Background Information
Forwarded to High Level Forum on Aid Effectiveness
by the DAC Working Party on Aid Effectiveness and Donor Practices
Joint Venture on Managing for Development Results

MANAGING FOR DEVELOPMENT RESULTS
PRINCIPLES IN ACTION:

SOURCEBOOK ON EMERGING GOOD PRACTICE

APRIL 2005

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AFD</td>
<td>French Development Agency (Agence Française de Développement)</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>AsDB</td>
<td>Asian Development Bank</td>
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<td>BFP</td>
<td>Bolsa Familia Program (Brazil)</td>
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<td>CAS</td>
<td>Country Assistance Strategy (World Bank)</td>
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<td>CPRGS</td>
<td>Comprehensive Poverty Reduction and Growth Strategy (Vietnam)</td>
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<td>CFAA</td>
<td>Country Financial Accountability Assessment</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CSP</td>
<td>Country Strategy Paper (AfDB)</td>
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<td>DAC</td>
<td>Development Assistance Committee of the OECD</td>
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<td>DANIDA</td>
<td>Danish International Development Assistance (Uganda)</td>
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<td>DFID</td>
<td>United Kingdom Department for International Development</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>FPO</td>
<td>Fiscal Policy Office (Thailand)</td>
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<td>FY</td>
<td>Fiscal year</td>
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<td>HIV/AIDS</td>
<td>Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome</td>
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<td>HLF</td>
<td>High Level Forum</td>
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<td>IDA</td>
<td>International Development Association of the World Bank Group</td>
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<td>IDB</td>
<td>Inter-American Development Bank</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JBIC</td>
<td>Japan Bank for International Cooperation</td>
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<td>KFW</td>
<td>German Federal Government Development Bank (Kreditantalt für Wiederaufbau)</td>
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<td>KPI</td>
<td>Key performance indicator</td>
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<td>LICUS</td>
<td>Low-Income Country Under Stress</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework (Vietnam)</td>
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<td>MfDR</td>
<td>Managing for Development Results</td>
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<td>M&amp;E</td>
<td>Monitoring and evaluation</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>NAC</td>
<td>National AIDS Commission (Malawi)</td>
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<td>NBS</td>
<td>National Bureau of Statistics (Tanzania)</td>
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<td>NEAP</td>
<td>National Environment Action Plan (Madagascar)</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>Performance Measurement Framework (Uganda)</td>
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<td>PRS</td>
<td>Poverty Reduction Strategy</td>
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<td>Poverty Reduction Strategy Paper</td>
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<td>Swedish International Development Cooperation Agency (Education)</td>
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<td>Social Fund for Development (Yemen)</td>
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<td>Specialized Financial Institution (Thailand)</td>
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<td>SWAp</td>
<td>Sector-wide approach</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>VFM</td>
<td>Value for Money (Uganda)</td>
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<td>WB</td>
<td>The World Bank</td>
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INTRODUCTION TO THE SOURCEBOOK

The need to better manage for results—to use information to improve decision making and steer country-led development processes toward clearly defined goals—has come to the forefront of the global development agenda since the Monterrey Conference on Financing for Development in 2002. The Monterrey Conference called for a new partnership for development in which developing countries increase their commitment to policies and actions that promote economic growth and reduce poverty, and developed countries support them through more effective aid and trade policies. In this context of shared responsibility, global attention has turned to management strategies to achieve results.

Since Monterrey, a global agenda and community of practice on managing for development results (MfDR) has started to emerge. In the period leading up to the Marrakech International Roundtable on Results in February 2004, through discussions and exchange of views, this community defined the conceptual framework and the principles of MfDR.

Today, development agencies are undertaking major efforts to implement the results agenda. More importantly, many developing and transition countries are pursuing a results approach in their national strategies, public sector management, and sector programs and projects. This translates into greater demand among staff in development agencies and partner countries for greater awareness and understanding of managing for results.

To address this demand, the OECD/DAC-MDB Joint Venture on Managing for Development Results, established under the auspices of the DAC-OECD Working Party on Aid Effectiveness and Donor Practices, undertook to develop a Sourcebook on the principles and emerging good practice in MfDR.

The Sourcebook is intended to increase understanding of the ideas behind MfDR and to show how it is being used in partner countries and international development agencies. Specifically, it

- provides an update on the global partnership to reduce poverty and to enhance development effectiveness through MfDR
- presents some important concepts behind MfDR and describes the five principles of MfDR agreed on at the 2004 Marrakech Roundtable on Results
- provides some illustrative examples of how MfDR is being used in practical ways at the country, program, project, agency, and interagency levels.

The Sourcebook is not the final word on MfDR, nor is it intended to serve as an operational manual for how to do MfDR. The principles will continue to evolve as more lessons and good practices are documented. The illustrative examples also help substantiate and better explain the principles. It is hoped that the Sourcebook can be used as a learning tool to provoke discussion and sharing around MfDR and improve it further.
Throughout the Sourcebook, these icons refer the readers to background information, further details, and interesting reading:

- **This icon directs readers to references and resources listed in the Appendix.**
- **This icon directs readers to a website listed in the Appendix.**
- **This icon directs readers to illustrative examples presented in Parts 2, 3, and 4 of the Sourcebook.**

The Sourcebook is intended for:

- policy advisors and public sector managers who are working to achieve national development outcomes through government programs or projects
- development agency staff and managers who are working within their agencies, across agencies, and with partner countries to support country development outcomes.

Organization of the Sourcebook

**Part 1** of the Sourcebook presents the concepts, tools, and principles of managing for results.

**Part 2** focuses on partner countries’ efforts to manage for results at a national level, in their strategic planning, public expenditure management, results-based M&E systems, and statistical capacity strengthening.

**Part 3** attempts to capture experience in managing for development results in sector programs and projects.

**Part 4** discusses ways development agencies are working to enhance their contribution to country outcomes by increasing their focus on results in strategies, instruments, reporting, learning and incentive structures.

Harmonization matters are highlighted throughout Parts 2, 3, and 4. A list of references and resources is presented in an appendix.

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This first draft of the Sourcebook on Emerging Good Practice in Managing for Development Results is the product of almost a year of intensive collaborative work by many agencies and partner countries. The Sourcebook Team, consisting of World Bank staff and consultants, worked with many authors under the overall guidance and oversight of the Sourcebook Review Panel, which comprises representatives of Canada, Denmark, Norway, the InterAmerican Development Bank, and the World Bank. In addition, the Government of Canada provided financial support for the preparation of Part 1 of the Sourcebook.

The illustrative examples were selected through a screening process during which nominations were sought worldwide. The current draft includes examples proposed by the Asian Development Bank, Canada, Denmark, the United States of America, the InterAmerican Development Bank, and the World Bank. Many of them have been drafted jointly with country counterparts. Work is underway on examples proposed by Austria, Germany, Japan, the Netherlands, and Sweden.

Future work on the Sourcebook will focus on distilling lessons learned in MfDR by capturing the discussions at the results roundtable during the Paris High-Level Forum on Aid Effectiveness, as well as through additional good practice examples.
PART 1. MFDR CONCEPTS, TOOLS, AND PRINCIPLES

1. Overview
Managing for Development Results (MfDR) is multidimensional, relating back to concepts about how to make international development more effective and results-oriented, and to practical performance management tools. MfDR builds on several years of work by public sector institutions and development agencies, which reflects an emerging global consensus on the importance of performance measurement in international development.

MfDR Concepts
The concepts that underlie MfDR are that global development assistance can be more effective by enhancing country ownership, aligning assistance with country priorities, harmonizing development agencies policies and procedures, and focusing more consistently on the achievement of development outcomes.

MfDR Tools
With MfDR both national public sector institutions and international development agencies use various results-oriented performance management tools and systems to implement national plans, country strategies, sector programs and projects.

MfDR Principles
The principles of MfDR, agreed during the Second Roundtable on Managing for Results in 2004, are:
- focusing the dialogue on results at all phases of the development process
- aligning programming, monitoring and evaluation with results
- keeping measurement and reporting simple
- managing for, not by, results
- using results information for learning and decision-making.

MfDR in Action
MfDR in action is diverse, adaptive, creative, and inclusive. MfDR as an approach to development management is evolving rapidly as its practitioners learn by doing. This activity includes both what countries are doing to manage toward outcomes and what development agencies are doing to measure and monitor whether the resources they contribute to poverty reduction and economic growth efforts are making a difference. In addition, both public sector institutions and development agencies are using MfDR strategies to plan and measure change within their organizations. The theories of
development change and of management change reinforce each other in this process.

Development practitioners are applying managing for results at many levels and in many contexts: for example, managers and staff in national public sector ministries, international development institutions, and bilateral donors are all experimenting with various approaches while adding to both conceptual and practical knowledge about MfDR. Development agency and public sector managers are the generators of knowledge in terms of MfDR's implications and practical application within their areas of work. Some of these experiences are documented in the Sourcebook examples.

**Why is MfDR so important at this time?**

MfDR is not prescriptive and does not conflict with other approaches to results management or public sector performance management already in use around the world. Rather, it provides general principles and strategies that countries and development agencies can use to improve what they are already doing.

Overall, MfDR is important right now because the international development community needs:

1. A common performance management approach to facilitate collaboration.
2. A common language and set of concepts and terms to use when discussing development performance and progress towards outcomes.
3. A practical approach to achieving development outcomes that builds on concrete lessons learned.
4. Better approaches to creating management efficiencies in the international development process.

For example:

- **At the national level (see Part 2)**, MfDR is used in the planning and implementation of results-based national plans, budgets, and antipoverty strategies. International agencies may support this process with technical assistance. With MfDR, countries are taking greater responsibility for coordinating donor assistance programs for country-led implementation supported by outcome measurement, monitoring, and reporting at the national level and in sector programs and projects.

- **In sector programs and projects (see Part 3)**, partner countries and development agencies use MfDR in planning assistance programs or individual projects that are based on country outcomes and priorities defined in national or sector development plans. Feasibility studies, planning, measurement, and reporting in sector programs and projects are increasingly being linked to achievement of country outcomes. Partner countries and development agencies use a variety of methods, tools, incentives, and frameworks to effectively manage for results in all types of development interventions. Harmonization of these approaches is underway.
• Within and across development agencies (see Part 4), MfDR plays an important role when agencies work alone or together to define and coordinate their institutional efforts in support of partner country outcomes. Agencies use a variety of results-based strategies and tools to plan development results, define indicators and performance measurement strategies, undertake reporting, and create effective evaluation approaches, all supporting the achievement of country-defined development outcomes.

2. Concepts and Tools

Managing for Development Results has evolved as part of the global work by both national governments and development agencies to reduce poverty, support sustainable and equitable economic growth, and better define and measure development outcomes. Development effectiveness (broadly defined) means that countries and agencies are better able to achieve their collective development outcomes, and that they have the right tools at their disposal to measure progress toward those outcomes report on them, and use the lessons learned to continuously improve performance.

2.1. Development Outcomes

For years, development assistance was delivered in piecemeal ways that did not always respond to country priorities. International agencies controlled most aid flows and transactions and, in many instances, dictated the types of assistance that countries could receive. Development efforts were often fragmented and unsustainable, and they imposed a heavy burden of contracting and reporting on countries. Most importantly, they focused on funding inputs and activities through resource transfers, rather than on supporting achievement of broader development results or outcomes.

In the 1990s, the field of international development entered an era of reform and reformulation as the disparities between rich and poor countries increased. World leaders, in collaboration with the UN and other multilateral institutions, recognized the need for drastic measures to ensure that the developing countries benefited from globalization, and that development assistance funds were used equitably and effectively to achieve the global development aims embodied in the Millennium Development Goals (MDGs) and other national development goals.

Development partners recognized the need to identify specific programming mechanisms and strategies to turn global development goals into reality. Since 2002, a series of international events and meetings have helped identify how to move ahead in achieving development outcomes. In 2002 the International Conference on Financing for Development (Monterrey, Mexico) analyzed the financial and operational requirements for meeting global development outcomes. In 2003, representatives of the international community (28 aid recipient countries and more than 40 multilateral and bilateral development agencies) met in Rome at the High Level Forum on Harmonization to build on their support for the Monterrey Consensus by discussing key principles, lessons, and practical ideas related to harmonization and alignment of development assistance.
Millennium Development Goals (2000)

In a key effort to promote more effective development, in 2000, 189 UN member countries agreed to work toward reduction of global poverty and improved sustainable development. These global aims are reflected in the 8 MDGs, with their 18 targets and 48 performance indicators. The MDGs provide specific, measurable targets that are gradually being adapted at the country level as the basis for country outcomes and then monitored over time to help gauge progress.

Over the past several years, some major initiatives have helped identify practical tools for harmonizing and aligning development assistance. Many multilateral and bilateral agencies have developed action plans on harmonization, alignment, and managing for results. They are linking their country assessments and programming frameworks to national development outcomes in both low- and middle-income countries.

Monterrey Consensus (2002)

The Monterrey Consensus emphasized the need to:

- harmonize development approaches among donors
- reduce transaction costs for recipient countries by aligning donor resources
- increase country-level absorptive capacity and improve financial management systems through capacity building
- increase local ownership in the design and implementation of poverty frameworks at the country level

To reduce transaction costs, many international agencies are streamlining their internal management systems in line with the OECD-DAC Good Practices on harmonization and alignment. At the same time, the development banks and many bilateral donors continue to work together on harmonizing their procedures, especially those providing budgetary support for country-level poverty reduction strategies. All of these joint country and agency efforts to improve the focus on meeting development outcomes and explore new ways of improving aid effectiveness are the topic for discussion at the High Level Forum on Harmonization, Alignment and Results in Paris in February 2005.
Participants committed to specific activities to enhance aid harmonization:

- Deliver assistance in accordance with partner country priorities
- Amend policies, procedures, and practices to facilitate harmonization
- Implement good practice standards or principles in development assistance delivery and management
- Intensify donor efforts to cooperate at the country level
- Promote the benefits of harmonization among staff
- Provide support to strengthen partner country governments’ leadership and ownership of development results
- Streamline donor procedures and practices
- Promote harmonized approaches in global and regional programs.

2.2. Development Effectiveness
Several important concepts, described briefly in this section, form the backdrop for an enhanced focus on development effectiveness.

Harmonization and Alignment
The Monterrey Consensus and later the Rome Declaration affirmed the need for development agencies and country partners to harmonize their operational procedures, and for bilateral and multilateral agencies to align their support with partner country priorities and strategies.

When each development agency pursues its own operational requirements for preparing, delivering, and monitoring development assistance, the burden on recipient countries is high. Furthermore, many agency-specific requirements do not mesh well with partner countries’ budget and planning models, public expenditure frameworks, and financial management systems. To improve alignment, development agencies and partner countries now emphasize the need to place nationally designed strategies at the heart of the development process, as well as to rely on the partner country’s own management systems. For harmonization, development partners recognize the need to establish common arrangements and procedures for managing aid, including sharing information widely and transparently.

Country Ownership
One key idea that emerged from both the Monterrey and Rome conferences, and was reaffirmed in Marrakech, is that countries should "own" the goals and objectives of any development process or program; without ownership and commitment on the part of country partners, development may not be sustainable in the long term. Countries should therefore foster an enabling environment for development by creating supportive policy, investment, and governance structures.

When the country has set out its priorities in a poverty reduction strategy or a national development framework, development programs should be designed to
directly support these aims. The sense of control over their futures that countries then gain translates into effective action toward key national development outcomes.

Managing for Results

The Washington and Marrakech Roundtables on Results, held in 2002 and 2004 respectively, focused specifically on managing for results as a key aspect of and prerequisite for improved aid effectiveness.

At both roundtables, participants from partner countries and development agencies discussed the challenges of managing for development results at the country level, as well as within specific programs and projects, and compared the tools and strategies used to address issues on the ground. A significant result of these conferences was the formulation of the principles of MfDR, which reflect a broad consensus about what constitutes sound MfDR and which are the focus of this Sourcebook. Development stakeholders now recognize that the process of improving conditions in the world, a country, or an organization is one of change management. Defining clear results provides a better target for change. Periodically measuring results provides guideposts or markers that allow for corrections to keep programs or projects on track toward their stated outcomes. Ultimately, better managing for results helps demonstrate more clearly whether development outcomes have been achieved.

Marrakech Memorandum (2004)

Better development results require management systems and capacities that put results at the center of planning, implementation and evaluation.

To steer the development process toward the goals they have defined, countries need stronger capacity for strategic planning, accountable management, statistics, monitoring, and evaluation.

Development agencies, within their different mandates and modalities for providing country support, need to enhance their focus on results.

A global partnership is essential to address the challenges of managing for results and reduce the burden on countries of multiple reporting requirements and monitoring and evaluation systems.

Partnership

Partnership can improve both the efficiency and effectiveness of development. Its crucial elements are mutual respect, transparency, open participation in planning and decision-making at all levels (both inside countries and among partner countries and development agencies), and mutual coordination/support.

An effective partnership is one in which donors and recipient countries have a common vision of poverty reduction and development, and are willing and able to work together in a coordinated, participatory fashion to achieve these aims. These ideals are clearly reflected in statements from Monterrey, Rome, and Marrakech, as well as in a large number of recent agency documents and programming approaches.
**Capacity Building**

Monterrey, Rome and Marrakech statements emphasized the importance of intensive investments in building partner country capacity to support greater development effectiveness. In the 2002 Monterrey Statement on Results, development agencies agreed that greater support was needed for improved public sector management, statistical development, and monitoring and evaluation (M&E) systems, all linked to improving public accountability for results among both partner countries and international agencies. Often an initial investment is needed to build the individual skills and institutional systems required for partner countries to effectively take charge of their programming in the long term.

The focus now is on building sustainable capacities by providing partner countries with targeted and needs-oriented technical assistance for public sector management. Concretely, what this means is that where coordinated, harmonized, and country-owned development initiatives are under way, partner countries should assess their own gaps and needs in such areas as results-based strategic planning, management information systems, results-based M&E, needs analysis, policy formulation. Development agencies can then invest directly in building partner countries’ public sector capacity to ensure that public sector agencies or departments are able to manage effectively for results.

**Learning and Decision-Making**

The statements from Monterrey, Rome, and Marrakech reflect the growing consensus that managers in both countries and development agencies need to create better ways to obtain feedback on their work, continuously learn from the experience of trying to achieve development objectives, and make better development decisions on the basis of what they have learned. Feedback and learning are powerful public management tools that can improve the way governments achieve results. A growing body of evidence suggests that the way development partners manage the collective learning and feedback process can play a central role in the success or failure of any development intervention.

Development agencies and countries both benefit when they share experiences and accomplishments in a systematic and transparent way and when they have a responsibility to ensure that lessons learned in development programming are used constructively in ongoing management decision-making. This is integrally linked to more effective use of performance measurement information, and is in turn linked to a better results focus in development.

**2.3. Performance Management**

Results-based performance management approaches and tools can directly support more effective development. Managing for results and performance in development is based on the following process:

- The ultimate goal of all development is to improve the quality of life in a sustainable way. Every development initiative is designed to help a country or sector to reach this goal.
What is a Development Result?

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

Results-Based Management

The gradual introduction of results-based management techniques in the 1990s helped many public sector and development agency managers take a more systematic approach to all aspects of project and program management. Many institutions and agencies in both developed and developing countries now use a variety of practical techniques to manage for results, including results-based strategic planning, use of project logic models or results frameworks, results-based budgeting, risk management, and results-based M&E.

Results-based management is centered on a strong notion of causality. It theorizes that various inputs and activities lead logically to higher orders of results (outputs, outcomes, and impact). These changes are usually shown in a “results chain” or “results framework” that clearly depicts cause-and-effect relationships. Development results are usually understood as sequential and time-bound, and changes are linked to a series of management steps within the programming cycle for any development initiative (project or program). Results-based management asks managers to regularly think through the extent to which their implementation activities and outputs have a reasonable probability of attaining the outcomes.
desired, and to make continuous adjustments as needed to ensure that outcomes are achieved.

Although results-based management is nearly synonymous with MfDR as we currently understand it, some approaches to results-based management have focused only on accountability. MfDR goes further, incorporating newer ideas about collaboration, partnership, country ownership, harmonization and alignment, and it provides a higher management standard because it asks all stakeholders to focus continuously on country outcome performance, rather than on short-term results.

**Logic Models**

In the 1970s, public sector agencies and development institutions began using logic models, borrowed from the project planning approach used by engineers, to plan the efficient utilization of inputs in their development projects. In the 1990s, they saw the potential of using logic models as part of results-based management to help systematically identify desired development objectives, results, and targets. During the era of reform in public sector and development assistance, logic models were further adapted to support results formulation and tracking (i.e., laying out clear objectives, targets, indicators, and means of verification).

If used properly, logic models help describe how development inputs can lead to immediate results or outputs, and then demonstrate how these outputs will in turn lead to outcomes. In many development agencies, logic models are referred to as “results frameworks”. They are a powerful tool for summarizing the change logic behind any development intervention, and they form an essential part of the MfDR toolkit.

**Results-based Monitoring and Evaluation (M&E)**

Monitoring and evaluation (M&E) involves the systematic collection of performance information about progress toward results, which can then be used to help in management decision-making. M&E provides strong tools and models for performance measurement, and has a long pedigree as a tool for increasing the effectiveness of development interventions. Since the 1990s, when results-based management approaches came into wider use in both country-level public sector institutions and international development agencies, M&E has been used more and more to assess results achievement. Today, results-based M&E is a major component of the MfDR toolbox that helps both countries and agencies systematically measure the progress of program and project outcomes.
What is an MfDR Principle?

A principle is a basic generalization that is accepted as true and that can be used as the basis for ongoing reasoning or conduct. The MfDR principles were agreed during the Second Roundtable on Results in Marrakech in 2004.

The examples in Parts 2, 3 and 4 of the Sourcebook show the variety of tools and strategies that countries and development agencies are using to apply the MfDR principles.

Multiple Delivery Mechanisms

Recent practical experiences by partner countries and development agencies emphasize that the traditional project model is no longer the sole route to deliver development assistance. Results-based programs that are aligned with national and sector strategies and/or that provide broad budgetary support to governments can be more effective in the long term than project funding; effectiveness is further enhanced when development programs within a sector are coordinated and harmonized. This point was emphasized repeatedly in discussions and examples shared at both the Monterrey and Rome conferences.

However, practical experience has also shown that approaches to development assistance must be blended and fine-tuned to suit the country context and needs. All types of support can be useful (e.g., direct budget support, financing of sector programs, targeted sector-specific projects, technical assistance, and analytical work), but only so long as they are planned and delivered with the country development priorities as the framework and with full country ownership and partnership. In practice, development agencies may use a variety of delivery mechanisms within and across countries. For this reason, the Sourcebook provides a wide range of examples of how MfDR can be applied at different levels and with a variety of development interventions.

3. MfDR Principles

The MfDR principles form the basis for sound performance management. They are applicable at any level and within a variety of interventions (national, sector, program, project, and organization), and they influence the use of specific strategies and tools at various phases of national and development programming.

There is significant synergy among the principles. They should all be considered at every phase of any development initiative, as the basis for deciding which specific performance management tools to apply. They do not constitute a step-by-step, sequential recipe for MfDR.

The following sections discuss the MfDR principles and provide a lead-in to the parts of the Sourcebook that show examples of MfDR at work at many levels.
3.1. Focus the Dialogue on Results at All Phases

**Key Characteristics**

- Multi-stakeholder dialogue takes place throughout any development initiative (e.g., planning, implementation and evaluation of a country poverty framework, country assistance strategy, sector/program framework, or project) to ensure that the focus always remains on managing toward outcomes.
- All partners and key stakeholders jointly own the process of defining and managing for outcomes at all phases (no matter when they enter the process), and agree to take collective responsibility for any initiative's results orientation.
- Managers use risk assessment and risk management strategies to ensure that all stakeholders understand the risks that are likely to affect results achievement, and to help them work together to address these risks.

**Principle 1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.**

In managing for results, it is important to have a coherent approach: (a) ex ante, at the strategy and planning phase, when expected results are articulated and their likely costs and expected impact on poverty reduction and development are analyzed; (b) during program/project implementation, when monitoring is needed to assess progress and identify necessary midcourse corrections; (c) ex post, upon completion, when the results are assessed against objectives and other factors, and (d) also when sufficient time has passed to allow an assessment of sustainability.

**What does this look like in practice?**

**At the national level**—Countries are working to identify clear national outcomes, with appropriate indicators for results at all levels, and to ensure that all planned activities will support the identified results, that information is regularly collected on these indicators, that the analysis of progress is used in regular reporting to government and other stakeholders such as civil society groups, and that evaluations are conducted to determine whether planned results were actually achieved and sustained over time. In practice, countries’ ability to do this varies with their national context and capacity. Countries use a wide range of performance management tools and strategies (sometimes with development agency support) to do this, as shown in Part 2 of the Sourcebook.

**In sector programs and projects**—Partner countries and development agencies are designing programs or projects and are managing them jointly contribute to the main outcomes identified in national plans. Various forms of sector program or project support are tailored to the development needs of the...
partner country. During planning, implementation, and evaluation of these initiatives, agencies and countries are continuously engaging in dialogue and working together to guide the process, build needed capacity, and assess progress toward outcomes. They are using a variety of performance management tools and strategies, as Part 3 of the Sourcebook shows.

**In development agencies**—Development agencies are creating results-based country assistance strategies in close dialogue with each other and with national governments. During this process, multiple agencies negotiate a process for working together to support country outcomes, harmonizing and aligning their programming procedures—including monitoring and reporting requirements—to reduce transaction costs for the partner country. They use a variety of performance management tools to do this, as Part 4 of the Sourcebook describes.

### 3.2. Align Programming, Monitoring, and Evaluation with Results

**Key Characteristics**

- Implementation strategies and activities are designed to directly support outcomes (as defined in the partner country's own national or sector development plans), and are continuously adapted over time to ensure that planned outcomes are achieved.

- Indicators and M&E strategies are logically linked to desired outcomes and impacts, and they demonstrate clearly whether or not the identified results are being achieved.

- The same set of indicators is used consistently throughout any program or project intervention to provide evidence of ongoing results performance. Ongoing M&E activities analyze the degree to which planned outcomes are actually attained so that implementation can be adjusted as needed.

**Principle 2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.**

When partner countries, development agencies and other stakeholders focus on expected results and associated results indicators, they can better align actual programming (including financial support), monitoring, and evaluation activities with agreed results objectives. Partner country priorities and constraints must remain the starting point for development agencies' support strategies, and the development agencies' planned operations, analytic support, and technical assistance must be consistent with the partner country's sound development strategy.
What does this look like in practice?

At the national level—Many countries are in the process of developing strong operational plans and budgets to support national plans and sector development strategies in which key outcomes are identified along with suitable indicators at different levels. Operational plans, when in place, can help show how specific inputs (human and material resources) and activities (usually delivery of goods or services) will lead to country outcomes. Benchmarks, indicators, and targets are then used regularly to track progress toward these outcomes. During implementation, ongoing monitoring is used to assess whether progress is being made as planned. Evaluations help ensure that longer-term progress toward outcomes is consistently tracked and analyzed. Some examples of tools and strategies being used to align implementation and M&E activities with country outcomes (sometimes with development agency support) are provided in Part 2 of the Sourcebook.

In sector programs and projects—Development agencies are working closely with partner countries to support the achievement of outcomes linked to long-term national plans. Agency contributions towards budgetary support, sector programs, and projects are carefully aligned with planned country outcomes. Assessment of risk during the implementation process ensures that factors that may affect achievement of outcomes are taken into consideration, and that inputs are adjusted accordingly. A range of tools and strategies being used to ensure that planned program and project activities (including M&E) support achievement of country outcomes are described in Part 3 of the Sourcebook.

In development agencies—Development agencies are working both individually and collectively to support and enhance national outcomes. In many instances, agencies can coordinate their support for these outcomes, as shown in some of the examples in Part 4 of the Sourcebook.

3.3. Keep Measurement and Reporting Simple

Key Characteristics

- Measurement and reporting on results are kept as straightforward as possible to create efficiencies and to support effective communication between stakeholders.
- Country outcomes are measured through country-defined indicators that are selective, cost-effective, and realistic, so that just the right amount of performance data is generated.
- Risk and institutional performance indicators are used to track key contextual changes that may affect outcome achievement.
- Countries and agencies are committed to minimizing costs and avoiding duplication by using country-defined indicators as the basis for performance assessment and reporting and be employed for decision-making about adjustments or mitigation measures.
Principle 3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.

The indicator framework for managing for results should, to the extent possible, (a) be simple; (b) rely on country systems, supporting capacity building to the maximum extent; (c) be geared to learning as well as accountability functions; and (d) be harmonized to minimize system transactions costs and facilitate comparative analysis. The partner country and development agencies should consult on a short list of key indicators, preferably from a standardized list, for monitoring progress and assessing achievement of results. It is important to take into consideration the chain of expected results. Managing for results aims at improved efficiency; therefore, it is essential to be selective (and not to try to measure everything) and realistic (in terms of feasibility and cost) in choosing indicators. The results reporting system should remain pragmatic; start with whatever baseline data are available, including proxies; use meaningful qualitative indicators to complement quantitative indicators, or to compensate if quantitative indicators are not available; and include support for cost-efficient measures to improve data availability and country or project monitoring systems. The end goal should be a sound results-based management system that includes specific, quantifiable indicators connected to a timeline with baseline data and periodic assessments of project and program performance against defined targets.

What does this look like in practice?

At the national level—Countries are working to identify feasible and flexible indicators based on their own capacity to measure and track progress, and assessing how best to build their internal capacity to conduct performance measurement in sectors or subsectors so that performance data can be “rolled-up” to the national level. They are working to ensure that internal and external reporting provides a coherent “performance story” regarding progress toward country outcomes. Part 2 of the Sourcebook provides examples of the various tools and strategies used for performance measurement and reporting at the national level.

In sector programs and projects—When agencies—individually or as a group—enter into partnership with any country to support achievement of national outcomes, they also commit to using the country’s own indicators and measurement approaches to monitor and report progress. Some examples of how this may work in practice are provided in Part 3 of the Sourcebook.

In development agencies—Within and across development agencies, measurement and reporting requirements ideally need to be fully aligned and harmonized with partner country capacities and strategies. Internally, development agencies are experimenting with various tools and strategies to measure and report on corporate, country program, or project results, as the examples in Part 4 of the Sourcebook show.
3.4. Manage For, Not By, Results

**Key Characteristics**

- Planned outcomes are clearly defined at the beginning of any intervention, and then the resources and inputs required to attain these outcomes are identified (not vice versa, as was the case in the past).

- Development managers have the latitude, flexibility, and authority to arrange resources as required to achieve the desired outcomes as the development intervention moves ahead. Planned outcomes form the focal point for any ongoing management decisions.

- If key targets are missed, stakeholders and managers collectively analyze how and why plans or strategies have gone off track, how they could be brought back on track, and then take corrective measures in constructive and mutually supportive ways so that outcomes are attained.

**Principle 4. Manage for, not by, results.** Managing for results involves a change in mindset. Instead of starting with the planned inputs and actions and then analyzing their likely outcomes and impacts, results-oriented staff focus on the desired outcomes and impacts (for example, on poverty reduction) and then identify the inputs and actions needed to get there. They also establish baselines and identify up front performance targets and indicators for assessing progress during implementation and on program completion. Missing key targets should not trigger the rigid application of penalty rules; rather it should be a signal for partners to analyze together whether/why things have gone off track and how they could be brought back on track, if necessary.

**What does this look like in practice?**

**At the national level**—National public sector agencies are working continuously and consistently to manage toward long-term outcomes. Inputs and activities are adjusted as needed, and public sector managers have the flexibility to experiment with various implementation strategies to see what works best. Regular reviews of progress identify key barriers and identify corrective actions needed to achieve planned outcomes. Part 2 of the Sourcebook provides examples of the types of tools and strategies used to manage for results at the national level.

**In sector programs and projects**—Development agencies determine the type and level of sector program or project support they will provide to a partner country by the country’s own outcomes. Where a program or project fails to make the planned progress toward identified outcomes, a constructive dialogue about the process, options, and steps may improve performance. If a crucial target is missed, rather than withdraw support, partners consider whether additional strategic assistance could help overcome certain obstacles or missed opportunities that have arisen during process. Part 3 provides some
examples of how this process works in practice in a variety of development projects and programs.

**Principle 5. Use results information for management learning and decision making, as well as for reporting and accountability.**

In development agencies—Individual agencies are working to design realistic country programming strategies, in which progress toward outcomes can be assessed using performance information generated at the country level. Agencies remain focused on outcomes, even as they continually analyze and adjust short-term targets, inputs, and approaches. They are giving program managers increased authority to adapt agency assistance strategies as needed to support overall outcomes. Part 4 provides examples of how managing for results works within and across development agencies.

3.5. Use Results Information for Learning and Decision-Making

**Key Characteristics**

- Information generated through ongoing performance measurement is easily accessible to all stakeholders in any development intervention.
- Whether positive or negative, performance information is used to support constructive and proactive management decision-making and foster learning.
- Assessment of performance and accountability for results takes into account both contextual factors and risks, and makes adjustments accordingly.
- Even in the face of ongoing challenges and risks, program and project managers continue to ask “why are we doing this?” and remain focused on the learning opportunities inherent in the performance management process.

**Principle 5. Use results information for management learning and decision making, as well as for reporting and accountability.** Information on results should be publicly available. However, use of results monitoring information for reporting and accountability (for both partner countries and development agencies) can prompt behaviors that are overly risk-averse. Two approaches can mitigate this possibility: (a) using reports on results in a positive way for management learning and decision-making, taking into account lessons for better future action; and (b) when using reports for accountability purposes, setting performance measures that reflect the level of responsibility of the actor (whether a country, development agency, ministry, institution, NGO, or other stakeholder) and results that the actor can reasonably achieve; this approach recognizes that even with good performance in managing for results, external factors may hinder the achievement of expected outcomes.

**What does this look like in practice?**

At the national level—National public sector agencies are creating positive incentives to use results information, as they gradually become
“learning organizations”. Countries are now learning how to share performance information with their constituencies (civil society and the private sector) by soliciting stakeholders’ perspectives on what is working or not working in terms of a particular sector strategy or plan. These ideas are then used to adjust strategies and improve progress toward results. Part 2 of the Sourcebook provides some examples of how this process is starting to work.

**In sector programs and projects**—Programs or projects funded by external development agencies can support improved learning and decision-making by encouraging dialogue and partnership around development outcomes. Missing a performance targets triggers a process of mutual reflection between partner countries and agencies so that they can develop new and improved implementation strategies. Examples of strategies used to foster learning and decision-making for programs and projects are shown in Part 3.

**In development agencies**—To better support partner countries in their learning process, development agencies are working to foster a learning culture within their own organizations. Inside development agencies, information gained from continuous reflection on program and project performance is used to adjust the approach that might be used to support more effective country programming in the future. Part 4 of the Sourcebook provides some examples of how this is working in practice.
PART 2. EXAMPLES OF MFDR AT THE NATIONAL LEVEL

2.1. Overview

To get better results, developing countries need to better manage their development processes toward desired outcomes. They do this by strengthening the results focus of their national strategies; adopting results-based approaches to public sector management; building of national capacity for results-based M&E, and strengthening statistical capacity.

**National Strategic Planning.** For countries, MfDR begins with identifying national goals and developing the strategies to achieve them. For low-income countries, the poverty reduction strategy is a common platform for defining the outcomes they want to achieve and the strategies to attain these results. Middle-income countries have no common platform, but most set out national development strategies. Many countries are making progress in linking their poverty reduction strategy or national development strategy to results-based expenditure management and performance orientation in public administration. At the same time, central and line ministries are developing more results-focused strategies accompanied by results frameworks to monitor progress.

