Measuring and Managing Results: Lessons for Development Cooperation

Background

Public sector performance has been a lively issue among the citizens of industrialized countries during the 1980s and 1990s, as taxpayers and voters have challenged governments to demonstrate value for money in public services. Government reviews have identified a range of common weaknesses: poorly specified objectives, ill-defined responsibilities and a tendency to regard spending money as an end in itself rather than as a means of getting results. The response by many of the OECD member states has been to reform the ways government departments do business.

Key elements of reform have been the adoption of a results-led approach to management, with new procedures for setting objectives, monitoring progress and reporting on performance. One of the more visible aspects of the new procedures is the use of indicators – many of them published and publicly debated – to measure performance. These indicators provide an essential tool for performance management, whereby the information generated is used by managers to refocus or improve activities. By devolving authority, under the motto “let the managers manage”, states have aimed at more efficient public services.

These changes have not passed unnoticed by aid agencies. Development workers have long promoted monitoring and evaluation (M&E), using indicators, reports and impact studies. But as the agencies’ own documents show, the M&E systems now in place have rarely lived up to expectations. Thus, with the advent of public sector reforms, the agencies now have begun to revisit their M&E arrangements, looking for ways to develop effective learning systems and to support their partner countries.

Measuring and Managing Results: Lessons for Development Cooperation

By Derek Poate, ITAD, London; a study commissioned jointly by UNDP and Sida, and published by UNDP in November 1997. Copies of the report can be ordered from Sida (see bottom of page 4) or from the UNDP, Evaluation Office, Abdenour Benbouali, DC/2148, New York, NY 10017.

This is the background for a study commissioned and published jointly by Sida’s Department of Evaluation and Internal Audit (UTV) and the Office of Evaluation and Strategic Planning (OESP) of the United Nations Development Programme (UNDP), Measuring & Managing Results: Lessons for Development Cooperation. The study examines the main features of the OECD reforms, using selected countries as examples. Lessons are drawn from the experience of aid as well as wider public sector agencies, in order to identify how aid agencies can introduce performance management in the most effective way.

Performance measurement

There is considerable similarity among the approaches used by OECD countries to set objectives and use indic-
Four this study, visits were made to public sector agencies in Australia and New Zealand, leading countries in the introduction of reforms. Additional comparative material comes from an OECD review of ten member states. That review notes that the content of performance measurement systems depends on the national philosophy of change. Governments place emphasis on different measures: New Zealand on outputs, Australia and the United States on outcomes, Denmark on client surveys for customer satisfaction, and other countries; including the United Kingdom, on financial results or on producer-determined measures of service quality. These differences reflect in part differences in national cultures.

Public expenditure management

Managing for results involves translating government strategy into policy choices that are implemented through either the public or private sector. It includes building capacity for service delivery, creating incentives for high performance, generating information on results, and evaluating achievements of strategic goals. Thus, at the heart of managing for results is a set of institutional arrangements that both support and demand good performance.

Two fundamental requirements for the successful achievement of outcomes are a reliable finance flow in line with project plans, and the policy support of the government. Poor fiscal management leads to budget cuts and redirection of spending, and thereby undermines implementation and accountability. Analysis of the strengths and weaknesses of public expenditure management systems has led to an understanding that outcomes are linked to a complex set of factors: aggregate fiscal discipline, consensus on strategic prioritization and technical efficiency of delivery. The relationships among these three are what determine performance.

The reforms introduced by Australia and New Zealand tackle the links between performance measurement and performance management by creating a stable policy and financial environment. Within this environment, managers can have full and flexible use of available resources while being held fully accountable. Specifically, they are required to use performance measurement to guide future expenditure priority-setting. The findings in this study suggest that performance measurement without the accompanying policy and fiscal frameworks is unlikely to succeed.

Aid agency experience

Development projects have long turned to the use of indicators to help gauge performance. The experience of the World Bank is well documented and illustrates the rise and fall of attention which indicators have received since the early 1970s.

Three interesting features emerge from an examination of the Bank’s work. First, the focus of advice and procedures was supply-driven. M&E handbooks emphasize technical aspects about defining indicators and collecting data, and say little about using data or about borrower capacity. Second, until the most recent work in 1996, no formal methods were used to match indicators to objectives. This changed with the introduction of the logical framework approach. Third, the focus was primarily on the needs of the Bank for supervision...
and portfolio management, rather than on the management interests of the borrower.

There are striking similarities and interesting differences among the approaches taken by donors. The similarities can be summarized in three points:

1. The donors share a universal commitment to an agency mission or goals, defined as the overarching objectives to which all activities must contribute, and to which ultimately the donor agency is to be held accountable by its governing authority.

2. They have all adopted the analytical structure of the logframe.

3. They all give high importance to the role of indicators and the need to establish regular reporting.

The differences relate to the ways in which agencies manage reporting, evaluation, performance assessment and publication. For example, the United Kingdom Department for International Development (DFID, formerly ODA) and the World Bank differ widely in their respective approach in assessing project and programme performance. While the DFID takes as reference the goals derived from the agency’s aims in its mission statement, the World Bank looks at internally derived assessments of “quality at entry” (the soundness of analysis and design of a new project) and at progress towards development objectives (judged by rating systems during implementation and after completion). The different approaches reflect the respective organizational cultures of the two agencies.

