Using the Working Party's planned *joint sector assessments* in selected countries and sectors as an opportunity to further explore the utility of a collaborative country program approach to performance measurement and evaluation
 - (d) Holding another workshop on the topic of results based management in about one years time, when there is more accumulated experience with implementation and use of these systems