**Public Expenditure Management.** Governments use the national budget to reconcile competing policy objectives and lay out how their objectives will be implemented in concrete terms. For a results focus, governments need to implement a budget strategy that ties annual budgets to development outcomes in spite of social and institutional pressures to sustain the status quo in expenditure patterns and practices. Some countries are forging links between expected results and medium-term expenditure processes; all have pockets of innovation where the principles of managing for results are being applied in the public expenditure management process, whether in a line ministry, a program, or a thematic area.

**Results-Based Monitoring and Evaluation Systems.** Results-based monitoring and evaluation (M&E) is a public management tool that yields information that can be used to better manage policies, programs, and projects and to demonstrate progress to citizens and civil society stakeholders. Effective M&E shows the extent to which specific activities or programs contribute to achieving national outcomes. M&E systems depend on careful definition of objectives and identification of indicators and measurement tools. As countries recognize the critical role of M&E in informing sound policy and programming decisions, they are developing strategies to improve their M&E systems at both the national and subnational levels (often with external technical support).

**Statistical Capacity.** One of the most crucial aspects of managing for results is the ability to collect and use statistics at the national level to feed into the M&E system. Building public sector capacity to collect and use statistical data empowers countries as they seek to exercise stronger public management leadership. International partnerships are providing increased resources to help countries strengthen their statistical systems and reporting mechanisms, and many countries are now finalizing strategic plans for doing this.
### MfDR Principles in Action: Sourcebook on Emerging Good Practice   Part 2

**Examples of MfDR at the National Level**

<table>
<thead>
<tr>
<th>MfDR Principles</th>
<th>Examples of tools being used to manage for results at the national level</th>
<th>Why these are important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus the dialogue on results at all phases of the development process</td>
<td>Poverty reduction plans&lt;br&gt;National development plans&lt;br&gt;Sector development plans or frameworks&lt;br&gt;Medium-term expenditure frameworks&lt;br&gt;Global outcomes and indicators associated with MDGs and other international commitments&lt;br&gt;Stakeholder consultation mechanisms&lt;br&gt;Logic models (integrated with all of the above)</td>
<td>Results-based, governmentwide tools are used as the foundation for planning, implementation, measurement, and evaluation of achievement of national development outcomes.</td>
</tr>
<tr>
<td>Align programming, monitoring, and evaluation with results</td>
<td>Comprehensive policy reform strategies&lt;br&gt;Governmentwide public sector reform strategies&lt;br&gt;Organizational change strategies (ministries or departments)&lt;br&gt;National public expenditure management plans and budgetary systems&lt;br&gt;Sector/ministry annual operational strategies and budgets</td>
<td>Strategic frameworks, operational plans, and budgetary models are designed to show how government systems function to ensure that all resources contribute towards achievement of national development outcomes.</td>
</tr>
<tr>
<td>Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible</td>
<td>Performance measurement plans and guides (with specific indicators defined according to national outcomes)&lt;br&gt;Governmentwide MIS&lt;br&gt;Functional management reviews for sectors/ministries&lt;br&gt;Policy/program performance reviews&lt;br&gt;Organizational assessments (departments and ministries)&lt;br&gt;Performance and financial audits&lt;br&gt;Stakeholder surveys and quality of service reviews</td>
<td>Functional processes, systems, and tools identify the standards and indicators to be used to measure progress toward country development outcomes, whether at the national or sector/ministry levels. Measurement plans or guides define the roles and methods for collecting, analyzing, and reporting on indicator data at all levels (inputs/activities, outputs, and outcomes) both within ministries/sectors and across government. Standardized data collection instruments provide systematic ways of obtaining performance information.</td>
</tr>
<tr>
<td>Manage for, not by, results, by arranging resources to achieve outcomes</td>
<td>Semiannual and annual progress reports to ministry/sector leaders&lt;br&gt;Annual performance reports to legislative bodies, elected officials, and/or external donors&lt;br&gt;Annual public report cards to civil society</td>
<td>Ongoing reporting focuses stakeholder attention on progress toward national outcomes, and shows how inputs and outputs have contributed to these outcomes. Performance information is used to further adjust operational plans and strategies.</td>
</tr>
<tr>
<td>Use results information for learning and decision-making as well as reporting and accountability</td>
<td>Stakeholder and public consultations&lt;br&gt;Program, sector, and institutional performance reviews and evaluations&lt;br&gt;Internal knowledge management systems (governmentwide or for specific sectors/ministries)</td>
<td>Information on progress toward national development outcomes is used both within and outside government to support policy dialogue, strategic planning, and institutional analysis.</td>
</tr>
</tbody>
</table>

**2.2 DRAFT**
CHILE: MANAGEMENT CONTROL SYSTEMS AND RESULTS-BASED BUDGETING

Executive Summary

As part of its broader effort to improve public sector management, the Chilean government has taken specific steps since 1994 to make the budgetary process more transparent and to improve budget analysis and preparation. The National Budget Office now has five years of experience using performance indicators and independent evaluations to assess the government programs’ performance against stated aims and expected results. Introduced in 2002, the management control system aims at improving the efficiency of public resource allocation to programs, projects, and agencies. The model was developed gradually. It was designed to evaluate performance in terms of budget management, and it incorporates basic concepts of budgeting for results.

The fully integrated model feeds data and budgetary analysis back into the decision-making cycle. Key management controls and tools that enable the system are:

- Performance indicators, program and agency evaluations, including comprehensive spending reviews.
- A bidding fund for public programs.
- Management improvement programs, linked to performance bonuses for central government employees.
- Comprehensive management reports.

Data is now available from a series of program evaluations and performance indicators for public services, which date back to 1994 and 1997, respectively. The Central Fund for Government Priorities, a competitive financing or bidding fund, was also established in the budget process for 2001 for new programs and reformulated programs. The performance bonus scheme, which begun in 1998, was reformulated in 2001 drawing upon lessons from the early years of implementation. Program impact evaluations have been incorporated into the system more recently, while a new instance for evaluating budget execution in Congress was established to precede the yearly presentation of the budget bill.

A Comprehensive Set of Tools Form the Basis of the Budgeting System

The National Budget Office of the Ministry of Finance of Chile has developed and introduced a set of tools designed to strengthen the management of public services, to improve budget preparation and analysis, and make the budgetary process more transparent. This approach, which has been strongly supported since 2000, places greater emphasis on the results of each action, program, and project that is implemented under the budget. The efforts to strengthen Chile’s approach to improve budget preparation has been strongly supported since 2000, with greater emphasis being placed on the results of each action, program, and project.
this new system have resulted in a new model for monitoring and evaluating the performance of the budget management process, which in turn feeds back into the decision-making cycle.

The management control and budgeting system includes the following tools:

- Performance indicators
- Program evaluations, including comprehensive spending reviews
- A competitive financing or bidding fund for public programs, with a standard format to submit public programs for financing
- Management improvement programs, linked to performance bonuses for central government employees
- Comprehensive management reports

Besides their integration into the budget process, these tools generate synergies that derive from the conceptual elements in their design and the procedures that govern their implementation. In that respect, it is worth highlighting that attention has been paid to methodological consistency while incorporating feedback strengthening the system. A brief description of these instruments and the main advances that have resulted from their application follows. For more information, see “Systems of Management Control and Results-Based Budgeting,” cited in the reference section.

Performance Indicators

The incorporation of performance indicators and targets into the budget process started in 1994. The purpose was to make information available on the institutions’ performance and to enlighten the analysis that underlies the budget preparation and its discussion at the National Congress. Although this line of work was discontinued in fiscal years 1999 and 2000, performance indicators were reincorporated into the budget in the 2001 budget formulation process with a restatement of their original objective.

Use of the Performance Indicators

The performance indicators provide quantitative information about the results achieved in the delivery of products (goods and/or services) generated by the institution; these indicators can cover the quantitative and qualitative dimensions of this achievement or result.

Between 2001 and 2004, the trend was to define the set goals with indicators in a systematic and increasing manner. The formulation of indicators during this period has shown significant improvement; the indicators effectiveness in measuring the key products (goods and services) generated by the institutions has also improved consistently. The indicators and their targets are presented as complementary information to the budget bill, and the same are used as part of the evaluation of the financial execution of the budget that is submitted to the National Congress each year. In addition, the experience of the past five years has created additional areas of work and has facilitated the integration of the concept of indicators into other management tools.
In regard to the targets established by the indicators, the evaluation shows that, 76 percent of indicators identified for 2003 in 111 public institutions were met satisfactorily in a range of 95 to 100 percent (see Table 1).

### Table 1. Performance Indicators: Degree of Compliance in 2003

<table>
<thead>
<tr>
<th>Classification by Function</th>
<th>Degree of Compliance</th>
<th>Economic Functions</th>
<th>General Functions</th>
<th>Social Functions</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>95% - 100%</td>
<td>229</td>
<td>150</td>
<td>352</td>
<td>731</td>
<td>76%</td>
<td></td>
</tr>
<tr>
<td>90% - 94%</td>
<td>16</td>
<td>14</td>
<td>21</td>
<td>51</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>89% - 80%</td>
<td>24</td>
<td>12</td>
<td>26</td>
<td>62</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>&lt; 80%</td>
<td>32</td>
<td>31</td>
<td>51</td>
<td>114</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>207</td>
<td>450</td>
<td>958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage</td>
<td>31%</td>
<td>22%</td>
<td>47%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Institutions and program performance evaluation.** To complement the performance indicators and with the same aim, the government began incorporating different lines of ex-post evaluation in 1997. Initially, program evaluation fell under a line called Evaluation of Government Programs. Later, Impact Evaluations were incorporated, followed by an institutional evaluation line called the Comprehensive Spending Review.

**Independence for the Evaluation Process**

The adoption of an external evaluation modality that features a panel of experts, the use of local universities and outside consultants selected through a competitive process helped ensure the independence of the process.

The design of the three lines of evaluation is based on several requirements and common principles. First, they must be independent, reliable, public, relevant, efficient, and timely. Second, the public nature of the information is ensured by formally sending the final reports from each evaluation to Congress and to other public agencies responsible for decision-making in relation to the respective program or agency. Since 2003, the results of the evaluations have also been presented to the Mixed Congressional Budget Commission. The relevance of the evaluations is guaranteed with the definition of the ambit of evaluation to be included in the exercise. It must produce recommendations that address the most important issues and the need for information. With regard to efficiency, the guidelines require that the cost and the timeline of the evaluation be reasonable. Together with the previous demands, they provide relevant evaluative judgments on the main aspects of the program to meet the most important needs for information. Finally, the timeliness criterion requires that the evaluation findings be available in time for the budget formulation process. Since the introduction of these evaluation lines, 170 public programs and twelve institutions have been evaluated: 158 Government Program Evaluations and twelve Impact Evaluations. This represents approximately 64 percent of all public expenditures that can be evaluated through these lines.

The Evaluation of Government Programs line is based on the logical framework methodology used by many multilateral development agencies. Based on antecedents and existing information, this methodology makes
The Comprehensive Spending Review is specifically suited to assess the consistency between an institution’s objectives and programs, the rationality of the institutional structure, and the actual distribution of functions among the different work units.

possible to reach evaluative judgments on the main aspects of the programs’ design and performance, within a realistic timeframe and at reasonable costs.

The logical framework methodology applied in the line for evaluating government programs often makes use of the data generated from program desk reviews. These are relatively quick exercises, so evaluative judgments on final program outcomes are necessarily inconclusive in many cases. In light of this weakness, a new line of evaluation work for public programs—Impact Evaluations—was introduced in 2001. The information evaluation line applies more complex instruments and methodologies for data collection and analysis.

Simultaneously, the Comprehensive Spending Review line was launched in 2002. It is used to evaluate an institution’s objectives, programs, and procedures. The Comprehensive Spending Review is specifically suited to assess the consistency between an institution’s objectives and programs, the rationality of the institutional structure, and the distribution of functions among work units. It also allows the authorities to measure the institution’s effectiveness, efficiency, and wisdom in the allocation and use of resources.

In the past five years, the results of these evaluations have been examined, and concrete improvements in the management and use of resources have been identified. Like the information obtained from evaluations, the use of performance indicators is not applied in an automatic mechanical fashion. Instead, it is used as an input for the analytical work and the decision-making process.

The following table summarizes the recommendations and implications from the evaluation of 87 programs that were implemented between 2000 and 2004.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor adjustments</td>
<td>24%</td>
</tr>
<tr>
<td>Important modifications in design of some Components or internal management procedures</td>
<td>39%</td>
</tr>
<tr>
<td>Major reformulations</td>
<td>21%</td>
</tr>
<tr>
<td>Institutional re-location</td>
<td>6%</td>
</tr>
<tr>
<td>Program end</td>
<td>10%</td>
</tr>
<tr>
<td>Total Number of Programs</td>
<td>87</td>
</tr>
</tbody>
</table>

Concurrently, in the case of institutions evaluated between 2002 and 2003 using the Comprehensive Spending Review, the recommendations and implications correspond for the most part to important modifications of key aspects of internal management processes.

Since 2000, the recommendations formulated by the evaluators are analyzed in the Ministry of Finance in conjunction with the agency under review. The purpose is to determine when and how recommendations would be incorporated. This translates into a formalization of commitments between the National Budget Office and the institution under review. The follow-up on these commitments shows a high degree of compliance in incorporating the recommended changes and in supporting by the.
Compliance with Programs and Agencies Evaluations

Of the total commitments contracted prior to and until June 30, 2004, in terms of programs and agencies evaluation, 69 percent complied fully and 22 percent partially.

**Competitive financing and standard format for the presentation of public programs.** To improve the flow of information for the budget process and improve public resource allocation to new, reformulated, or amplified programs, an important procedure called Central Fund for Government Priorities (Competitive Financing or Bidding Fund) was incorporated into the budget cycle between 2001 and 2003. This new procedure is also aimed at reducing budget “inertia.” It utilizes a standard format which includes the logical framework matrix for the submission of the programs that apply for the Fund’s resources.

Based on this experience, the 2005 budget formulation incorporates the use of the standard format for the presentation of programs. The 2004–05 budget formulation did not use the Competitive Financing or Bidding Fund because of the limited availability of fiscal resources for new initiatives and significant expansion of existing programs. The presence of a large number of programmatic commitments and pledges from the government initiated in 2000 is also an issue. This measure is meant to continue the promotion of the logical framework and improve its use as a tool to organize the presentation of programs.

**Management Improvement Programs.** The Chilean government began to develop the Management Improvement Programs for the public institutions in 1998, under Law 19,533. The aim was to tie the fulfillment of management objectives to an incentive of monetary character for the employees involved.

**Terms of the Monetary Incentive**

The monetary incentive establishes that fulfilling management objectives commitments in an annual Management Improvement Program allows staff from the agency or unit to benefit from a five percent salary increase in the following year—as long as the compliance rate achieved by the agency is equal or superior to 90 percent of the objectives agreed upon—or a 2.5 percent increase, if the compliance rate is between 75-89 percent.

Starting in 2001, the programs to improve management were restructured in accordance with a common set of management areas and systems for all the public sector agencies, called the Framework Program (see Table 3). This program implies several stages of development for the management systems that it includes. These different development stages correspond to specific management objectives. Each stage is defined by specific contents and technical criteria, so that completing each one of them implies meeting previously established requirements.
Table 3. Management Improvement Program, 2005

<table>
<thead>
<tr>
<th>Areas</th>
<th>Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>Training</td>
</tr>
<tr>
<td></td>
<td>Hygiene—Improvement of work environment and security</td>
</tr>
<tr>
<td></td>
<td>Performance evaluation</td>
</tr>
<tr>
<td>Customer Service</td>
<td>Information, complaints and suggestions offices</td>
</tr>
<tr>
<td></td>
<td>e-Government</td>
</tr>
<tr>
<td>Planning, Control, and Territorial Management</td>
<td>Planning and management control</td>
</tr>
<tr>
<td></td>
<td>Internal auditing</td>
</tr>
<tr>
<td></td>
<td>Territorial management</td>
</tr>
<tr>
<td>Financial Management</td>
<td>Procurement and hiring systems</td>
</tr>
<tr>
<td>Gender Focus</td>
<td>Accounting</td>
</tr>
</tbody>
</table>

The evaluation of the management improvement programs in 2003 revealed that 75 percent of the institutions met between 90 to 100 percent of the objectives they had pledged to achieve, while 20 percent of them reached between 75 and 89 percent of their agreed upon objectives (see Table 4).

Table 4. Management Improvement Program, 2003

<table>
<thead>
<tr>
<th>Percentage of allocation for agency's performance</th>
<th>Agencies</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>5.0%</td>
<td>132</td>
<td>45,637</td>
</tr>
<tr>
<td>2.5%</td>
<td>36</td>
<td>13,152</td>
</tr>
<tr>
<td>0%</td>
<td>8</td>
<td>3,159</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>61,948</td>
</tr>
</tbody>
</table>

After four years of implementation of the Management Improvement Program, the public agencies have moved forward in developing the management systems that were part of the program. The public employees involved have received economic benefits while the agencies have been able to build a solid base from which to address other demands and procedures that are characteristic of the process of modernizing a public sector entity, enabling it to tackle its main challenges.

In any case, in order to further consolidate the advancements achieved, the application of an external standard that would continue to promote excellence is being contemplated as a suitable option. With this objective in mind, the formulation of the management improvement programs for the year 2005 introduced the first elements to ensure a gradual transition to a certification mechanism for public services—known internationally as ISO Norms.

New Certification Mechanism

The systems to be included in the 2005 certification mechanism are: training; hygiene-improvement of work environment and security; performance evaluation; auditing; planning and management controls.
Comprehensive Management Reports. All public sector agencies are required by law to prepare a Comprehensive Management Report for submission to the National Congress. These reports cover crucial aspects of their institutional management. They are presented in a standard format and are elaborated in accordance with the technical instructions and guidelines provided by the Ministry of Finance and the General Secretariat of the Presidency. They generally include relevant background information on the agency along with data generated through the instruments described above.

The comprehensive management reports have been used to support the evaluation process of the financial execution and management of the budget that is carried out by the National Budget Office during the first semester of each year. The comprehensive management reports are also used in the evaluation of the financial management of public services by the budget subcommittees.

Main Achievements of the Systems of Management Control Results-Based Budgeting in Chile

The advances in the development and consolidation of the methodological and practical aspects of the different tools described herein have helped improve the management of public institutions and programs. At the same time, they have allowed the budget cycle and the government work with Congress to increasingly benefit from more and better information, contributing to a greater transparency of the budgeting process. From this perspective, a significant step has been taken toward the establishment of a results-based budgeting framework in Chile. In addition, it is worth noting that the main actors that are involved in the process have developed a better understanding of the objectives and the main elements of results-based budgeting.

Some Lessons Learned from the Chilean Experience

Of main lessons learned from this experience, the following should be highlighted:

- The development and implementation of the budget management and performance instruments requires persistence in order to facilitate their comprehension and use and to gain the necessary credibility.
- It is important to identify the limitations of the different instruments in order to make adequate use of the information they provide.
- It is important to continually revise the instruments and the processes that relate to their use and make relevant modifications toward their enhancement in a timely manner.
- The strengthening of those technical and procedural aspects that generate synergy in the system while providing feedback for the development of the different instruments is of primary importance.
References


For more information

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**Executive Summary**

Between 1996 and 2002, the Inter-American Development Bank approved two operations to assist the substantial efforts of the Government of El Salvador (GOES) to modernize the management of public sector finances. A fundamental step towards a more effective and efficient public sector was the adoption of a decentralization policy aimed at encouraging more autonomy and greater citizen participation at the municipal level.

The first IDB-funded operation helped to implement an integrated financial management system which enabled the government to better prepare and consolidate budgets, track revenues and expenditures, manage payments and keep accounts. An appropriate normative and legal framework was established, guidelines and procedures for financial management were introduced, and technical financial management units with trained staff and modern software were set up in all line ministries, public corporations, autonomous entities and all agencies which constituted the central government.

The second operation, approved in November, 2001 as a pilot system of management by results, sought to strengthen the Salvadorian government’s capacity to monitor the execution of the $1.3 billion multi-donor reconstruction program following the earthquakes of 2001. Its emphasis was to establish a central capacity to coordinate, implement and monitor the resources devoted to reconstruction, and to match the measurement of physical progress of reconstruction with financial outlays, thus keeping executing agencies, the public and the donor community informed of the program’s execution.

Through this initiative, the government established two principal monitoring systems: one focused on the financial flows necessary to meet the reconstruction plan, producing detailed accounts of the contributions, commitments and disbursements by sources and uses of the funds; the other, provided data to monitor the physical progress and identify bottlenecks, delays and any additional needs of the executing agencies. Together they allowed better overall coordination and effectively addressed execution problems as they arose.

Additional funding made it possible to: (i) design and implement a security system to safeguard the Internet-based database used in the public management-by-results system; (ii) expand access to information on the workings of government while giving the public an avenue for social auditing; (iii) familiarize the Technical Secretariat of the Office of the Presidency and other agencies’ technical staff with policy evaluation mechanisms; and (iv) launch a process of standardization of criteria by which to measure results across the agencies that have access to the management-by-results system.

According to a review completed jointly by the IDB and World Bank in June 2004, several aspects of the system still need improvement. The delineation of responsibilities between central and local government is not as clear as it

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The national integrated financial management system covered the main functions of financial management: budgeting, treasury, accounting, budget execution, monitoring, and internal and external control. It also covered revenues, tax collection, fees and debt management.

should be and the legislative capacity to review the budget needs to be strengthened. Nonetheless, the management systems are providing regular reports on the most relevant achievements in terms of institutional management, and they have allowed for an effective monitoring of government programs and the performance evaluation of key central government and public sector institutions.

Prerequisites: Building on a Financial Management Framework for Accountability

In the 1990s, El Salvador undertook a substantial investment in modernization of the state. Key elements of the process were decentralizing decision making through a program of “local development” and improving the efficiency and effectiveness of the system of public financial administration. Between 1996 and 2002, with help from the Inter-American Development Bank (IDB), an initial project to establish a national integrated financial management system, (el Sistema de Administración Financiera Integrado - SAFI) put into place an appropriate normative and legal framework, introduced guidelines and procedures for financial management, and set up technical financial management units with trained staff and modern software, in all line ministries, public corporations, autonomous entities and any agency funded by the central government.

Core Requirements for a Results-Focused Public Sector Management

- a financial management system exists which permits to identify expenditures by different criteria: category, purpose or program, source of funds, location, responsible entity and expected outputs, among others;
- budgets are prepared not only in financial terms but also in terms of physical outputs and expected outcomes;
- a long range vision or development plan coupled with the flexibility to make timely changes to the assignation of resources exist;
- a basis exists for comparison with previous years and future plans;
- agreed, appropriate and reliable indicators of outputs and outcomes are defined;
- the budget cycle allows for the evaluation of previous physical outcomes, revision of long and medium term plans and assignation of resources according to agreed needs;
- a mechanism is in place for providing up-to-date and comprehensible financial and physical monitoring and evaluative information to the public, and especially to participants and beneficiaries who are not financial specialists;
- a mechanism is in place for receiving feedback from participants and beneficiaries;
- security and integrity of data is maintained while giving the appropriate level of access to information.

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The system covered the main functions of financial management; budgeting, treasury, accounting, budget execution, monitoring, and internal and external control. All financial management units were interconnected by computer; information was managed by each unit in a common data warehouse to which other units had access for informational purposes. The system also covered revenues, tax collection and debt management.

From Accounting to Participation and Accountability

In 1999, faced with the challenge of reconciling an ambitious development program with the constraints of decelerating economic growth, reduced trade tax revenues and larger transfers to municipalities, the Government sought to maximize the impact of public expenditures on development by agreeing with its constituents to a four-pronged development plan called the “Nueva Alianza” which aimed at expanding provision of basic services, generating employment, improving personal security and rehabilitating the natural environment, all within a framework of sound economic management and expanding political participation. *(Marrakesh Principle 1)*

The plan was to be actuated through a process of decentralization of the execution functions of the national government; transparent and coordinated formulation, execution and evaluation of public policy; transparent and effective administration; and continuous, participative strategic planning linking the central government, the line ministries, the local political structures and the community. Each Alianza was to be made operational through the preparation of a *National Program* (Policy), an *Institutional Program* (Strategy) for each line ministry and *Operational Actions* (Results). The latter were defined in terms of expected outcomes, expressed in a work plan and linked to a budget item in a programmatic manner. *(Marrakesh Principle 2)*

In the first iteration of the process the plan had 54 national programs/policies, 166 institutional programs/strategies and 3415 operational actions.

Financial administration would remain the remit of the Ministry of Finance (Ministerio de Hacienda - MH) while responsibility for the strategic, participative policy making, execution and evaluation of the national plan would rest with the Technical Secretariat of the Presidency (SETEC). *(Marrakesh Principle 2)*

The planned bridge between the political and administrative execution of the development plan and the annual budget would be a publicly accessible system of management by results *(Sistema de Gestión por Resultados)* by which the population would help prepare and thus be familiar with the planned improvements for their community. *(Marrakesh Principle 3)*

The financial and physical progress in implementation of institutional programs and operational actions would be public knowledge provided by the Ministry of Finance. The program directors and the community would be able to provide feedback to the executing agency and the SETEC if the results diverged from the plans. *(Marrakesh Principles 4 and 5)*. The institutional, political and participatory framework for “Management for Results” was also in place.
The earthquake of 2001 required a shift of funding and thus reduced the scope of the new project to a “pilot first phase” focusing on establishing a capacity to monitor the execution of the government’s $1.3 billion, multi-donor reconstruction program.

Design and Implementation: Management for Results and Accountability into Practice

The original request from the Government of El Salvador (GOES) to the IDB in 2000 was for a US$ 3.5 million operation aimed to improve the effectiveness of most government spending by promoting participation in the management of public resources. By the time this new project was suggested, the country had largely fulfilled the first four of the core requirements for a results-focused public sector management. (see Box below) The project also sought to strengthen institutional performance, promote the strategic and transparent use of resources and establish a culture of public service based on the satisfaction of user needs, the evaluation of results and accountability to the citizens.

The earthquake of 2001 required a shift of funding and thus reduced the scope of the initial project to a “pilot first phase” focusing on establishing a capacity to monitor the execution of the government’s $1.3 billion, multi-donor reconstruction program. The emphasis was to establish a central capacity to coordinate, implement and monitor the resources devoted to reconstruction and to keep executing agencies, the public and the donor community fully informed of the execution of the program. Grant funding of just over $1 million from the Government of Japan and the IDB’s Fund for Special Operations (FSO) was used in place of a loan, to execute the two key elements of the project, the development of the system of management by results and the provision of a security firewall to protect the integrity of the data bases.

The Japanese Funds were used to establish two principal monitoring systems. The first system focused on the financial flows necessary for the reconstruction plan, producing detailed accounts of the contributions, commitments and disbursements by sources and uses of the funds. This facilitated the monitoring of financial agreements with the different donors with the aim of shortening the disbursement period and expediting financial flows to the government. The second system provided data and developed objective indicators to monitor the physical progress and identify bottlenecks, delays and executing agencies’ needs, in order to allow better overall coordination and effectively address possible execution problems.

The IDB’s FSO funds supported: (i) the design and implementation of an Internet-based electronic security system to safeguard database information used in the public management-by-results system; (ii) improved access to information on the workings of government and gave the public an avenue for social auditing; (iii) familiarized the Technical Secretariat of the Office of the Presidency (SETEC) and other agencies’ technical staff with policy evaluation mechanisms; and (iv) the launching of a process of standardization of criteria between agencies that had access to the public management-by-results system.

Problems in Execution

According to a review completed jointly by the IDB and World Bank in June 2004, the system needs to better delineate the responsibilities between central and local government, improve Legislative Capacity to review the budget, fully apply objective merit criteria to human resources, exercise tighter control on over-spending and under-collection of revenues, aggregate information regarding municipal budgets, adopt fully recognized international standards of
budgeting, improve the analysis of public investments, develop better indicators of budgetary and investment performance, produce regular consolidated public accounts for full audit to international standards.

As with any system of popular participation there is the perennial concern of how to make financial information comprehensible to the general public and/or to develop “financial literacy” among the population. This still represents a major challenge in El Salvador. Another test that the Salvadorian authorities are facing is how to give computer-based access to, and allow feedback from a poor population with limited access to computers. There were attempts to resolve this issue to some extent by setting up regional “Infocenters” with guided access to the systems. A useful precondition was the relatively high level of computer literacy among the young in El Salvador, as a result of the GOES’s investments in computers in schools after 1997 (again with help from the IDB).

### Factors Favoring a Propitious Environment for Results-Based Financial Management in El Salvador

- Faced with the challenge of consolidating peace and democracy after the civil war, the country has been actively undertaking a large Modernization Of the State program with external support;
- The establishment of SAFI with IDB helped provide an informational and technological platform on which to build a system of management for results;
- There exists a strong link between the Ministry of Finance (MH) and the Office of the Presidency (SETEC) in which the hierarchy and role are sufficiently well defined to allow a productive division of labor between policymaking and administration;
- Computerization in schools provide a wide familiarity with computer systems even within poor communities;
- The country has a strong and vociferous civil society who wish to exercise their rights and are accustomed to fulfilling community obligations;
- It is a small, densely populated country with a homogenous population where news travels and secrets are hard to keep.

### Results Achieved

Though the Integrated Financial Management System (SAFI) is still a “work in progress”, the country is now preparing annual budgets, within a multi year planning framework, which links development objectives to expenditures and revenues, in a manner which is transparent and subject to public scrutiny, by the Legislature and its Unit for Analysis and Monitoring of the Budget (UASP). The outcomes of the project are manifest. It has helped speed up all government transactions and promote greater transparency in the management of public recources. As a result of these changes, the international rankings of El Salvador in such areas as economic openness and ease of doing business rose substantially in recent years, placing it far ahead of many of its neighbors and creating an administrative climate conducive to trade, investment and
development, and putting into place the financial management and planning framework for “Management for Results”.

The second project is now in its third year of execution and the August 2004 progress report by the Office of the Presidency (SETEC) indicated that the system was providing the results expected for the information needs of the government and donors but more investment was needed to fully establish the “infocenters”.

The project will continue to support the management of the reconstruction program and will be expanded over the next four years with the government’s own resources so that a strategic, programmatic approach with actions and targets and indicators will be used in the budgets of the government program for 2005–2009. In this development plan, the emphasis will be on security “País Seguro”. The continuation of the new system bodes well for the long term sustainability of the program.

Lessons Learned and Considerations for “Replicability”

It may be possible to replicate variations of this project in similar countries of which there are a number, including neighbors of El Salvador. The similarities could include:

- A post-conflict / post instability / democratic opening situation
- A similar integrated financial management system
- Economic openness in terms of trade and the flows of labor and ideas
- Strong, established civil society institutions
- However, there are some cautionary indicators
- Results can take a long time in coming

Most countries would require a comprehensive revamping of their budgeting and planning processes which includes redefinition of the budget in a programmatic format, clear and agreed development goals and the establishment of objective and agreed indicators;

In other projects to promote popular participation (Honduras) an additional, simplified, parallel budget “presupuesto resumido” for public use will be prepared;

Government has to accept and act upon the feedback it receives if the system is to maintain credibility;

In terms of international rankings, countries adopting such systems may not see much improvement in their placing because public accountability is improving in a wide range of countries through the approval of freedom of information acts and improvements to literacy and technology—maybe it is time to develop some non-comparative indicators; and,

This is not something which can be just added to a government program to provide “instant accountability”.

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TANZANIA: HARMONIZATION OF RESULTS REPORTING

Executive Summary

Harmonization around results reporting refers to a state where governments and donors rely on country-based monitoring and evaluation systems for reporting on development interventions and socio-economic indicators. This requires that the institutions and systems of government are sufficiently strong to produce timely and reliable information that is integrated into the public sector management process and readily available to civil society.

Many countries, however, do not have sufficiently strong monitoring and evaluation systems, thereby decreasing their ability to effectively use these systems and the donor community’s ability to rely on them for results reporting. In some cases, the lack of proper country level systems has resulted in donors financing individual activities to strengthen monitoring and evaluation—for example, statistical capacity, such as duplicative surveys or parallel M&E systems that are not integrated into national systems. These capacity building efforts are often not part of an integrated capacity building strategy. This lessens the potential impact and sustainability of support. Building this capacity is a long-term process of institutional change requiring both political support and significant investment in systems. It is therefore critical that expectations be realistic on what is possible in country contexts and how capacity can be deepened in a sustainable way. Examining country cases can improve our understanding of key variables for strengthening national monitoring and evaluation systems and thus improve harmonization around results reporting. This note examines the process of harmonization around results reporting in Tanzania, covering Poverty Monitoring Systems and Monitoring and Evaluation systems.

Tanzania is at the forefront of efforts to harmonize its development assistance. These efforts were born out of a low point in government-donor relations at the beginning of the 1990s. The discussion on harmonization evolved in a context of high aid dependency, high transaction costs in dealing with the range of uncoordinated priorities, and procedural and reporting requirements of multiple donors. The government subsequently took several important steps towards harmonization and alignment of policies procedures and practices to enhance aid effectiveness. These included the establishment of: The Independent Monitoring Group, the formulation of a Tanzanian Assistance Strategy in 2002, a Poverty Reduction Strategy, a Poverty Reduction Budget Support Facility, (with a common Performance Assessment

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2 This draft paper was produced by Elizabeth White (World Bank), Rema Nair Balasundaram (World Bank), and Robert Lahey (consultant). The paper will be reviewed by the government of Tanzania and interested donor agencies.

3 The term “poverty monitoring systems” is often used in countries with a Poverty Reduction Strategy. For the purpose of this note, poverty monitoring systems are defined as the monitoring systems of the government.

4 Monitoring and evaluation is a critical pillar to enable managing for results. It provides the data and feedback mechanisms for policy decisions, programming, resource allocations, and management.

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Two key events occurred in the mid to late 1990's that served to foster change: One was the 1995 publication of the independent Helleiner Report, which outlined recommendations for improving donor-government relations and heralded the start of a new commitment to improving development cooperation and to reinstalling trust between development partners and the government. The second was the initiative taken by a strong donor group committed to putting a poverty monitoring system in place. Tanzania had not yet launched a Poverty Reduction Strategy Paper (PRSP), generally regarded as the key instrument to initiate such reform. Uganda was the original front-runner in establishing a PMS. Tanzania became the second country in the region to develop a PRSP.

**Tanzania: Country Context**

In the late 1980’s and early 1990’s, Tanzania was in the midst of a major crisis. The country experienced low GDP growth (less than 4%) and a rate of inflation exceeding 30%. A weak public expenditure and financial management system was characterized by lack of fiscal discipline, poor and ineffective budgeting and accounting systems, and a poor prioritization of expenditures. The policy and legal framework of the country was weak and, by the government’s own admission, corruption, and under-funding plagued the public sector.

Two key events occurred in the mid to late 1990’s that served to foster change: One was the 1995 publication of the independent Helleiner Report, which outlined recommendations for improving donor-government relations and heralded the start of a new commitment to improving development cooperation and to reinstalling trust between development partners and the government. The second was the initiative taken by a strong donor group committed to putting a poverty monitoring system in place. Tanzania had not yet launched a Poverty Reduction Strategy Paper (PRSP), generally regarded as the key instrument to initiate such reform. Uganda was the original front-runner in establishing a PMS. Tanzania became the second country in the region to develop a PRSP.

**Poverty in Tanzania is deep and pervasive.** The country ranked 160th on the 2001 Human Development Index, below the average for Sub-Saharan Africa. Per capita income was US$280 in 2002, also well below Sub-Saharan Africa’s average of US$450. The Household Budget Survey for 2001/02 states that 12.6 million Tanzanians, 36 percent of the population, live under the basic needs poverty line, with about one in five living in abject poverty. The majority of the poor, who are largely subsistence farmers, live in rural areas. Inequality is high, and regional and urban/rural income disparities are wide.

**Geographically, Tanzania is large, unevenly populated, and largely rural.** It depends heavily on agriculture for approximately half its GDP. For monitoring and analysis purposes, this only adds to the challenge of gathering and using consistent, timely, and relevant data at the national and subnational levels. It further compounds the difficulties in gaining agreement around objectives of harmonization of results reporting.

