

on Managing for Development Results stated: ‘We accord the highest importance to supporting countries in strengthening their capacity to manage for development results better’. In acknowledging a new partnership of shared responsibility they noted: ‘Within this global partnership, countries must take the lead in managing their development and transition processes’. To assist in this process the heads of the multilateral development banks committed to ‘strengthen partner countries’ own institutions, systems, and capabilities to plan and implement projects and programs, report on results, and evaluate their development processes and outcomes, avoiding parallel donor-driven mechanisms’. An action plan was agreed (African Development Bank et al. 2004). This direction was strengthened further by the 2005 Paris Declaration on Aid Effectiveness.²

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

- 1 What is MfDR?
- 2 What are the known conditions for the successful adoption of MfDR?
- 3 Do these conditions apply to developing countries?
- 4 Does MfDR produce better results in developing countries?
- 5 What are emerging challenges in adopting MfDR in developing countries?

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

What is ‘managing for development results’ (MfDR)?

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

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

The results being sought according to global consensus are ‘sustainable improvements in country outcomes’ (African Development Bank et al. 2004).

According to the ADB’s 2004 *Action Plan for Managing for Development Results*, the purpose of MfDR is to help managers answer three questions:

- Are we being effective?
- How do we know?
- How do we use this information to determine future action? (ADB 2004)

MfDR is results-based management (RBM) expressed in development terminology. Given this, the question arises, why invent a new term? Why not just call it RBM and get on with it? Clearly, any initiative to speed up the pace at which development takes place is highly desirable, and it is very positive that aid agencies, which are using taxpayer-provided money, and developing countries, which are spending it along with their own resources, are willing to be accountable for the results obtained. So, maybe we need not worry too much about what term is used. On the other hand, it can be asked whether the focus on the achievement of development results (in the developing countries) has the effect, whether intended or not, of deflecting attention from the application of the principles of RBM inside the aid organisation itself. If aid agencies are not practising RBM internally—that is, they do not ‘practise what they preach’ in their internal management—can they, realistically, expect to achieve better development results, and how credible is their message to their clients?

As suggested by this article, better development results can be achieved, to some extent at least, by following the principles of MfDR only in client countries. However, by not practising RBM internally, development agencies are transferring responsibility for achieving results principally to their clients and missing opportunities to improve their own effectiveness. Is this fair given the frequent difference in capacity? Probably not. Also, client feedback given to OED as part of its evaluation work indicates that clients recognise that ADB does not always practise what it preaches and this affects client perception of ADB as a credible source of learning and policy advice.

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

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

- 1 **Specifying expected results.** Making explicit what results we expect to achieve before the policy, program or project is put in place usually

calls for results to be spelled out as activities to be undertaken, outputs to be produced, the outcomes that flow directly from having produced the outputs, and the broader impacts on people to which the project, program or policy will contribute. The main reason for breaking results down into this hierarchy is to account for differences in timing, measurability and attribution. At each level, measurable targets and indicators are set and baseline values determined. Additional steps are to: (a) spell out the data sources that will yield the required information for monitoring the achievement of results, and (b) the assumptions and risks that exist in the program logic of outputs leading to outcomes and impacts. What we have just described is the logical framework or design and monitoring framework as we term it in the ADB (ADB 2007b).

- 2 **Performance measurement.** The targets and indicators are tracked as a means of determining progress towards achieving the expected results. It is also desirable to monitor whether the program logic assumptions are continuing to hold true and risks, whether identified ex-ante or not, have occurred thus requiring mitigation. Collectively, these activities comprise monitoring. Evaluation goes beyond monitoring to determine why results were or were not achieved, and to identify good practice and lessons for the future.
- 3 **Performance management.** This involves the use of the data provided by performance measurement. ‘Managing for results involves using information to improve decision-

making and steer country-led development processes toward clearly defined goals’ (African Development Bank et al. 2004).

What are the known conditions for successful adoption of MfDR?

What does the literature tell us about the necessary conditions for MfDR’s adoption? OED recently completed an evaluation of ADB’s progress in adopting MfDR (ADB 2007c) and this contains a literature review that identified seven success factors that need to be present in an organisation for MfDR to be adopted successfully. These are:

- strong support from the senior leadership
- staff with the necessary skills, receiving appropriate training
- an organisational culture that focuses on achieving results
- supportive staff management practices and incentives
- sufficient operational capacity and resources
- appropriate management of change process for introducing MfDR
- suitable business systems and processes in place.

Lessons emerging from international experience (taken from the same OED study) are summarised in Figure 1 under three categories: (1) promoting favourable implementation conditions, (2) developing a performance measurement system, and (3) using performance measurement information.