An important point which needs to be borne in mind when reviewing agency procedures is that there is likely to be a gap between how a system is supposed to work and how it operates in practice. Despite a longstanding use of the logframe, internal agency reports often describe poorly structured project objectives and the difficulties experienced by staff members in selecting and applying indicators. Detailed information on the actual operation of performance measurement systems is hard to come by. Suffice to say that among the organizations visited, it is accepted that performance measurement systems do not live up to their de jure standards. The most widely quoted problems relate to the quality of objectives and the difficulty of identifying the “right” indicators.

Lessons

The reforms which have been investigated in this study reflect a decade of change in managerial culture and practice in the OECD countries and in development agencies. The change has been gradual and evolutionary, in response to political pressures and to experiences with new systems. An important lesson is that none of the technical issues are pre-eminent. Good performance measurement needs a balanced approach across policy and practice. The aid agencies face the double challenge of introducing effective internal performance management in parallel with sustainable systems in their client countries.

There is an apparent need of determining a clear vision and sense of direction in promoting change. Reform will only succeed if there is determination to see it through. The experience of practitioners interviewed for this study is that performance management is a learning process. There is no end to modification and change in techniques and procedures. Results stimulate new ideas. Once a learning system has been introduced, the information that comes from that system will itself generate new demands for change.

Important lessons regarding institutional arrangements are:

- Review existing systems and learn from past efforts before starting anew.
- Lead from a senior, central office.
- Stimulate demand at all levels by identifying potential benefits.
- Reserve, as results will take time.
- Involve top management.

In terms of operational experience, the main lessons are:

- Use budgetary pressure to keep staff focused on efficiency issues.
- Provide budgetary stability to create an environment in which management can function.
- Use forms of performance contracting to unite aspects such as objectives, choice of indicators, devolution of responsibilities and accountability.
- Provide training at start-up and to support methodology development.

In terms of methodology, the main lessons are:

- Use the logframe as the tool of choice to set realistic, specific and measurable objectives.
- Use performance budgeting to improve accountability by linking budgets to results rather than to inputs.
- Let transparent, published reporting help promote understanding of the difficulties of outcome accountability.
- Incorporate auditing and evaluation as essential components of performance management, and help managers tackle the difficulty of measurement between outputs and outcomes.

Conclusions and recommendations

Public sector management reform brings together elements which include clear and visible policy commitments, agreement over budget priority settings and technical efficiency. The policy commitment means that the government is determined to carry out the actions agreed. Prioritization means that planned resources will be available. And technical efficiency means that within this policy-affirmed and resource-secure environment, performance measurement can help and influence management. This reformed environment is the principal difference between the apparent success seen in the OECD states and the poor standing of monitoring and evaluation in development projects. The measurement techniques employed in other respects are largely the same.

Even the most innovative among the aid donors have not tried to match these broader systemic changes introduced in the OECD bureaucracies. A basic dilemma is that aid agencies are dependent on results from client countries. Put simply, can performance measurement be successfully implemented without a supporting institutional framework? According to the study, the answer is no: systemic performance management would also need to be introduced by the client administrations.

To the extent that performance measurement is a goal, there is sufficient evidence that the key elements
1. Public, transparent reconciliation of expenditure and revenue: in support of accountability. These fall in four categories:

- Indicators of customer opinion balance outcome
- Indicators of the more technical kind.

The greater challenge is performance management at the country level. Here, there is a need for a range of strategies depending on the country situation. The study report concludes that progress can be made by starting with the analysis of risks during project design, set out in the logical framework. A well-articulated analysis of risks should include the provision of adequate and timely finance, and should stress management responsibilities and government commitment. These prerequisites have not been recognized as such in the past. With proper attention to these features, donors are better equipped to help client countries develop their own mechanisms in support of accountability. These fall in four categories:

- They signal that services are for people and that beneficiary perceptions are vital indicators of performance.
- Publication of client survey results broadens public awareness of project goals and the problems they address.
- Client surveys reinforce transparency.
- Indicators of customer opinion balance outcome indicators of the more technical kind.

From an evaluation perspective, client satisfaction surveys are often relatively cost-effective and give a faster turn-around of results than impact studies...

Donors can provide support for internal evaluation studies, using the example of the Australian portfolio evaluation plans as a model. This combines local contracts to develop capacity with a requirement that results are made publicly available and discussed in publicly accessible meetings wherever possible. 

Recent Sida Evaluations:

97/32 Diakonias arbete för månskliga rättigheter och demokrati i Sydamerika.
Juan-Enrique Bázán, Roberto Cuellar,
Sara Martínez Bergström
Department for Latin America

97/33 Estatísticas Educacionais e Informatização no Ministério da Educação de Moçambique.
Alicia Månsson, Richard Noanan
Department for Democracy and Social Development

97/34 Swedish Support to the Energy Sector in Eritrea.
Ralph Kårhammar
Department for Infrastructure and Economic Development

Susanne Oxenstierna, Henrik Huitfeldt
Department for Central and Eastern Europe

97/36 Swedish Support to Social Sciences Research Centres in Central America.
Rubin Tansini, Alberto Nagle
Department for Research Cooperation, SAREC

Daniel M Kammen
Department for Research Cooperation, SAREC

97/38 Biotechnology Research Projects: Tree Tissue Culture and Proteins/Enzymes as Biosensors.
Indra K Vasil, Howard H Weetall
Department for Research Cooperation, SAREC

97/39 Sida Support to World University Service - South Africa (WUS-SA).
Marcella Ballara, Shireen Motala, Lesley-Anne Wilkinson
Department for Democracy and Social Development

Susanne Oxenstierna, Henrik Huitfeldt
Department for Central and Eastern Europe