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6 The new government in Tanzania under the leadership of President M'kapa, elected in 1995, and its development partners jointly adopted the recommendations of the Helleiner report in January 1997 and formulated them into 18 ‘Agreed Notes’, with actionable items for follow-up.
Evolution of the Tanzanian Poverty Monitoring System

An examination of the evolution of the Poverty Monitoring System (PMS) in Tanzania speaks to the interrelationships between the donor partners (both individually and collectively) and country officials. Between donor partners and country officials over time, there has been greater efforts toward joint action and increased harmonization. A maturing of the relationship has also occurred in the general direction of aid modalities, changes from project funding to sector-wide approaches (SWAps) and general budget support, and donors working to support the government self-managing efforts of aid effectiveness.

Early Efforts to Promote Harmonization around Poverty Monitoring

Development of the Poverty Monitoring Strategy Paper (PRSP) is generally regarded as the starting point toward implementing a Poverty Monitoring System. While Tanzania was second to Uganda in implementing a PRSP in the late 1990s, there were earlier moves by donors in Tanzania toward greater harmonization. Efforts had been made prior to that time with developing poverty monitoring instruments and national strategy documents—for example, the National Poverty Eradication Strategy of 1998 and the Tanzania Development Vision 2025, also of 1998. The PMS was still very much in its infancy and the process moved very slowly.

Externally driven, the multilaterals—UN agencies and UNDP in particular—were particularly active in the area of poverty monitoring. Among the bilaterals, UK and the Nordic countries were very supportive. With some three-quarters of external project assistance to Tanzania being distributed outside the budget, it was evident that multiple accountability and reporting systems were in place. The donor community in Tanzania at the time, had a good grasp of systems and technical issues and wanted to deal with the myriad of systems in place for monitoring public expenditures. Technically capable donors on the ground saw the utility of initiating a dialogue with the government on the need for a Poverty Monitoring System. They supported the government in addressing the issue in ways that could advance the process.

Early on, there was recognition that government capacity was limited and few incentives were in place for poverty monitoring. Initially at least, the focus was to move at a pace that would not alienate institutions and would be inclusive and participatory. Public discussion included not only identification of the priorities for the PRSP, but also the institutional framework for monitoring and the choice of indicators for the PMS.

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7 PRSPs build on the Comprehensive Development Framework approach and are developed with four key principles in mind: country ownership with a broad participatory process, domestic and external partnerships, a comprehensive poverty reduction plan, and a results-orientation.

8 Norway was the first bilateral to commit all its foreign aid through the budget.

9 Government officials stated that the extensive participatory and consultative approach that Tanzania undertook has increased the “reliability of the system” as well as “enhanced (its) credibility.”
The Poverty Monitoring Master Plan (PMMP): A Distinctive Feature of the PMS in Tanzania

The Poverty Monitoring Master Plan was published by the government of Tanzania in 2001. It described an institutional framework consisting of seven main elements. Four of these represent the working arm of the system—that is, technical working groups with separate mandates and chaired by different institutions or agencies of government. In addition to describing the institutional framework for poverty monitoring, the PMMP also serves to provide a short- and medium-term policy framework for the PMS and speaks to human resource training and capacity building issues. This is important since it implicitly recognizes that development and implementation of an effective PMS takes time and addresses ongoing skepticism among many donors of country capacity to measure and monitor. The PMMP provides a sense of direction to the PMS on how and where it will be improved and a strategy that donors can support.

Participation was broadened through the inclusion of donors, civil society, and various agencies and ministries of government as members of the steering committee and the technical working groups. The framework allows for frequent opportunity and structured dialogue around technical and non-technical issues pertinent to harmonization and alignment. Dialogue is also assisted through the mapping out of various roles and responsibilities of the major government and development partner players.

Notable features of the PMMP also include:

- A review of information needs and indicators for poverty monitoring.
- A discussion of the current and proposed work of each of the four technical working groups, which includes an assessment of training requirements and a budget for each.
- A costing of the activities of the PMS as well as an overall budget and suggestions for a funding mechanism for poverty monitoring. (It should be noted that the PMS is now included in Tanzania’s Medium-Term Expenditure Framework, so the PMMP has a rolling three-year time horizon.)
- A focus on data—different types, different sources, and at both national and sub-national levels. The multi-year survey program, coordinated by the National Bureau of Statistics (NBS), allows for a more coherent and rational strategy for data capture and use. This helps avoid the bureau being overloaded with work in a given year.
- A direct focus on data producers at the subnational level, coordinated through the Routine Data Systems Working Group. This is acknowledged as probably the weakest link in the system. Yet in light of its importance for the long-term ability to measure and monitor results, it brings focus to

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10 In fact, designing and implementing an effective PMS can take several years. It is not clear though whether there is a common understanding across all stakeholders of the long-term and iterative process that is normally required in developing sound results-based measurement and monitoring systems.
subnational data gathering and has nurtured some efforts to improve the ability to generate robust data and information. While complicating the process at the outset, subnational indicators and service-level monitoring will eventually require data at this level of aggregation.

- A recognition, through the existence of the Research and Analysis Working Group, of the importance of evaluative-type research by the other two data-producing working groups. More importantly, this capacity provides the ability to assess the impacts and effects of particular project or program investment, something that monitoring information on its own cannot adequately address. This greatly enhances the ability to identify messages to inform policy.

- An awareness of the potential users and uses of information generated by the PMS—that is, the national government, local and district-level government, civil society organizations, the general public, and the media. The Dissemination, Sensitization, and Advocacy Working Group has focused on providing information to these groups. For example, it has created a government web site (www.povertymonitoring.go.tz). It organized Poverty Monitoring Weeks three successive years, with the intent of broad dissemination of information and exchange of ideas, as well as a plan for similar events within regions with the idea of bringing messages down to a district and village level. It has produced a ‘popular’ version of the Poverty Reduction Strategy document. The working group, which is responsible for identifying ‘information needs’ of government, is in the process of facilitating timely linkage between ‘data producers’ and ‘data users’ in government.

The government of Tanzania has established an institutional framework for the PMS that is well designed, widely owned and inclusive. Yet other factors have confounded implementation and the use of results measurement in government. The committee–working group structure of the PMS allows for substantial interface between potential users and producers of data and information; however, this by itself is insufficient to generate the impetus to link results information with the policy and planning process.

Recent work by a joint World Bank and UK bilateral project has pointed to issues within the institutional setting that negatively affect both the demand for and supply of results information across the system. Much has to do with the lack of incentive to produce good quality data. On the demand side, few incentives encourage the use or need for results information, especially if budgetary decisions are not performance-based. One factor is simply newness in the government setting. Another is a resistance to change, particularly where vested interests could be negatively affected. This has much to do with the fact that the PRS is not yet well linked to the budgetary process.

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11 This is a recognition of the fundamental difference between ‘performance monitoring’ and ‘evaluation’ as accountability tools, where the latter allows for linking measured ‘results’ with particular project or program investments—in other words, allowing for the examination of causality and attribution issues.
The PRSP process provided both a vehicle and an opportunity to advance harmonization of results reporting.

The PRSP process provided both a vehicle and an opportunity to advance harmonization of results reporting. By serving as a coherent framework for poverty monitoring, it provided a common basis for donors and government officials alike to begin to identify a strategic approach to poverty reduction initiatives. Through this, some commonality in measuring and monitoring objectives were created. The process itself was vitally important since it provided an opportunity and a structured approach to dialogue. This raised the level of awareness among donors on the need to search for ways to harmonize donor reporting requirements, or to rely completely on government systems.

A number of other initiatives and instruments were introduced around this process. These have also served to advance the harmonization agenda. Their importance varies in respect to results measurement and reporting; however, they have all served to maintain the momentum of this broad initiative.

The PRSP process provided an opportunity and vehicle for a coherent framework for poverty monitoring. In moving toward actual operationalization of results reporting, a significant step forward was the Poverty Reduction Support Credit (PRSC) by the World Bank. While the PRSC tightened the relationship between the lending and technical assistance functions of the World Bank, it has also brought a subset of the PRSP indicators into focus, making these indicators more practical and easier to use. With a ‘policy matrix’ spanning three years (that is, “previous,” “current,” “next”), it represents a time horizon well within the planning framework of most countries.
Tanzania: Harmonization of Results Reporting

In addition to the PRSC from the World Bank, budget support in Tanzania is presently provided in the form of Poverty Reduction Budget Support (PRBS) from 11 bilateral partners and the European Commission. There is also a Structural Adjustment Loan from the African Development Bank. The PRBS and the PRSC are aligned to each other in support of the PRS, and they are linked to a Performance Assessment Framework, jointly agreed upon by the government and partners. This is the same performance assessment framework that is a part of the loan agreement under the PRSC program with the World Bank. This mechanism has served to help harmonize results reporting among the multilateral and bilateral donors contributing to government budget support for poverty reduction.

Harmonization around results reporting has been introduced at the sector level. Currently in Tanzania, SWAp instruments are in place in the health and education sectors. A SWAp is emerging in the agriculture sector. Working groups have been set up to address the need for harmonization of processes, reporting formats, and monitoring for the most advanced work in the areas of health and education.

Where sector monitoring systems exist in health and education, work is underway to harmonize systems. While donors report that they do indeed use these government monitoring systems, reservations continue to be expressed. In health, for instance—the most advanced sector for SWApsthe recent OECD-DAC survey found “health sector information systems are in place, but they require further development and alignment with the PRS.” And despite the observation that “data systems are becoming increasingly robust,” the WHO reports that “performance monitoring in the health sector faces problems of reliability and timeliness of health information.” As a result, it relies on a variety of sources, including its own performance monitoring and reporting system that is not part of government monitoring.

There are also examples of harmonization around results reporting in investment lending. For example, the government established an Education Sector Development Program for coordinating ministries and agencies responsible for education and training, as well as for partnership collaboration among the government, donors, and other stakeholders. This framework, which includes reviewing and reporting, is used for analysis of sector issues, program preparation, and monitoring and evaluation. This has proved an effective mechanism for coordinating players in the sector. In addition, the government’s management system is used for implementation.

12 The 10 bilateral donors include Canada, Denmark, Finland, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.
13 The African Development Bank is currently preparing to align the structural adjustment loan to become a Poverty Reduction Support Loan in terms of the joint monitoring framework used in the PRBS/PRSC instrument.
14 It is important to note a disconnect between the donor-driven PAF and the government’s PRS. The PF Memorandum indicates “the intention of the parties to harmonize the PRS action plan and the PAF completely within three years”, that is, by 2005. Recent evidence suggests, however, that the annual review mechanisms of the PRSP are still insufficiently robust to support greater harmonization and alignment. In other words, the disconnect between the PAF and the PMS will likely continue for the foreseeable future.
16 Ibid.
Impacts of the program include improvement in program outcomes—for example, increases in net enrollment in primary school from 65 percent in 2000 to 85 percent in 2002 and a gross enrollment ratio rose from 78 percent in 1990 to 100 percent in 2002. In addition, the program has successfully improved the teacher-to-pupil ratio, teaching facilities, and the learning environment. It has also led to ministries, departments, and agencies to reconsider their attitudes toward analysis of sector issues. There is also a stronger link between resources and program needs, and greater ownership and pro-activity on the part of the government for successful implementation.

The Tanzanian Assistance Strategy

Tanzania and its development partners institutionalized their commitment to increased coordination and harmonization with development of the Tanzanian Assistance Strategy in June 2002. It is a three-year strategic framework for improving coordination and harmonization under Tanzanian leadership and ownership, and was formulated under the coordination of the Ministry of Finance. While it is broad based and goes beyond harmonization of results reporting, the latter is reflected in both the overall guiding framework of the strategy and in one of four priority areas of the its Action Plan—namely, to harmonize and rationalize government and development partner processes.

A formal structure exists to dialogue and to monitor progress. This includes a joint government-development partner Harmonization Group for the strategy, and a joint technical secretariat. Both are chaired by the Ministry of Finance and include representatives from sector ministries, the vice president’s office, the president’s office (for planning and privatization), and development partners. A Tanzania Assistance Strategy annual implementation report and an external biennial assessment by an independent monitoring group serve to monitor progress, establish new ideas and initiatives, and detail a plan of action for the coming year.

Lessons from Independent Evaluations

An OED/IEO Review in 2004 of the PRSP found important positive changes in how business has been conducted in Tanzania in recent years:

While the Tanzania PRSP recognized the multidimensional nature of poverty, it has not been sufficiently comprehensive in its implementation. The conceptualization of vulnerability in the PRS was weak, and reflected the lack of consideration to the relationship between governance and poverty. During implementation, the focus was on nonincome poverty at the expense of income poverty, hence there tended to be greater emphasis on social sectors and less on investment in productive sectors of the economy to generate

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17 Of the 13 ‘best practices’ drafted in the TAS document, included are the items: ‘Reporting and accountability systems are integrated (#5); ‘Development partner policies complement domestic capacity building (#8); ‘The government creates an appropriate national accountability system (#11); and, ‘Reporting and accountability at national and sectoral level is transparent.’ (#13).
18 To date, one IMG report has been produced. A second, covering 2003 and 2004 will be available early in 2005 and serve to inform development of Tanzania’s next generation of Harmonization and Alignment initiatives, the ‘Joint Assistance Strategy’, still in the concept stage.
sustainable increases in the income opportunities of the poor. On the whole, the Tanzania PRS is results-oriented and focused on outcomes that benefit the poor. It has enhanced the mobilization of resources and the focus on priority sectors—with public expenditure reviews as major inputs. During the PRSP process the shares of priority sectors in expenditures were found to rise steadily, although PER analyses have indicated that spending within priority sector needed to be better targeted to the poor. The PRS process has substantively enhanced national processes for poverty monitoring and a poverty monitoring and master plan now guides all monitoring activities. However, the feedback between monitoring of results and policy actions requires improvements.

Certain important changes predate the PRSP, for example, the PER system and the shift toward partnership roles with donors following the Helleiner Report. Policies have been affected in certain areas. Examples include the composition of expenditures, the modification of the macroeconomic program to accommodate higher aid flows, and elimination of fees at the primary school level. On the other hand, the approach has had little impact in other important policy areas such as trade policy. The report describes Tanzania as “a good illustration that it is the PRSP process, not the document itself that matters.”

The first PRSP was found to be weak in many respects. However, three years following the launch of the PRSP, policymakers were able to flesh out the strategy and improve poverty monitoring mechanisms. This raises the question of why the national strategies that preceded the PRSP were not used more concretely as a basis for the PRS process. Attention is also drawn to the fact that the World Bank could have been better prepared for the PRSP by assisting Tanzania to conduct a household budget survey prior to 2000. Bank staff provided substantial technical advice during implementation of the PRS, in analyzing the results of the household budget survey, and in establishing the Poverty Monitoring System20.

How Harmonization of Results Reporting in Tanzania Illustrates the MfDR Principles

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.

- Harmonization around results and results reporting requires an open dialogue on the usefulness of all levels of information—for Government policy decisions, program alignment in results oriented country programming, monitoring and evaluation.

- The links between the Poverty Monitoring System and the Poverty Reduction Strategy—with linkages to the MTEF bring this principle into practice

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20 The World Bank provided technical expertise and sectoral inputs in the social sectors like education and health and via the PER process and supported the 1st and 2nd Annual Progress Reports. The PER process in particular has been well recognized for its support of the PRSP and its principles, and the MDBs played a leading role in promoting and expanding the PER from an external technical assessment to a country-led participatory process involving a wide range of stakeholders. (OED/IEO PRSP Review, 2004).
2. **Align actual programming, monitoring, and evaluation activities with the agreed expected results**

- Harmonization of results reporting recognizes the need to rely on country systems
- The PMS is built on the PRSP which articulates the results

3. **Keep the results reporting system as simple, cost-effective, and user-friendly as possible.**

- The capacity of the country to monitor and evaluate, and collect appropriate data is a central feature of harmonization around results reporting.

4. **Manage for, not by, results by arranging resources to achieve outcome.**

- Donors rely on the Government system for different reasons – depending on the level of information generated by the M&E system and depending on the instruments being used.
- A central tenant of building country capacity is ensuring that any monitoring and evaluation capacity is part of public sector management processes and that it is used for policy and programming decision making.

5. **Use results information for management learning and decision making, as well as for reporting and accountability**

- The dynamic between relying on country systems for donor reporting and supporting countries in building a culture to manage for results (which requires strong monitoring and evaluation systems as part of public sector management) requires that these two aspects be appropriately balanced.

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TIMOR-LESTE: MANAGING FOR RESULTS IN A FRAGILE POST-CONFLICT SETTING

Summary
This example of Managing for Development Results addresses the question: To which extent is the Timor-Leste government ready to manage and monitor the achievement of its national development plan and donors contributions?

Timor-Leste has focused squarely on implementation of its National Development Plan since national independence in May 2002. The development plan was followed up by formulation of a detailed “road map” for 2002–07. In 2004, the government elaborated sector investment programs to improve sectoral donor coordination around the National Development Plan. To monitor progress, the 5-year road map is followed by annual action plans. On a quarterly basis line agencies report on the implementation progress of their annual plans. In turn, the Ministry of Planning and Finance combines all information electronically to prepare quarterly reports. These are distributed to donors, line agencies, and other stakeholders. This task represents an impressive accomplishment for such a young nation—a first win in managing for results, the establishment of a culture of monitoring and accountability.

This story illustrates how the world’s newest country is making inroads into managing for results with partners’ support. Key successes:

- Applying a phased approach to M&E to manage for results.
- Partnering with and among donors, enabling everyone to move forward with one voice.
- The government’s committing to incorporate M&E in the sector investment programs, and linking it to policies and budget execution. This was another important “win” for the government and the stakeholders, presenting the government as a champion for results.
- Transferring knowledge, which is a major component of support received from donors.

Lessons learned during this process have wide applicability not only in other Low-Income Countries Under Stress (LICUS), but to other contexts as well. A major lesson to date is that managing for results and the use of information for learning and decision-making is more likely to be accepted if presented as a phase-in process rather than an all-or-nothing deal.

The Need for Results in Post-Conflict Timor-Leste
Timor-Leste was a Portuguese colony from the sixteenth century until 1975, and then was occupied by Indonesia until 1999. In August of 1999, 79 percent

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21 This case study draws information from field observations, year 2004 appraisal and progress aide-memoires, and communication with Elisabeth Huybens, Country Manager, and Adrian Fozzard, Economist, World Bank. It also builds on World Bank’s approach to working in LICUS countries.
of the population voted to become an independent nation and 21 percent voted for integration with Indonesia. Between September 4, when the results of the voting became known, and September 20, members of the pro-integration faction destroyed over 80 percent of houses and public buildings, including more than two thirds of health facilities and schools, and more than 1,500 people were killed. In the period that followed, almost half of the 850,000 population was displaced—about 260,000 to West-Timor (where 30,000 have stayed), 25,000 to Australia, and 190,000 to the hills and mountains.

On September 17, 1999 the Indonesian Government accepted assistance from the international community to restore peace and security in Timor-Leste. A multinational military force was deployed by September 20, and a month later the United Nations Transitional Authority of East-Timor was formed. On Independence Day—May 20, 2002—the transitional authority was transformed into the United Nations Mission of Support in East-Timor.

The first democratic, multiparty constituent assembly of the new state met in August 2001. In April 2002, a president was selected through open elections, instituting parliamentary democracy as the form of government.

By the end of 2004, Timor-Leste had made remarkable progress in establishing governing bodies. Much remains to be done in the area of governance and even more in public sector management. Nevertheless, the country is largely stable and economic policies are evolving toward a market economy with varying degrees of government intervention.

The World Bank’s report Partnerships in Development points out that countries coming out of conflict face a 40 percent chance of relapsing within the first five years of peace. The Managing for Development Results approach seeks to address that challenge through sustained improvement in country-level development outcomes, as reflected the Millennium Development Goals.

Managing for Development Results (MfDR) is an iterative process in which governments and agencies move the emphasis away from inputs and processes toward results—key policy milestones, outcomes, and, eventually, assessment of the impact of development interventions and knowledge transfer. The process begins with a focus on short-term outcomes, gradually moving along a continuum to medium- and long-term outcomes and finally to country development goals. At any given time, different programs maybe at different stages in the continuum. See Figure 2.1.)

Timor-Leste has adopted strong internal reform programs but must then contend with high political risk and weak institutional capacity. A “phase-in approach” to MfDR provides an enabling tool that assists with preparation and monitoring of poverty reduction strategies. It also helps the country prepare itself for transition support from IDA aimed at achieving results on the ground.

Fragile states such as Timor-Leste typically adopt a strong internal reform programs, but then must contend with high political risk and weak institutional capacity. The phase-in approach to MfDR recognizes, first, that institutional, social and behavioral change takes time and effort, and second, the development of processes, procedures and systems is an iterative process that demands commitment, resources and knowledge transfer in a concerted strategic approach over time. A long-range vision of this sort is no small
matter in a country such as Timor Leste, where the word “future” does not exist in its local language.

Objectives

In 2002, the Timorese parliament adopted a 2020 Vision for Development and a National Development Plan. The vision and plan were the results of a systematic participatory process that involved stakeholders in the entire country in consultations and debates, setting forth basic processes in democratic governance. External stakeholders also played key roles, but they complemented rather than supplanted the national processes.

The 2020 Vision for Development represents a genuine attempt by Timor-Leste to define a program for nation-building while defining economic growth and poverty reduction as its development priorities. Finalized in May 2002, the National Development Plan is built upon five priority sectors (education, health, agriculture, economy and employment, and infrastructure) and five crosscutting themes (helping the poor, empowering women and helping youth, peace and reconciliation, cooperation among people, and democracy and good governance). Each sector and theme is presented in terms of goals, challenges, what people say they can do, what people say civil society can do, what people say the government should do, and indicators of

22 World Bank experience in crisis countries has yielded four business models: LICUS with prolonged political crisis, LICUS in fragile transition, LICUS with weak governance and slow progress, and LICUS with deteriorating governance. Timor-Leste meets the definition of countries in fragile transition, where a national reconciliation process or strong internal reform program has created a turnaround policy direction, but capacity remains weak and political risk high. Source: World Bank OPCS, LICUS Unit, May 2004 Corporate Day Presentation.
progress. The National Development Plan’s objectives and indicators are closely aligned with the Millennium Development Goals and its indicators

Designing and Implementing a Post-Conflict Transition Strategy

In early 2003, the government set priorities for implementing its national development plan, developing a “road map” for the years 2002 through 2007. Annual action plans were set up to guide the allocation of resources to government agencies for each year. Shortly thereafter, the government, with partners’ support, began to prepare sector investment plans to establish sector priorities and raise funding to implement the plans, and to improve donor sector coordination

Developing a National Development Plan and Transition Support Strategy: Consistent with the national development plan which emerged through a participatory, consultative process (see box), as well as stability priorities issued in 2003, a donor-assisted Transition Support Strategy was approved in 2000.

Participatory Process in Creating a National Development Plan

The Timor-Leste 2020 National Development Plan was prepared through a participatory and consultative process that included workshops with civil leaders and NGOs and consultations with more than 38,000 men, women, and youth. Input came from a variety of sources:

- Village chiefs
- 1,800 households
- Communities in 48 villages
- 980 consultations in 498 villages that yielded 2,050 surveys
- “Postcards to the President” from 5,443 secondary school students

The World Bank has coordinated the transition support program and a budget support operation, which is co-financed by the Bank and 10 development partners. The Bank provides about US$ 5 million per year for this program, with total annual pledges reaching about US$ 30 million.

Pillars of the Transition Support Program. Timor-Leste’s Transition Support Program rests on three pillars:

- **Job creation**—A regulatory framework, job creation initiatives, and agricultural productivity.
- **Basic services**—Health, education, and social protection; infrastructure, transport and power; agriculture, fisheries, forestry, and the environment, and assistance to veterans.
- **Governance**—Parliament, government finances, rule of law, public sector accountability, and environment and natural resources.

**Need and donor support for M&E.** The transition strategy and support program also address “cross-pillar” themes—M&E, gender, capacity building, and overall institutional strengthening. With donors support, the government is starting to embrace not only M&E but the notion of results-focused M&E in support of the national development plan.
At the government request, the World Bank formally reviewed and commented upon the 15 sector investment programs as well as the cross-cutting issues of Monitoring and Evaluation (M&E) and gender. It was noted that only a handful of the sector investment programs significantly incorporated M&E or indicators.23

**Problems, Progress, and Factors for Success**

Experience in developed, middle-income, and low-income countries points to several key elements that are critical to many countries’ ability to improve public sector performance and monitoring of development results. In Timor-Leste, these factors help to explain many of the problems that have far been encountered, progress that has been made, and factors that will ensure longer-term achievement of goals.

**Champions for results.** There are no visible political “champions for results” in Timor-Leste, although line ministers such as the Ministry of Health are increasingly vocal about the need to show results. Champions for performance who use information on a routine basis are needed at the top echelons. Such champions may emerge as data analysis deepens and data presentation is adapted to the needs of senior managers and policy makers. The availability of effectively presented data will reinforce decision-making, accountability, and transparency by routinely placing performance on the agenda of the Council of Ministers, Parliament, and other key decision-making bodies. Informed policy formulation and review will be encouraged the routine review of periodic data within ministries for programmatic problem solving and decision-making.

**Demand and use of information.** Presently, information demand in Timor-Leste is chiefly donor driven; however, evidence suggests that the parliament and civil society are starting to pressure the government for monitoring data. Information for decision-making in government ministries and the public sector in general needs to increase.

To achieve greater transparency, the government called key Timorese stakeholders in August 2003 to help monitor of the National Development Plan. NGOs, academic institutions, faith-based groups, elected officials, and others were included. A committee of participant volunteers was to have prepared terms of reference to create a high-level mechanism by the end of 2003. Although the group was formed, it achieved little. Lack of leadership, difficult access to information, and a vague mandate are among shortcomings that evidently hinder its success.

**Alignment of processes and procedures with budget.** Processes and procedures need to be aligned to budget and results for improved performance. It is anticipated that starting in the 2004–05 fiscal year, budget documentation will include information on the goals, objectives, indicators, and expected performance of government units. Spearheaded by the Council of Ministers, this effort will enhance overall accountability for delivery of

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23 The Monitoring and Evaluation Note (a review of 15 sector investments programs) was prepared by Rosalía Rodriguez-Garcia, OPCS-Results Secretariat, World Bank, November 2004.
goods and services in the public sector and will better align government performance to budget execution.

With the budget playing this anchor role, the key elements of a performance-monitoring architecture are more feasible, including clarity on the roles and responsibilities of central and line agencies, donors, and NGOs. This architecture would facilitate the involvement of sector working groups in the review of the national development plan. It would guide the consolidation of budgets and prioritize capacity building activities with donors. Aligning the central Ministry of Planning monitoring system would greatly help the system to respond to the needs of results-driven financial monitoring. The system will become more selective by shifting from activity tracking toward program milestone and results monitoring.

The government’s track record in encouraging planning and monitoring and its acknowledgement of the need to evaluate the progress made by the five-year NDP Road Map is another motivating factor critical in managing for results. The Ministry of Planning and Finance understands that it needs to focus on better aligning the National Development Plan’s goals, the annual action plans and targets, and the sector investment programs with budget performance and the activities being monitored.

**Indicators and baselines.** Quantified indicators and baselines are critical in monitoring progress toward results. As might be expected, the young public sector of Timor-Leste takes a short-term perspective on monitoring. The government and the World Bank took a critical step by incorporating a mid-term review in the monitoring matrix for the FY04-05 transition support program. This helped shift the focus of discussion toward achievement of milestones and service provision objectives—another “win”.

Understandably, government agencies were initially reluctant to set quantitative targets without reliable baselines for all indicators. However, with the 2003 Demographic and Health Survey and the 2004 national census, data are now available. Indicators can increasingly be quantified, including baselines agreed upon through discussion between the government and donors. With the benefit of hindsight, one wishes that donors had supported baselines on core indicators selected from the National Development Plan, rather than indicators chosen by the funding agencies. The identification of reliable baselines for core National Development Plan indicators is essential for the government’s plan to evaluate its Road Map for the development plan. Data from the Demographic and Health Survey and from the census should provide some but not all baselines for core indicators that the government needs.

**Information systems and supply of information.** The timely supply of quality information is essential to managing for results, yet routine information is often questionable and survey information sporadic. The Ministry of Finance and Planning’s effort to coordinate key public sector management functions is noteworthy. As expected in a transition situation, monitoring revolves around process indicators and activities. Substantial technical assistance was provided by donors, and progress is evident in making monitoring integral to planning and management. The existence of an electronic data reporting system for the whole of government and a registry that compiles donor-related funding information is remarkable for such a young country with limited capacity. These data management systems have been consolidated into one, and training
for line agencies on how to use it is provided by the Ministry of Planning and Finance. Data processing systems of annual action plans are centralized to ensure quality control; however, centralization could prevent line agencies and ministries from taking on accountability for their own performance.

The quarterly monitoring system housed at the Ministry of Finance and Planning tracks activities completed across government entities with much detail. This raises the question of whether a centralized system that is activity-based can provide the strategic information needed for policy and management decisions. Would it become unwieldy and hard to manage over time? Ideally, the system should allow senior policymakers to focus on critical elements of a broad program by using key poverty or Millennium Development Goal indicators. Experience suggests the need for a hierarchy of outputs and key milestones. Only the most important of these need to be monitored and reported at a cross-governmental level. Activities and services statistics are more relevant to program managers and sector ministers than to the Ministry of Planning and Finance.

Information dissemination to the public. Routine proactive communication through radio and other media can inform the public about government actions, and it can help the government establish itself as transparent and accountable in regard to public service. A Government Information Office was launched to take the lead by anticipating and responding to information demands.

Country capacity to manage and use statistics. A strong statistics unit at the central level and in line agencies is an important enabler in Managing for Development Results. The National Statistics Directorate is responsible for the census; demographic breakdowns on population and gender; economic statistics on consumer prices, banking, and financial services; and data for national accounts (which has not been prepared for the past three years). This unit is strong within the limits of its available human capital and resources. It does need, not generalized capacity building, but strategic institution building to include statistical training and analytical coaching for staff.

Country capacity for Monitoring and Evaluation. Competent monitoring and honest reporting on indicators lies at the heart of international agreement on the Millennium Development Goals. Timely, reliable statistics are also the key to a results-based management process. In Timor-Leste, tools such as computers, software data management packages, and printers are available. What’s missing is know-how on how to apply basic quality standards for collecting and managing data and for data analysis. Routine use of information for decision-making is also not yet institutionalized. Timor-Leste may require additional strategic technical assistance in the medium and longer term to maintain its current standards of public sector management and monitoring and to implement capacity improvements geared towards strategic institution building.²⁴

²⁴ Donors capacity building support is varied. For instance, UNDP provides broad capacity building assistance; UNICEF is offering training in the use of DevpInfo (a software package), and FAO is working with the Ministry of Agriculture to plan and execute agricultural census and surveys.
Results Achieved
Timor-Leste is advancing slowly but steadily along the Managing for Results continuum. Many fundamental building blocks are in place, such as annual planning and quarterly reporting linked in the foreseeable future to the budget. While some sectors are more advanced along the continuum than others, the country overall is in the first stage—monitoring the inputs, outputs, and key milestones -policy frameworks, processes and procedures—that are critical to establishing an enabling environment for measuring and monitoring results on the ground.

Early results are mixed yet significant:

• Management systems, especially in the Ministry of Planning and Finance, are progressing toward the idea that achievement of results belongs at the center of planning, implementation, and budget allocations.

• For purposes of evaluation, most sectors are able to monitor service indicators, though only a few (such as health) can monitor coverage indicators. Overall, there is limited capacity to monitor outcomes.

• Capacity building for institution strengthening, including the establishment of computerized information systems, is under way. The National Statistics Directorate demonstrated impressive skill in its execution of the national census. Line agencies such as the Ministry of Health and the Ministry of Agriculture are strengthening their data generation and processing capacities, and the utilization of data for policymaking and program monitoring.

• The government is managing its burden of reporting to multiple development agencies. Reporting requirements are somewhat more manageable because for the Transition Support Program (TSP) donors have consolidated their demands so that only one report is required. Reporting requirements for the TSP provide the basis to monitor the progress made. This system provided the basis for the government’s internal reporting system, including a quarterly report on budget execution—a very important “win”.

• The process of identifying and disseminating relevant lessons and knowledge is only beginning.

• Timor-Leste has established core planning and resource management functions that are effective and transparent. They compare favorably with those of other low-income post-conflict countries. Yet these functions have relied heavily on international technical assistance. To consolidate gains, the next round of effort needs to focus on institution building aimed at improving sustainability.

Lessons Learned

Donors need to hold to the line on cooperation. Timor-Leste is providing critical lessons in the areas of donor cooperation and monitoring of activities, a first step in managing for results. With respect to donor cooperation, this experience has demonstrated that partnerships—between government and
Donors need to lead the way in practicing the cooperation principles they abide by.

Managing for Development Results can be conceptualized and implemented in phases along a continuum. Applying Managing for Results in phases enables countries like Timor-Leste to master one level of monitoring before they have to move on to the next. This follows a natural progression—from management of inputs and critical milestones to the management of outputs and short-term outcomes; and then on to medium-term outcomes, long-term outcomes, and finally overall impact. By focusing on a few critical steps at a time, fundamental building blocks are put in place. For instance, the government first publicly acknowledged the importance of monitoring and evaluation. Recognition was followed by assertion that the issue needed to be addressed by working groups on sectoral investment programs. This was a critical step forward in advancing an institutional culture and mechanisms to manage for results in each of these sectors—another important “win”.

M&E results must reflect and link directly to government priorities. Linking M&E results to government priorities opens doors for rapid progress. For example, the Ministry of Planning and Finance now understands the need to better aligning goals of the National Development Plan, annual action plans and targets with budget performance and the activities that are being monitored.

Knowledge transfer is as valuable as “hard” financial support, but far harder to assess. In Timor-Leste, donors such as the World Bank have made important contributions through the transfer of knowledge, skills, and lessons from other countries. The experience of Timor-Leste demonstrates that results related to knowledge transfer are as vital as results derived from financial support through grants, lending, and budget support. But what are the techniques to monitor the transfer of policy and knowledge. What are its milestones, outputs, and outcomes? Questions such as these pose an enticing challenge on the conceptual and operations frontiers.

Conclusion and Applicability to Other Programs

The World Bank’s approach to working with low-income post-conflict fragile countries underscores the need for institutional reform and partnerships. It recognizes other critical needs as well: the importance of staying engaged, anchoring strategies in strong sociopolitical analysis, promoting domestic demand and capacity for positive change, supporting simple and feasible entry-level reforms, exploring innovative mechanisms for service delivery, and working closely with donors.

At this juncture, three areas of engagement are particularly relevant in Timor-Leste: capacity building to generate, process, and analyze data; strategic entry-level reforms that anchor the use of results information in policy
analysis; and coordination of donors efforts with respect to M&E issues, indicators, reporting, and statistical capacity building.

Despite commendable donor effort to support technical innovation such as Management Information Systems, the deep institutionalized use of knowledge is much harder to engrain. Timor-Leste highlights the need to assess service delivery, and beyond that, the effects of knowledge transfer as well. Both are essential to the achievement of development results on the ground.

Finally, Timor-Leste illustrates several considerations that distinguish the low-income post-conflict countries from other developing countries that advance on the road towards managing for results:

- An M&E system is not normally based on surveys because field-based surveys are not normally geared toward generating routine information for management and decision-making. Surveys are a necessary but insufficient element of performance monitoring. The situation and needs are different in low-income fragile countries. Monitoring through survey may be necessary at a very early stage in order to verify baselines and define outcomes on the ground. Surveys may in fact be needed while information systems are being established and strengthened in parallel.