FIGURE 1: LESSONS FROM ADOPTION OF RESULTS-BASED MANAGEMENT

Promoting favorable implementation conditions

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

Developing a performance measurement system

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

Using performance information

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

Do the conditions for successful adoption of MfDR apply to developing countries?

The perils of transferring management practices from developed to developing countries are well known (see for example ADB 2008 and Schick 1998). Since MfDR is the product of a ‘Western’ management tradition, we need to be cautious about saying that these lessons apply, or that they apply to the same extent, in the developing country context. Perhaps there are other factors that are more important in terms of success? Is MfDR even relevant to many developing countries? Schick (1998) provides a sobering assessment in respect of the relevance of the New Zealand reform model to developing countries:

I believe there are important preconditions for successfully implementing the new public management approach and these should not be ignored by countries striving to correct decades of mismanagement. In contrast to those who take the position that managerial deficiencies should be

the driving factor in determining the suitability of these types of reforms, I argue that they should be deterring factors. The greater shortcomings in a country’s established management practices, the less suitable the reforms.

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

- It proved more complex and time-consuming to build a functioning results-based monitoring and evaluation system than first thought.
- High-level commitment to performance evaluation is essential—this should be clearly demonstrated by allocation of sufficient budget and staff, the status of the activity within the

government and individual institution, and the existence of at least one influential ‘champion’ for results management.

- There are a number of preconditions for success in building evaluation capacity: (a) a commitment within the government to accountability, (b) management decisions are not made on political grounds, (c) an incentive structure exists that encourages public sector employees to operate in the public interest, and (d) stability in staffing.
- Building capacity in results monitoring and evaluation requires incentives and training at all levels: field, project management unit, province and central agency levels.
- Establishing a results-based monitoring and evaluation system is a means to an end, not an end in itself. It has a cost. Benefits are only obtained when the results are used in key budget, investment and policy/strategy decision-making processes. The design of results monitoring systems should not assume that information produced by these will be used. Rather, specific design features must be included to encourage and formalise use. Opportunities need to be captured in order to provide results-based monitoring and evaluation information for policymakers.
- Capacity building is a long-term process.

A World Bank Independent Evaluation Group study produced similar findings to those of ADB (Mackay 2007). It notes: ‘First and foremost is that *substantive demand from the government is a prerequisite to successful implementation*’ (emphasis in original). The study identifies three dimensions of success as: (1) utilisation of monitoring and evaluation information, (2) good-quality monitoring and evaluation information, and (3) sustainability. In citing Chile as an example of what ‘success looks like’, Mackay (2006) says that ‘in particular it is the intensive utilization of the monitoring information and evaluation findings which the M&E system produces ... [that] are used by the Finance Ministry for its resource allocation decisions with the budget process, and to impose management and efficiency improvements on sector ministries in the programs for which they are responsible’.

Clearly, there are a number of similarities among the lessons emerging from the international literature and OED’s experience in seven of ADB’s client countries. The importance of leadership, the time required for success, the need to create demand for results-based monitoring and evaluation information, and the need to align with existing budget and other systems stand out. However, there are clues to possible important differences. One is the availability of resources to support MfDR. These are likely to be much scarcer than in developed countries. Another difference is the extent to which the necessary preconditions for success are present—namely, a demonstrated commitment

to public sector accountability, limited political interference in management decisions, an incentive structure that encourages public servants to operate in the public interest, and a degree of stability in staffing. Most of these can safely be assumed to be true in developed countries, at least most of the time. The same cannot be said for many developing countries. Another significant difference between developing and developed countries is the level of capacity, particularly at mid and lower levels of organisations.

Another factor that should be considered is that of culture. The literature on RBM emphasises the importance of establishing a culture change that is supportive of managing on the basis of results. Even the most superficial observation reveals that developing countries cover a wide range of cultures and cultural traditions and that these differ greatly from those prevalent in the developed countries where RBM originated. Does national culture matter when introducing MfDR and can we measure the likely effect? In reviewing eight studies that sought to cluster countries on the basis of cultural variables, Ronen and Shenkar (1985) concluded that this was a valid process that reflected real differences. In his seminal work, Hofstede (1980, 1991) ranked countries on the basis of four value dimensions (later five): (1) power distance, (2) individualism/collectivism, (3) masculinity/femininity, (4) uncertainty avoidance, and (5) short-term/long-term orientation. Cultures also vary in terms of the way they establish truth and reality; for example, the relative importance placed on facts, figures and logic; as opposed to feelings, intuition and spirituality (Schneider & Barsoux, 1997). Without entering into details of the many studies on national culture and the implications of this for management, the reality of differing cultural values among nations certainly supports a conclusion that the introduction of MfDR in developing countries will have to confront challenges that may differ significantly from the countries in which the approach originated. While the globalisation of ideas and education may have narrowed the cultural differences among nations somewhat since much of this research was undertaken, enough differences remain to demand caution when introducing MfDR in developing countries.

