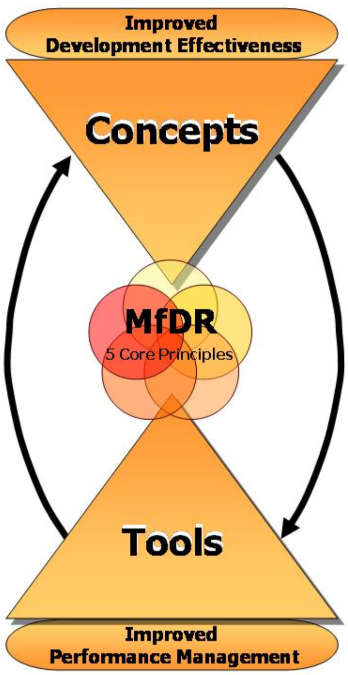
Part 1. MfDR Concepts, Tools and Principles

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, and 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 made 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, and sector programs and projects.

MfDR Principles

The principles of MfDR, agreed upon 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 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 management change reinforce each other in this process.

Development practitioners are applying MfDR 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 its 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?

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 toward 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

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.

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.

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 under way.

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.

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.

Development Outcomes

What are development outcomes?

OECD-DAC (2002) defines outcomes as the medium-term effects or results of a development intervention. Outcomes are the observable behavioral, institutional and societal changes that take place over 3 to 10 years, usually as the result of coordinated short-term investments in individual and organizational capacity building for key development stakeholders (such as national governments, civil society, and the private sector).

For many 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 the 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 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 their support for the Monterrey Consensus by discussing key principles, lessons, and practical ideas related to harmonization and alignment of development assistance.

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.

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 were topics for discussion at the High Level Forum on Harmonization, Alignment and Results in Paris in February 2005.

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 eight Millennium Development Goals (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.

Monterrey Consensus (2002)

The Monterrey Consensus emphasized the need to:

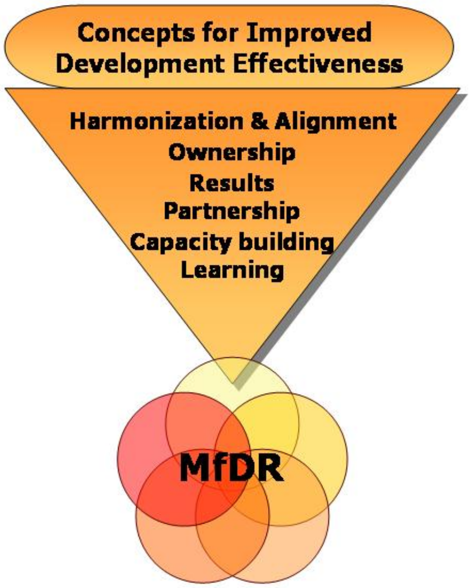
- harmonize development approaches among donors
- reduce transaction costs for recipient countries by aligning donor resources
- increase country-level absorptive capacity and improve financial management systems through capacity building
- increase local ownership in the design and implementation of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

Rome Declaration (2003)

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

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 and Paris Declarations 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 that 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 a 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 a process 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.

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.

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.

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 and 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.

Partnership can be defined as a collaborative relationship between entities to work toward shared objectives through a mutually agreed division of labor. At the country level, this means engaging under government leadership with national stakeholders and external partners (including international development agencies) in developing, implementing, and monitoring a country's own development strategy.

Adapted from "Aligning Assistance for Development Effectiveness: Promising Country Experience," World Bank (2003)

Capacity Building

The 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.

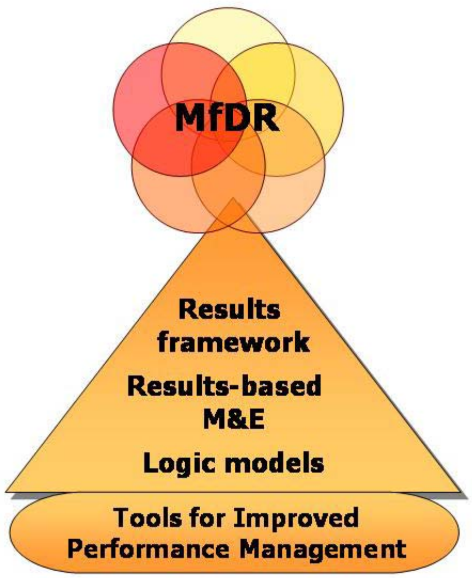
The focus now is on building sustainable capacities by providing partner countries with targeted and needs-oriented technical assistance for public sector management. Concretely, what this means is that where coordinated, harmonized, and country-owned development initiatives are under way, partner countries should assess their own gaps and needs in such areas as results-based strategic planning, management information systems, results-based M&E, needs analysis, and 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.

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.
- In each development initiative, partners first identify an obstacle (a specific problem or gap) that all stakeholders believe is important and that they think they can address.
- Partners then define outcomes that are realistic in terms of the country context, partners' capacity, and available resources.
- Partners collect and analyze information, explore possible solutions, and identify the best solution.

A development result is the output, outcome or impact (either intended or unintended, positive or negative) of a development intervention.

A number of important factors contribute to better development results and performance:

- Emphasis on continuous improvement at the institutional, program and project levels
- Gradual devolution of management authority and responsibility to program managers within public sector agencies
- Public sector and agency orientation toward "service delivery" and "quality of services" in terms of beneficiary needs and preferences
- Participation of a wide variety of stakeholders (including the ultimate beneficiaries) in defining the desired results
- Reform of budget processes and financial management systems to increase public transparency and accountability
- Consistent application of modern public management techniques

Strong performance management depends on strong public sector organizations and strong development agency management structures. It is inextricably linked to public sector reform processes in the developing and developed worlds as well as to institutional reforms carried out within international development agencies. Performance management is a holistic, cultural change that enables organizational managers and staff to value open and honest performance assessment and reporting.

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, logic models or results frameworks, results-based budgeting, risk management, and results-based M&E.

Results-based management is an approach aimed at achieving important changes in the way that organizations operate, with improving performance in terms of results as the central orientation. It provides the management framework and tools for strategic planning, risk management, performance monitoring, and evaluation. Its main purposes are to improve organizational learning and to fulfill accountability obligations through performance reporting. (Adapted from Meier, 2003).

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 impacts). 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. MfDR 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).

A logic model is a technical tool for summarizing all relevant information related to development assistance, a program or a project. Logic models usually are presented in a matrix covering such categories as objectives/results; inputs; indicators (or objectively-verifiable indicators); means of verification; and assumptions/risks. Various types of logic models have been designed for different purposes, so there is no "correct" format.

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 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.

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 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 within the framework of a country's own development priorities 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 different types of development interventions.