- Fragile new states such as Timor-Leste require concerted support from the development community early on. Cognizant of the fragility of the social and economic systems, compounded by weak institutions and lack of infrastructure, the international community provides technical advisors who provide substantial assistance. Not all international advisors perform at the same level of proficiency, but they do contribute a great deal of stability and skill. Withdrawal of longer-term advisors should be carefully phased in order to avoid costly gaps in skills and confidence.

- Replacing long-term international advisors with short-term players—coach consultants creates a different set of problems—most notably, short-term consultants rarely provide stability or long-term follow up. Consultants often have differing approaches to M&E. As short-term consultants come and go, the overall process of institution building in M&E is affected in different ways, including misunderstanding and confusion related to concepts, terminology, and standards of practice. If donors address this challenge head on by focusing on sustained, coordinated institution building, fragile countries such as Timor-Leste will benefit greatly. Donors need to invest far more effort to harmonizing their strategies for strengthening M&E capacity.
Summary:
How MfDR Principles were Applied in Timor-Leste

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.

- Strong strategic partnership between UNTAET and the Government on the one hand, and development partners on the other, focused explicitly on supporting the government to achieve results, and were key to the relative success of the joint donor assistance efforts.
- Donor partnerships with UNTAET and the transition governments were also guided by 6-month action matrix. This action matrix provided a time-bound framework for all critical achievements irrespective of individual partners.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results

- A results-focused whole-of-Government approach was initiated early on. The elected Government took firm leadership of the implementation of the national development plan (NDP). The NDP subscribes to the MDGs.
- The NDP defines sustainable growth and poverty reduction as its overriding goals, setting out macro-economic framework and medium-term expenditures framework. To make the NDP more concrete, the Government recently developed 14 sector investment plans and is launching sector working groups for their implementation.
- Guided by the NDP, each public sector agency prepares annual action plans (AAP) covering priority actions. Budget execution is then linked to annual action plans (AAP) for all government units.
- AAPs are monitored by a quarterly reporting matrix. An electronic system processes the data and support the production of quarterly monitoring reports that are shared with stakeholders.
- The transition support programs (TSP) and TSP action matrix were aligned to the NDP to strive at achieving time-bound results.

3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.

- This early M&E system includes key milestones and output indicators. This is seemingly because in an emerging country it is important to make explicit key stepping stones (i.e., a new school curriculum; a new law) towards outcomes, which otherwise may not be fully completed.
- The system also includes outcomes indicators as possible. The thrust has been on “pushing the envelope” but always with counterparts to ensure ownership and to keep the system user-friendly.
- In some sectors, outcome indictors remain a challenge in an environment where survey and sector administrative statistical services are weak.
4. **Manage for, not by, results by arranging resources to achieve outcome.**

- TSPs promote a result orientation through time-bound matrix of actions, and by instilling discipline in an environment where internal disciplinary mechanisms are still weak.
- TSPs support whole-of-government strategic annual plans.
- The Government uses the TSPs to strengthen donors coordination by associating majority of development partners to the preparation and monitoring of action matrix, thus providing anchor for monitoring the results of donor-supported and government-supported activities.

5. **Use results information for management learning and decision making, as well as for reporting and accountability.**

- Information is used by sectors and the Government overall, but a better rationalization of type of information that is needed at different levels is necessary.
- Civil society members are consulted in monitoring the matrix.

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VIETNAM: A COMPREHENSIVE STRATEGY FOR GROWTH AND POVERTY REDUCTION

Executive Summary

Vietnam stands out in East Asia as a country that is tackling poverty reduction in a comprehensive manner while maintaining fiscal discipline and building a sustained reform program, especially in public expenditure management. The adoption of a Comprehensive Poverty Reduction and Growth Strategy in 2002 marked a major turning point in the country’s planning processes. Vietnam’s planning has enhanced the country’s poverty-oriented results focus as well as its implementation of a Harmonization Action Plan. Previously, Vietnamese planning and development strategies reflected a command view of the economy. By contrast, the Comprehensive Poverty Reduction and Growth Strategy relies on decentralization, broadened social participation in planning, attainment of Millennium Development Goals adapted to Vietnam’s national vision.

The new planning strategy relies on empirical evidence and consultation to identify policies that are matched to the achievement of goals. It clearly defines the resource required to implement these policies, and it sets up mechanisms for appropriate monitoring and evaluation. While the Comprehensive Poverty Reduction and Growth Strategy was initially devised at the central level, the reform agenda and the new planning approach are gradually filtering to the provinces, cities, and regions. Planning processes today are beginning to use performance indicators linked to policy actions; and monitoring assesses whether these actions were taken, rather than trying to quantify complex sets of outcomes.

To hold line ministries and provincial governments accountable to the attainment of development goals, performance indicators are disseminated broadly with much-improved data from the substantially strengthened Government Statistical Office. Progress toward development goals is actively monitored at several levels, not only by the central government but by donors and a diverse range of stakeholders with improved access to understandable information. In the coming five-year planning cycle, the Comprehensive Poverty Reduction Strategy is likely to disappear—because its principles are broadly coming to be mainstreamed in central and regional planning processes.

Background: Rapid Economic Growth and Declining Poverty

Vietnam stands out in East Asia as a country tackling poverty in a comprehensive manner while maintaining fiscal discipline and a sustained reform program, especially in public expenditure management.

During the past decade, the size of Vietnam’s economy more than doubled, while its poverty rate was halved. Despite the East Asian crisis, GDP per capita expanded on average by approximately 6 percent per year, up to around 7 percent in 2003 and 2004. Exports increased by 20 percent and foreign direct investment by 10 percent per year. Savings rates rose six-fold to around 25 percent of GDP, with private investment accounting for an increasingly share of Vietnam’s economy doubled in size while its poverty rate was halved. The challenge is to sustain the momentum of economic growth within a policy framework of poverty reduction.
In a country as decentralized as Vietnam, reform actions need to occur not only in the key sectors, but very crucially, in the provinces.

Vietnam’s ten-year strategy envisions a transition path toward a “market-economy with a socialist orientation.”

Vietnam: A Comprehensive Strategy for Growth and Poverty Reduction

Total capital accumulation. The current account deficit is around 4.6 percent of GDP. Inflation is expected to decline to 5-6 percent by the middle of 2005.

This high, sustained economic growth has led to a sharp decline in poverty. The poverty headcount fell from 58 percent in 1993, to 37 percent in 1998, and 29 percent in 2002. Although progress has been slower and more uneven in some provinces, the overall decline has generally been widespread with a modest increase in inequality. Social indicators have improved markedly over the past decade, putting Vietnam in a strong position to attain most of its Millennium Development Goals.

Vietnam’s current challenge is to sustain the momentum of economic growth within a policy framework that extends and deepens the benefits of poverty reduction.

The Comprehensive Poverty Reduction and Growth Strategy

The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) served as a major turning point in the planning processes of Vietnam—and in its results achievement focus. At the outset, the CPRGS was viewed primarily as a process to produce a written document and an exercise conducted mainly at the central level. But gradually, its application is being extended to provinces, cities, and regions. This is an important step—because in a country as decentralized as Vietnam, reform needs to occur not only in key sectors of the economy, but very crucially, across the provinces. CPRGS must eventually become mainstreamed into the planning and policymaking of the economy and country and as a whole.

What is a Comprehensive Poverty Reduction and Growth Strategy?

The Comprehensive Poverty Reduction and Growth Strategy is an action plan for the government and a guide to international donors for assessing progress. Previous economic plans and development strategies in Vietnam were based on a centrally managed command view. By contrast, the CPRGS allows for decentralized planning within a participatory results-oriented framework. The strategy was derived by clearly spelling out the Vietnam Development Goals (a localized version of the Millennium Development Goals) using empirical evidence and broad consultation to identify policies that would attain its goals. The plan specifies the resource requirements behind those policies, and sets up monitoring and evaluation frameworks for managing results.

Objective: Transition to a “Market-Based Economy with Socialist Orientation”

Vietnam’s ten-year Socio-Economic Development Strategy (SEDS, 2001–10) envisions a transition toward a “market economy with a socialist orientation.” The CPRGS, approved by the prime minister in 2002, translates that vision into concrete measures and programs.

Three pillars underpin the CPRGS:
The new PRSC III will extend the implementation of CPRGS policy actions.

**Designing and Implementing the Comprehensive Poverty Reduction and Growth Strategy**

*Policy actions organized and rooted in CPRGS.* The International Development Association (IDA) has extended a series of Poverty Reduction Support Credits (PRSCs) over the past decade. As outlined in the CPRGS, PRSC III will deepen ongoing reforms and the process launched by the IMF Poverty Reduction Growth Facility. The United Kingdom is cofinancing a parallel Public Financial Management Reform project.

**The Role of Donors**

The Comprehensive Poverty Reduction and Growth Strategy was launched by the government of Vietnam, support by 27 donor countries, 11 international agencies, 4 international NGOs, and the domestic and foreign private sectors. To support this commitment, donors have pledged US$ 3.4 billion for 2005, almost US$ 600 million higher than the pledge for 2004.

The World Bank is expected to provide Vietnam with concessional finance of US$ 1.6 billion in 2004–05.

The new PRSC III will extend the implementation of CPRGS policy actions in the following areas:

- Enhanced integration with the world economy through actions on tariff and trade liberalization in order to meet requirements for possible accession to the World Trade Organization.
- Putting state-owned enterprises on reasonable financial footing, making them more competitive.
- Financial sector reforms for sounder banking practices, including greater transparency and steps toward equitization of state-owned commercial banks.
- Development of the private-sector in regard to taxation and protection of intellectual property rights.
- Infrastructure development in energy, transportation, power, communications and large-scale infrastructure.
- Improvement in education, health care, and land reform.

**Implementing large-scale infrastructure projects.** In late 2003, the CPRGS expanded to improve implementation in a number of areas—in particular,
Beneficiaries, not roads, is the point of results-based management.

Local governments have been assigned greater responsibilities, yet local tax revenues have declined.

Improving funding mechanisms is a crosscutting theme in the reform agenda—and in implementing the results framework.

large-scale infrastructure investments. Weaknesses included the lack of serious evaluations of economic, social, and environmental impacts, inappropriate handling of resettlement and compensation mechanisms, poor project management leading to some cases to embezzlement, and limited community supervision. Reform is starting from the premise that infrastructure is necessary for sustained growth but not a development objective in itself. The new emphasis suggest that the selection of investments be based on analyses of the impacts they would have for each time period, region, and sector. Beneficiaries, not roads, is the point. Beneficiaries should be clearly identified, and potential trade-offs between growth and poverty reduction need to be addressed.

**Funding mechanisms for inclusive development.** With decentralization, local governments have been assigned greater decision-making powers in allocating public expenditure. Yet local tax revenues as a fraction of total revenue have declined. To meet the shortfall between local governments’ responsibilities and revenues, service delivery at the community level has increasingly come to rely on user fees—a trend that tends to widen the inequalities between richer and poorer areas. For development to be inclusive, as spelled out by the CPRGS, budget allocations must fine-tuned to redress these inequalities.

**Effectiveness of government spending.** Improving funding mechanisms is a crosscutting theme in the reform agenda—and in implementing the results framework. Forward-looking expenditure frameworks are needed to improve the effectiveness of government spending. The reform agenda, and corresponding monitoring mechanisms, therefore include an ambitious program to reform public financial management.

**Performance indicators.** A effective results focus requires clear “triggers” to measure and monitor performance. At the outset, monitoring simply assessed whether particular actions had been taken, not whether specific outcomes had been attained. With the adoption of the CPRGS, the government introduced the use of indicators—a set of 136 initially, most of which were new and many of which referred to the Vietnam Development Goals.

Many of these initial indicators—for example, gender, ethnicity and location—required further disaggregation. But this lead to a new problem: the continuous creation of indicators created a system that was simply too large. The preliminary 2006–10 Socio-Economic Development Plan listed 293 indicators, far more than policy makers could usefully manage; and at the provincial level, the collection and interpretation of data became even more unwieldy. So in a consultative fashion, the indicators were revised, refined, and prioritized down to a mutually agreeable list of 30 to 60 “core” indicators.
The lowest grade went to the 
performance of state-owned 
enterprises.
Many public investments take place in sectors where high levels of protection will be challenged by WTO accession.

Framework introduces a forward-looking dimension to take better consideration of operation and maintenance costs.

Over-collection and under-analysis of information.

Data is often over-collected and under-analyzed.

Planning and Investment coordinated a multiprovince initiative (referred to as “CPRGS rollout”) to extend CPRGS subnationally. Collaborative activities between ministries, the provinces, and donors are underway in 18 provinces. Supported by 10 donors, skills are being enhanced to enable both national and subnational government to adjust to the newer, bottom up style of planning. This will become even more important as provincial authorities become more directly engaged in the coming five-year planning process.

A methodology for estimating future operations and maintenance costs. Public financial management reform has emphasized budget processes and budget information systems, not mechanisms to screen or decide upon capital expenditures. The current legal norms on the preparing, appraising, and managing projects does not require that costs be compared to benefits. The newer methodology for estimating future operation and maintenance costs is still insufficiently institutionalized, and the budgetary implications of each capital investment is normally taken into account in the project appraisal stage.

Planning that anticipates WTO accession. A sizeable amount of resources is channeled each year to large public investment projects, many of which are commercial by nature. A great deal of public investments also takes place in sectors where high levels of protection would certainly be challenged if Vietnam joins WTO.

Improving the government budget process. Insufficient integration of capital and recurrent expenditures is a continuing weaknesses of the budget process in Vietnam. This weakness is compounded by the insufficient integration between planning and spending processes. While there is currently a single budget—and the implementing guidelines of the Budget Law established a coordination mechanism between the Ministry of Planning and Investment and the Ministry of Finance—the two main pillars of the budget remain largely disconnected. A results-oriented Medium-Term Expenditure Framework is being developed that would introduce a forward-looking dimension, in particular, to take better consideration of operation and maintenance costs.

A more reliable system of indicators. A reliable system of indicators to monitor key development outcomes is an essential component of the CPRGS agenda. Information availability is still hampered by the confusion surrounding poverty measurement and targeting. While Vietnam has produced several high-quality household surveys and preliminary poverty maps based on international practice, policy decisions are nonetheless too often guided by poverty metrics of varying quality. Recent analytical work reveals that the current practices to target the poor at the local level are effective; however, the poverty rates computed by aggregation of these local classifications are unreliable. Recognizing this problem, a task force has been appointed to propose a system of indicators for poverty measurement and poverty targeting.

Moving to outcomes. The overall framework for monitoring and evaluation remains fragmented and inefficient, leading frequently to the over-collection and under-analysis of information. Within the framework of CPRGS, ministries and provinces are refocusing their five-year socioeconomic development plans away from inputs and production input targets, and focusing instead on outcomes. This transition has been accompanied by some
confusion as to which indicators are best monitored at different levels of government. A number of development partners are supporting the government to develop a results-oriented framework for monitoring its socioeconomic development plans.

**Factors for Success**

Overall, the key factor for success is continued government ownership of the reform program—extended to the provincial and local levels—and greater accountability and participation all around based results-oriented monitoring.

Regarding the coordination of budgeting with planning and performance management, the preliminary findings from the draft Public Expenditure Review—Integrated Fiduciary Assessment (2004) highlighted the importance of the following factors for success:

- The Ministry of Planning and Investment needs to become a partner with the Ministry of Finance, sector ministries, and the provinces in the preparation of a Medium-Term Expenditure Frameworks. These frameworks could emerge as powerful common analytical tools and vehicles for coordinating the planning and the budgeting cycles.

- The Ministry of Finance and the Ministry of Planning and Investment should jointly strengthen the links between performance indicators and budgetary decisions. In the short-term, this is likely to mean fitting the Vietnam Development Goals to existing expenditure programs. In the longer term, the challenge will be to strengthen the indicators themselves; and then to forge processes that prioritize goals in parallel with departmental and provincial expenditure programs.

- Systems to monitor service delivery must be strong and usable at all levels. A recent initiative to pilot a “citizen report card” in four cities is commendable example of how monitoring can be simplified and extended.

- The coming five-year planning cycle presents an opportunity to consolidate the shift toward results-based planning. As a standalone document, there is no need for a second CPRGS. Instead, the government has announced that the principles—in particular, a focus on outcomes—will be mainstreamed into the government’s planning processes. These plans, prepared at the national, sectoral, and provincial levels, will be drafted in 2005.

- Better poverty measurement will help sustain the poverty focus in planning. The government produces excellent poverty data, but steps are underway to do even better. Official data will soon reflect poverty and inequality far more accurately.

**Results**

The main result to be achieved under CPRGS is to sustain the reform program over the long haul. Continued IDA support for poverty reduction support credits may be an important element in doing so. How will that be
In many respects, Vietnam remains a centrally controlled economy; so reform comes slowly and is by no means inevitable.

Doing something about it—and then tracking the results of that “doing”—is the essence of the managing for results framework.

Other countries, especially in the former Soviet Union and Central Asia, may find useful parallels.

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**Lessons learned**

*A clear and transparent results focus lies at the heart of long-term reform.* Vietnam has committed itself to integration with the global economy, rapid growth, social stability, and equity. To achieve those results, policymakers must implement deep and far-reaching changes. In many respects, Vietnam remains a centrally controlled economy; so reform comes slowly and is by no means inevitable. But is the reform process superficial, or will it be sustained? That will be determined primarily by results, not by politicians; and in that regard, the capacity to truthfully demonstrate results is crucial.

**Outcomes cannot always be “mapped.”** When PRSC III was approved, many people asked whether PRSC II could be mapped to outcomes. The response was that the poverty reduction support credits supported a comprehensive reform agenda, but specific outcomes could not necessarily be “mapped.” Many, for example, are cross-sectoral in nature. Actions related to modernizing governance support both transition to a market economy and inclusive development, making it difficult to map discretely as poverty reduction or improved competitiveness.

**Analytical work must be ongoing, rigorous, and targeted to key problem areas.** Analytical work in the form of Poverty and Social Impact Analysis can be more actively used to guide poverty reduction reforms. Ongoing work on the social impacts of WTO accession, the development of a land market, and reduced participation of state-owned enterprises in certain agricultural sectors (for example, coffee) will inform future donor support and possibly lead to the consideration of specific policy actions to mount a sustained reform effort in these areas. Pragmatic research of this sort provides a cornerstone for managing for results.

**Attention must be paid to what indicators show.** Indicators have shown that public expenditure—on health, for example—is lagging behind the CPRGS goals. But that matters only if actions flow from the implications of the data. Simply flagging a problem with the well-designed indicators is useful and interesting, but it is an academic exercise. Doing something about it—and then tracking the results of that “doing”—is the essence of the managing for results framework.

**Conclusions and Broader Applicability**

As a country coming out of a strictly socialist environment and economy—and then moving to adopt pragmatic, market-oriented programs while mounting a sustained reform program aimed at poverty reduction—Vietnam makes an interesting story. Other countries, especially in the former Soviet Union and Central Asia, may find useful parallels that are highly relevant to their own situations.

Permanent reforms of the planning processes profoundly reflect Vietnam’s move from centralized to decentralized planning. The government recent began the preparation of a new five-year Socio-Economic Development Plan...
(SEDP, 2006–10). The previous plan (2001–05) was carried out in addition to the Comprehensive Poverty Reduction and Growth Strategy, which was described as an “action plan” for the SEDP and accepted as a poverty reduction strategy by the international donor community. But for the coming period, the two planning instruments will be merged.

What does the merger of the SEDP and the CPRGS imply for the newly initiated planning process? For years, the SEDP has been the pillar of Vietnam’s strategic planning. Based on formal consultation within government and party structures, the previous 2001–05 SEDP set out goals and detailed production targets for every geographical region and each productive sector of the economy. Economic, social, and poverty data were drawn from government sources. By contrast, the CPRGS, has not served the same historic role in directing activities of government; yet a new approach to socioeconomic planning has been pioneered, both in process and substance. Consultations with donors and civil society have been far broader. They have included local organizations and poor communities. A far stronger analytical framework has been developed, based on credible data from both inside and outside the government. Achievement of strategic outcomes, rather than production targets, motivates the policy measures and public actions identified in the CPRGS, and the CPRGS also outlines mechanisms to monitor progress that are framed around the Vietnam Development Goals.

Summary:
How MfDR Principles were Applied to Public Expenditure Management and Sustained Poverty Reduction in Vietnam

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.

- An expectation for results was internalized in the CPRGS by focusing attention on a fully “Vietnamized” version of the results-oriented Millennium Development Goals.
- Led by CPRGS, ministries and provinces are refocusing the coming five-year socioeconomic development plan away from production input targets, and focusing instead on outcomes.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results

- Diagnostic studies on the actual performance of state-owned enterprises led to—or at least point to—continued need for reform of state-owned enterprises.
- The budgeting process for major capital expenditure is moving toward more use of cost–benefit analysis.
- A forward-looking Medium-Term Expenditure Framework is being developed that focuses on results through better consideration of operation and maintenance costs.
3. **Keep the results reporting system as simple, cost-effective, and user-friendly as possible.**

- From a preliminary ministry list of 293 indicators and 140 indicators initially developed for the Comprehensive Poverty Reduction and Growth Strategy, a simplified “core” of 30–60 has been developed.
- The General Statistical Office has not only produced and disseminated vast amount of high quality research on the causes of poverty, it has helped stimulate a lively debate on what to do about it through broad dissemination in understandable formats.

4. **Manage for, not by, results by arranging resources to achieve outcome.**

- Acknowledgement that the emphasis on large-scale infrastructure investment should gradually shift from “roads and bridges” to benefits for beneficiaries.
- The core concept of the CPRGS—an inclusive participatory process to manage for results in both growth *and* poverty reduction—evolving into the mainstream as a central tenet of a formerly central planned economy’s official planning process.

5. **Use results information for management learning and decision making, as well as for reporting and accountability**

- Recognizing the difficulties of aggregating and measuring poverty rates, a task force has been appointed to propose an improved system of poverty indicators.
- Access to budgeting process has helped local governments to address the discrepancies between their assigned responsibilities and the fiscal resources available to them.

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PART 3. EXAMPLES OF MfDR IN SECTOR PROGRAMS AND PROJECTS

3.1. Overview

Partner countries and development agencies work together in strengthening the focus on results in their sector programs and projects through aligning with national strategies and sector development plans, harmonizing results reporting, and strengthening capacity to manage for results in programs and projects.

Alignment with National Strategies. All donor-funded programs or projects, no matter how large or of what type, must support national priorities and fit logically within country-owned, results-based national plans and strategies (as described in Part 2 of the Sourcebook). Within the context of poverty reduction strategies (for low-income countries) and national development plans (for middle-income countries), development agencies and partner countries are collaborating to identify priority sectors in which targeted programs and projects can support achievement of country outcomes. These partnerships increasingly incorporate the use of specific results management tools, as there is evidence that applying MfDR in both programs and projects increases the rigor of planning, measurement, reporting, and learning regarding country development outcomes.

Support for Sector Development. Sector-specific programs and projects can make significant contributions in support of country development outcomes when managed consistently for results and performance. Support for sector development (within the context of national poverty reduction strategies or other types of comprehensive plans) can include a variety of funding mechanisms: agencies may create basket funds, provide budgetary support for sector programming, provide individual sector investment loans, and/or technical support or analytical services. Different development agencies use different approaches to sector support, but they are working to harmonize and align their sector investments to minimize transaction costs for the partner country.

Harmonization on Results Reporting. As development agencies align their cooperation strategies to country priorities and specific sector aims, they are continuing to harmonize their results reporting requirements around national monitoring and evaluation systems that help countries to manage for results. In some instances, development agencies may agree to rely on sector ministries’ own plans and reports to determine the level of disbursements based on measurement of ongoing achievements and on specific benchmarks or technical milestones for progress (both quantitative and qualitative) that all parties agree on. In other instances, they are actively working to consolidate and simplify reporting requirements for partner countries so that there is less duplication and more efficient use of existing capacities.

Capacity Building. If partner countries are to strengthen their strategic planning, analytic, statistical, and M&E capacity, they will need more, and better coordinated, support. To strengthen capacity in these essential areas, development agencies are including specific programs and projects as a central component of their cooperation strategies at the sector level. They are collaborating with partner countries throughout the programming process to assess the M&E setting and align their capacity building support to a national or sector strategy on M&E, as some of the examples in the Sourcebook show.
<table>
<thead>
<tr>
<th>MfDR Principle</th>
<th>Examples of tools being used to manage for results in sector programs and projects</th>
<th>Why these are important</th>
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| Focus the dialogue on results at all phases of the development process | Sector development or policy reform frameworks  
Project results frameworks  
Multi-stakeholder planning workshops  
Inter-agency coordination mechanisms (joint venture, working groups)  
Logic models (integrated in all of the above) | Results-based tools are used jointly by development agencies and partner countries to align donor support for intermediary results with national development outcomes during the planning process—also as reference points for ongoing implementation and measurement. |
| Align programming, monitoring and evaluation with results | Annual workplans and budgets  
Financial management systems | Results-based operational plans, budgets, and financial mechanisms at the sector or project level describe clearly how inputs will support intermediary results leading to country outcomes. |
| Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible | Sectorwide and/or project M&E systems, including MIS  
Sectorwide and/or project M&E operational plans and guides  
Performance measurement frameworks  
Sectorwide performance monitoring strategy  
Annual quality control reviews for service delivery to clients/beneficiaries  
Data source assessment/review | M&E systems, plans, frameworks and instruments describe the indicators for intermediary results at the sector and project levels, describe methods for data collection and analysis, assign M&E roles and responsibilities, and provide standardized methods for assessing progress. |
| Manage for, not by, results, by arranging resources to achieve outcomes | Special studies (thematic or “value-for-money”) and policy reviews  
External and internal monitoring reports  
Midterm social impact assessments and/or sector/thematic outcome evaluations  
Technical milestones linked to financial disbursement schedules  
Sector program reviews  
Performance or financial audits  
‘Scorecards’ or periodic activity reports | Studies, reviews, assessments, and monitoring all investigate issues related to results achievement, and suggest means of adjusting implementation strategies as required at either the sectorwide or project levels. |
| Use results information for learning and decision-making as well as reporting and accountability | Annual sectorwide or project performance reports  
Stakeholder consultations  
Analysis of evaluations | Reports and consultations provide government officials, sector ministries, development agencies, civil society, grassroots beneficiaries, and other key stakeholders with performance information on progress toward intermediary results and country outcomes at the sector and project level. |
Executive Summary

In 2003, the government of Luiz Ignacio Lula da Silva launched a comprehensive program to stimulate growth and social progress. On the social side, the centerpiece was a sweeping reform of Brazil’s social safety net, the Bolsa Familia Program, which integrated four cash transfer programs into a single program under the umbrella of a new Ministry of Social Development. The transfers are made preferentially to women in each family. The program supports the formation of human capital at the family level by conditioning transfers on behaviors such as children’s’ school attendance, use of health cards, and other social services.

Since its launch, the Bolsa Familia Program has grown exponentially, expanding to cover about 26.4 million people by January 2005. By the end of 2006, about 44 million people are expected to be covered, at least two-thirds of whom are extremely poor.

In numbers of beneficiaries, the Bolsa Familia Program is by far the largest unconditional cash transfer in the developing world. Its systems for beneficiary selection, monitoring and evaluation, quality control, and scaling up have implications that extend well beyond Brazil.

The World Bank’s project to support the Bolsa Familia Program was conceptualized within a framework of results-based management. Two aspects are key. First, mechanisms were developed to pace loan disbursements according to results—for example, through concrete technical improvements in areas such as beneficiary targeting. Activities undertaken under three technical components of the loan cumulatively contribute toward attainment of performance milestones. As these milestones are demonstrably met, they trigger increases in the rates of loan disbursements. Disbursement percentages increase from 8 to 9 to 11 percent, depending on performance. Second, the project includes a monitoring and evaluation system which is focused on results and thus intrinsic to both the architecture and implementation of the program.

The Need to Extend and Strengthen Brazil’s Social Safety Net—in a Hurry

In 2003, the newly elected government of Luiz Ignacio Lula da Silva launched a comprehensive program to stimulate rapid growth and social progress. On the social side, the centerpiece of this effort was known as Bolsa Familia, a sweeping reform of Brazil’s social safety that consolidated four federal cash transfer programs (see box) and coordinated them with other social programs and policies. As of January 2005, Bolsa Familia covered 6.6 million families and accounted for about a quarter of Brazil’s social safety net spending. By the end of 2006, the consolidated Bolsa Familia proposes to cover 11.2 million families (about 44 million people). The social investment would represent an increase from 1.1 percent to 2.5 percent of total government expenditure, and an increase from 0.2 percent to 0.5 percent of Brazil’s GDP. The Bolsa Familia
Program was prioritized by the Lula administration as its “flagship” social program.

**Why existing programs needed to be reformed.** Four “pre-reform” safety net programs were included in the Lula administration’s safety net consolidation: Bolsa Escola (Ministry of Education), Bolsa Alimentação (Ministry of Health), Cartão Alimentação (Fome Zero), and Auxílio Gas (Ministry of Mines/Energy). Although each of these programs had its own emphasis—promoting schooling, health care, food consumption, compensation for fewer government subsidies, and so forth—the separate programs were duplicative and inefficient to administer. They all provided cash transfers to roughly the same target population. Each had its own separate administrative structure, data collection, fiduciary procedures, and public reporting. The resulting “safety net” was filled with both gaps and duplications in coverage, and the programmatic fragmentation sacrificed opportunities for synergies at the family level among schooling, health, nutrition, and other services.

### What are Conditional Cash Transfers?

Conditional cash transfers provide money directly to poor families via a “social contract” with the beneficiaries—for example, sending children to school regularly or bringing them to health centers. For extremely poor families, cash provides emergency assistance; while the conditionalities promote longer-term investments in human capital.

### What integration accomplished.

The Bolsa Familia Program integrated the four programs into a single conditional cash transfer program under the umbrella of a new Ministry of Social Development. In doing so, the existing cash transfer programs were consolidated and rationalized. Integration made better use of public resources by reducing administrative costs and improving the system for targeting the beneficiary population. The program and methodology were extended vertically to integrate the federal with state and municipal safety net programs, further extending and consolidating (or coordinating) the overall safety net. By standardizing results indicators and administrative procedures under a single program (rather than four separate programs), bureaucratic complexity was reduced. Finally, integration of the program as a concept—that is, as a way of thinking about, discussing, and planning, as well as administering—encouraged natural “synergy opportunities” for larger-scale actions related to education, health, and nutrition for the poor.

### Objectives

The Bolsa Familia Program has dual objectives. First, reduce Brazil’s **current** poverty and inequality by means of direct monetary transfers to poor families. Second, reduce **future** poverty and inequality through incentives for poor families to build their own human capital, that is, positive incentives to keep children to school, send them to health centers, and seek other complementary social services. Doing so requires two kinds of successes:

- **Quantitative**—a far greater number of (properly targeted) poor people brought into the safety net
By law, payments are made preferentially to the mother of the household—because a substantial body of research has demonstrated that women are more likely to prioritize investments in children’s education, health, and nutrition.
The attainment of key objectives—measured by clearly defined results indicators—serves as a series of triggers to move implementation to the second phase, which is designed in turn to consolidate and deepen the technical improvements and innovations of the first phase.

**Innovative features of the lending instrument.** The World Bank’s loan to support the Bolsa Familia program is a tailor-made package that combines three innovative design features. First, a two-phase Adaptable Program Loan (APL) was devised. The first phase (2004–06) focuses on strengthening the effectiveness of the safety net by consolidating the four conditional cash transfer programs, reducing gaps and duplication in coverage, improving systems for identifying the target population, and developing an effective monitoring and evaluation system. The attainment of key objectives—measured by clearly defined results indicators—serves as a series of triggers to move implementation to the APL’s second phase (2007–08), which is designed in turn to consolidate and deepen the technical improvements and innovations of the first phase.

**International Donor Support**

The Brazilian government requested the World Bank to partner its Bolsa Familia program in the context of longstanding Bank support for Brazil’s social agenda under the Policy Sector Reform framework. These efforts included a three-year rolling program of economic and sector work on social assistance, supported by both the Bank and the United Kingdom. In addition, UNDP supports Bolsa Familia through the Ministry of Social Development; and the Inter-American Development Bank has undertaken a parallel initiative for a SWAp project to support the program. Altogether, the Bank’s four-year project loan, excluding counterpart funds, is expected to be US$572.2 million.

Second, the project was developed with a SWAp component (see box). The “SWAp” component (US$551 million) serves primarily to reimburse the government for conditional cash transfer expenditures. In addition, a separate technical component was designed to improve beneficiary targeting (US$4.4 million). A technical component was designed to develop the new monitoring and evaluation system, including development of instruments and processes to track eligibility, payments, conditionality performance, etc. (US$7 million). A relatively small institutional component (US$2.8 million) helps to strengthen institutional capacity for the Bolsa Familia Program and a fifth component supports project management.

**What Is a SWAp?**

The term SWAp refers to a program-based sector-side approach, a kind of lending process that provides financial support for sector policy with targets defined in clear qualitative and quantitative terms. A SWAp is generally understood to encompass:

- A medium-term expenditure program under government leadership, with matching sources and uses of funds
- A formalized process of donor coordination, with transparent roles and agreed rules
- A results-based monitoring system for all major inputs, outputs, and outcomes
- A shared system, to the extent possible, for procedural reporting and financial management
The activities supported under the three technical components of the loan contribute cumulatively to meeting key “milestones” that define the performance of the program. As milestones are demonstrably met, the monthly disbursement percentages increase from 8 to 9 to 11 percent of the budget of the government’s Bolsa Familia Program.

**How pacing of disbursements reflects the Managing for Results Framework.**

The pacing of disbursements (the “SWAp component”) according to measurable improvements to the program (the three “technical components”) has several objectives that reflect the logic of a Managing for Results Framework:

- The Bank as lender and the government of Brazil as borrower are linked in a pragmatic partnership to support the government’s Bolsa Familia Program. Each recognizes and benefits from the need for technical improvements in the Bolsa Familia Program’s systems in the short run.

- Immediate interdependencies and stronger synergies develop between effective implementation (that is, the objective of safety net consolidation, as defined in Component 1) and the specific technical activities (targeting, monitoring and evaluation, etc.) that could otherwise become stand-alone bureaucratic units divorced from the outcomes themselves.

- A strong incentive evolves for the implementing agency to achieve—or better yet, exceed—the key milestones for systems improvements. If milestones are reached, the loan’s financing percentage increases and disbursements accelerate. For this reason, the finance and planning ministries also have a strong incentive to actively support crucial technical activities that will concretely assist in meeting milestones.

**The Relationships among M&E, Implementation, and Results**

The consolidation of the existing conditional cash transfers is defined as an intermediate result to be attained during phase one of the project. Attainment of this objective is pragmatically translated as follows:

- At least two-thirds of poor families should be receiving Bolsa Familia transfers
- The pre-reform programs will have been eliminated, with former beneficiaries either dropped or converted to the Bolsa Familia
- Transaction costs for transfer payments will have been reduced.

The project’s Monitoring and Evaluation system (enhanced under a technical component) will help establish whether these specific milestones will have been reached—and if not, why not (for example, lack of funding, lack of political will to phase out pre-reform programs for families, etc.). However, attainment of these particular milestones triggers the increases in disbursements (8 percent to 9 percent to 11 percent). Attainment of the larger set of objectives in turn triggers the second phase of the Adaptable Program Loan.
The point is not data, but usable feedback on the quality of service delivery and program implementation.

How a solid monitoring and evaluation (M&E) system reflects the Managing for Results Framework. The new monitoring and evaluation system is key to the basic architecture of the Bolsa Familia Program and reflects the design logic of the Managing for Results Framework. A results-based M&E system has been strongly supported by the government since the concept phase. Its implementation includes internal capacity building, tailoring an advanced management information system, developing new instruments to monitor and evaluate implementation, and producing up-to-date information on activities and outputs, as well as information on outcomes over the longer run. The point is not data, but usable feedback on the quality of service delivery and program implementation.