Another difference between developed and developing countries is discussed by Caiden and Wildavsky (1990) when seeking to explain budgetary practices in rich versus poor countries—in particular, the need for frequent budget changes in the latter. They argue that the occurrence of the problem in many poor countries of very different races and culture suggests that common problems (rather than differences) are at play. In their view ‘the basic cause of the phenomenon in low-income countries is extreme and extensive uncertainty which, when combined with severe scarcity of financial resources, narrows the time horizons of top officials to two or three months or less’. This is hardly a context in which MfDR will

flourish. Paradoxically, therefore, it appears that the countries that need MfDR the most may be the least likely to be able to adopt it. Conversely, the conditions may be more suitable in countries where greater certainty and stability prevails.

Does MfDR produce better results in developing countries?

Whether the adoption of MfDR produces better results is a critical question, but perhaps surprisingly, there is a lack of empirical research addressing this. On the other hand, perhaps this is not so surprising as it is generally considered axiomatic that MfDR is a 'good thing'. As evaluators we support the principles of MfDR wholeheartedly but we should be rigorous in assessing the performance of MfDR in practice. Clearly, MfDR has a cost and the benefits should exceed the costs to make the effort worthwhile. In this section four pieces of evidence are presented that support the view that MfDR can contribute to better results: (1) the improvement in the performance of ADB's policy-based lending operations, (2) the overall trend towards improved performance of ADB lending operations and the convergence in the performance of ADB's ordinary capital resource and concessional lending operations, (3) shared characteristics of successful projects in ADB, and (4) an example of anecdotal evidence from a client. Certainly, the evidence is not definitive, but it is suggestive that positive gains for development are possible from applying the principles embodied in MfDR. However, the question of whether the value of the benefits exceeds the costs remains to be answered.

The case of ADB's experience with policy-based lending

As well as funding investment projects, ADB provides budget support loans to encourage policy reform—these operations are known as program or policy-based loans. The loans are generally disbursed in one to three tranches following compliance by the client with a number of agreed reform conditions. Since introducing program lending in 1978 until 31 December 2006, ADB approved 184 such loans to 31 client countries for a total amount of \$24 billion (ADB 2007d). The success of the 101 completed operations with program completion or independent evaluation assessments has varied widely over the years but with noticeable trends as shown in Figure 2. Overall, 51 per cent were rated 'successful', 46 per cent 'partly successful' and 3 per cent 'unsuccessful'.

The 2007 ADB evaluation study (ADB 2007d) sets out to identify the factors that favour or hinder success. While not a specific finding of the study, it is reasonable to suppose that the steady decline in the performance of program loans in the 1980s to a nadir of 0 per cent successful in 1991 focused the attention of managers on the need for corrective action and certainly, the success rate has climbed dramatically since then, being maintained around

the 70 per cent mark. The evaluation highlighted a number of factors associated with a lack of success—among others these included:

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

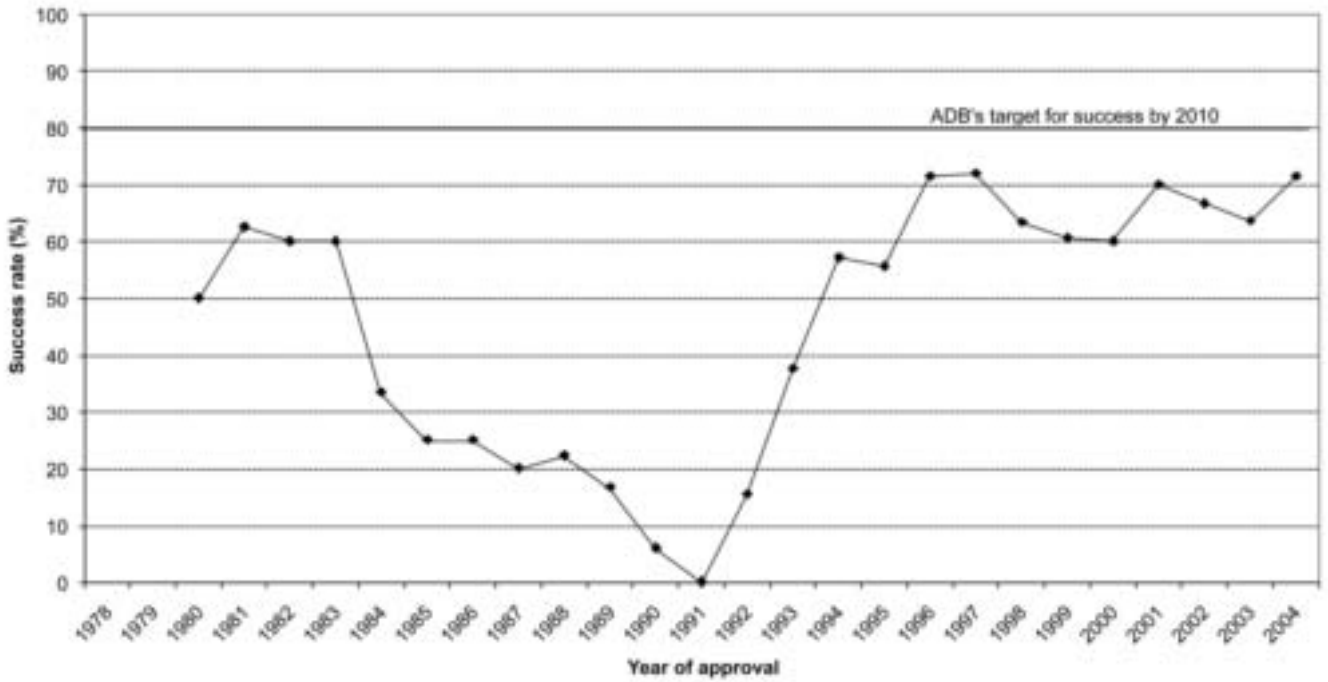
Taking these success factors into account has contributed to better performance of ADB's policy-based lending.