Problems Encountered

From its inception in October 2003, the highly visible Bolsa Familia Program has had to contend with exceptionally high public expectations for fast, visible, even dramatic social results. To meet at least its ambitious coverage targets, the government rapidly expanded the program during its first year. Yet as a vigilant, highly interested press has noted, coverage is one thing and quality of delivery is another. Reports of weaknesses in the targeting mechanism (the Cadastro Único), as well as the monitoring of conditionalities, surfaced in the press.

In fairness, these problems are not new. Many of the difficulties were inherited from the pre-reform programs, and indeed, the World Bank’s results-based project was designed precisely to address them. Even in advance of Senate approval and loan signing, the Bank team has been working closely with ministry counterparts to engage in continuous dialogue and ongoing technical assistance on how best to define, measure, monitor, and evaluate beneficiary targeting and other support systems, and more broadly, the sustained quality and longer-term output of the project.

Adaptations Made in Implementation

In that Bolsa Familia has evolved through several precursor safety net programs, it is itself an adaptation. Under the results-based framework, an iterative process to constantly adapt and improve the project is a fundamental element of design, not a symptom of failure.

Any welfare program in any country—particularly a program as large as this one—runs risks of fraud and leakages. The targeting and monitoring and evaluation components of the project are, in effect, countermeasures for anticipating, identifying, and minimizing fraud. In that regard, some examples of adaptations taken by the government include the following:

- Issuing a well-publicized decree (a regulamento) that clearly spells out the operational guidelines of the program
- Entering into formal agreements that clarify the responsibilities of the Ministry of Education and the Ministry of Health for monitoring and for providing information about conditionalities to the Ministry of Social Development
MfDR Principles in Action: Sourcebook on Emerging Good Practice  Part 3
Brazil: Bolsa Familia Program Scaling-up Cash Transfers for the Poor

• Launching a formal network system (rede de fiscalização) for overseeing, auditing, and controlling fraud in the BFP in collaboration with the Attorney General (Ministerio Público) and other public auditing agencies (procuradorias, TCU) for monitoring and fraud controls of Bolsa Familiar payments

• Initiating steps to improve the Cadastro Único (developing cross-checks to reduce duplications resulting in the canceling of some 200,000 duplicate benefits found in the process, establishing a working group to revise eligibility criteria and improve questionnaires, providing training to municipalities to strengthen implementation, developing a quality index for monitoring and evaluating the Cadastro, etc.);

• Strengthening citizen social controls by publishing beneficiary names by municipality on the Internet and setting up a hotline for citizens to report irregularities and suspected fraud, and reinstating local committees to provide citizen oversight for the program

• Initiating work on design for an impact evaluation of the program.

Factors for Success
While it is too early to judge success of either the Bolsa Familia Program or international lenders’ support, the results framework has already proved itself to be central in how the story is unfolding. Indeed, the results-based management approach strongly implies the use of technical milestones linked to disbursements to strengthen the implementation of the program. Even before the loan was signed—much less before initial disbursements—the government began working actively toward achieving the milestones that would serve as triggers.

Results Achieved and Expected
Since its launch in December 2003, the Bolsa Familia Program has grown exponentially, expanding by January 2005 to cover 26.6 million people. By the end of 2006, the program expects to cover about 44 million people. Translated as “Intermediate Results” in the Results-Based Framework, this means:

• At least two-thirds of extremely poor families will be receiving Bolsa Familia income transfers.

• At least 40 percent of total transfers will be going to families in the bottom quintile of income distribution.

• At least 80 percent of primary school-age children in extremely poor beneficiary families will be attending school.

• At least 95 percent of beneficiary children will have and be using health cards.

Lessons Learned in Design Phase
The Bolsa Familia project embodies lessons learned from earlier projects in Brazil and elsewhere, including lessons from Brazil’s extensive experience.
SWAps encourage donors to leverage their financial contribution and comparative advantage, potentially achieving impact across entire sectors not attainable at the narrower project level.

As the Lula administration’s flagship social initiative, the Bolsa Familia Program benefited from both high-level political and broad public support. Consolidating conditional cash transfers was widely perceived as a way to build on previous successes and bring them to a new level of performance. It cut across political parties, branches of government, academic circles, civil society, and even the media.

Conditional cash transfers are operationally feasible and politically acceptable. Brazil’s ownership of and commitment of conditional cash transfers was strengthened because of general acceptance among the public that integration would improve the efficiency and equity of these instruments. Among international donors too, conditional cash transfers have been shown to be operationally feasible and politically acceptable as an approach to social assistance. Concerns that cash subsidies are ‘just handouts’ can be overcome by linking them to desirable behaviors such as sending children to school and seeking health care; by providing the transfers to mothers, whose decisions on the intra-household allocation of resources tend to favor children’s nutrition, health, and education; and by honest monitoring and evaluation of results.

Conditional cash transfer programs have improved educational indicators and outcomes. An ex-ante evaluation by Bourguignon, Ferreira, and Leite (2003) found that Brazil’s Bolsa Escola Program (a predecessor to Bolsa Familia) significantly increased the share of children in school and decreased the share that were only working. Using similar methodologies, simulations suggest that the Bolsa Familia could significantly increase total educational attainment and reduce repetition rates.

Human capital conditionalities can “bridge” to complementary services. International experience suggests that efforts to “bridge” beneficiaries from transfer programs to other complementary services can reduce their dependence on social assistance. Cash transfers can serve as graduation strategies, helping the poor to “grow” out of poverty.

Cash transfers help move people out of poverty and thereby to improve their lives.
**Programs of this nature require sufficient administrative capacity.** Although Bolsa Familia is a new program operating under a new ministry, it builds on the foundations established by the pre-reform programs—for example, maintaining the channeling of payments in a fairly direct manner through the country’s extensive banking system. In addition, many of the staff involved in the Ministry of Social Development in general and the Bolsa Familia in particular have extensive prior experience managing or working on the federal pre-reform programs or similar local cash transfer programs.

**Innovation with new lending instruments can be time consuming.** The World Bank has re-learned repeatedly that clients generally know what they want. To respond effectively, especially to middle-income borrowers, the Bank must continuously innovate in the way that it develops and packages lending instruments. Yet innovation of this sort is not only hard work, it is time consuming. Often, it requires approval at the highest levels of Bank policy making; and from the beginning of any effort, all involved departments must be brought into the process. In general, innovation is possible . . . if it makes sense, is client oriented, and provides for assurances in regard to fiduciary and safeguard frameworks. This requires not only advance planning but, in most cases, a parallel discussion and approval process on the instrument itself.

**Conclusions and Applicability to Other Programs**

The Bolsa Familia Program offers important insights on the design and implementation of a results framework in the context of a large ongoing, complex initiative. The program has been featured in international settings, for example, the Conference for Scaling-up Poverty Reduction, held in Shanghai in May 2004. As noted in the proceedings “Many different kinds of interventions can be scaled up, and stories of success do travel and get adapted elsewhere; as evidenced by the case body. Examples include systems of cash transfers to targeted poor families in Mexico and Brazil.” Bolsa Familia is relevant to social protection programs in Latin America and other regions of the world.

**First, in terms of numbers of beneficiaries, it is by far the largest conditional cash transfer in the developing world and has expanded extremely rapidly.** The challenges involved with developing systems for beneficiary selection, monitoring and evaluation, quality control, and scaling up have implications that extend well beyond Bolsa Familia itself.

**Many of the systems instruments developed for the Bolsa Familia would have widespread applicability for other countries. These systems are particularly relevant to the implementation of decentralized programs**—for example the Bolsa Familia’s random-sample quality control reviews, which will provide much-needed feedback for federal oversight of the locally implemented program.

**The lending instrument developed for the World Bank’s project to support the Bolsa Familia Program is already being adapted for use in other projects.** Some recent examples in Brazil include:
The project team for Bolsa Familia has also been called on to provide advice and to make presentations to other country teams considering similar results-based approaches.

Adaptations of the disbursement-linked results framework to a state-level SWAp being developed for Ceara State.

Adaptations of the results framework and disbursement mechanisms for preparation of a new transport project.

Development of a similar lending instrument by the IDB to support Bolsa Familia and the Ministry of Social Development (the first such SWAp in the IDB).

The project team for Bolsa Familia has also been called on to provide advice and to make presentations to other country teams considering similar results-based approaches. In all these discussions, a key message is the importance of a long menu of options and the tailoring of features to local realities and the specific needs of any given operation. As demonstrated by the World Bank’s SWAp to support Bolsa Familia, one size does not indeed fit all, and the (potential) success of the project is in many respects a function of the donor’s capacity to adapt to the specific needs of that program.

Summary: How MfDR Principles were Applied to Brazil’s Bolsa Familia Project

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.
   - This was the “modus operandi” for the team’s work with the clients.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results
   - The Results Framework was designed to be cumulative and calibrated with the agreed expected results.

3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.
   - The project relies on country financial reporting systems, as well as technical monitoring of the program’s activities.

4. Manage for, not by, results by arranging resources to achieve outcome.
   - The results framework—with links to positive “upside” disbursement conditions based on improved performance—was designed in this manner. It focuses on outcomes: whether people can effectively be helped to move out of poverty and how to measure this. It also looks at the outcomes at the State/province level.
5. Use results information for management learning and decision making, as well as for reporting and accountability

- The results information is being used by the Brazilian Government to improve the consolidated social protection program. Decisions are being made, drawing on the result of the Bolsa Familia framework and its measurement information. Accountability and transparency are central concepts.

References


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**MADAGASCAR: NATIONAL ENVIRONMENTAL ACTION PLAN**

**Executive Summary**

Madagascar has major biodiversity conservation challenges, owing to a combination of high diversity, endemism, and a high degree of natural risk threat. The impact of the December 2004 Tsunami earthquake and tidal waves has heightened the public’s awareness of the need for more stringent coastal management systems.

The third phase of the National Environment Action Plan (NEAP) stresses seven results to be attained: (i) sustainable development activities need to be developed; (ii) forest ecosystems and water resources need to be sustainably managed; (iii) sensitive ecosystems need to be conserved and made valuable as protected areas and conservation sites; (iv) coastal and marine ecosystems need to be sustainably managed; (v) a positive change in behavior vis-à-vis the environment needs to be achieved; (vi) the financial basis for sustainable financing of the management of natural resources and the environment needs to be established; and (vii) better environmental policies and governance need to be developed.

Evidence is emerging from the M&E system that confirms the positive impact of the program on the ground, although the absence of objectively verifiable benchmarks makes it hard to discount inflated expectations which were fueled by the overly ambitious targets. Thus, a key lesson learned is that results targets need to be realistic if the credibility of the program is not to be undermined. Under the first phase, the implementation of the National Environment Action Plan took the form of a number of separate donor-driven projects without obvious linkages between each other and minimal donor coordination. In contrast, the third phase seeks to enhance coordination with other programs, in particular with the large multi-lateral rural development operations; but also with similar programs or projects in areas such as roads, rural infrastructure, energy, mining, and tourism.

**Protecting the World’s Highest Priority in Biodiversity Conservation**

Madagascar is among 17 recognized megabiodiversity countries, which taken together represent about 80 percent of the world’s total biological diversity. Due to Madagascar’s extraordinary diversity, its unique species, and the level of threat, a hectare of forest lost in Madagascar has greater negative impact on global biodiversity than a hectare lost virtually anywhere else on earth. Indeed, Madagascar has often been cited as the world’s single highest priority in biodiversity conservation.

Madagascar’s forests are threatened by population pressure, poverty, and nonproductive agriculture. Weak environmental governance undermines the natural resource base by encouraging deforestation, unsustainable management, and environmentally destructive agriculture. Commercial timber exploitation is poorly regulated. Deforestation is exacerbated by central policies and weak institutions; and stakeholders, particularly those at the local and regional level, are not effectively engaged in trying to stop it.
The government of Madagascar elaborated Africa’s first National Environmental Action Plan (NEAP), six years prior to the signing of the Convention on Biological Diversity. Not surprisingly, more than 80 percent of Madagascar’s original forest cover is now gone.

The combination of low agricultural productivity and rapid population growth is accelerating conversion of the remaining primary forests—now covering just 15 percent of national territory—to slash-and-burn production. Watersheds and soil stability have been further undermined, compounding the economic losses through even greater loss of soil, siltation, and water shortage. The costly necessity of building, replacing, and repairing damaged infrastructure contributes to the vicious cycle. GDP (measured in 1995 dollars) has fallen from about US$383 in 1960 to about US$246 today.

Objectives Pursued

In 1989—six years prior to signing the Convention on Biological Diversity—the government of Madagascar elaborated Africa’s first National Environmental Action Plan (NEAP). It has been the most ambitious and comprehensive environmental program in Africa to date. A long-term investment program was planned in three phases over 15 years. The government’s steady commitment to environmental protection was also reflected in its recognition and ratification of major regional and international conventions, as well as its continuous work with international donors to address the enormity of the environmental challenge. The Environmental Charter of 1990 reiterates the government’s concern over environmental issues and sets forth its commitment to the National Environmental Action Plan.

Launched operationally in 1991, the National Environmental Action Plan has these objectives:

- To manage the national heritage of biodiversity in protected areas, in conjunction with sustainable development of surrounding areas.
- To improve human living conditions through protection and better management of natural resources, emphasizing watershed protection, reforestation, agroforestry, and improved water supply and sanitation.
- To promote environmental education, training, and communication.
- To improve policy and management.
- To establish mechanisms for research, managing data, and monitoring the environment.

A participatory process introduced key principles from the environmental action plan into other major initiatives, including Madagascar’s Poverty Reduction Strategy Paper (2000) and the Rural Development Action Plan (2001). As amply demonstrated in these strategic documents, the government clearly recognizes the linkage between the environment and sustainable development.

Design and Implementation of Action Plan

The first phase of the National Environmental Action Plan (1991–97) aimed at creating a proper policy, regulatory, and institutional framework. It sought to
generate conditions for ownership of the environmental agenda by the country rather than donors. The second phase (1997–2003) consolidated first-phase programs, putting national institutions more firmly in the driver's seat. The third phase (2003–08) aims at mainstreaming environmental thinking more broadly into macroeconomic management and sector programs, including mechanisms for sustainable environmental financing.

A broad donor coalition is providing support—bilateral donors (the United States, Germany, France, Switzerland, Japanese), multilateral donors (the Global Environment Facility, the World Bank and International Development Association, the UN Development Program), and NGOs (the World Wildlife Federation, Conservation International, the Wildlife Conservation Society). The national action plan has supported the government in taking the environmental agenda into its own hands. This led to a shift from a strictly conservationist approach to greater emphasis on the link between rural poverty and environmental degradation.

Building on lessons from the first phase, the second phase aimed at expanding conservation and development beyond national parks and reserves, adopting a regionalized landscape approach. The goal of the third phase, starting in 2003, was to ensure that “the importance and the quality of natural resources are conserved and developed in support of sustainable economic growth and a better quality of life”.

An Ecoregional Approach to Conservation

Madagascar adapted a broad regionalized landscape approach to conservation, which emphasizes conservation of critical resources, such as watersheds, through varying levels of land use management. A “systems approach” takes on multisectoral analysis and multilevel planning. In this broadened view, regional economic development and poverty reduction are emphasized. Alternative agricultural practices are identified as the key to reducing the reduction of slash-and-burn practices and improved natural resources management.

Problems Encountered

Each phase of the national action plan has confronted its own practical and conceptual problems:

**1991–97: Environment Program 1.** In relation to the overall issues of environmental degradation in Madagascar, the zone of intervention during the first phase—protected areas with peripheral zones—was too narrowly defined. Analyses identified underlying causes of the continued environmental deterioration, making clear that the issue of protection needed to be addressed nationally as well as regionally. Despite an obvious agrarian crisis—so clearly linked to environmental degradation—the first phase paid far too little attention to the improvement of agriculture, including virtual exclusion of the private sector as a partner.

**1997–2003: Environment Program 2.** The second phase of the action plan was a more complex operation implemented on a nation-wide basis. Its stated development objective, to reverse environmental degradation, was admirably
Objectives of the second phases—to reverse environmental degradation at the national level—was admirably ambitious but unrealistic within the time frame.

The “right” actions and policies need to be coordinated broadly across sectors, so that development and environmental protection go hand in hand.

ambitious—indeed, probably too ambitious within the time frame. The spectrum of activities included improved management; biological inventories; planning and analysis; introduction of new technologies and input supplies; marketing research; geographic information systems, transfer of management to local communities; and land tenure action at the local, regional, and national levels. Several of seven implementing agencies were new; others needed serious capacity building. The agenda reached beyond their mandate and abilities. Moreover, collaboration with other sectoral programs was weak, which undermined collaboration in providing alternatives to destructive practice in rural areas.

2003–08: Environment Program 3. The third phase, currently underway, aims at mainstreaming the environment into macroeconomic management and sectoral programs that focus on results at the regional and field levels. For the most part, Madagascar now has “pro-environmental” policies and a regulatory framework in place. Yet policies and regulations, no matter how “right” they are, may not make a great deal of difference if implemented through weak institutions riddled with governance problems (as is the case with the forestry sector).

Overall, the 15-year environmental action program has to be understood as a long-term initiative—its purpose: to endow the country with capacity to “own” and internalize management of its own natural resources. However, environmental degradation will not be stopped, much less reversed, if poverty-reducing development strategies do not also succeed. The “right” actions and policies need to be coordinated broadly across sectors, so that development and environmental protection go hand-in-hand. In particular, this means economic intensification of land use and continued development of nonagricultural sources of incomes to meet human needs.

Adaptations in Implementation

Periodic reviews of progress toward the goals of the national action plan have been undertaken jointly by the government and donors. The implementation process has evolved and adapted accordingly.

Shift toward the ecoregional approach. In 1995, scientific workshop and priority-setting exercise demonstrated the extent to which conservation priorities were located outside the protected area network, reinforcing the need for a broad ecoregional approach to replace the prevailing focus on biodiversity conservation in protected areas.

Multi-level consultative planning on a broader scale. The refocus toward ecoregional thinking was instrumental in fostering multilevel consultative planning and implementation of a landscape approach for the second phase. A common approach to community center conservation and development activities was seen as absolutely essential to improve natural resource management and agricultural intensification.

Scaling back overly ambitious objectives. A multidonor—government review in February 2001 signaled the problem of overly ambitious objectives. It pointed to desirable objectives that would require complementary interventions beyond the scope and resources of the national action plan—
especially land use intensification, the development of nonagricultural sources of incomes, more suitable and better enforced logging and timber export policies, general economic development. As such, the development objectives of the second phase were revised in 2001 to reduce (though not reverse) environmental degradation trends at the national level.

Creating a strategic, results-oriented logical framework. A revised planning and implementation framework was developed. This helped to make the second and third phases less complex. As a result of this restructuring, the development objectives became more realistic; implementation less complex; and interventions better targeted to priority zones. Expected impact and results—translated as target and monitoring indicators—became more reasonable, better formulated, and easier to measure. In turn, the common framework reinforced ownership. A more coherent vision evolved that conceptually links development and conservation; promotes multilateral action, multiple actors, and a more inclusive model for collaboration. A results-based program approach was supported with better instruments and tools for planning management, coordination, and decision making.

Simplifying the programming and budgeting model. The third phase continues the program approach, but it builds upon key lessons from the first and second phases—for example, replacing the programming and budgeting model of the second phase with a much lighter and qualitative annual planning and coordination exercise.

Institutionalize an M&E system. A comprehensive M&E system has been established to organize information flows to capture the various project outcomes that together comprise the third phase. It is based on a common set of indicators. These are being tracked by the Coordination Unit (CELCO) under the Ministry of Environment, Water and Forests. This system was upgraded to take into account the following elements: standardization in view of the heterogeneity of systems being used by various institutions; capacity for spatial analysis; integration of different data types; more results-based institutional culture; better data quality; and increased accessibility of M&E reports to decision makers and stakeholders. The key to this standard M&E system is a corresponding donor agreement to track their input by the common indicators and outputs rather than financial inputs.

Results Achieved

Positive impact on the ground. Evidence emerging from NEAP's monitoring and evaluation system confirms the positive impact of the program on the ground, despite the need for more objectively verifiable benchmarks to discount inflated expectations fueled by overly ambitious targets. Intermediate outcomes show evidence that:

- The rate of deforestation in protected areas (0.7 percent per year) and classified forests (one percent per year) is now significantly lower than in non-classified forests (1.5 percent)
- Degradation of critical habitats has slowed down significantly, from about 1.7 percent per year down to 0.62 percent per year.
• Quality of biodiversity in protected areas, as measured on a composite endemism index, has improved from 0.61 to 0.74.

• More than 370,000 rural households have benefited from investments that enhanced soil and water conservation and productivity. These households averaged a 10 percent income benefit per year during the project period as compared to a control group.

• Tourist revenues associated with national park visits grew to about US$50 million in 2000, accounting for about 40 percent of all expenditures by visiting nonresidents. Increasingly, these rapidly rising expenditures are benefiting local communities.

• The principle of Let the Polluter Pay has been internalized into investment decisions through the application of Environmental Impact Assessments.

**Improved capacity to assess results at multiple levels.** Over the coming years, progress will be measured against the strategic objectives framework for the third phase, which presents multiple objectives and indicators at different levels. These include output, performance and impact level indicators based on global, strategic, and specific objectives. The impact level indicators serve to demonstrate the overall impact of the multi-actor approach and are linked to indicators used in the Poverty Reduction Strategy Paper.

<table>
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<tr>
<th>Examples of Impact-level Indicators Related to Strategic Objectives</th>
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<tr>
<td>• Area of forest, coastal, and marine ecosystems maintained</td>
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<tr>
<td>• Decrease in incidence of slash and burn practices</td>
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<tr>
<td>• The number of hectares of protected areas</td>
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<td>• Proportion of operational costs of protected areas covered by new financing mechanisms</td>
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<tr>
<td>• Number of sectoral, regional and communal development plans effectively incorporating environmental dimension into planning and decision making</td>
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<td>• Number of communes in critical ecoregions actively and effectively managing natural resources and genuinely share economic benefits generated by the provision of environmental services and other alternative sources of income</td>
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**Improved capacity to measure performance.** New performance indicators serve to monitor the impact of the program activities being implemented by the different actors, including environmental institutions, international and national NGOs, and specific donor programs.
Performance Indicators

- Percentage of terrestrial and marine protected areas and forest ecosystems managed in accordance with agreed sustainable management and zoning plans.
- Number of certified green communes
- Number of hectares protected through natural resources management
- Number of households adopting new practices or new crops increased
- Number and value of contractual agreements between producers, processors, and buyers
- Number of environmental advocacy actions
- Number of public and private investments carried out in line with environmental safeguards and mitigation measures as specified in corresponding environmental impact assessments
- Percentage of non-budgetary sources providing a significant share of the operating costs of public environmental institutions.

Lessons Learned

Considerable efforts were invested during the first phase to assess performance and distill lessons from the first two phase—among them:

*Adopt and streamline a “program approach” among multiple donors, using uniform indicators.* Implementation of the action plan during the first phase consisted of disparate donor-driven projects. These were minimally linked and poorly coordinated. The second phase was largely driven by ideas and proposals coming from the implementing agencies involved in the first phase, from multidonor appraisal and negotiation processes; and from a donor coordination mechanism in the form of a donor secretariat. In retrospect, the system benefited from the collaboration, particularly among multilateral donors; but it also proved overly time consuming, and it was poorly adapted as a mechanism for working with bilateral donors.

*Build linkages between financing sources and results expected on the ground.* Building on lessons learned from the second phase, a government–donor results framework was developed to lay out expected outputs translated as results. This creates direct links between financing source and results expected on the ground; but at the same time, it avoids the need for donor coordination at the level of activity and input, which proved difficult under the second phase. The participating donors included the World Bank, the UN Development Program, the Global Environment Facility; the United States, French, German, Swiss, and Japanese bilateral programs; Conservation International, the World Wildlife Federation, and Wildlife Conservation Society. This significant donor group has agreed to accept the common M&E system as the basis for accountability in their individual investments.

*Coordination with other national programs is essential, especially those active in rural development.* To better integrate the environmental program within the country's overall development, the third phase seeks enhanced coordination with other programs. This includes the large multilateral rural
An already strong commitment was further enhanced at the fifth World Parks Congress in September 2003.

development operations, but it also includes similar programs or projects in the areas of rural roads, rural infrastructure, energy, mining, and tourism. A strong focus on rural development and a new ministerial structure take a more holistic view of sustainable rural development at the regional and communal levels within the government and donor community. These key changes have been: integration of economic programs, land use planning, transport and public works into a single “super-ministry” under the Vice Prime Minister; combination of agriculture with livestock and fisheries into a single ministry; combination of waters and forests with environment into a single ministry; and the recent establishment of 22 regions with responsibility for the development of regional development plans as a framework for better coordination among sectoral programs.

**Adapt performance-based implementation mechanisms that can serve a broader array of agencies.** The first and second phases were implemented by an array of mostly government agencies and institutions established by the program. The third phase is being implemented by a broader array of institutions, local governments, communities, NGOs, service providers, and the private sector. What links them is the system of performance-based and result-based contracts.

**Factors for Success**

Reinforcing and building upon accomplishments and lessons from the previous phases, some essential factors for success are apparent:

**The indispensable need for political will and commitment.** Madagascar’s National Environmental Action Plan—the first in Africa—demonstrates a government’s willingness to commit to sustainable development for the benefit of its people. The plan has served as the strategic framework for all who are involved in implementing the program. This already strong commitment was further enhanced at the fifth World Parks Congress (September 2003) in which President Ravolamanana announced that the area of the protected-area network would be tripled, entailing a five-year increase in the coverage of terrestrial, wetlands, and marine ecosystems from 1.7 million to 6 million hectares.

**The need for viable environmental policy framework.** Madagascar has been able to mainstream the environment into many of its sector policies, and it has developed institutions capable of dealing with important aspects of environmental management and governance. The legal and policy framework is well established. The environmental impact assessment law, the new forestry policy, the recently adopted protected areas code, and the foundation law provide a solid foundation for sustainable environment management. Furthermore, the first law promoting the management transfer of renewable natural resources to local communities (known as GELOSE) was promulgated in September 1996.

**The need for institutions.** Madagascar has the key environmental institutions on the ground to promote good stewardship of the country’s natural resource base.

Upon launching of the National Environmental Action Plan, a new National Environment Office (ONE) was created as the lead agency to establish
environmental policy and ensure application of environment impact assessment. Subsequently, a Ministry of Environment was created that became the overarching authority on environmental affairs and to which ONE became attached. The National Association for the Management of Protected Areas was set up in 1991 with the mandate to develop and manage the national protected areas network. The Forestry Department was responsible for the remaining forest ecosystems which will be reformed and revitalized during the EP3. Other institutions that play important roles are two non-governmental organizations, the National Association for Environment Actions (ANAE), the Environmental Management Support Service (SAGE), and the first environmental foundation, Tany Meva.

Conclusion
Madagascar’s National Environmental Action Plan is seen as a model national program for ensuring dialogue and partnership between government and donors. The relationship is based on an agreed-upon set of objectives, results, and indicators. The “Politique General de l’Etat 2005”, presented by the government in December 2004, proposes to develop 11 national programs related to the Poverty Reduction Strategy Paper—its vision: Madagascar, Naturellement. These programs are to be based on underlying principles integral to the third phase of the National Environment Action Plan: Strategic and operational orientation shared by all actors; performance-based programming with clear objectives, results and indicators; coherence among donor interventions; and a clear call to all stakeholders, including local communities and the private sector.

Summary:
How the Madagascar National Environmental Action Plan Embodies MfDR Principles

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.
   - The development of a strategic framework for the third phase, focused on common objectives and results, has facilitated the ownership of a common vision that links development and conservation; promotes a multi-sectoral, multi-actor and multi-level model for collaboration; and implements a results-based program approach with instruments and tools for planning, management, coordination and decision making.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results
   - A joint government–donor results framework for the third phase lays out expected outputs/results. The joint steering committee for the third phase ensures that government and donor investments are defined and implemented in close relation to the results framework and agreed upon indicators; monitors progress towards agreed upon results; and provides strategic orientation and guidance for the overall program implementation and coordination with other sectoral and development programs.
3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.

- Participating donors (such as the Bank, UNDP, GEF; US, French, German, Swiss, and Japanese bilateral programs; Conservation International, World Wildlife Federation, and Wildlife Conservation Society) have agreed to be held accountable for the contribution of their investment to the expected results by measuring progress against the monitoring and evaluation system developed for the third phase. The M&E system with common indicators enables a more direct linkage between financial sources and results on the ground, while avoiding the need for donor coordination at the activity and input level.

- This system takes into account the following elements: standardization in view of the heterogeneity of systems being used by various institutions; capacity for spatial analysis; integration of different data types; more results based institutional culture; better data quality; and increased accessibility of M&E reports to decision makers and other relevant stakeholders.

4. Manage for, not by, results by arranging resources to achieve outcome.

- Progress is measured against the strategic objective framework which presents multiple objectives, results and indicators at different levels. These include output, performance and impact level indicators based on global, strategic, and specific objectives. The impact level indicators serve to demonstrate the overall impact of the multi-actor approach and are linked to PRSP indicators. The performance indicators serve to monitor the impact of the program activities being implemented by the different actors, including environmental institutions, international and national NGOs, and specific donor programs.

5. Use results information for management learning and decision making, as well as for reporting and accountability.

- Results based monitoring and evaluation system organizes information flows to capture the outcome of the various projects that make up the third phase. Development objectives are more realistic, implementation less complex, interventions more targeted (to selected priority zones), and expected impact and results (target and monitoring indicators) more reasonable, better formulated, and easier to measure.
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MALAWI: A NATIONAL HIV/AIDS MONITORING & EVALUATION SYSTEM

Executive Summary

The HIV/AIDS epidemic in Malawi necessitated not only a multisectoral response to impact, but an integrated national Monitoring and Evaluation (M&E) system. With donor “basket support” for HIV/AIDS, the Malawi National AIDS Commission—challenged to create a multisectoral M&E system rather than a health-sector-oriented epidemiological surveillance system—was conceptualized around a four-tiered “results pyramid” (measuring inputs, outputs, outcomes and impact). The system was designed around four cornerstones in which indicators (Cornerstone A) were informed by data sources (Cornerstone B) that were analyzed to produce information products (Cornerstone C) that are distributed to stakeholders (Cornerstone D) in a timely fashion—thus enabling M&E results to be utilized for decision making. The indicators and data sources allowed for both episodic population-based evaluation and for routine and recurrent output monitoring across sectors.

Operationalizing the M&E system was an incremental process, relying on ongoing training, advocacy, and participation from all sectors and each level of government. This case study illustrates the need to dedicate funding and skilled resources for the implementation of the system; to build capacity using a national HIV/AIDS output monitoring system curriculum; to link national HIV/AIDS M&E systems with other M&E and MIS systems; and to include HIV/AIDS M&E requirements in all HIV/AIDS related documentation. It also demonstrates the level of detail and ongoing effort that is required to ensure that an M&E system will be functional, especially in a multisectoral environment where recurrent programme monitoring is essential.

The Malawi M&E system supports the Marrakech principles in several key respects: specific information products were defined and are being produced, and dissemination channels were created and are being used. Dialogue with stakeholders takes place through regular consultation. The M&E system is directly linked to the goals of the National HIV/AIDS Strategy, and a complex report has been simplified for use within the districts and among a wide spectrum of organizations. Furthermore, the M&E cycle has been synchronized with the annual planning and programming cycle, thus maximizing the opportunity for M&E results to be used for critical decision making.

The Need for Multisectoral Monitoring of AIDS

HIV/AIDS has changed the face of development in Africa, not only negating 20 years of gains but draining resources from every area of current development activity. The vicious cycle of poverty and AIDS is multidimensional. It takes its accumulating toll on human resources, financial resources, agriculture, education, health, and welfare across the private sector, the public sector, and at every level of civil society.

Malawi established a National AIDS Commission (NAC) in August 2002 as an independent trust under the auspices of the president and his cabinet. At the
Discussions were successful with multilateral and bilateral funding partners, resulting after significant amount of time and effort in the first-ever “basket fund” for HIV/AIDS in Africa.

As of 2003, the commission found itself in a precarious position. It had inherited an exclusively epidemiological monitoring and evaluation system, while UNGASS and a newer multisectoral orientation called for a broader approach.

It soon became obvious, both to the national commission and to its international partners, that a comprehensive national HIV/AIDS M&E system was badly needed...

same time, the National AIDS Control Program within the Ministry of Health and Population was disbanded. Its staff was transferred to the new organization, signaling recognition that the crisis demanded a multi-sectoral response extending beyond the health sector. This was meant to kick-start the process of not only recognizing but establishing multi-sectoral responses to HIV/AIDS. Although the described shift in the national response from a health focus to a multi-sectoral focus may have been initiated with the creation of the NAC, the actual implementation and ownership of this multi-sectoral response took a great deal of advocacy and technical work by both Government and partners.

The new national commission’s first goal was to secure funding. Discussions were successful with multilateral and bilateral funding partners, resulting after significant amount of time and effort in the first-ever “basket fund” for HIV/AIDS in Africa. Support was consolidated from the World Bank and the governments of the United Kingdom, Norway, Canada and Malawi government’s own resources. Agreement was reached between Malawi and the funding partners that the new multi-sectoral approach would be guided by an integrated annual work plan and that a grant mechanism would be created for grassroots organizations involved in HIV prevention, treatment, care, and support services. A single financial management agent was assigned to assist in the management of grants in an accountable and transparent manner. Five “umbrella organizations” were identified to manage grants at decentralized levels.

Parallel to setting up the National AIDS Commission, the Malawian government had participated in the UN General Assembly Special Session on HIV/AIDS (UNGASS), and Malawi is a signatory to the Declaration of Commitment on HIV/AIDS (June 2001). This commitment calls for each country to report biennially on 13 HIV/AIDS indicators.

For Malawi, international commitments to report according to specific international HIV/AIDS M&E standards presented a new challenge. The M&E challenges also reflected institutional challenges at the NAC itself. The Ministry of Health and Population had focused primarily on monitoring and evaluating HIV/AIDS in terms of epidemiological surveillance. Biological surveillance had been conducted consistently at 19 antenatal clinic sites since 1985, with three rounds of behavioral surveillance completed by 2000. Yet as of 2003, the commission found itself in a precarious position. It had inherited an exclusively epidemiological monitoring and evaluation system, while UNGASS and a newer multi-sectoral orientation called for a broader approach. A number of disjointed monitoring and evaluation efforts were in effect in Malawi, but a far cry from a uniform national system.

International donors contributed to the complexity and to unrealistic expectations in regard to reporting and data. Between 1998 and 2002, UNAIDS, the World Bank, and the World Health Organized published six different manuals and sets of guidelines related to HIV/AIDS monitoring and evaluation practice. Every funding partner demanded strong monitoring and evaluation, yet each bilateral funding partner had its own M&E system directed toward the projects it supported. No system was in place that could handle them all, meaning that Malawi could neither use data for decision-making nor comply with its commitments under the UNGASS declaration.

It soon became obvious, both to the national commission and to its international partners, that a comprehensive national HIV/AIDS M&E system
Meeting the wide range of information needs with a single national system posed formidable challenges. Because this was new, it required an incremental, step-by-step, learning-by-doing approach.
needs among HIV stakeholders. Next, the adequacy of existing data sources and HIV indicators was assessed.

Meeting the wide range of information needs with a single national system posed formidable challenges. First, the system would require dedicated professional staff, with specific activities to be assigned and costs allocated within an annual work plan and budget. Both episodic evaluation (that is, epidemiological surveillance) and routine program monitoring had to be accommodated in a meaningful and mutually reinforcing way. A simple system needed to be designed to translate outputs into “results” (outcomes and impacts). Because this was new, it would require an incremental, step-by-step, learning-by-doing approach.

The M&E system would need to encompass self-reported data as well as periodic validation of data and auditing by external evaluators. Financial and programmatic monitoring would need to be linked, not only by installing a single (specially created!) Management Information System, but by combining functional responsibilities for data and financial auditing from multiple sources. To monitor at the level of individual programs, the commission would need to collect comparable program monitoring information from all AIDS/HIV implementers, irrespective of the sector, kind of organization, or location.

Realistically, the National AIDS Commission could not finance a large M&E department. Existing data sources had to be used to the utmost. Duplication had to be avoided at all costs. Subcontracting—for all administrative functions, for example—was encouraged to control costs and ensure timely deliverable-based management.

The system that emerged was designed around the principle of "utilization-focused evaluation," following Quinn-Patton (1999). This implied attention not just to indicator design but to the larger challenge of providing decision makers with timely, useful, and reliable data. Not all desirable data were available immediately, much less in a uniform state. So the commission also needed to finance and develop additional data sources.

**Conceptual cornerstones of the national M&E system.** The system emerging from the design process rests on four linked cornerstones: indicators, data sources, information products, and stakeholders. Their relationship is illustrated in Figure 2:

**A** **Indicators.** A national set of 59 HIV/AIDS indicators to assess achievements at input, output, outcome, and impact level. At the program output level, the indicators were grouped into six areas. These were used to logically organize the commission's annual work plan and its medium-term strategic plan.

**B** **Data sources.** The system incorporates data from 20 data sources. Sources are defined in terms of who is responsible for collecting the data, the frequency, and the source of funding for each. At least one data source, but sometimes more than one, is required for each indicator.

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25 These 20 data sources are drawn from 10 different institutions.
How would each indicator be defined? What specific data and data sources were necessary? What content was needed for specific M&E information products? Who would define, approve, and disseminate particular products? Were the needs of all stakeholder communities being addressed? How would the system be managed?

**Implementation.** The diversity of stakeholders and the multisectoral approach demanded incremental, step-by-step implementation – operationalisation took just over 18 months. First, the new Management Information System had to be developed and installed. Simultaneously, meetings were held with 20 data providers, whose feedback led to many innovative refinements of the system. Signed agreements with the providers needed to specify content, time frame, and terms of payment (if applicable). Ongoing interaction with stakeholders and donors ensured that reference to institutional program monitoring reporting requirements would be included in all HIV-AIDS-related documentation produced by the commission and its partners, including the national HIV policy, contracts, grants, training manuals, implementation guidelines, etc.

The system was launched with two major information products—a quarterly service coverage report and a first annual HIV/AIDS M&E report. These

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26 The annual HIV/AIDS M&E report follows the calendar year. It was purposely done in order for its results to inform the Malawi planning process which starts in March.
A greater share of responsibility for activities delegated to the district level would have meant not only "less work," but far more importantly, broader utilization of the information that was eventually generated.

Problems Encountered

**Finalizing the set of indicators.** With a myriad of existing AIDS/HIV indicators to start with—including strong, often opposing points of view on which should be used—agreement on a common set was no easy task. The historical health sector-driven approach to HIV/AIDS, with its focus on epidemiological surveillance, strongly permeated assumptions and thinking. There was initial disagreement as to the benefits of and the need for routine recurring programmatic monitoring. Dialogue with the Ministry of Health and Population was not optimal, eventually resulting in the ministry not routinely collecting all necessary HIV data from its health centers.

**Un-financed data sources produced no data.** Despite their inclusion in the integrated work plan, appropriate procurement mechanisms were not included for two key data sources—the health facility survey and the workplace survey. This meant backtracking and undue delays, a particularly serious matter because Malawi's commitment under the UNGASS declaration required inclusion of this data for its 2005 report to UNAIDS.

**Involving local communities in the commission’s new Activities Reporting System is a challenge.** At the district level, new policies and strategies are being developed to deal with HIV/AIDS. With better planning and more community-level dialogue, a far greater share of responsibility for activities reporting might have been delegated to the district level. Such efforts were however hampered by the fact that there were no fulltime staff in place to manage or coordinate HIV/AIDS activities at district level. Before December 2004, when fulltime District AIDS Coordinators were appointed, the coordination of HIV/AIDS activities was done in a part time capacity by a person within the district health office, which severely hampered the extent and quality of involvement of districts in HIV/AIDS and in the national HIV/AIDS activities monitoring system (i.e. again pointing to how institutional challenges impacted on the HIV/AIDS M&ER system). If it were possible to have full participation and cooperation from the Districts from the beginning, this would have meant not only "less work", but far more importantly, broader utilization of information that was eventually generated. This lost opportunity came at a significant cost and now needs to be resolved out retrospectively (a much more time consuming process).

**Inadequacy of data from some source providers.** Written contracts notwithstanding, many public sector ministries and parastatals did not adequately comply with their data commitments. As a result of uneven consistency from key providers, the monitoring and evaluation teams were significantly limited in their ability to produce the highest-quality information products.

**Inappropriate disaggregation of indicators.** To report program monitoring results fully, output indicators frequently had to be disaggregated. Yet for grassroots organizations in particular, this often generated unrealistic demands for tallying and summarizing numbers. For non-NAC grantees the situation...
was worse since they had to regenerate the same information prepared for their funding agencies to suit NAC Activity Reporting System format.

**Inappropriate utilization of M&E staff.** The monitoring and evaluation staff was frequently assigned to tasks other than working on the system. Time was then insufficient for them to build the system completely and then advocate widely for its use. Follow-up to ensure that data from the system would be incorporated into all related reports and documents was often sacrificed. The casualty was weaker-than-hoped-for dissemination.

**Non-NAC grantees provided far less information.** The commission provided direct grants to many but not all implementers of HIV interventions. Intervention implementers who were receiving independent financial support from other bilateral or private donors were far less compelled to provide data consistent with the commission's new Activities Reporting System. Since they are not contractually obligated, their uptake of the "uniform" activities reporting forms has been slow, resulting in significant gaps in the overall database, defeating the principle of ‘three ones’ which UNAIDS is currently advocating.

**Factors for Success**

The Malawi HIV/AIDS Monitoring and Evaluation system is in an early stage of implementation. Yet several factors clearly present themselves as keys to long-term success:

- HIV/AIDS indicators must adhere to international reporting norms and the broader requirements of scientific and advocacy dialogue on AIDS - including the UNGASS commitments, the Global Fund to Fight AIDS, among others. Indicators must adequately cover all four levels conceptualized in the results pyramid - input, output, outcome, and impact (see Figure 1).
- A national M&E system must span the full range of components to be monitored, including biological surveillance, behavioral surveillance, national-level output translatable as results, and data that can be used for operations research and scientific research.
- Existing data sources should be used to the utmost. New primary data should be collected only if absolutely essential and as a last resort.
- To earn its keep, an M&E system must provide information, and that information must appear somewhere. But the acid test is not publication, but whether information is used. For that to happen, it is crucial that results reported from the M&E system appear before decisions are taken in the quarterly and yearly planning cycles.
- Unless ministries such the Ministry of Health and Population strengthen their own systems to ensure that the data required by the national HIV/AIDS M&E system is routinely collected, civil society is unlikely to follow suit. This is because NGOs and even the private sector tend to

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27 The Three Ones principles, launched in Washington on 25 April 2004, by UNAIDS in collaboration with national HIV/AIDS programs, bilateral funding partners and the Global Fund, reinforce international stakeholders’ commitment to harmonize the HIV/AIDS epidemic response. The Three Ones are: one agreed HIV and AIDS action framework, one national authority for HIV and AIDS and one agreed country level monitoring and evaluation system.
follow the cues of government in how AIDS/HIV-related activities are reported.

- Uniform data that has been derived from the commission's Activities Reporting System must now filter down. It needs to be incorporated into all relevant national dialogue on HIV/AIDS, including policymaking, strategic planning, training manuals, and even job descriptions.

- Continuous advocacy, dialogue, and discussion will be essential for keeping the system robust and healthy—not as a one-time visit but for sustainable implementation of the system.

- There is a critical need for strong senior management support and accountability for M&E, particularly with respect to ensuring the use of "results for decision-making.

### Results Achieved

As it has moved from a pilot to a fully operational system, the national HIV/AIDS M&E system is proving itself to be more than a "matrix on paper.” Evidence of early results includes:

- Stakeholders from 150 organizations in the private sector, public sector, and civil society have been trained in the system.

- A comprehensive new Activities Reporting System has been piloted and launched. More than half of organizations trained have submitted forms that conform to the standard, laying the groundwork for a uniform metric in activities reporting.

- Malawian national HIV/AIDS policy has indirectly incorporated the Activities Reporting System. Responsibility for reporting devolved to the five civil society umbrella organizations working with the NAC’s M&E team, and these have taken on the supervision and training of sub-grantees' reporting. Dialogue has taken place with the districts on activities reporting, which has led to full-time district AIDS coordinators being appointed to work within local government structures.

- Further dialogue has taken place with funding partners and umbrella bodies about the importance of harmonizing the reporting systems, which has led to these funding partners and umbrella bodies agreeing to inform their various supported projects to abide by the Commission’s Activity Reporting System.

- M&E information products are being produced, including quarterly service coverage reports as well as the annual HIV/AIDS M&E report. Not all 20 data sources have been incorporated into these products; nevertheless, the achievement of real-time data flow, even though it is still partial, marks a huge milestone in achievement.

- M&E results are increasingly penetrating into the public domain. In April 2004, more than 200 people attended an M&E workshop, and a first biennial research conference was held in May 2004.

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28 These are organization each with various projects sites, branches, departments spread across Malawi
A significant shift has occurred in the direction of electronic information management. A shift toward online management was reinforced with the appointment of a data manager at the National AIDS Commission and development of new databases for HIV interventions, stakeholders, and HIV/AIDS research.

Lessons Learned
Learning—like the development of the M&E system itself—has been a continuous iterative process. A few illustrative lessons:

- **While planning is a good thing, too much of a good thing sometimes undermines operational progress.** During the long, systematic planning process, which produced a lengthy, detailed M&E Operations Plan, effort may have been invested disproportionately on the discussion and selection of indicators. Pragmatic “shortcutting” is sometimes necessary—for example, a shortcut guide was developed to make the system more generally accessible to a wider range of stakeholders.

- **A thoughtful mesh between program groupings and output indicators enhances the likelihood that they will be used.** The six programmatic areas that were used to logically group the output indicators were also used to logically group the commission's annual integrated work plan and its medium-term strategic plan. This worked particularly well, and it maximized opportunity that results from the M&E system would be used.

- **Government structures should be adhered to—at least as a first choice.** Ongoing education, promotion, and advocacy for the system are not only important; it is paramount to its functionality. But government structure cannot be ignored. For example, if the government has decentralized to the district level, then the Activities Reporting system must include district-level structures with the data flow.

- **A national system requires a well-trained, dedicated interdisciplinary team with expertise beyond the traditional epidemiological focus—and that requires money.** Adequate financing must not only be included in the annual budget and work plan, but in the government's procurement plan.

- **Capacity building in M&E requires a national program monitoring curriculum.** The funding available for HIV interventions has attracted the participation of many grassroots organizations. These are often small groups without the necessary skills to collect, capture, and summarize output-level data for reporting. M&E capacity building is needed, but it must be practical in focus, addressing seemingly mundane issues such as how to tally individual records, how to develop log books, etc.

- **For synergies in scale and maximum benefit, the national HIV/AIDS M&E system should be linked with other M&E systems and with related MIS systems.** International NGOs within Malawi are still using their own HIV/AIDS M&E systems. These are important, but they need to be harmonized and integrated with the commission's system. Similarly, synchronization with the Ministry of Health's Health Management Information System would facilitate smooth data transfer to the national HIV/AIDS M&E system.
The Malawi case study strongly reinforces the need to implement the Managing for Development Results principles throughout the project cycle.

The Malawi case study strongly reinforces the need to implement the Managing for Development Results principles throughout the project cycle. Monitoring and evaluation takes place at many levels—including project level, organization level, coordination structure, and national level. In addition to data for decision-making at each level, all actors need to take cognizance of the national system and ensure that they help collect data required across the board.

To ensure that M&E systems do not simply pay lip service to the notion of "using results for decision-making," the M&E implementation cycle must be synchronized with the project planning cycle. This implies that M&E information products should be made available before the annual work planning. The ideal process is illustrated in Figure 3.

**Figure 3. M&E System Synchronized with Annual Project Implementation Cycle**

- Commencement of new financial year: March/April every year
- Development of NAC workplan: April every year
- Preparation of NAC budget: May every year
- Approval of NAC budget: Throughout the year
- Development of annual HIV/AIDS M&E report: July every year
- Submission of indicator data to NAC M&E Office: February - March every year
- Development of stakeholder work plan: March every year
- Preparation of stakeholder budgets: April every year
- Approval of programme budgets: May every year
- Approval of NAC budget: Throughout the year
- Development of stakeholders work plans: March/April every year
- Presentation of report at annual HIV/AIDS M&E Dissemination Seminar: Throughout the year
- Implementation of HIV Interventions: Whilst HIV interventions are being implemented
- Monitoring and Evaluation activities (Surveys, Research, Programme Monitoring, etc. as per the data sources listed in this Operations Plan): Throughout the year
- Approval of programme budgets: Throughout the year
- Implementation of HIV interventions: Throughout the year


**Conclusion and Applicability to Other Programs**

Increased international attention to managing for development results has moved monitoring and evaluation away from its previously narrow focus on inputs and outputs to the achievement of outcomes and impact. The Malawi HIV/AIDS M&E system demonstrates the level of detail and ongoing effort that is required to ensure an effective system within a multisectoral environment.

The Malawi case study strongly reinforces the need to implement the Managing for Development Results principles throughout the project cycle. It illustrates a system that should enable the National AIDS Commission to manage for development results for years to come. Yet the core principles can be also be applied to management for M&E results. Thus, the case demonstrates not only the principles to create an enabling environment for results-oriented development but how to manage for M&E results as well.
Summary:
How MdDR Principles were Applied in the Malawi AIDS/HIV Monitoring and Evaluation System

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.
   - A multisectoral M&E system was conceptualized around a four-tiered "results pyramid"—input indicators, output indicators, outcome indicators, and impact indicators.
   - Specific information products were defined, and specific dissemination strategies and channels were created.
   - Dialogue with stakeholders also takes place through regular consultation with M&E stakeholders.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results
   - The M&E system is designed around the goals of a results-oriented National HIV/AIDS Strategy, which in turn is aligned with international conventions and accords.

3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.
   - A newly designed Activities Reporting System, a 2-page monthly form, was designed following extensive consultation and district-level input; it dovetailed existing reporting. Indicators were revised to facilitate disaggregation of data for statistical analysis.
   - A curriculum was developed to train grassroots organizations in the system, as well as a briefing document to be used with stakeholders.

4. Manage for, not by, results by arranging resources to achieve outcome.
   - Conceptualization of the M&E system and follow-up operationalization is an example of how 'management for M&E results' occurred. The M&E system is in itself a tool to allow the National AIDS Commission to manage for development results in future.

5. Use results information for management learning and decision making, as well as for reporting and accountability
   - The system was designed around "our cornerstones" in which "indicators (i.e., cornerstone A) was informed by data sources (B) that were analyzed to produce information products (C) that are distributed in a timely fashion to stakeholders (D)—thus enabling M&E results to be utilized for decision making as well as reporting and accountability.
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THAILAND: RATIONALIZATION AND CORPORATE GOVERNANCE OF SPECIALIZED FINANCIAL INSTITUTIONS (SFIs)

Executive Summary

Thailand’s Fiscal Policy Office (FPO), with supervisory and policy guidance responsibility for State Financial institutions (SFIs), has been increasing the efficiency and transparency in SFIs through improved corporate governance and rationalization. It has embarked on a program of restructuring and strengthening of Corporate Governance Systems in the SFIs by segregating accounts and developing appropriate government support systems for Public Service Accounts (PSAs), and it is implementing a comprehensive reporting and monitoring system for all SFIs. After the Asian economic crisis of 1977, SFIs were identified as potentially playing a key role in alleviating the economic and social stress experienced by the poor.

The Asian Development Bank (ADB) has collaborated with Thailand’s Ministry of Finance to restructure and build the capacities of four SFIs. Overall, the monitoring system is enabling FPO staff to more effectively handle and manage data reported by SFIs, and to use their analysis to improve management decision-making. Lessons learned should be generalizable to other partner country governments seeking to provide financial support to SMEs and other organizations served by SFIs.

Background. The Asian financial crisis of 1997 had major ramifications for the economy of Thailand, particularly for the financial sector. Specialized Financial Institutions (SFIs) were identified as potentially important for alleviating economic and social stress experienced by the poor. SFIs also represented an important tool through which the Government could implement fiscal and quasi-fiscal policies. In 1999, the Asian Development Bank (ADB) collaborated with the Ministry of Finance to restructure and build capacity in selected Thai SFIs. The Fiscal Policy Office (FPO), with supervisory and policy guidance responsibility for SFIs, began to increase efficiency and transparency in SFIs through improved corporate governance and rationalization.

Project components and objectives. This project has involved (i) restructuring and strengthening of Corporate Governance Systems in SFIs, (ii) segregating accounts and developing appropriate government support systems for Public Service Accounts (PSAs), and (iii) implementing a sound reporting and monitoring system for SFIs. The newly developed systems include reporting (data entry system), monitoring and analysis system, and a data analysis interface.

Problems/Issues Addressed by the Program

Limitations of Existing Reporting and Monitoring System of SFIS at FPO. The Government has historically relied on SFIs to provide credit to sectors of the economy not usually served by commercial banks. The previously existing FPO monitoring system relied primarily on periodic reports and selective monthly financial indicators submitted by SFIs. Developing a computer-based “early warning system” that will allow early identification and intervention...
Given the past experience with the East Asia economic crisis, the importance of having early warning systems in the financial sector cannot be overestimated. Given the past experience with the East Asia economic crisis, the importance of having early warning systems in the financial sector cannot be overestimated. Given the past experience with the East Asia economic crisis, the importance of having early warning systems in the financial sector cannot be overestimated.

FPO’s approach of encouraging efficiency and transparency in SFIs through improved corporate governance and strong financial management is being looked at closely elsewhere in East Asia for possible replication.

for fiduciary and related problems among the country’s SFIs was given top priority. The FPO was tasked to improve the reporting and monitoring systems, and to take steps that would ensure that the new systems will be complied with.

Financial sector crowding. In the wake of the crisis, financial sector restructuring and reform were critical for building market confidence and ensuring a sustainable economic recovery. As SFIs have expanded their scope, there has been a growing overlap (and potential competition) with more mainstream private financial institutions. However, SFIs serve market niches not adequately reached by traditional financial institutions and help build private markets, generate tax revenues, and empower poor people.

Importance of organizational effectiveness. The FPO has proven its effectiveness through careful implementation. Not only does it play a key role in providing resources, it helps build capacity in the SFIs as well. Four SFIs were targeted for support. While allocating resources to the SFIs in a manner consistent with the Government’s public policy goals, FPO has taken steps to ensure that allocated resources are carefully targeted and kept distinct from other (commercial) goals of the SFIs.

Restructuring of SFIs. The ADB loan component of the project supported the development of restructuring plans for the SFIs, while a grant component helped to rationalize the Government’s role within the financial sector, improve governance of SFIs, and develop strategies for financing small- and medium-scale enterprises (SMEs). The approach focuses on grant-funded help to rationalize the purpose and structure of the SFIs and to establish an appropriate corporate governance framework for them.

Objectives Pursued

Three specific components are involved

- Restructuring and strengthening Corporate Governance Systems in SFIs
- Segregating accounts and developing appropriate government support systems for Public Service Accounts (PSAs).
- Implementing a sound reporting and monitoring system for SFIs within FPO.

The objective of the monitoring system is to create systematic reporting systems and procedures for SFIs. The standardized disclosure, reporting, and monitoring systems for SFIs clearly specify the types, format, content, organization, and timeframes for reporting. This includes systems to help SFIs provide their reports online, either on a regularly scheduled basis or on a “real time” basis. These systems include:

- **Reporting (Data Entry System).** SFI staff will be able to report periodic data through an online system using a normal Internet connection.

- **Monitoring and Analysis System.** FPO staff can access SFI reports readily for analysis, monitoring, and planning.

- **Data Analysis Interface.** The FPO administrator can analyze financial data in various ways, including correlating and cross-tabulating variables,
specifying breakdowns by specific variables, and “drilling down” to identify underlying patterns in the data. Findings of requested analysis can be provided in statistical form, and can then be portrayed graphically to support policy and financial decisions.

Design and Implementation

Restructuring and Strengthening the Corporate Governance System for SFIs. The Best Practices Code for SFI Corporate Governance identifies best practices according to which SFIs should be governed and controlled. This Code:

- Is consistent with Thai legal frameworks applicable to SFIs;
- Conforms to international best practice standards in corporate governance, yet customized to Thai conditions;
- Allows SFIs to gradually come into compliance with the Code; and
- Is congruent with other Thai corporate governance initiatives

Accounting systems and Government compensation for Public Service Accounts. The PSA system differentiates policy accounts from normal commercial accounts. The project will include development and implementation of “Guidelines for a Proposed Public Service Account in the SFIs.” These guidelines identify appropriate accounting methodologies and identify areas requiring Government policy decisions. The guidelines also provide a basis for identifying potential problem areas (e.g., moral hazard and differentiation problems), as well as recommendations for dealing with those potential challenges.

- Types of Data in the System. The system includes the following types of data:

  - Financial Information. Historical financial data, accessible in various formats and combinations.
  - Key Performance Indicators (KPI). The Monitoring System supports KPIs as identified by the Ministry of Finance.
  - Corporate Governance Database.
  - Early Warning System. This part of the system will use analysis of historical financial data, including the use of graphs with “drill down” options, for analysis of financial information.
  - Portfolio Dataset. A comprehensive database on SFI loan and asset quality, as well as other indicators of the portfolio quality and performance for SFIs.
  - Analyzing and Reporting Capabilities. Reporting capabilities that allow FPO to more easily generate accurate and informative monthly reports to Senior Management for decision-making.
Problems Encountered

**Accounting systems and government compensation for Public Service Accounts.** SFI activities involve a mixture of commercial and “policy” activities; the latter, driven by Government policies or directives, involve Public Service Accounts (PSAs). The PSAs are the Government’s policy programs based on concessional terms and conditions to the target group. This diversity creates challenges for FPO in accurately monitoring SFI performance. Before the project, it was difficult to differentiate the various parts of the business stream—PSA vs. commercial—and to determine the distinct contributions of each to SFI performance. This observation provides a strong rationale for developing two distinct accounting systems/principles, one for PSA activities and one for commercial activities. Such activity-specific systems allow for more accurate performance measurement, a clearer differentiation of results for commercial versus policy activities, and more reliable budgeting for future activities. Some SFIs have already developed activity-specific systems; however, these have only been used internally and will need to be independently verified to ensure accuracy and accountability.

**Limitations of Current Reporting and Monitoring System.** The Government has historically relied on SFIs to provide credit to sectors of the economy not usually served by commercial banks. However, SFIs have gradually been extending their services into new areas in response to a changing business environment and opportunities. As a consequence, FPO’s existing systems for performance evaluation of SFIs need systematic review and updating. For longer-term policy purposes, the monitoring system should provide information for determining SFI self-sustainability, requirements for Government support, and appropriate regulations. Further, the current FPO system relies primarily on periodic reports and selective monthly financial indicators submitted by SFIs. Ideally, FPO should have in place a computer-based “early warning system” that would allow early identification and intervention for fiduciary and related problems among the country’s SFIs.

Factors for Success

**Capacity development.** This system was supported by applied training for FPO officials on both the technical and policy sides. Overall, the monitoring system will empower FPO staff to more effectively handle and manage data reported by SFIs, and to use their analysis of that data to improve management decision-making.

**Flexibility.** To enhance SFI compliance to the new SFI CG Code, generic articles of association for SFIs have been drafted. These articles are modeled on best practices in Thailand’s corporate sector, but with specific clauses added as required by SFI’s enabling acts and other regulations. The key elements of the SFI CG Code will be “mapped” onto the articles of association. The generic articles are intended to be easily adapted for individual SFIs.

**Accounting systems and Government compensations for Public Service Accounts.** After presentations and discussions of the proposed system with all SFIs, it became clear that the widely differing mandates, scope, and processes...
of the various SFIs would be a major challenge. In addition, certain issues need to be decided and resolved through discussions and negotiations between the Ministry of Finance and the SFIs. As a consequence, the project team has approached each SFI to help clarify accounting issues. In particular, the focus has been on key success factors for the project, which include both (i) revenue and cost allocation issues, and (ii) computer and information technology issues. In this regard, all SFIs were asked to prepare initial and PSA project proposals consistent with the principles of the project. Results suggested that almost all of the SFIs understood FPO’s objectives in the PSA area. FPO has now created mechanisms for further implementation, including assisting MOF to clarify PSA transactions.

Conclusions and applicability to other programs

Restructuring and strengthening Corporate Governance System. The FPO is now sharing its work on the Code of Corporate Governance for SFIs with other agencies and all SFIs. In the meantime, FPO has worked with the Bank for Agriculture and Agricultural Cooperatives (BAAC), which has unofficially adopted and implemented the article of associations in compliance with its enabling act and other regulations. The experiences of BAAC will be invaluable in improving the article of association for other SFIs. Training workshops for SFIs on implementing and complying with the SFI CG Code are expected to be held by the end of year 2004. These workshops will allow FPO staff, State-Owned Enterprises Policy Office (SEPO) officials, and SFI executives and staff to review and adjust the code in more detail. The adjustments in the code would be to make them more suitable for the SFIs and concerned agencies. Thus, FPO and other agencies are working to make the project a “real fit” to the needs of recipients.

Reporting and Monitoring System. FPO has now issued a mandate to all SFIs requiring them to report relevant information under the new Reporting and Monitoring system; further, all SFIs have accessed the on-line reporting system. Certain problems have been identified during the trial period, and steps are being taken to address those challenges and complete the system. At this point, the top priority is to evaluate all progress to date, including conducting comprehensive data analysis and identification of key policy issues for moving forward.

Broader applicability. This project was purposely based on an aggressive approach to strengthen the SFIs’ core structures and prevent SFIs from serious problems. In the process, FPO’s perspective has become broader and more forward-looking. The project is highly congruent with FPO’s mission and vision, which are geared towards taking a more proactive role in innovative development projects. Lessons learned should be generalizable to other partner country governments seeking to provide financial support to SMEs and other organizations served by SFIs.

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Uganda: Water and Sanitation Sector Performance Framework

Executive Summary

1. Problems/Issues Addressed by the Program
Since decentralization led to a huge increase in budget support to districts, there has been growing interest in the performance of public sector service delivery in Uganda. This is partly a consequence of the desire to see positive outcomes from the investments made in social sector such as water and sanitation, but also in response to the general move away from project funding modalities towards a Sector Wide Approach to planning (SWAp).

Issues addressed by the Sector Performance Measurement:
- There has been a marked increase in access to water and sanitation facilities in Uganda as a result of GoU commitment to poverty reduction but it is also recognized that access alone is only one measure of the quality of water and sanitation services.
- Enable participating institutions to assess ‘value for money’ from increased investments to the sector.
- Assist in careful targeting of resources in order to be more effective and efficient in working towards sector targets.
- Improve sector decision making in terms of policy-making and resource allocation.

2. Objectives Pursued
A comprehensive performance measurement framework will contribute to better management of the water and sanitation sector and will highlight opportunities for improvement in the delivery of services to the citizens of Uganda.

The overall purpose of this assignment is improved performance measurement in the Uganda water and sanitation sector by:
- Developing a performance measurement framework for the water and sanitation sector.
- Preparing an annual sector performance report as input to the joint GoU/Donor sector review.

3. Design and Implementation
Initially consultants were recruited to prepare the first Sector Report 2003. This report looked into data sources available within Uganda (e.g. national surveys) and collected available information to report on various themes within the sector (instead of the traditional sub-sector measurements).
Indicators cover outputs and outcomes aimed at efficiency improvements and improved health and hygiene.

After this report, the consultants and key sector stakeholders prepared a Performance Measurement Framework (PMF) to begin the process of institutionalising performance measurement. The main challenge being to improve the translation of objectives into streamlined performance measurement and the first step toward this was to identify performance themes. These themes were agreed as Impact; Quantity and quality; Access and usage; Equity and affordability; Functionality and managerial; and Value for money. To measure these themes performance indicators were defined at sector level and sub-sector level. Most important of these are termed the “golden” indicators for the sector to measure overall sector performance. The definition of the golden indicators has been agreed by sector stakeholders as follows:

- **Access (Water).** Percentage within 1.5 km (rural) and 0.2 km (urban) of improved source
- **Functionality.** Percentage of improved sources that are functional at time of spot-check
- **Investment cost.** Average cost per beneficiary of new W&S schemes
- **Access (Sanitation).** Percentage of people with access to improved and basic latrines
- **Water for Production.** Percentage increase in cumulative storage capacity of WfP
- **Water quality.** Percentage samples complying with national standards
- **Equity.** Mean parish deviation from district average in persons / improved source
- **Access/Use (Hygiene).** Percentage of people with access to hand-washing facilities

Two new indicators have recently been added to the original 8. These are:

- **Gender.** Percentage of women holding key position in water users committees (WUC)
- **Community capacity development.** Percentage of water points with actively functioning WUC

**Data Sources**

The preparation of the first sector report also included a review of the available data sources. The emphasis has been on using data from sources that routinely provide the relevant information and gradually improve the quality and accuracy of that data with respect to the indicators above. In most cases we have been able to “triangulate” sources of data for the above indicators and present some analysis:

- Trends in performance over time
- Comparisons in performance between local governments, between different geographical areas and between different service providers
- Analysis of performance in relation to other hypothesis
The data sources used to assess performance includes a combination of the following: review of existing data sources (national surveys etc); collection of further data from local government; and case study visit to various parts of Uganda to build a “picture” of what information from routine data sources means in reality.

A major recent development has been to focus the detailed analysis of performance on 8 ‘golden’ indicators for the sector. These indicators are becoming increasingly important in overall sector management as they:

- Provide a way of assessing ‘overall’ performance and a framework for comparing this over time
- Have influenced the performance indicators that are included in the Poverty Eradication Action Plan to assess Uganda’s overall progress against eradicating poverty
- Appear in the Sector Investment Plan as a first step to ensure that resource allocation can be matched to performance achievements
- Will be used as part of the Fiscal Decentralisation Strategy (FDS) to measure the performance of individual local governments.

The value for money approach

The water and sanitation sector has commissioned ‘value for money’ (VFM) studies over the past three years or so. However, there is concern that these studies are not yet well defined and do not link in to wider performance measurement processes. There is an opportunity to set out an improved VFM approach to cover:

- Cost (how can cost savings be made)
- Quality (how can quality be improved)
- Equity (how can equity be improved)
- Impact (have we achieved the desire impact)
- Accuracy of data (are we sure that the data we have is accurate)

Tracking studies are required to monitor the flow of resources and these will focus on identifying bottlenecks to the implementation of financial processes and on making recommendations for ensuring that funds are allocated to the activities for which they were intended.

Dissemination and use of findings and recommendations

The end results of better performance measurement should be:

- Better sector decision making in terms of policy-making and resource allocation
- Identification and dissemination of good operational practices

Another area that needs to be developed further in the future is the use of performance data and analysis as a way of lobbying for more resources and for reallocations of resources within the sector. A final issue to address is that there needs to be a good mechanism in place for ensuring that
recommendations of all types, whether they are concerned with policy changes, resource reallocations or operational improvements, are monitored to ensure that they are actually implemented.

4. Problems Encountered

The main problems encountered are connected with the institutionalising of the whole process. Most people involved in collecting, analyzing and compiling the report work for the government. Hence they have other duties and there is little incentive to prioritise sector performance measurement. Finding the most appropriate institutional home to coordinate collecting information, analysing and compiling the report has also been problematic as there internal power struggles and mismatch of resource allocation within the Ministry.

Data sources are often unreliable and without careful analysis this can lead to poor policy decisions. Much attention has been placed on using more than one source of data and using field visits to check inconsistencies.

It is always difficult to get consensus on indicators and definition of indicators. It is important to get consensus from the beginning but a line has to be drawn on when definition is agreed and further modifications are discouraged as it is important to compare like with like from year to year (e.g. definition of what constitutes a “sanitary” latrines can dramatically change the coverage figures but this will distract from the real issue i.e. whether there has been improvement in coverage.

5. Adaptations Made in Implementation

“Golden” Teams were established to work on each golden indicators. These teams undertook both data collection and analysis while another group were responsible for overall coordination and compilation of the final report.

In-depth studies

A main focus in 2004/05 will be on in-depth studies that investigate key issues that have been highlighted in the 2004 sector performance report. The advantages of this approach will be that:

- There will be a clear link between overall performance reporting and in-depth analysis
- The studies will focus on issues of real importance and will have the potential to identify significant scope and recommendations for performance improvement
- The results of the studies can be included in the 2005 sector report and can form an evidence base for changes to sector resource allocation or policy

The teams who perform the in-depth studies will be made up from various institutions (government and NGOs) to increase the cross-fertilisation of ideas. The selection of districts / municipalities for the studies could be based on relevant performance league tables so that a mix of high and low performing places are selected for investigation.
Strengthening Data Quality

It has been agreed that for each ‘golden’ indicator, there should be a ‘primary’ data source and ‘secondary’ data sources. The primary source will be the ‘headline’ data that is quoted to represent overall sector performance. Where possible, primary data should be obtained directly from local government as this fits within the overall ethos of decentralisation within Uganda and is closer to the actual deliver of services. Secondary data sources should be used to validate and triangulate the primary data. There can be several of these sources for each indicator, but care should be taken to ensure that the cost of data collection does not become prohibitive. Part of the process in improving data accuracy and quality involves working with the institutions collecting data for harmonising definitions.

Strengthening of data analysis

Initial work has already been done as part of the 2004 sector performance report to analyse the existing data for each of the ‘golden’ indicators. Where possible, trends in performance over time have been presented and district comparisons have been made. Some basic interpretation of the analysis has also been undertaken. These developments need to be built upon in 2004/05 so that:

- Overall performance trends are continued
- District league tables are updated and, where possible, expanded to cover municipalities
- Some additional analysis is performed for some indicators, e.g. by gender or by household income level
- Data interpretation is improved.

6. Factors for Success

There has been a clear output to work towards each year (i.e. Sector Performance Report). The objective from the very beginning has been to institutionalise the whole process. Thus there is long term support for this objective but, at the same time, there has been tangible outputs in the form of the Sector Performance Reports. The institutionalization has been conducted in a participatory manner with a committee dedicated to overseeing the process. It also been endorsed at a high level and has been a key element in the Joint Sector Review policy level Undertakings for 2003 and 2004.

7. Results Achieved (focus on intermediate outcomes)

- Sector Performance Reports 2003
- Sector Performance Report 2004
8. Lessons Learned

Key lessons learnt from the production of the 2004 sector performance report are:

- Allow more time to prepare the annual performance report (more than the 9 weeks allocated in 2004!)
- Plan and allocate sufficient resources for management and conduct of the work
- Build on the stakeholder relationships that have been developed, integrating the inputs of NGOs and others in a more coherent manner
- Ensure greater clarity of ‘golden’ indicator definitions
- Improve the quality of data, identifying that which will be treated as the ‘headline’ data
- Commission sector teams to carry out in-depth studies to review key performance issues further and to identify the scope for improving elements of sector performance
- Make better use of the performance data and devote resources to the implementation of report recommendations
- Link performance reporting to VFM, tracking study, monitoring and other related sector functions
- Strengthen district reporting mechanisms and the ‘league’ table approach, linking local government performance reporting to the FDS
- Allocate performance measurement roles and responsibilities clearly and embed these in work plans, job descriptions, appraisal systems etc.
- Provide additional capacity building support.

Conclusion (applicability to other programs)

With the right type of long term support, this approach should be applicable to other programs and countries.