The case of trends in the overall performance of ADB operations

The second piece of evidence in support of the contention that application of the principles underlying MfDR can contribute to better development results is provided by the trend to improved overall project performance (not just policy-based lending) and the convergence of the success rate of ADB's lending under its Ordinary Capital Resource and Asian Development Fund windows (the latter provides concessional funding to the poorer countries). The success rates are shown in Figure 3.³ The trend is for improved performance and a convergence of performance by funding source.

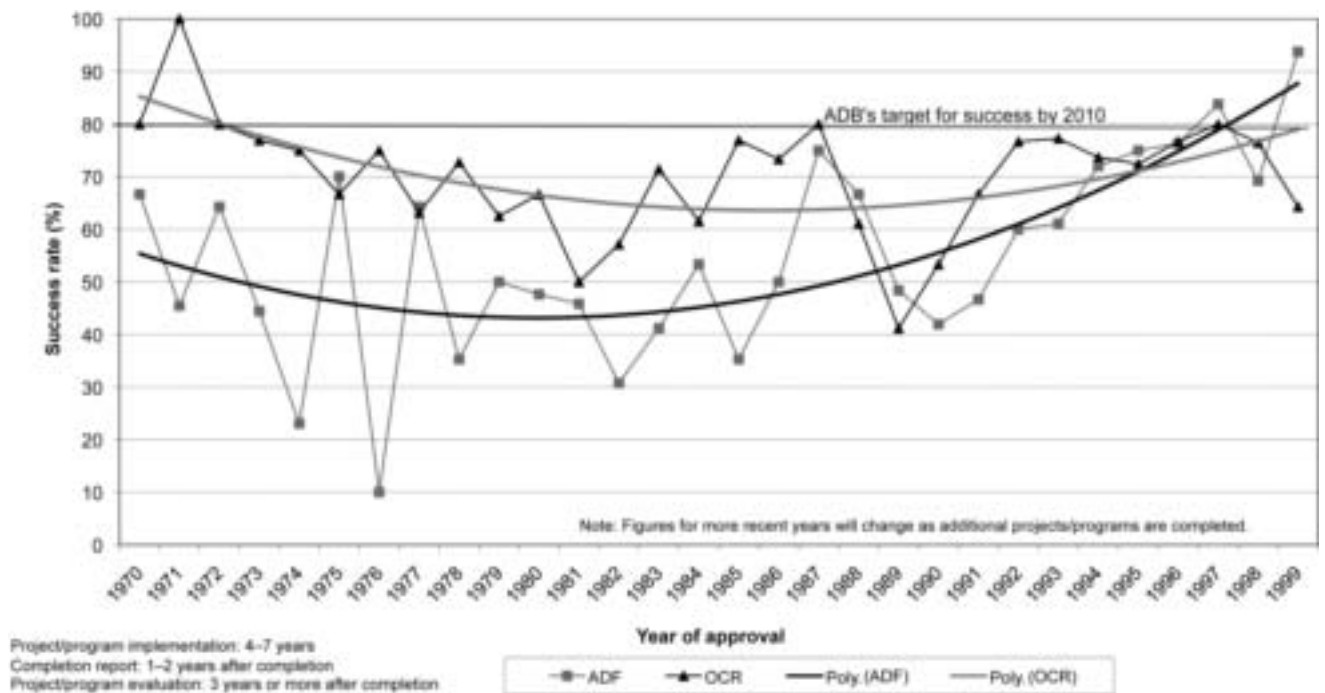
OED's 2005 Annual Evaluation Review (ADB 2005) confirmed the trend to improved performance after controlling for the variables of country and sector (projects are more likely to be successful in some countries and sectors than others). The study found a clear association between design quality and project success. Based on an assessment of 2001 projects with post-evaluation reports, it found that 85 per cent of projects with minimal design issues were rated successful, compared with 52 per cent with moderate design issues, and 17 per cent for those with major design issues. Further, it found that the proportion of projects with minimal design issues rose from 18 per cent for those approved in the period 1976–1979, to 42 per cent for 1980–1989, and to 65 per cent for 1990–1995. The report concludes that 'the design of ADB projects has progressively improved, an indication of continued