References

- Sector Reports 2003/2004

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YEMEN: SOCIAL FUND FOR DEVELOPMENT III PROJECT

Executive Summary

The Yemen Social Fund for Development (SFD) is undertaking a participatory outcome-based approach to implement three main programs: community development related to social and economic infrastructure; capacity building; and micro-finance. The program focuses on helping the poor to help themselves through providing income generating activities and building community infrastructure.

The results framework specifies outcome indicators and results indicators for each component: (i) community development encompassing education subprojects, water and sanitation, health programs, cultural heritage and rural feeder roads; (ii) micro-enterprise development; and (iii) capacity building and institutional support. The M&E function consists of six principal activities that are important from a results perspective: (i) conducting evaluation surveys and impact studies; (ii) systematizing M&E activities carried out by each of the program units and documenting lessons learned; (iii) capacity building; (iv) conducting participatory M&E for selected activities; (v) periodic external evaluations by sector specialists; and (vi) communications/marketing of SFD’s success stories. The latter aspect is especially important, and is often overlooked.

Other donors have joined in supporting the SFD (European Commission, Arab Fund, Islamic Development Bank, Kuwait Fund, DFID, Saudi Fund, OPEC and USAID). Thus, it is an important illustration of Harmonization at the program/project level. The project was presented to the Conference on ‘Scaling-Up of Poverty Reduction,’ which was held in Shanghai, Peoples Republic of China, in May 2004.

1. Problems/Issues Addressed

How to make poor communities as part of the solution

The Yemen Social Fund for Development (SFD) is undertaking a participatory outcome-based approach to implement three main programs: community development related to social and economic infrastructure; capacity building; and micro-finance. The program focuses on helping the poor to help themselves through providing income generating activities and building community infrastructure rather than making cash transfers. The SFD’s approach also ensures that capacity building of local communities is an integral part of its package of support to local communities. SFD’s approach is focused on conducting evaluations at every stage of the project cycle to assess processes and outcomes and to take timely and effective corrective measures. Also, the SFD undertakes ex-post impact evaluations to generate lessons of experience.

Over the past six years, the SFD programs have benefited about 7 million people, of which 49% are female, and generated 8,000 permanent jobs. A new...
IDA Credit ($60 million) was approved by the World Bank’s Board on February 26, 2004.

Yemen’s per capita income is $450 and 42 percent of the population lives below the poverty line. It remains one of the least developed countries, based upon human development indicators. The infant mortality rate is 79 per 1,000. The under-five mortality rate is 97 per 1,000 and almost 50 percent of this cohort is affected by malnutrition. The total fertility rate is 5.9 births per woman and the population growth rate is close to 2.7 percent. Life expectancy is 56 years. The overall quality of education is poor and indicators are well below the regional average: only 45 percent of Yemeni adults are literate; and the gross enrollment ratio for basic education is 70 percent. In all sectors, the gender gap is extreme. The child mortality rate is 15 percent higher for females. Less than a quarter of the girls living in rural areas and of primary school age attend school; and less than half of all girls of primary school age attend school.

Ninety percent of the 17.5 million population has less than minimum standards of domestic water supply; and only 40 percent have access to safe drinking water and sanitation. Electricity reaches about 35 percent of the population, and generating capacity is falling behind demand. Being largely mountainous, the country’s topography precludes easy access to the market economy—this restricts being able to provide public services to much of the rural population. Only 10 percent of the road network is paved.

**What is a Social Investment Fund?**

Social Investment Funds (SIFs) have become important instruments in reaching out to beneficiaries in communities, towns and villages. The modality usually involves passing on grant funds to beneficiaries that can be used for a range of subprojects in infrastructure and social services. They differ from traditional approaches to infrastructure lending, as often they are designed without cost recovery, unlike water projects that are implemented by public utilities. Thus, sustainability of the SIFs has been a problem in getting results over time. The Yemen SIF is in its third generation of support from IDA and other donors, so there is much useful material to study in this illustration.

The effective, efficient, and equitable delivery of social services is severely insufficient, and the overall capacity of the Government is lacking. Public sector delivery of programs and projects is generally weak. Moreover, civil society organizations lack capacity but are closer to the communities and more familiar with the problems than is the Government.

The Poverty Reduction Strategy Paper (PRSP) identifies three basic goals and four main pillars of intervention. Achieving economic growth, enhancing the capacities of the poor, and reducing their suffering and vulnerability comprise the goals. To successfully achieve these goals, improved governance is an essential precondition to the four main pillars of intervention, which in the Yemeni case were defined as:

(a) achieving economic growth that is stable, diversified, and reduces income disparities;
The SFD provides coping mechanisms and long-term development opportunities for the poor.

(b) developing human resources by emphasizing population programs, improved health achieving economic growth that is stable, diversified, and reduces income disparities programs, health conditions, education, and training; (this point needs editing).

(c) improving infrastructure, particularly water and drainage, roads, and electricity; and

(d) protecting the poor and vulnerable through comprehensive social safety net schemes.

Objectives Pursued

The goals and directions of the Second Five-Year Plan guide the implementation of the Poverty Reduction Strategy Paper (PRSP) regarding poverty reduction efforts, and execution occurs mainly through investment programs and projects, either ongoing or new, across all sectors. The Social Fund for Development (SFD) is a vital element of Yemen’s social safety net, as well as a main tool in building capacities in the country. In view of its cost effectiveness, the SFD is a critical instrument to assist social and economic development, especially for the poorer segments of the society, by investing in sectors that are key to Yemen’s social and economic success-education, health, water, roads, etc.—underscored by community mobilization and development, while supporting the decentralization process. The SFD also has an important demonstration impact on the public sector service delivery in the country, and well as a contribution to building up the human and social capital.

Thus, the project, supports the Government’s approach of: (i) improving governance through better budgeting, expenditure, fiduciary controls, policy formulation, and building capacity for effective decentralization; (ii) improving human capital through expanding basic education, closing the gender gap in basic and secondary education, and improving access to health care; and (iii) Ensuring environmental sustainability through policy formulation and investment in water sustainability, soil conservation, and sustainable fish stocks.

Design and Implementation

In designing the programs, the SFD has been giving close attention to how one defines outcomes, and how one manages and measures results. While the number of projects supported was being monitored consistently, the focus has always been on the impacts of these projects, and their economic efficiency. The Yemen Social Fund III Project is the third in a series of social investment fund operations that provide infrastructure and social services to the country’s poorer groups. As such, it is able to draw on the results of the previous two operations. The approach is to build an effective, efficient, and sustainable institutional mechanism for providing social services throughout the country by: (i) refining social service delivery approaches and (ii) empowering local communities and councils to take charge of their local development.

The SFD is able to draw on the results of the previous two operations.
Results Indicators

The SFD supports activities that directly relate to improving access of the poor and the vulnerable groups to basic services and enhancing their potential for generating incomes through increased access to economic infrastructure, business services, and credit. The SFD supports innovations in school programs, water service delivery, rehabilitation of traditional water systems, devising alternative mechanisms to health services delivery, supporting rural roads, and mounting outreach programs to special needs groups. At least 40% of SFD resources go to the lowest three income deciles, and the SFD’s operating cost doesn’t exceed 7 percent of the investment costs.

The results framework specifies outcome indicators and results indicators for each component: (i) community development encompassing education subprojects, water and sanitation, health programs, cultural heritage and rural feeder roads; (ii) micro-enterprise development; and (iii) capacity building and institutional support.

The project development outcomes for the first component include:

- 300,000 children to be enrolled in SFD-built schools over the four years, 2004-2007;
- 70%-80% of SFD-supported health facilities & institutions are utilized by targeted communities;
- 240,000 beneficiaries to have access to water, 760,000 to use feeder roads supported by the SFD; and
- 70%-80% of targeted children to benefit from SFD-supported programs.

On the second component, the indicators will measure whether the client/beneficiaries are provided with different financial services (savings, credit, or other services) and what is the extent of micro-enterprise development that is achieved under the program.

On the third component, the result of work performed by NGOs, cooperatives, local councils, consultants and contractors supported (whether by training or financing personnel during a subproject implementation) under the program is being monitored and evaluated using specific criteria. For local councils, the criteria used include the development of area development plan/s, enhanced capacity for needs identification and development projects implementation. For NGOs and CBOs, specific efficiency indicators are used to monitor enhanced capacity.

The monitoring and evaluation function consists of six principal activities that are important from a results perspective: (i) conducting evaluation surveys and impact studies of all SFDs programs by the Programming Unit; (ii) systematizing monitoring and evaluation activities carried out by each of the program units and documenting lessons learned to feed into the SFD operations; (iii) capacity building in monitoring and evaluation for the Programming Unit, the program units, and respective branch offices; (iv) participatory monitoring and evaluation for selected activities; (v) periodic external evaluations by sector specialists; and (vi) communications/marketing of SFD’s success stories.
Most of the results data are maintained at the subproject level. Data on subproject outcomes and results are generated from different sources:

a) annual facility/project quantitative survey of randomly selected projects and beneficiary impact assessment surveys;

b) regular follow-up of projects during and after implementation;

c) periodic evaluations by external consultants of the SFD’s innovative programs; and

d) impact evaluations to be conducted every three years.

The state of the art Management Information System (MIS), which the SFD has developed, has ensured that the full project cycle is automated with online access by all SFD staff at the central and branch office levels. The MIS provides the flexibility to generate different reporting requirements and satisfy government and donors request. It is a powerful monitoring tool that helps identify problems at early stages.

Problems Encountered

The main risk from a socio-cultural and political context is that the SFD can be subject to elite capture (in poor rural areas, the neediest may not be the ones submitting subproject proposals) and that the poorest communities, which may be less organized and have less resources, may not submit their demands. The civil service is weak and has impeded progress on governance issues and support for reform. The execution of investment programs across all sectors and the achievement of PRSP objectives has been slowed down by these entrenched forces.

Such problems arise from five core constraints—(i) the lack of public sector governance; (ii) lack of coordination among sectors and inadequate poverty data for resource allocations; (iii) problematic service delivery in remote areas; (iv) top-down service delivery; and (v) the absence of a government or non-government body that focuses on building the capacity of civil society institutions.

The political and social pressure to direct investments to certain areas in a way that does not comply with the transparent system of targeting the areas with the highest poverty indicators is one of the main problems encountered. Some tribal leaders, MPs and politician sometimes try to benefit from the resources available in a way that is not consistent with the overall approach.

The existence of a large number of donors and the government resulted in different requirements, burdens on the SFD structure, and sometimes conflicting messages concerning the approaches used and mechanisms adopted.

Adaptations Made in Implementation

The third SIF reflects the lessons and adaptations stemming from the previous operations. Changes have been introduced at both the institutional and operational level of the SFD. At the institutional level, the SFD continues to
adopt a dynamic organizational structure that is able to quickly change with the changing environment and to respond to feedback coming from the field. More decentralization to the regional offices has empowered the front line staff to take decisions, given their closeness to communities. Mainstreaming the lessons learned in the SFD structure ensures that enhancements continue to be introduced at all levels. More and deeper coordination with line ministries, especially at the regional level, ensure effectiveness on the ground.

At the operational level, emphasis is being given to the build-up of social capital at the communities’ level to ensure that they take charge of their own development in the future. Community participation in all sectors is being strengthened to ensure ownership and maximize the benefits from the SFD resources. More focus is placed on operation and maintenance arrangements to ensure future sustainability of investments. Interventions are focused on activities that have development objectives in both the short and medium term horizons. More refined approaches are used to target poor communities and, at the same time, measures are devised to ensure that communities with low capacity and demand are stimulated to benefit from the SFD resources. New approaches are being used to address sectors whose interventions had partial successes in the first and second phases, such as the health sector. Finally, strong focus is being placed on monitoring and evaluation to i) ensure the effectiveness of the interventions, ii) ensure that future investment decisions are made based on a scientific basis, and iii) at the national level, the impact and role of the SFD is accurately perceived for overall poverty reduction strategies.

Factors for Success

- The institutional autonomy which permits the fast response to communities and payments to contractors.
- The adoption of a transparent approach where all the rules and regulations governing the functioning of the SFD are recorded in the operational manual and every project officer complies with this manual. The manual is also shared with external parties and all applications coming to the SFD are screened against the criteria in the manual.
- The flexible institutional arrangement at the SFD level which permits the management of the SFD to hire and fire according to performance.
- The competitive salary scale of the SFD structure.
- The Government’s commitment to have a Social Fund for Development that operates free from political pressures explains much of the success of the previous programs.
- The ability to have professional management and well trained staff.

Independent Ex-post Reviews

The independent impact evaluation study which was conducted on the SFD activities quoted the following important results:

- a significant proportion of resources from the project benefited the poorest: 17 percent went to the poorest decile;
the education sub-projects increased student enrollment from 60 percent to 68 percent between 1999 and 2003; female students enrolled increased from 42 percent in 1999 to 56 percent in 2003 and male student enrollment increased from 76 to 78 percent over the same period;

• the proportion of households with tap water in their dwellings increased by 23 percent. There was also an increase in the per-capita consumption of water, improvement in the frequency of supply and reduction in time and effort for those who fetched water from outside; Feeder roads benefited about 300,000 people and helped reduce travel time and cost on average by 40 percent;

• the project helped to establish the foundation of an emerging micro-finance industry and created awareness among policy makers on issues such as interest rates.

The study also cited some shortcomings:

• the small enterprise component had to be eventually canceled because of poor quality at entry. As a result, income generation through creation of permanent employment was much lower than envisaged;

• difficulties in the micro-credit program. The saving and credit program in Aden failed because of basic design flaws. The Hodeidah program, which was a credit only program, was affected by fraud in 2001 because of lack of development of an appropriate auditing and MIS system;

• concerns about the quality of the infrastructure built in some communities.

• concerns about the quality of community participation in implementation. Despite the project concept that the communities would contribute to the operation and maintenance (O&M) of education sub-projects, this turned out to be quite limited.

The Social Fund Development III Project has taken these issues into account and introduced changes in its approach to deal with the identified shortcomings.

Results Achieved

Over the last eight years, the SFD supported a large array of development projects and activities that extended benefits to lots of rural and urban communities across the country. Over this period the SFD financed over 4000 sub-projects in different sectors across Yemen29 with an overall finance of over US$220 million. These projects benefited over nine million beneficiaries and provided temporary employment opportunities to over eleven million person. These benefits were enjoyed equally by both genders since around 49% of the SFD’s beneficiaries are female beneficiaries.

Lessons Learned

Learning and Experimentation: From the start, the SFD management has benefited from the experience of other social funds, especially the Egypt Social

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29 These include sub-projects that disbursed in full and others that are still under implementation.
Communities have been involved in both design and implementation. This was a major goal and it has been achieved.

Fund (ESF). An experienced staff member of the ESF helped design the SFD organization and operations, and, at the start of its operation, the SFD signed an agreement with the ESF on the provision of technical assistance. Throughout implementation, the SFD has been open to advice, and has aimed at “best practices”. A variety of beneficiary assessments and impact evaluations has taken place, and has led the SFD management to adjust its organization and operational policies and practices in line with those studies’ recommendations.

**Institutional Innovation**: The SFD introduced a host of innovations, including the demand-driven approach, the contracting of well-paid staff on fixed appointments, the use of a variety of intermediaries, and the involvement of all stakeholders in its policy and operational decisions. In addition, it has been providing ample support to those stakeholders to build up their capacity, including community user committees, NGOs, contractors, and government agencies. More detailed information was discussed earlier.

**Government Agency Cooperation**: The success of support provided by the SFD to central government agencies and officials depends primarily on their interest and cooperation (provision of incentives). It worked reasonably well with the Ministry of Education and was virtually non-existent in the case of the Ministry of Health.

**Unit and Sub-Project Costs**: The introduction of proper technical design and procurement requirements by the SFD led to increasing competition among contractors and lower unit costs for basic infrastructure, such as school construction. At the same time, the average project cost was about three times the cost estimated at appraisal, due to a decision to go for larger facilities of longer-term quality.

**External Catalysts**: Since the beginning of the SFD, donor support, both funding and technical assistance, has been of crucial importance. Japan and IDA provided assistance with project preparation, and the Arab Fund for Economic and Social Development and IDA have assisted in implementation since 1997. The Netherlands, the OPEC Fund for International Development, and USAID joined in 1998. The Islamic Development Bank joined more recently. Donor support is well-coordinated, and facilitated through conferences and study tours.

**Community Participation and Contracting**: Community participation in all phases of the project cycle was a major element of the initial SFD design, but implementation by the communities and training by SFD-funded NGOs proved more difficult than expected. Community training started late, and is still not always comprehensive. Partly as a result, full implementation by the community is now still limited to select cases with major support and supervision. Still, it has been shown that full community participation is leading to better project quality and lower costs, and that the prospects for proper maintenance of completed works are better too.

**Progression and Flexibility**: The SFD management’s willingness to pursue the latest local and international knowledge on social fund policies and practices helped establish a progressive and flexible mechanism.
**Bank Staff Resources:** The Bank assigned staff to its field office; which provided the SFD with quick and ongoing access to Bank supervision and technical assistance.

**Technical Assistance:** The availability of Bank-managed technical assistance, funded by Trust Funds from the Dutch and OPEC, allowed for easy and fast access when and where needed.

**Gender Sensitization:** The initial consideration of a separate gender office in SFD was rejected in favor of "mainstreaming" the gender issue. A gender sensitization workshop for the SFD was held by an international consultant, a substantial number of female managers were appointed, and a specialist was assigned in the SFD to screen all sub-project proposals on this issue. In addition, each regional office had to recruit female staff to ensure that this aspect was taken care of. Still, at the regional offices and at the community level, this subject could have benefited from some more systematic and intensive attention.

**Summary:**

**How the MfDR Principles were applied to the Yemen Social Fund**

1. **At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.**

   - Comprehensive involvement of stakeholders—the Government, hundreds of communities, and a half-dozen donors in support of financing infrastructure and social sector investments (schools and health clinics) throughout Yemen.

2. **Align actual programming, monitoring, and evaluation activities with the agreed expected results**

   - The evaluations done on the first and second Social Fund operations have been used in the design of the framework and monitoring indicators for the third operation now underway.

3. **Keep the results reporting system as simple, cost-effective, and user-friendly as possible.**

   - The indicators track progress at the subproject level for roads, schools, health clinics, etc. and for assisting local governments and district communities to grapple with their pressing problems.

4. **Manage for, not by, results by arranging resources to achieve outcome.**

   - The managers of the Social Fund do look at results in deciding which subprojects merit support. They have a clear set of goals in mind as regards reducing poverty, helping to generate employment and building-up local capacity. The managers are able to draw on the experience of a range of completed subprojects over the past eight years.
5. Use results information for management learning and decision making, as well as for reporting and accountability.

- This is a good illustration of results information being used for both learning and decision-making.

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THE DOING BUSINESS PROJECT

Executive Summary

Improving the investment climate—the opportunities and incentives for firms to invest productively, create jobs, and expand—is the key to sustainable progress in attacking poverty and improving living standards. The Doing Business project has provided policymakers, the aid community, investors, and researchers with a set of indicators, with annual data, and with an in-depth analysis to enable countries to benchmark their regulatory environment for business, assessing the impact of laws and regulations on business activity, making informed decisions regarding policy reform and private investment, identifying best practices in regulatory reform, and supporting research on institutions and regulation.

In the realm of results management it is critical to design projects and programs using intermediate outcomes in which attribution between intervention and the achievement of results is tighter, allowing true management of the operations. In the context of the results agenda, the key contribution is therefore that these tools can be used for management decision making, as well as for reporting and accountability purposes. One way to measure success of this tool will be in terms of use and demand. Increasingly, the Doing Business indicators are being used and are in demand across countries and donors.

This case, unlike others in this Sourcebook, is not strictly about achieved results on the ground. Rather, it is about a project that successfully provides tools to manage for results in other operations. It starts as an analytic project that is enabling results-focused interventions. For that purpose, it provides findings and policy recommendations for goal-oriented actions. It identifies intermediate outcomes and supplies intermediate outcomes indicators to enable management toward those goals through the use of baseline data and targets.

The Challenge: To Understand What Makes a Private Sector Work—and For Whom?

A vibrant private sector—with firms making investments, creating jobs, and improving productivity—promotes growth and expands opportunities for poor people. To create such private sectors, governments around the world have implemented wide-ranging reforms, including macro-stabilization programs, price liberalization, privatization, and trade-barrier reductions. Yet in many of those countries entrepreneurial activity remains limited, poverty high, and growth stagnant. Meanwhile other countries have spurned orthodox macro reforms and done well. How so?

Although macro policies are unquestionably important, a consensus is growing that the quality of business regulation and the institutions that enforce it are similarly crucial to the question of distribution and prosperity. Hong Kong (China)’s economic success, Botswana’s stellar growth performance, and Hungary’s smooth transition experience have all been stimulated by favorable regulatory environments. Yet little research has measured specific aspects of regulation or analyzed regulation’s impact on economic outcomes such as productivity, investment, informality, corruption,
unemployment, and poverty. The lack of systematic knowledge prevents policymakers from assessing how good a legal and regulatory system actually is, and in turn, what needs to be reformed.

**Objectives: What Doing Business Aims to Do**

In exploring how a private sector works—and how it can work better—the objective of the Doing Business project is to advance the private sector development agenda in several ways:

**Motivating reforms through country benchmarking.** Around the world, international and local benchmarking has proved to be a powerful force for mobilizing society to demand improved public services, enhanced political accountability, and better economic policy. Transparent scoring on macroeconomic and social indicators has intensified the desire for change—witness the impact of the human development index, developed by the United Nations Development Program, on getting countries to emphasize health and education in their development strategies. The Doing Business data provide reformers with comparisons on a different dimension: the regulatory environment for business.

**Informing the design of reforms.** The data analyzed in Doing Business highlight specifically what needs to be changed when designing reforms because the indicators are backed by an extensive description of regulations. Reformers can also benefit from reviewing the experience of countries that perform well according to the indicators.

**Enriching international initiatives on development effectiveness.** Recognizing that aid works best in good institutional environments, international donors are moving toward more extensive monitoring of aid effectiveness and performance-based funding. The U.S. government’s Millennium Challenge Account and the International Development Association’s performance-based funding allocations are two examples. It is essential that such efforts be based on good-quality data that can be influenced directly by policy reform. This is exactly what Doing Business indicators provide.

**Informing theory.** Regulatory economics is largely theoretical. By producing new indicators that quantify various aspects of regulation, Doing Business facilitates tests of existing theories and contributes to the empirical foundation for new theoretical work on the relation between regulation and development.

**Problems Encountered**

When conceiving the set of indicators for the Doing Business project, the team faced problems related to the methodology required to make the data representative, as well as the set of assumptions needed to make data comparable across countries:

**Limitations in the methodology.** The Doing Business methodology has three limitations that should be considered when interpreting the data. First, in many cases the collected data refer to businesses in the country’s most populous city and may not be representative of regulatory practices in other parts of the country. Second, the data often focus on a specific business form—the limited liability company—and may not be representative of regulation on other
Doing Business tools enable users to manage proposed interventions toward desired outcomes.

The analytic work is built on a simple methodology in order to analyze different topics around the firm’s activity. Although it contains certain limitations for pragmatic reasons, the methodology is sufficiently strong so that findings credibly represent business activity in each analyzed country.

The usefulness of the system is that it provides (based on the methodology and the assumptions made) a common set of indicators that enables cross-country comparison.

Each report is focused around the findings and what to do about them, that is, their policy implications. Thus, the theoretical work has clear and direct practical implications for countries and aid agencies.

Perhaps the strongest element contributing to the success of this exercise is the tools it provides so that users can manage the proposed interventions toward desired outcomes. Though important, the descriptive power of the Doing Business methodology, and even policy recommendations, are less important. These critical tools include the definition of intermediate outcomes and baseline values, and the setting of management targets.

Both reports (Doing Business 2004 and Doing Business 2005) are rich in findings and lessons learned. These findings are the cornerstone for the design and implementation of policies and interventions that countries can adopt. The indicators and their data will help measure the progress of those policies.

Analysis in Doing Business 2004 leads to three main findings:

**Poor countries are the most extreme in regulation of business environments.** Poor countries tend to regulate business far more than richer countries; and this regulation is burdensome in nearly every area of business activity. Five sets of indicators were studied: starting a business, hiring and firing workers, enforcing contracts, getting credit, and closing a business. Across each set of indicators, poorer countries (Bolivia, Burkina Faso, Chad, Costa Rica, Guatemala, Mali, Mozambique, Paraguay, the Philippines, and
The countries that most need entrepreneurs to create jobs and boost growth—poor countries—put the most obstacles in their way.

What works in developed countries often works well in developing countries too.

If a debtor becomes insolvent and enters bankruptcy, creditors would get 13 cents on the dollar in Mumbai, but more than 90 cents in Tokyo.

MfDR Principles in Action: Sourcebook on Emerging Good Practice Part 3

The Doing Business Project

Venezuela) regulate more heavily than richer countries (Australia, Canada, Denmark, Hong Kong–China, Jamaica, the Netherlands, New Zealand, Singapore, Sweden, and the United Kingdom). There are exceptions. Among the least regulated economies, Jamaica has aggressively adopted best-practice regulation over the past two decades. Contract enforcement, for example, has been improved in line with the latest reforms in the United Kingdom, and bankruptcy law has been revised following the Australian reforms of 1992.

Heavier regulation produces bad outcomes. Heavier regulation is generally associated with greater inefficiency in public institutions. That means longer delays and higher cost—with more unemployed people and corruption, and less productivity and investment. Heavy regulation seldom correlates with more and higher quality of private and public goods. The countries that regulate the most—that is, poorer countries—have the least enforcement capacity. That translates to fewer checks and balances in government to ensure that regulatory discretion is not used primarily to abuse businesses and extract bribes.

One size can fit all—at least in the matter of business regulation. Many times what works in developed countries also works well in developing countries, defying the oft-repeated truism that “one size doesn’t fit all.” There are many examples—for example, regulations on entering into business. It appears that minimalism in procedures works well across the board. In regard to statistical registration and tax and social security registration, the use of the latest technology for electronic registration has produced excellent results—not only in wealthier countries such as Canada and Singapore, Latvia and Mexico, but also in Honduras, Vietnam, Moldova, and Pakistan. Similarly, designing credit information registries has democratized credit markets in not only in Belgium and Taiwan–China, but also in Mozambique, Namibia, Nepal, Nicaragua, and Poland.

Doing Business 2005 reports three other significant findings:

Businesses in poor countries face much heavier regulatory burdens than those in rich countries. It takes 153 days to register a business in Maputo, but 2 days in Toronto. It costs $2,042 (126 percent of the debt value) to enforce a contract in Jakarta, but $1,300 (5.4 percent of the debt value) to do so in Seoul. It takes 21 procedures to register commercial property in Abuja, but 3 procedures in Helsinki. If a debtor becomes insolvent and enters bankruptcy, creditors would get 13 cents on the dollar in Mumbai, but more than 90 cents in Tokyo. Borrowers and lenders are entitled to 10 main types of legal rights in Singapore, but only 2 in Yemen. These differences persist across the world: the countries that most need entrepreneurs to create jobs and boost growth—poor countries—put the most obstacles in their way.

Heavy regulation and weak property rights exclude the poor from doing business. In The Mystery of Capital, Hernando de Soto details the damaging effects of heavy business regulation and weak property rights. With burdensome entry regulations, few businesses bother to register. Instead, they choose to operate in the informal economy. Facing high transaction costs to get formal property title, many would-be entrepreneurs own informal assets that cannot be used as collateral to obtain loans. The solution: simplify business entry and get titles to property. But many titling programs aimed at
How significant is the impact of regulatory reform? Very.

Payoffs from reform appear large. Hypothetical improvement on all aspects of the Doing Business indicators—in other words, to match the top quartile of countries—is associated with an estimated increase of 1.4 to 2.2 percentage points in annual economic growth. This is after controlling for other factors, such as income, government expenditure, investment, education, inflation, conflict, and geographic regions. In contrast, improving to the level of the top quartile of countries on macroeconomic and education indicators is associated with a 0.4 to 1.0 more percentage points in growth. How significant is the impact of regulatory reform? Very. Only 24 of the 85 poor countries averaged at least 2 percent growth in the last 10 years. China, the most prominent among the 24, scores higher on the ease of doing business than Argentina, Brazil, Indonesia, or Turkey. Economic growth is only one benefit of better business regulation and property protection. Human development indicators are higher as well. Governments can use revenues to improve their health and education systems, rather than support an overblown bureaucracy.

The gains from less regulation come from two directions. First, businesses spend less time and money on dealing with regulations and chasing after scarce sources of finance. Instead, they spend their energies on producing and marketing their goods. Second, the government can spend less on regulating and more on providing basic social services. What would happen if these countries were to reduce red tape by a moderate 15 percent? The savings would amount to between 1.2 percent and 1.8 percent of total government expenditures, or approximately half of the public health budget.

Results Achieved

The Doing Business project has successfully motivated reforms through country benchmarking, informing the design of reforms, enriching international initiatives on development effectiveness, and informing theory. Countries and aid agencies have gained systematic knowledge that enables policymakers to identify hurdles and determine what to reform. It is therefore delivering results.

The Doing Business project’s major contribution to broader results-based management is provision of a set of tools that can be applied in other
One way to measure success is by assessing the extent to which these tools are demanded and used.

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development interventions. These tools include identification of key intermediate outcomes that can be tightly attributed to interventions, the development of indicators to measure intermediate outcomes, and the supply of comparable data for indicators across countries and time.

One way to measure success is by assessing the extent to which these tools are demanded and used. The Doing Business indicators are increasingly being utilized by the World Bank Group’s projects and programs. Examples include Country Assistance Strategies in Chad and Macedonia; Bulgaria’s Programmatic Adjustment Loan; Brazil’s competitiveness loan, structural adjustment loans in India and Colombia; technical assistance work in Bolivia, China, Indonesia, and Mexico, the Global Monitoring Report, and the IDA Results Measurement System.

Donors are employing these tools for other purposes—for example, allocating aid, monitoring progress toward results, or knowing what to export. Use by donors includes Denmark, The Netherlands, Sweden, the United Kingdom, the European Bank for Reconstruction and Development, and the Millennium Challenge Account. Finally, governments as diverse as Jordan, Korea, Mozambique, Nicaragua, and Serbia and Montenegro are starting to use these tools to manage for development results by themselves—for example, in elaborating Poverty Reduction Strategy Papers. Across the board, the donor community is increasingly being held accountable for its efforts.

The Doing Business indicators are coming to be known and used all over the world. More than 750 media stories have covered them. The bilateral aid agencies of Denmark, Norway, the Netherlands, and the United States have adopted them. A dozen more countries—including Mauritius, Bahrain, Estonia, Gabon, Iceland, and Tonga—have asked to be included in the report.

Widening global understanding of the importance of a healthy business environment will assist bilateral and multilateral donors, as well as countries, to manage for development results. In addition, it will help make the donor community more accountable for their efforts at the country level. Early results of particular reforms that contribute to private sector development are already observable across countries, including Ethiopia (cost of business start-up), Estonia (role of the notaries), Brazil (bankruptcy and business start-up), China (credit registries and collateral law), Jordan (contract enforcement), Mexico (monitoring reforms), and Cambodia (minimum capital requirements).

The strong link or attribution between the interventions and the achievement of intermediate outcomes provides a powerful management and accountability tool. It will enable users to measure progress toward intermediate outcomes, while maintaining the overall direction towards the higher order outcomes that are directly linked to them—for example, Millennium Development Goals and Poverty Reduction Strategy Paper goals. Specifically, management of projects and programs is possible through selection of a set of some of these intermediate outcomes and the setting of targets.

Conclusion

Unlike other cases in this Sourcebook, the Doing Business project is not strictly about results achieved on the ground, but rather about providing tools
to manage for results in other operations. It starts as an analytic exercise that is enabling results-focused interventions. That is, it provides findings and policy recommendations for goal-oriented actions. It identifies intermediate outcomes and supplies intermediate outcomes indicators to enable management toward those goals through the use of baseline data and targets.

As expressed in the third core principle of this Sourcebook (Keep the results reporting system as simple, cost-effective, and user-friendly as possible), the Doing Business project provides a simple, easy-to-understand tool with comparable data across time and countries that enables the reporting of country progress toward results. In addition, the fifth core principle highlights the need to use results information for management learning and decision making, as well as for reporting and accountability. In this context, the Doing Business project provides a powerful management tool for donors and countries that helps the decision-making and reporting process and increases donors’ and countries’ accountability.

In the realm of results management it is critical to design projects and programs using intermediate outcomes in which attribution between intervention and the achievement of an outcome is tighter, allowing true management of the operations. In the context of the results agenda, therefore, the key contribution is that these tools can be used for management decision making as well as for reporting and accountability purposes. One way to measure success of this toolkit will be to measure it in terms of use and demand. The Doing Business indicators are increasingly being used and demanded across countries and donors.

These tools have been developed for private sector development. Yet a similar approach could be applied to other practice areas related to economic development. Using this work as a model and applying it to the specific circumstances of other practice areas, a similar analytic work could provide findings and similar tools on which to build sound reforms, and use the tools to allow a process to manage for those outcomes.

Looking ahead, two key issues require more discussion. First, how to make the transition from an in-house donor supported program to one that countries fully own, maintain, and finance? One challenge will involve stimulating country demand for these data, and then setting up the necessary country systems and capacity to allow recipients to continue the collection and use of these indicators for their own management processes. Second, how can the effort invested in this project be gauged in terms of the resources deployed? In potentially replicating this exercise, teams might like to have a benchmark—not only for benefits, but also for costs.
Sources


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PART 4. EXAMPLES OF MFDR IN DEVELOPMENT AGENCIES

4.1. Overview

Development agencies are converging around results agendas that share common elements and approaches. They aim to enhance the focus on results in development agencies strategies and instruments, incentives, and reporting systems. Development agencies also work together toward harmonized results-based approaches and better coordinated support to strengthen country capacity to manage for results.

Results-Based Country Programming. Many development agencies are using results-based approaches to improve the alignment of their country programming to country strategies. They are deriving country programming objectives directly from the results specified in the partner country’s poverty reduction strategy (or equivalent process), and linking their support to the partner's national expenditure framework.

Operational Products and Services. Important as country strategies and programming are, by themselves they do not achieve results. If the individual development interventions that international agencies fund are to achieve results, they must be of high quality, relate to the country strategy, and have synergies with other operations. Many agencies are giving greater attention to the quality and impact of their operations through enhanced planning, monitoring and evaluation, and portfolio management.

Incentives. The lessons derived from processes of organizational change management suggest that when senior and middle management systematically focuses attention on a key corporate issue or theme, they give staff a clear signal to follow. In most international agencies, management is increasingly demonstrating its interest in and commitment to the results agenda. Development agencies are beginning to identify and correct human resources and budget policies that may serve as disincentives to achieving the results management agenda. There is also increased attention to building staff capacity to implement the results focus at the country level, and to providing appropriate guidance, training, and information technology systems.

Corporate Reporting. Corporate reporting is critical for informing stakeholders about progress on the agenda and for ensuring sustained management attention and institutional follow-through. Since Monterrey, both bilateral and multilateral development agencies have been upgrading their development effectiveness work and strengthening their corporate reporting, as some of the Sourcebook examples show.

Performance-Based Aid Allocation. A few international agencies are experimenting with formalized performance-based approaches to disbursing aid. There is some debate as to how this fits with other aspects of the global agenda on managing for development results. Many issues need to be taken into consideration, whether at the level of how individual agencies and partner countries operate or within the international aid system as a whole. Further analysis and debate will be needed to help determine if and when such approaches should be used.