FIGURE 2: TRENDS IN PROGRAM RATINGS BY YEAR OF APPROVAL
 Percentage of program loans rated successful based on a three-year moving average



Source: Operations Evaluation Department's database

FIGURE 3: PROPORTION OF SUCCESSFUL OPERATIONS BY SOURCE OF FUNDS



Source: Operations Evaluation Department's database

learning and the effectiveness of initiatives aimed at strengthening project quality' (ADB 2005). Having said this, as noted later, the designers of ADB-funded projects are still having difficulty in defining expected results at the impact and outcome levels, and a significant part of the judgement of success may have been on the basis of output rather than outcome or impact achievement.

A recent OED study on the two most recent replenishments of the Asian Development Fund (ADB 2007e) calls the degree of convergence achieved between the performance of Ordinary Capital Resource and Asian Development Fund operations 'remarkable', given the generally lower levels of capacity in the less-developed countries that receive concessional funding. It opines a number of factors may have contributed to this trend including: improved capacity in the poorer countries following repeat operations, the gradual delegation of responsibility for project administration to ADB's resident missions, and the smaller size of Asian Development Fund operations (they are on average three times smaller), which may allow them to receive relatively more attention. In addition to the factors identified by the evaluation study, one can note the introduction of strategic planning by ADB in the early 1990s and the adoption of a set of strategic development objectives that brought greater clarity to the outcomes being sought from ADB's operations: use of the logical framework became prevalent and then mandatory during the decade, and an action plan produced by a task force on project quality was implemented to improve project performance. These initiatives embodied many of the principles of MfDR.

Characteristics of successful ADB projects

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

- A striking feature of successful projects was their ability to learn lessons from past experience and incorporate these lessons into the design of subsequent projects.
- Executing agencies and ADB staff were able to identify and solve problems during the implementation of successful projects.
- Flexibility by ADB in allowing appropriate design changes, a proactive stance in solving problems, and making approvals in a timely manner were characteristics of successful projects.

- The presence of baseline information appeared to be associated with more successful outcomes in the road sector.
- Over-optimism in the specification of expected results were often associated with less successful projects in the power and road sector operations.

The experience of the Bangladesh Local Government Engineering Department

The fourth element of evidence is the experience of the Local Government Engineering Department in Bangladesh, as presented in a workshop funded under an ADB regional technical assistance (ADB 2006a).⁴ The presentation compared the assessment of success based on output delivery versus outcome achievement. The example was of two bridges with associated approach roads. In one situation despite 99 per cent of the outputs being delivered, one part of an approach road was not complete. No benefits flowed so the outcome of 'increased and improved accessibility and mobility of people and of agricultural/non-agricultural goods' was not achieved. The very different assessment of performance when outcome attainment is taken into account is illustrated in Figure 4. This simple example belies a revolution in thinking that underpins it. Very different decisions will be made when success is judged on outcomes rather than outputs, and these decisions can make a dramatic difference to people's lives and hence development.

FIGURE 4: ASSESSING OUTCOME VERSUS OUTPUT ACHIEVEMENT

<p>Bridge 1 Progress: 99% Cost: 99 million</p>	<p>Bridge 2 Progress: 100% Cost: 100 million</p>
<p>One approach not complete Users cannot cross the river</p>	<p>Users can cross the river</p>
<p>No RESULT to users/clients</p>	<p>VERY USEFUL to users/clients</p>

Source: A presentation by M Zulyaminayn, Monitoring Engineer, Local Government Engineering Department, Bangladesh as presented in a seminar held in Bangkok, 13–14 November 2007 under the auspices of Asian Development Bank Regional Technical Assistance 6306: *Mainstreaming managing for development results in support of poverty reduction in South Asia*.

What are emerging challenges in adopting MfDR?

Accepting that the application MfDR can produce better development results, this section deals with a number of challenges we have encountered in ADB in seeking to apply it. It is suggested that many of these are relevant to developing countries in this part of the world as (1) the experience derives from designing and implementing projects in the Asia-Pacific region, and (2) a substantial majority of ADB's staff are from the region.

Specifying and agreeing expected results is not as easy it seems

A starting point for successful MfDR is to be able to specify expected results at various levels (outputs, outcomes and impacts), along with targets, indicators, baseline levels, data sources for monitoring and evaluation, and assumptions and risks. As previously mentioned, all ADB projects are required to have a design and monitoring framework where the required information is spelled out. Detailed guidelines exist and these have been modified several times over the years (ADB 2007c). ADB has invested considerable resources in providing training for staff to ensure the high quality of design and monitoring frameworks. Internal quality control systems have been put in place. Notwithstanding this, the quality remains disappointing. According to assessments carried out for OED, frameworks for projects approved in 2006 were only marginally better than those approved in 2000.

OED's experience in assessing the quality of design and monitoring frameworks has revealed two things: (1) it's hard to get the 'experts' to agree on what constitutes good quality, and (2) it's very hard to get project, program and policy proponents to come up with a good-quality frameworks—statements of expected results are at the wrong level or unclear (particularly at the outcome and impact levels), the program logic is not logical, indicators are missing for some results areas or are not relevant, targets and baselines are not given, data sources are poorly specified, and statements of assumptions and risks are often inadequate (including the inclusion of so-called 'killer risks or assumptions' that have a high probability and would doom the project, program or policy to failure if they occur (risks) or do not hold true (assumptions)).

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

- Despite instructions to the contrary, design and monitoring frameworks tend to be produced as an adjunct to the formulation process of the new project, program or policy rather than being used as (1) a design tool for conceptualising and analysis, (2) the basis for engaging with project stakeholders during formulation, and (3) an effective means of communicating thinking on results and the program logic to key decision-makers **throughout** the formulation

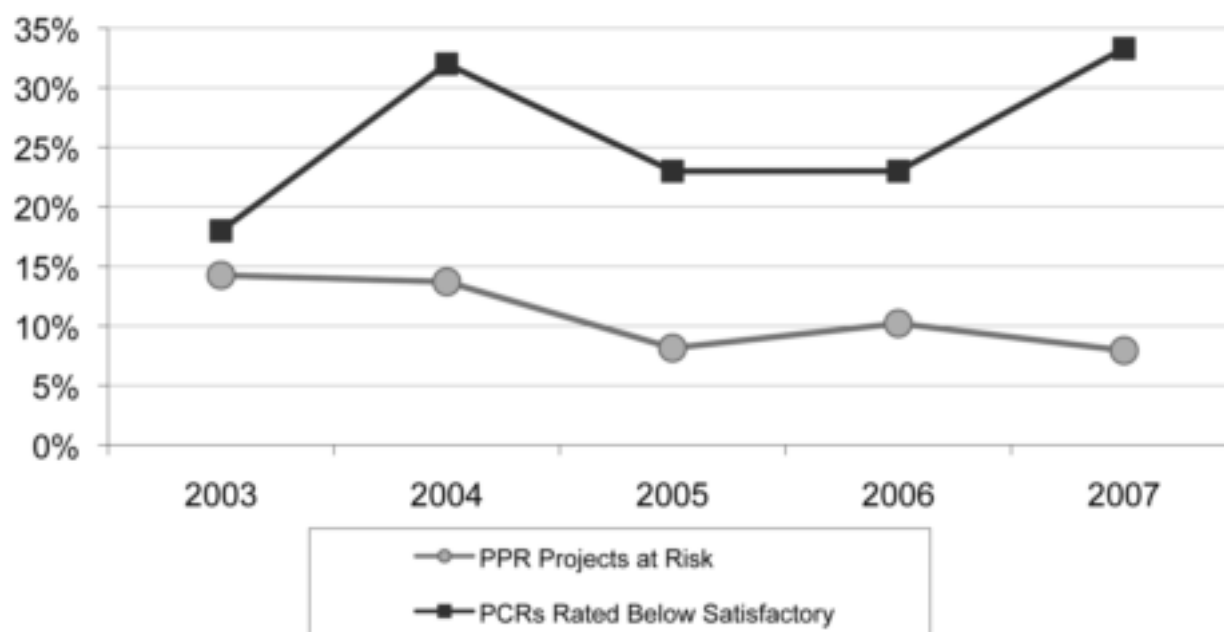
process. Previously, design and monitoring frameworks were mostly prepared as an afterthought following completion of design simply because it was mandatory to include one in the documentation. Given this reality, those responsible for project or policy formulation often see the design and monitoring framework as a necessary evil rather than as something useful.