Harmonization of Results-Based Tools and Systems. The results management tools used by agencies have many common characteristics and applications, even if the labels vary slightly from organization to organization.
MfDR provides a common language and set of concepts around which to create a better results dialogue and stronger coordination among agencies, as well as between agencies and partner countries. Agencies are starting to share their internal tools and practices widely with each other (and with partner countries) to foster further management learning and organizational change. Many examples in the Sourcebook demonstrate how development agencies are MfDR tools effectively in their internal organizational and program management, and as the basis for stronger synergies and harmonization with partner countries and other agencies around achievement of country, regional, or global outcomes.

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<th>MfDR Principles</th>
<th>Examples of tools being used to manage for results in development agencies</th>
<th>Why these are important</th>
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| Focus the dialogue on results at all phases of the development process | Agency policy/priority frameworks  
Country programming strategies  
Thematic/sector strategies  
Project results frameworks  
Stakeholder/partner planning and consultation mechanisms  
Logic models or results chains (integrated in all of the above) | Results-based tools and processes are used to plan for and implement intermediate results linked to country outcomes. Different tools are adapted depending on the level at which they are used, but they all show how policy, country program, thematic and project results contribute to country, regional, or global outcomes. |
| Align programming, monitoring and evaluation with results | Agencywide multiyear strategic plans or rolling workplans  
Annual program/project management plans, workplans and budgets  
Training and guidelines for project/program planning and management  
Performance management plans | Results-based tools are used to demonstrate how agency investments and inputs will contribute to both country, regional, or global outcomes, as well as to indicate how different agency management processes can support achieving results. |
| Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible | M&E systems, plans and guidelines (incorporating MIS)  
Audit and risk management frameworks  
Performance measurement frameworks  
Audit guidelines and tools  
Risk analysis guidelines and tools  
Training and guidelines for indicator design and data collection  
Program/project monitoring frameworks | Tools and guides describe the steps and processes to be used in collecting and analyzing performance data at different levels within development agencies, and form the basis for continuing skill-building with agency managers and staff. |
| Manage for, not by, results, by arranging resources to achieve outcomes | Performance reviews and evaluations  
Internal/external performance monitoring reviews  
Performance and management audits  
Thematic and sector studies | Performance information from monitoring and evaluation is used as the basis for assessing progress toward identified country, regional, or global outcomes at various levels. |
| Use results information for learning and decision-making as well as reporting and accountability | Annual agency performance reports to advisory boards/committees and elected officials  
Annual country program performance reports to agency decision-makers and external stakeholders  
Stakeholder/beneficiary consultation mechanisms  
Training and guidelines for management decision-making based on results information  
Analysis of evaluations | Reports within and among agencies, and between agencies and their main stakeholders, provide the basis for ongoing agency strategic review, performance adjustment, and reallocation of resources. |
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA): CORPORATE MANAGING FOR DEVELOPMENT RESULTS

Executive Summary

As a development agency, CIDA’s approach to Managing for Development Results (MfDR)—its regime for results-based management—functions as an integral element in its resource allocation and decision-making, emphasizing the importance of setting realistic expectations for results, engaging in meaningful stakeholder participation, assessing risk, monitoring progress, and ensuring transparency in performance reporting. It encapsulates the importance that the agency places on working in collaborating closely with its country partners (and fellow donors) to ensure that their needs, interests, and capacities are reflected in the results and management processes employed in CIDA-supported interventions, and sharing what is learned within the international community.

In managing for development results, CIDA acknowledges that it has far to go, despite its reputation as a leader and being identified among fellow Canadian government departments as a good example of implementing results-based management. One of CIDA’s most difficult challenges is to reconcile its accountability to demonstrate the results from expenditure of public funds to Canada’s Parliament and taxpayers, and at the same time, to fulfill its commitment to OECD DAC Principles of Donor Harmonization, which support partner countries in taking ownership of their own development processes.

This example illustrates how a strong corporate culture of MfDR can help solidify partnerships with developing countries, fellow donors, and other stakeholders and use the principles of aid effectiveness to support sustainable development. It also provides a snapshot of what CIDA has achieved thus far, what has been learned, and how improvement in performance is continuously being sought.

Objective Pursued

CIDA has 10 years’ experience in managing for development results. Since implementing its first performance review policy in 1994, CIDA has endorsed the Millennium Development Goals, supported the Addis Ababa declaration and the Monterrey consensus, and promoted the Marrakesh principles of February 2004—all the while attempting to improve the consistency of its own performance with these approaches and principles. With respect to its accountability, however, CIDA has had to balance commitments to both its national and international constituencies.

CIDA’s “Policy Statement on Strengthening Aid Effectiveness” of September 2002 reiterated the agency’s strong focus on results, and it set the course for CIDA itself to become a more knowledge-based learning institution. The agency’s Third Sustainable Development Strategy 2004–06 is a rolling work plan, complementing an annual Report on Plans and Priorities (the planning
CIDA is accountable to Canada’s Parliament and taxpayers as required by the governmental regime “Results for Canadians” (Treasury Board Secretariat, 2000). Canada’s Office of the Auditor General does not demand attribution for each dollar of development assistance given to its partners. It is recognized that CIDA contributes to the efforts of others and thus shares accountability with its developing country partners and the rest of the global development community for achieving development results, progress on the Millennium Development Goals, and meeting other international commitments.

Design and Implementation

CIDA’s current corporate logic model, articulated in 2002, comprises the Key Agency Results, which operate at three levels of outcomes:

Development Results (impact on developing countries). CIDA’s longstanding performance framework contains four key areas of sustainable development: economic well-being, social development, environmental sustainability and regeneration, and governance. Gender equality and the environment are considered to be cross-cutting themes.

Enabling Results (effective programs and strategies). These outcomes reflect CIDA’s control over its programming orientation, strategies to improve development effectiveness, management policies and procedures, choice of appropriate sectoral and thematic focus, choice of appropriate geographic focus, and efforts to engage Canadians in improving aid effectiveness.

Management Results (the right tools, internal to the agency). CIDA is fully accountable for the achievement of its management results, which in turn contributes to development results. These include human resource management, information technology, and the alignment of planning priorities, resource allocation and reporting.

These key areas form the core of CIDA’s Results-Based Management Accountability Framework. Incorporating CIDA’s mandate, Millennium Development Goals, and related commitments, and the principles of effective development, they provide the conceptual basis for CIDA to plan, fund, implement, monitor, report upon, and evaluate its work.

Although an inclusive Risk-Based Audit Framework is yet to be developed, considerable work has been done to identify key risks to achievement of development results—both corporate risks internal to CIDA and risks with respect to the partner countries—and to elaborate measures to mitigate and bring those risks to manageable levels. As CIDA becomes more involved in multistakeholder programs, joint responsibility with partner countries not only reduces the risk to individual donors; it also strengthens the management and accountability of the program being supported and contributes to better and more lasting results.
Implementing MfDR requires solid monitoring and assessment of performance in conjunction with partners. This ensures decision-making based on the interplay of results, risks, and resources. Information on development results is key to the lifecycle management of individual investments and programs. In the case of enabling results, information on Canada’s contribution to a particular multidonor effort—for example, Canada’s particular policy leverage with a partner country, its technical assistance, its support of M&E capacity—is monitored and captured, especially in sector-wide investments and budgetary support. Moreover, CIDA is progressively able to report on enabling results with respect to institutional partnerships that in turn affect development results. Thus there is evidence to justify Canadian financing of respected international partners—such as UN agencies and international financial institutions, as well as Canadian partners such as NGOs—in order to jointly achieve international development goals.

CIDA’s strong performance culture is based on a two-pronged review process. Some evaluations are conducted by the Performance and Knowledge Management Branch, and others are led by the geographic or program branch. An important aim of CIDA internal audits and evaluations is to orient reports toward “decision windows.” These are the leverage points where findings, recommendations, and lessons will have the greatest impact on agency policy and on program planning, design, and delivery. According to the Results-Based Management Accountability Framework, a representative sampling of CIDA’s business—including agency policies, programs, investments, sectoral themes—must be assessed annually by internal audit and evaluation functions. Therefore, independent internal audit and evaluation divisions in the Performance and Knowledge Management Branch lead about a third of all assessments because of their strategic nature. These assignments may include participation in multidonor assessments of joint investments of partner institutions or of partner country development programs. For internal audits and evaluations conducted by the CIDA program and regional offices, the Performance and Knowledge Management Branch constitutes a performance team to provide technical support to facilitate self-assessment, primarily of investments and programs.

As already indicated, internal audits and evaluations by the branch are considered to be independent corporate assessments. Yet it should be noted that Canada’s Office of the Auditor General also periodically assesses CIDA. These assessments are undertaken to ensure that the agency does not compromise the ability of its internal auditors and evaluators to conduct objective performance reviews.

**Problems Encountered**

CIDA has had the best of intentions to make its lifecycle management approach to results planning, monitoring, and reporting as simple, cost-effective, and user-friendly as possible. Yet much progress still needs to be made in this area. CIDA prepared its first costed work plan for its 2003/04 planning cycle, linking expected results with resource allocations more rigorously than ever before. This step, however, meant that they were articulated in the logic model, but the staff had not had a full year cycle to
Program managers did not see reporting requirements as a performance management tool. The effort to gather relevant information for compliance was disconnected from reporting on program performance and for the agency as a whole.

When this requirement was instituted, CIDA was still in the process of shifting its focus from investment in projects (or initiatives such as technical assistance) to the broader country, regional or institutional programs. But with the changed focus, how best to measure the results? The solution was two-fold. First, the guidelines for country development program frameworks urgently needed to be updated, including a new program-level performance measurement framework. This revision could be made to better reflect Canada’s specific support as well as linkages between CIDA’s program and the partner country’s broader development program, for example, its Poverty Reduction Strategy.

Second, while this new performance measurement model was being developed, it became apparent that certain programming types did not fit the Country Development Program Framework model. In many cases, an institutional Performance Measurement Framework was more appropriate. CIDA is now working to better capture development results and enabling results through its support to multilateral development banks, the United Nations, and other partners. This refinement will further Canada’s ability to comply with its commitments to international development.

Beyond the need to assess performance of the overseas programs that CIDA supports, staff were struggling with the performance monitoring and reporting requirements for which all Canadian government bodies are held responsible. Compliance with these responsibilities meant that opportunities were sometimes lost for joint performance assessments and decision-making with other development partners. A 2003 study of the performance reporting for this level indicated that CIDA program managers did not generally see reporting requirements as a performance management tool; indeed, the gathering of information relevant for compliance was essentially disconnected from reporting on program performance and from the agency as a whole. This inconsistency clearly needs to be addressed for there to be a solid evidence base for reporting; and within CIDA, the will to do so has to be nurtured.

The performance review function is critical; yet CIDA program branches still lack human resources with sufficient skills in results-based management. A good sign is that an independent review of the Performance and Knowledge Management Branch in 2004 indicated that its RBM Unit had a very favorable impact on the agency’s ability to manage for results, despite only two full-time employees to support the branches to build their skills in results-based management skills base and manage for results.

Although the OECD/DAC peer review of CIDA in 2002 was generally positive, some caution was sounded on the high donor costs of managing Canadian overseas development assistance. The current approach aims at administrative cost reduction by shifting more support to countries with enhanced program relationships. CIDA will participate with other donors in more program-based approaches, including SWAps and budgetary support. This strategy will be assessed internally through program audits and evaluations over coming years.
Adaptations in Implementation

Adaptations have been required to address three levels of management—investment, program, and corporate performance.

Since 2002, attention to program-level Performance Management Frameworks has been enhanced. Parallel efforts were similarly undertaken to increase coverage of performance reporting at the investment level, thereby improving the evidence base for program-level reporting. User-friendly electronic templates also needed to be developed, and deadlines had to be adjusted for annual reporting. This enabled CIDA staff and partners to share information electronically more easily, and it facilitated collaboration in joint performance monitoring and reporting.

In 2004/05, an initiative was launched to improve reporting at the investment level. An investment monitoring and reporting tool (IMRT) is being piloted in early 2005, with the goal of being made more relevant to every line of CIDA’s business. It should better reflect not only CIDA’s bilateral programs, but its multilateral programs, and cooperation with NGOs, Canadian universities, or the Canadian private sector. The IMRT incorporates a new feature: It will reflect both enabling and development results as well as principles of development effectiveness. Moreover, it can provide a necessary link between individual investments and the programs they support, as well as provide evidence of their contribution to corporate results.

Over this same period, CIDA also carried out its first evaluation of a policy—the gender equality policy. Lessons learned have fed usefully into the drafting of the next generation of policy documents as well as improving the data fields for the new IMRTs.

In addition, basic Results-based Management training has been redesigned, focusing now, for example, on staff comfort level with the performance tools, skills in developing logic models, logical framework analyses, performance measurement frameworks, and identifying and managing risk. Staff is being encouraged to monitor progress toward results in collaboration with country partners and fellow donors. A community-of-practice network has been formed to help test these new tools.

As part of its Departmental Performance Report, CIDA attempted its first corporate scorecard in 2003/04—a tool that will be perfected in future years. In most of the Key Agency Results areas, CIDA’s rating was “successfully meeting expectations.”

Results Achieved

CIDA’s evolving application of Results-based Management include the following achievements:

- Staff is more involved in the process, and is “buying-in” to the development of new performance tools.
The corporate approach to results by country (through bilateral, multilateral, and Canadian partnership channels) has improved.

Linkage is stronger between the investment level, the program level, and corporate reporting.

In areas such as donor harmonization, ability has improved to manage according to aid effectiveness and to capture results.

The training and coaching of CIDA staff has improved.

Results, resources, and risk management are all more closely linked.

**Lessons Learned and Factors for Success**

**A strong commitment must be made by the government.** The Canadian government’s strong commitment to Managing for Development Results has been a critical factor in progress toward harmonization efforts and working jointly with fellow donors and partner countries. Improved training and tools are helping to build staff skills. An early iteration of a results-based management outreach team within the Performance and Knowledge Management Branch is actively involving other corporate players—for example, the Policy Branch. Overall guidance in performance management is being extended throughout the agency.

**The agency must be committed from top to bottom.** Within the development agency itself, there must be a very strong commitment, both top down and bottom up. The effort needed to communicate the message to donor staff—and then provide training, guides, and tools—should not be underestimated. The MfDR concept cannot be internalized merely for compliance purposes. Until an agency has its own clear development logic model and can articulate its own results in a transparent manner, it cannot reasonably demand MfDR from its partners. Then, donors must be willing to help partners to develop their own results framework and to build institutional capacity according to their own needs.

**Donors must strike the balance between accountability to their governments and accountability to their partners.** One of the greatest lessons is that development agencies must balance the tension between accountability to their partners and fellow donors and accountability to their own government’s funding source. Sometimes the two responsibilities complement and reinforce each other; but other times they do not. The agency must invest effort in negotiating with its own source of funds. That means informing taxpayers and Parliament of appropriate expectations from development programming, especially with respect to making decisions on resource allocation, assessing progress, and reporting on performance. Until this tension is resolved, donor agencies cannot easily and fully support country partners in managing for development results.

**The old mindset of bilateral control lives on; but it needs to be replaced—in practice as well as theory—with principles of partnership, accountability, and trust.** CIDA continues to reorient staff who were trained in the assumption of bilateral control—meaning, Canadian companies or organizations would be hired to directly implement projects and initiatives, with far more emphasis on process than results. With greater emphasis today
on Strengthening Aid Effectiveness principles—for example, on untying aid and using of partners’ procurement capacities—a shift in mindset is needed. This applies to joint development programming in partner countries, to collaboration with other donors, and to trusted international partnerships.

**There is more to funding than merely achieving targets.** While firmly supporting the Millennium Development Goals—either directly with partner countries or through multilateral partners—CIDA has learned that it cannot manage its funding merely with respect to achievement of targets. Long-term goals and potential impact must be articulated. They must be visible and understandable to CIDA and to partners. Consider, for example, that a basic education SWAp could fail to meet the targets agreed upon with donors, yet the partner country might be making substantial progress in relation to indicators such as institutional capacity. Increasingly, CIDA has learned to take a longer-term view when faced with situations such as these. It would begin by reviewing the options to how to better reach the established goal—greater access to basic education for girls and boys—thus promoting dialogue on possible reallocation of resources and review the strategies in process to more effectively achieve the intended results.

**Conclusion and Application to other Donors**

Solid MfDR requires testing an approach and monitoring it for learning. No process is perfect and it should never be static; continuous improvement is the aim. Had CIDA assigned human resources more intensively at the early stages, corporate integration of results-based management might have evolved on a more solid base. Within the agency and in relationships with its partners, progress is still uneven. With the luxury of more time and greater resources, CIDA could take stronger measures to intensify its own performance—for example, by updated and enhancing results-based management tools, guides, and training.

The fact that results-based management is integral to the Canadian government’s performance framework bodes well for the sustainability of CIDA’s efforts. CIDA will continue to plan, manage, and report upon its development programming in a results-based manner. In terms of programming in partner countries, CIDA takes into account its relation to other donor involvements. CIDA may still consider direct support through specific bilateral interventions; yet the lens of results-based management allows the agency to better analyze the context for assistance and decide upon the best role for Canada to play. As an active participant in the donor community, CIDA is open to sharing its experience with other donors and partners. It is strongly committed to building—and using—the evolving body of knowledge on Managing for Development Results.
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RESULTS-ORIENTED COUNTRY PROGRAMMING: APPLYING THE PRINCIPLES OF MANAGING FOR RESULTS AND EMERGING PRACTICES AND LESSONS

Introduction

Countries and donors have long been concerned with the effectiveness of development resources; but efforts are growing among donors and partner countries alike to use aid resources better. A stronger results orientation provides countries and donors with a tool to improve decisions on strategic allocation and management of resources (relevance and effectiveness) and a mechanism to show the demonstrable results (accountability).

Results-oriented country programming can be a powerful tool. It can improve strategic selectivity and alignment with the country’s development and poverty reduction goals. It also can enable better diagnosis of trade-offs and help establish priorities through more careful analysis of plausible causality in the development process. It can facilitate cross-sectoral approaches to assessing and responding to the country’s development policies and institutions in light of long-term development objectives. Finally, it provides a tool for managing to achieve results, including a stronger monitoring and evaluation framework.

The process of designing a results-oriented country program is equally as useful. An opportunity is provided for development agencies and governments to build consensus around the best approach to achieve development goals and identify agency contribution. This can also set a stage for implementation that focuses on outcomes and partnership to achieve results.

This note provides an overview of the emerging principles and practices in designing and implementing results-oriented country programming. It draws heavily on the recent work of the World Bank in piloting the results-based country assistance strategy. It also draws on discussions with other aid agencies involved in improving the results focus of their country strategies and programs. A workshop in September 2004 of the OECD/DAC Joint Venture on Managing for Results provided an opportunity for practitioners from the various development agencies to share their experiences on results-oriented country programming. Subsequent materials from this workshop will complement the focus of this note.

Objectives and Principles

Development agencies are increasingly aligning their cooperation programs with country priorities as articulated through a poverty reduction strategy or

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30 This note was prepared by Elizabeth M. White and Rosalia Rodriguez-Garcia. It draws heavily from the work by Alison Scott and John Paul Fanning of the UK Department for International Development, which is preparing a note, “Emerging Practices in Improving Aid Performance in Managing for Development Results: Results-based Country Programming.” The findings, interpretations, and conclusions expressed in this paper are entirely those of the author. They do not necessarily represent the views of the World Bank Group, its Executive Directors, or the countries they represent and should not be attributed to them.
other national strategy. This alignment is being strengthened with frameworks that clearly link agency support to expected country outcomes. Results-oriented country programming respects the consensus on managing for results and harmonization. While experience is still early in regard to what constitutes best practice in results-oriented country programming, emerging principles have been useful for articulating the objectives of results-oriented country programming. These principles are applicable across all country contexts, and enable adaptation and flexibility to unique circumstances. The principles are also well aligned to the five core principles of managing for results.

The principles of results-oriented country programming are drawn from internationally agreed principles for aid effectiveness. These have been set out in a number of forms, such as the DAC Agenda for the 21st Century (1996), the Comprehensive Development Framework (1998), the Monterrey consensus (2002), the DAC Rome High Level Forum (2003), and the MfDR principles agreed at Marrakech (2004). These are:

**Align the result oriented program to country owned goals—selectively.** A results-oriented country program starts with country goals (such as the Millennium Development Goals, growth, etc.) articulated in the national strategy. It then links financial support, analytical tools and policy dialogue to those goals where the program as a whole can add the most value. It requires that the team make necessary trade-offs among many priorities and analyze different options to contribute to development outcomes. Thus, the process of undertaking a results-based approach enables a more explicit discussion of plausible causality in the development process, and it facilitates a cross-sectoral approach to assessing and responding to the country’s development policies and institutions in light of long-term development objectives. The process provides an opportunity for development agencies and government to build consensus on the best approach to achieve development goals and identify agency contribution.

**Specify outcomes that can be directly influenced and managed by the country program during the implementation period.** Another level of selectivity is needed in defining outcomes directly influenced by the country program during the implementation period. Specifying development constraints that the country program will address—often in a multi-sector fashion—is the first step in defining the intermediate outcomes (sometimes referred to as the “missing middle”). By drilling down from the priority higher order development goals to the expected outcomes to be achieved during the implementation period, the team is better able to plan across the full range of products and services. This includes determining whether the ongoing program is still relevant to current development priorities, how the portfolio and dialogue with government are progressing toward outcomes, and the implications strategy design.

**Steer implementation toward outcomes with good monitoring and evaluation systems that use, not duplicate, government systems.** A results-oriented country program provides a framework against which to design the country program, monitor progress toward expected outcomes, and test its relevance. A solid results framework provides a tool for tracking progress toward results and then evaluating performance. During implementation, the monitoring
framework can be used for oversight, portfolio management, and dialogue with the government. It helps assess whether implementation is on track and flags the need to investigate shortcomings in the overall strategy, in turn encouraging mid-course correction. The intent is not to follow a strictly predetermined plan nor instill command-and-control dictated by quantitative targets; but instead, to provide relevant, timely information so that necessary changes can achieve intended results.

Monitoring should draw on indicators and data sources that are part of the government’s national and sub-national monitoring systems. To avoid taxing country capacity, flexibility is needed on expectations for baselines, quantitative targets, and “the perfect indicator”. In the process, weaknesses in government monitoring and evaluation systems become evident, creating an opportunity to strengthen country systems.

Support strengthening of country capacity to manage for results. A sustainable and successful results orientation is contingent on the capacity of government to manage for results. This is consistent with the international community’s commitment to strengthen national systems for monitoring and evaluation that are integrated into public sector management. A results-oriented country program underscores the importance of assessing the capacity of government and determining how best to strengthen this capacity. This requires going beyond a project-by-project approach; it requires integration of results management in the country’s own institutions and systems.

Create an environment that encourages action-based on information. Results-oriented country programming only works to the extent that managers, team members, and counterparts actively use an effective monitoring system. This may entail important managerial changes. Managing for results is not only a technical solution, it involves organizational and human factors. The program team will need to define a system to oversee implementation. It must encourage each actor to routinely and consistently analyze and use information. There are many ways: dialogue with the government on possible operational modifications, reallocation of resources, strengthening synergies across elements in the portfolio, and necessary revisions of strategies and policies. Program plans need not be rigidly bound by the initial blueprint. How individual country programming fits into the broader organizational system is important to the sustainability of the results orientation during implementation.

Early Experience in Design of Results-Oriented Country Programming—The Cases of Mozambique and Cameroon

This section draws heavily on the recent piloting at the World Bank. The immediate applicability of the principles was most evident in lower-income countries, where the poverty reduction strategy process had already provided an organizing framework for priority setting. This enabled deeper discussion of trade-offs and ways to work with other development partners toward country outcomes.

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32 Results-based monitoring and evaluation includes statistical capacity.
33 It should be noted that the quality of the results orientation in PRSP was noted as the weakest principles in case studies conducted by OED – OED Review of the PRS Process May 4, 2004
In Mozambique, the methodology shifted the thinking about development and expectations to a strategy focused squarely on results. The team determined the key results that the country program should deliver in four to five years and how these contribute to country goals. The focus shifted from inputs, activities, and outputs to expected outcomes directly influenced by the country program. This conversation was continued with the government. The content of the dialogue changed—from how much funding was to be expected to results to be achieved and how they could be accomplished. Fully discussed, the framework provided a structure for in-depth examination of goals and expectations from all sides and a way to monitor and measure progress. During this process, the Bank and government teams engaged in a process of prioritization and selection; they collaboratively agreed on trade-offs that were acceptable to everyone.

In addition, the results-based country approach leveraged the donors’ work in support of poverty reduction. Fourteen donors had grouped themselves to work with the government on the poverty reduction plan and to support specific sectors. While they agreed on the principles, they had not been able to translate the national plan into a living document with an operational directions and resource allocation. The results framework provided the starting point: it helped to organize the discussions, define the common ground, and make sense of the donors’ support to link budget to the poverty reduction plan. The World Bank’s country team, the government, and other donors developed a matrix that everyone could support. That enabled the Bank to align its program to reflect its comparative advantage.

The Cameroon team experienced similar benefits. They defined clear outcomes and indicators to measured. Fleshing out these outcomes brought to the forefront the critical role of strong monitoring and evaluation capacity.

The country team has developed a management system to track progress toward the Country Assistance Strategy. What outcomes are being used in implementation? Where should allocations be made in support of results?

**Early Implementation**

Many of the country teams are using the results frameworks developed during design to manage the program for results. After defining strategic alignment to the Poverty Reduction Strategy Paper, a team in Zambia zeroed in on intermediate outcomes, determining synergies across programmatic support, project lending, analytical work, and policy dialogue. The degree to which the ongoing and planned program might be spread too thin became more transparent, prompting a useful rethinking of the areas of engagement. This positioned the discussion with government on portfolio performance within the broader context of results. The country team has developed a management system to track progress toward the Country Assistance Strategy. What outcomes are being used in implementation? Where should allocations be made in support of results?
Lessons from Experience on Design and Early Implementation

It is far too early to assess the impact of the approach on development effectiveness. Yet the process of results-oriented country programming and early implementation have brought out key lessons. Results-oriented country programming clearly contributes to the consistency in a country program, national development priorities, and international commitments. For example, Millennium Development Goals serve as a mechanism to show links between the country level, program/project level, and agency performance. They make results measures, as well as the methods and systems that can be used to track progress. The process of designing a results-oriented country program highlights the use of multi-sector approaches; it fosters coordination around results between development agencies; and it enables governments to better understand where and how development agencies can add value toward achieving development results, thereby improving harmonization efforts (see chapter on harmonization).

In the cases that have been analyzed, certain critical factors stand out in regard to process and content:

**Process:**

Strong leadership from the program director and core program team. It should always focused on results and in country.

Good understanding on the country’s openness or possible resistance to a results-oriented approach, with a plan to build support.

Just-in-time support from experts who can help the team at critical junctures.

Properly positioning the approach as a strategy and management tool, not just another form of conditionality or reporting.

Reasonable focus on individual sector goals. Too much can increase the tendency toward top-down priority setting, working against multi-sector approaches and country selectivity.

**Content:**

Recognize that the Poverty Reduction Strategy may have limitations in its results orientation, especially in the setting of goals and indicators. The process of results-oriented programming can reinforce messages on the need for priority setting. It brings up issues of realism and reveals the priorities for capacity-building support;

The process of identification of intermediate outcomes may point to weak analytical work, especially on linkages between policies/programs and outcomes. This may result in programming to address these weaknesses.

Ensuring that focus stays on what needs attention, not what can be measured—and keeping in mind the motivational force of indicators.
Make sure the right skills are available. The link must be made between the management needs of the country program and what this implies for capacity strengthening.

Success in applying a results-oriented approach is dependent on broader organizational and institutional systems. Strong champions on program teams may produce a good results-oriented country program with critical buy-in from key actors on the ground and within the teams. However, implementing the results orientation may produce competing demands on the program by the organization, as well as misaligned incentives and capacity constraints.

Experience is insufficient to date to evaluate the implications of the organizational system on the actual management and achievement of results. However, the following possible constraints were identified:

**Competing demands.** Results-oriented country programming is a management tool that can strengthen incentives to manage for results. However, it can face competing demands—for example, for accountability or reporting. This can lead to various compromises and trade-offs in practice. The proper level of accountability is a key driver for managing for results. However, that accountability systems must be designed to differentiate levels of responsibility and to not confuse the process of results-oriented country programming with declaring “attribution.”

**Incentives.** In a nutshell, effective results-oriented country programming needs to be complemented with incentives for all actors.

**Autonomy for program managers.** Autonomy must be sufficient in terms of decision making authority and budget flexibility so that resources can be allocated to achieve desired results.

**For team members.** Management signals are important. Signals may be sent in regard to individual activities and projects, recognition of innovative problem solving based on results, performance reviews, and so forth. Formal incentive, such as promotions and performance reviews, can also influence team members. They help determine whether they will work in a multisector collaborative manner, as needed for this type of programming, or whether they will work against it.

**For counterparts.** Counterparts may have reservations about the approach, creating implementation blocks. Bringing these actors into the process early is critical for future success.

**Evidence on results can be motivational.** Discussing principles creates an environment that is important for maintaining the focus on results. Evidence on results can inspire high levels of performance, just as focused management reviews should be designed into implementation.

Illustrating the range diversity of experiences among donors, some new forms of results-based country-programming are illustrated in the accompanying box.
New Forms of Results-based Country Programming

African Development Bank. Strategic Plan 2003–07 articulates four key strategic priorities, including greater selectivity in operations and maximizing development effectiveness. The new generation of CSPs stress greater selectivity in the bank’s interventions in individual countries. The areas of bank’s operations have been limited to two or three sectors in ADF countries, selected on the basis of the bank’s comparative advantage in relation to other development partners and taking into account the bank’s limited resources, track record and risks. A new results-based CSP is being rolled out.

Canadian International Development Agency. Introduced a country development programming framework that is aligned with Poverty Reduction Strategies and has a results-based management and accountability framework. Sets out a strategic results model, directly linked to the Millennium Development Goals.

UK Department for International Development. Changed its country strategy guidance in 2001 and the new strategies were renamed Country Assistance Plans. Some 25 were in place by 2004. This reflects the focus on the operational level, results-based management and the link to national poverty strategies, through three to five year strategic plans. There are annual implementation plans with a clear performance management framework. The principles behind the new Country Assistance Programs were that they should be results orientated; fit into the organizational performance management system; aligned to national strategies and policies; and minimize transaction costs for DFID, partner governments and other stakeholders.

The Netherlands. Introduced a multi-annual 4-year strategic country-planning instrument (MASP) in 2004, after a piloting phase in 2003. The MASP will be developed in 36 countries. Its strategic objectives are PRSP-aligned and there is a strategic results framework and results-oriented M&E process.

UNDP. Introduced results-based principles into its ongoing programs as part of a strategic planning exercise in 2000. This involved the establishment of a hierarchy of results, which were tracked and reported on in results-oriented annual reports. Today over 60 country programs are results-based.

The World Bank. Introduced result-based CASs in 2003 on a pilot basis. Results from the piloting experience are being presented to the Board in 2005.


Conclusion

Though still relatively new and limited in number, experience to date underscores that the new approach helps strengthen strategic selectivity and the alignment of the country’s development goals. To work, this approach needs to be taken seriously; but when that happens, it sharpens the design of
the country program and mobilizes country teams around a vision of delivering results on the ground.

Success of results-based country programming faces several challenges. Most importantly, its effectiveness hinges on whether it evolves into a living management tool in the day-to-day process of development. Early experience is encouraging. The result-framework has demonstrated that it can play an important role in managing country programs, and it is serving effectively as a framework for dialogue between countries and development partners.

**How Results-oriented Country Programming is Being Applied**

1. At all phases—from strategic planning through implementation to completion and beyond—focus the dialogue on results for partner countries, development agencies, and other stakeholders.
   - The core of results-oriented country programming is focusing on outcomes at all stages—from strategy design, through implementation, to self evaluation at mid course and the end of the programming cycle.
   - The core also requires that the dialogue on results be undertaken with partner countries, development agencies, and stakeholders inside and outside of the program team.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results
   - The third principle of results-oriented country programming focuses on developing an M&E system that is appropriate to the country context, uses government systems and is useful for managing the program.

3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.
   - The principle of results-oriented country programming necessitates that the M&E system, and thus results reporting system, is useful for management. This implies that it is responsive to management needs and designed based on the availability of data in country. This drives the cost effectiveness.

4. Manage for, not by, results by arranging resources to achieve outcome.
   - The principles note that managing for results is the primary reason for results-oriented country programming. The framework provides a road map, and is not linked to hard targets that have to be met to obtain funding. Rather, the indicators and the objectives serve as guideposts and enable the teams to evaluate whether or not the programs are moving toward results.

5. Use results information for management learning and decision making, as well as for reporting and accountability
   - The first principle is that the results-oriented country programming is for management and learning. Inappropriate accountability and reporting systems may undermine the usefulness of results-oriented country programming. The note offers that too much focus on reporting and accountability is a risk that must be managed.
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1. Managing for Development Results

www.mfdr.org

This website provides background information on the origins of the concept managing for development results that was introduced in 2002 at Monterrey, International Conference on Financing for Development. There are also links to: Key Documents, the First Roundtable (Washington), the Second Roundtable (Marrakech), Partners and links to other related sites and resources.


This World Bank website offers information on better measuring, monitoring and managing for results. There are additional links to: Communities of Practice, Research Papers, Roundtables on Results, and Key Documents.

www1.worldbank.org/harmonization/romeHlf

This World Bank website provides information regarding the High Level Forum on Harmonization that took place in Rome February 24 & 25, 2003. There are links here to the various presentations, list of participants, harmonization products & tools.

2. UN Millennium Development Goals

www.un.org/millenniumgoals

The official United Nations website on the Millennium Development Goals. Information on each of the goals and the indicators for success is provided. There are also links to: Progress Report 2004, Implementation Declaration, and links to related sites.

http://www.unmilleniumproject.org/html/about.shtm

The United Nations Millennium Project was commissioned by the Secretary General and is supported by the UN Development Group. The primary task of the Millennium Project is to recommend the best strategies for achieving the Millennium Development Goals (MDGs). This website has links to Millennium Project documents, Task Force documents, and the MDG Needs Assessments.

3. Strengthening Development Effectiveness

www.oecd.org/department/0,2688,en_2649_3236398_1_1_1_1_1,00.html

OECD/DAC website on Aid Effectiveness and Donor Practices. There are links here to information and documents on: Harmonization and Alignment, Managing for Development Results, Public Financial Management, Aid Untying and Procurement.

http://www.oecd.org/document/10/0,2340,en_2649_33721_1916746_1_1_1_1,00.html

4. Comprehensive Development Framework
This is the World Bank’s website on the Comprehensive Development Framework (CDF). It provides information on what the CDF is, as well as related links to the Monterrey Consensus and the Millennium Development Goals.

5- General Links to the Multilateral Development Banks (MDBs)

- www.worldbank.org
  The World Bank
- www.afdb.org
  The African Development Bank
- www.adb.org
  The Asian Development Bank
- www.ebrd.com
  The European Bank for Reconstruction and Development
- www.iadb.org
  The Inter-American Development Bank

6- Results Management, Monitoring and Evaluation (in alphabetical order)

  Australia Aid (AusAid), Evaluation and Quality Assurance
- www.adb.org/MFDR/
  Asian Development Bank
- www.acdi-cida.gc.ca/perfor-e.htm
  Canadian International Development Agency (CIDA)
- www.dfid.gov.uk/aboutdfid/performance.asp
  Department for International Development (DfID),
- www.iadb.org/ove/default.aspx
  Office of Evaluation and Oversight (OVE), Inter-American Development Bank
  Japan International Cooperation Agency (JICA)
- www.norad.no/default.asp?V_ITEM_ID=2655
  Norwegian Agency for Development Cooperation (NORAD)
- www.oecd.org/department/0,2688,en_2649_34435_1_1_1_1_1,00.html
  OECD/DAC Evaluation of Development Programs
- www.dec.org/partners/evalweb/
  United States Agency for International Development (USAID)
- www.worldbank.org/oed
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