- Projects, programs and policies are too frequently submitted for funding with an unclear definition and understanding of the problem to be solved (or in the worst cases, none at all). Not surprisingly, it is impossible to specify expected results if there is a lack of clarity about what the problem is, and what its underlying causes are. As the Cheshire Cat said to Alice in *Wonderland* in a well-known children's story, 'If you don't know where you are going, any road will take you there'. ADB requires project design teams to construct a problem tree but too frequently this does not occur.
- Even where the problem is reasonably well defined, there is generally a lack of quantified baseline information. Often the need for baseline information is acknowledged by saying this will be collected as part of implementation, but frequently this does not happen. Setting achievable targets is pretty well impossible in the absence of baseline information.
- If they can get away with it, people would rather not be held accountable for specific achievements so there is a natural reluctance to establish the basis by which one might be held accountable in the future.
- There is frequently a conflict between a stated commitment to the achievement of development results and the political reality of multiple agendas and objectives (both within the development agency and the government). A focus on the achievement of development results calls for simple designs with a limited number of outcomes, whereas the political reality of multiple agendas often results in projects, programs and policies with multiple expected outcomes and a consequent complexity and, in ADB's experience, reduced chances of success.

Problems in performance measurement during implementation

Beyond the problems with ex-ante specification of expected results, there are also problems in measuring performance during project implementation—in ADB the tool for this is known as the project performance report (PPR). This is designed to be a tool that alerts managers to underperforming projects that need remedial attention. It does this by rating projects as 'problem projects' (or not) and 'potential problem projects' (those not currently a problem

FIGURE 5: LESS THAN SUCCESSFUL/SATISFACTORY RATINGS IN PROJECT PERFORMANCE AND COMPLETION REPORTS



Source: Operations Evaluation Department's database

but showing early warning signs that they are heading in that direction) with the combination of the two categories being known as 'at-risk projects'. Every completed project has an evaluation of performance in the form of a project completion report (PCR). These rate projects as highly successful, successful, partly successful or unsuccessful. If the project performance monitoring system is working as intended, there should be a close relationship between the proportion of projects rated 'at risk' in the final PPR before closure and the PCR. As shown in Figure 5, this is far from the case. This phenomenon is known as the 'deathbed' conversion whereby apparently satisfactory projects become partly successful on completion.

OED's Annual Report on 2006 Portfolio Performance examined this problem in some detail (ADB 2007a). Using a random sample of 65 projects under implementation, it found that 44 per cent lacked the basis to measure progress towards the achievement of impact and outcome while 11 per cent even lacked the basis for determining implementation progress. Whereas according to the 65 PPRs, 98.4 per cent of projects were rated satisfactory or better, OED's reassessment was 25.4 per cent—the corresponding figures for partly

satisfactory were 1.6 per cent for PPRs and 28.6 per cent for OED's assessment. Interviews were conducted with project staff where 50 per cent of project officers doubted the system's ability to track progress towards the achievement of development objectives. The following factors were identified as contributing to this reality:

- poor-quality design and monitoring frameworks rendering monitoring difficult, if not impossible
- deficiencies in the use of the PPR, including a lack of sector expertise among project staff, excessive optimism, and insufficient candour in the reporting and ratings
- systemic inconsistencies in the PPR system
- user-unfriendliness of the system
- contradictory incentives resulting from the use of ratings generated by a system designed as an early warning tool to provide an overall measure of success of the portfolio. For the purpose for which the system was designed, it is desirable to have around 25 per cent of the portfolio identified as being 'at risk' to know where remedial attention is required. If used to measure success, as few as possible should be rated 'at risk'.

Organisational challenges in adopting MfDR

In this section, selected results are presented from a recent OED evaluation of MfDR in ADB (ADB 2007c). This evaluation included a staff perceptions survey. When asked to rank the relative importance in ADB of seven factors shown in the international literature to be critical for successful adoption of MfDR, 74 per cent of 772 staff rated senior leadership support as 'very important'. The next two highest ranked criteria were human resources practices, and staff skills and training. Results are shown for some of the questions on senior leadership support and human resources practices and incentives, along with some questions looking at whether staff believe MfDR is here to stay and is seen to be very important by ADB. The results should give pause for thought to those promoting MfDR at the institutional level.

Getting senior management to lead and be accountable⁵

Table 1 shows that only 33 per cent of respondent staff agree that ADB's management actively support

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

Table 2 presents the results of staff views on whether ADB management is held accountable for the achievement of development results. Here, administrative staff were the most positive with 67 per cent agreeing with the statement while international staff were much more negative in their views. More effort is required to demonstrate that achieving development results is taken seriously by the organisation, particularly to international staff.

Getting the organisational incentives right

As revealed in Table 3, ADB is a long way away from having the right human resource systems in

TABLE 1: STATEMENT: ADB'S MANAGEMENT ACTIVELY SUPPORTS THE RESULTS AGENDA IN A TANGIBLE WAY

	Disagreed	Neutral	Agreed	Don't know	Total N
	% of responses				
Overall result	21	29	33	17	811
International staff director level and above	36	33	31	0	42
International staff below director level	43	30	16	11	227
National officers	16	26	40	18	152
Administrative staff	7	30	43	20	328

TABLE 2: STATEMENT: ADB MANAGEMENT IS HELD ACCOUNTABLE FOR ACHIEVING DEVELOPMENT RESULTS

	Disagreed	Neutral	Agreed	Don't know	Total N
	% of responses				
Overall result	28	18	45	9	882
International staff director level and above	57	24	19	0	42
International staff below director level	62	15	15	7	227
National officers	22	24	45	9	152
Administrative staff	8	16	67	9	328

place to encourage a results focus. At one extreme, only 11 per cent of international staff below director level agreed with the statement.

Staff were even more negative about the proposition that current incentives in the organisation encourage staff to manage for development results—only 19 per cent of director

level and above international staff thought so while below the director level, almost none of the 227 respondents were of that opinion. (See Table 4).

Generating belief

Table 5 indicates that a significant minority of international staff believes MfDR is just another

TABLE 3: STATEMENT: HUMAN RESOURCE SYSTEMS MOTIVATE STAFF TO FOCUS ON RESULTS IN THEIR WORK

	Disagreed	Neutral	Agreed	Don't know	Total N
	% of responses				
Overall result	46	22	27	4	811
International staff director level and above	64	14	21	0	42
International staff below director level	69	17	11	4	227
National officers	47	22	26	5	152
Administrative staff	29	29	38	4	328

TABLE 4: STATEMENT: THE CURRENT INCENTIVES ENCOURAGE STAFF TO MANAGE FOR DEVELOPMENT RESULTS

	Disagreed	Neutral	Agreed	Don't know	Total N
	% of responses				
Overall result	54	25	14	7	801
International staff director level and above	64	17	19	0	42
International staff below director level	78	16	2	4	227
National officers	51	25	15	9	152
Administrative staff	37	33	21	9	328

TABLE 5: STATEMENT: MANAGING FOR DEVELOPMENT RESULTS IS A FAD

	Disagreed	Neutral	Agreed	Don't know	Total N
	% of responses				
Overall result	33	31	26	11	866
International staff director level and above	36	21	43	0	42
International staff below director level	30	27	37	5	227
National officers	34	31	26	9	152
Administrative staff	33	37	16	15	328

TABLE 6: STATEMENT: IN ADB ACHIEVING DEVELOPMENT RESULTS IS MORE IMPORTANT THAN ACHIEVING DISBURSEMENT AND LENDING TARGETS

	Disagreed	Neutral	Agreed	Don't know	Total N
	% of responses				
Overall result	38	23	29	11	904
International staff director level and above	55	21	24	0	42
International staff below director level	66	14	16	4	227
National officers	42	25	24	9	152
Administrative staff	16	30	38	16	328

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

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

Conclusions

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

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

government. The existence of a 'champion for change' with power and influence is an essential ingredient for success at whatever level.

Even where the preconditions are more favourable for successful adoption of MfDR, expectations about the pace of change need to be realistic and based on a clear understanding of the particular context—one size is most unlikely to fit all, so customised solutions are needed. This is where initiatives such as the ADB-supported by country-led MfDR Community of Practice⁶ can play a very effective role in helping practitioners customise the approach to the particular circumstances they are facing and to learn from the experience of others.

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

Notes

- 1 As outlined at <www.mfdr.org>, MfDR had its origins in the establishment of the Millennium Development Goals and the International Conference on Financing for Development in Monterrey, Mexico (2002), and was consolidated in the International Roundtable on Measuring, Monitoring, and Managing for Results (2002), and Second International Roundtable on Managing for Development Results, in Marrakech, Morocco (2004).
- 2 For further information on the *2005 Paris Declaration on Aid Effectiveness*, refer to <<http://www.aidharmonization.org/ah-overview/secondary-pages/editable?key=205>>.
- 3 Figure 3 shows project success rate by year of approval. Most projects approved after 2000 are still ongoing. The results shown for later years rely on fewer projects and more on self-evaluations by operational departments than independent evaluation. The completion of less well-performing projects is frequently delayed so these may not yet show up in the results. Hence, the success rates for later years may be lower as more delayed projects enter the database.

- 4 The website for the technical assistance is available at <<http://www.adb.org/Documents/Events/2007/Mainstreaming-MfDR/default.asp>>.
- 5 In the tables that follow, international staff are professionals recruited in the international marketplace from among ADB's member countries; national officers are professionally qualified staff recruited and working in their home country—a majority in resident missions; administrative staff are also working in their home country and are predominantly Filipinos in ADB's headquarters in Manila.
- 6 More information is available at <<http://cop-mfdr.adb.org>>.

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