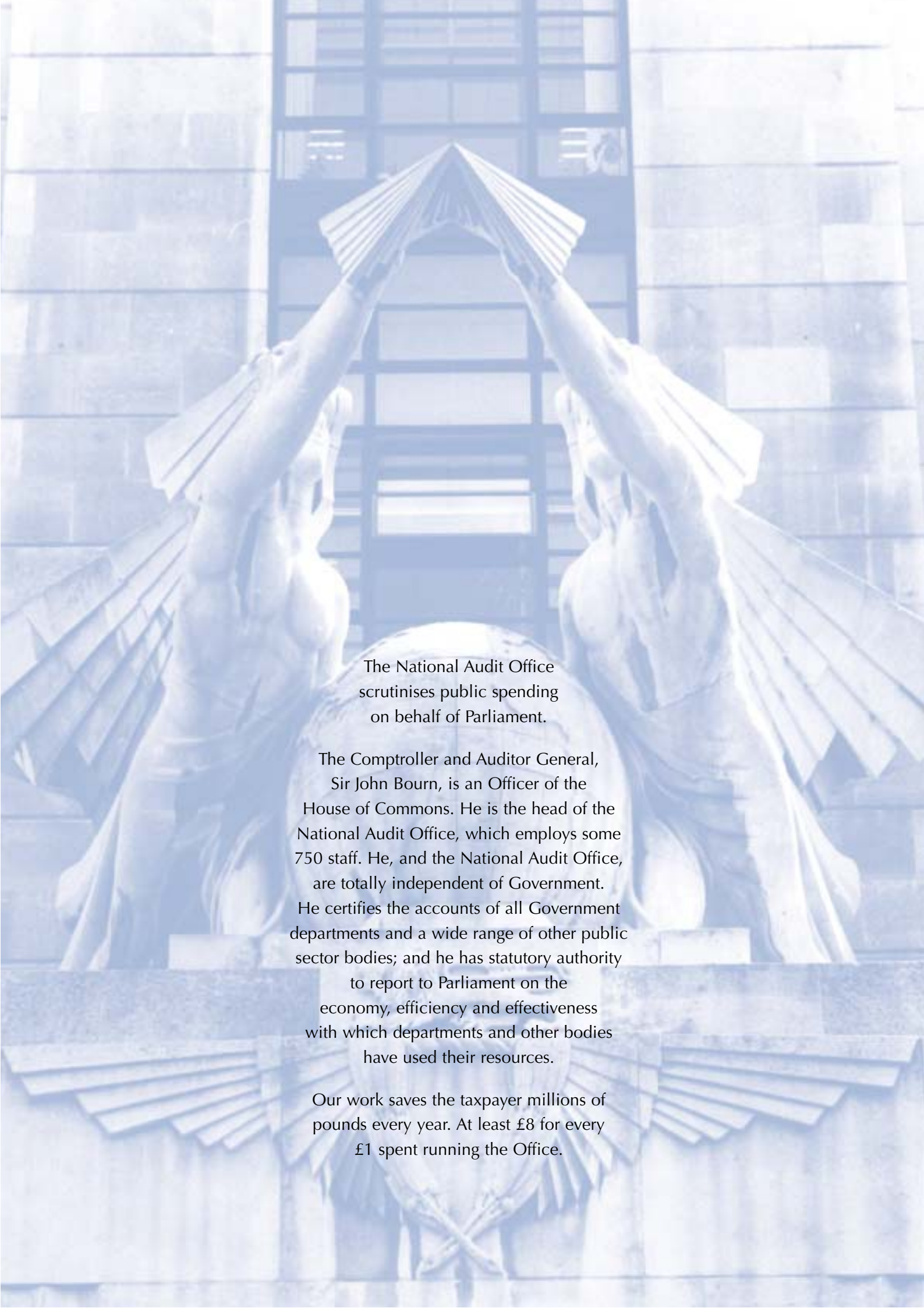


Department for International Development

Performance Management - Helping to Reduce World Poverty



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 739 Session 2001-2002: 12 April 2002



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This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn National Audit Office
Comptroller and Auditor General 25 March 2002

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Cover photo by Arthur Jones, Hulton Archive.

- A refugee child in a camp in western Somalia, in a national disaster caused by years of drought, war and economic decline.

executive summary

- 1 Over 1 billion people live in extreme poverty¹ around the world, particularly in Sub-Saharan Africa and South Asia². A poverty which is not just about material deprivation, but which is also about lack of health care and education; a lack of clean water and sanitation; and a lack of representation and freedom in society.
- 2 To meet the challenge of eliminating world poverty, the international development community adopted in 1996 seven International Development Targets (Appendix 1). These are long-term targets which have the overriding aim of reducing by one-half by 2015 the proportion of people living in extreme poverty. Department for International Development (DFID) objectives reflect the intent of the International Development Targets. In summary, they focus on the achievement of policies and actions which promote sustainable livelihoods; better education, health and opportunities for poor people; protection and better management of the natural and physical environment; and managing globalisation so that poverty is reduced.



- 3 DFID are a key player in the international development community. In 2000-01, total United Kingdom gross public expenditure on aid was £3.2 billion. Of this, 87 per cent (£2.8 billion) was spent through DFID³. DFID spend is due to rise to £3.6 billion in 2003-04 at current prices. Associated with medium-term expenditure planning, DFID have stated key performance targets in their Public Service Agreements for 1999-02 and 2001-04 which provide a medium term performance framework, and which draws on the longer-term International Development Targets. In line with Government policy on Departmental performance measurement, DFID performance targets have increasingly become associated with outcomes - poverty reduction - rather than measures of process or activity - and continue to evolve. Such evolution is also apparent internationally, with the United Nations adoption in 2000 of Millennium Development Goals (Appendix 1), similar to, and substantially derived from, the International Development Targets, and which will influence future DFID performance targets.

¹ Extreme poverty is defined by the World Bank as living on less than \$1 a day. Currently it is estimated that 1.2 billion people are in this position; with a further 1.6 billion existing on less than \$2 a day.

² Between 1987 and 1998 (the latest figures available) the number of people living in extreme poverty in Sub-Saharan Africa and South Asia increased by 78 million and 48 million respectively.

³ Non-DFID development expenditure includes investments in emerging markets by CDC Group plc (formerly the Commonwealth Development Corporation); non-DFID debt relief; drug related assistance funded by the Home Office and the Foreign Office; and contributions from other government departments to non-governmental organisations.

- 4 There are, however, challenges to effective performance management and measurement in the field of development. The timescales for discernible results to show through are often longer than those set for public expenditure monitoring and reporting. Development agencies may not know exactly what impact their efforts are having given the wide range of other agencies and external political, economic and social factors involved. Country programmes run by decentralised teams in the field may not be fully integrated into the high level objectives their agency is pursuing. And there may be problems with the quality of performance data available in developing countries. Nevertheless, making informed development decisions matters not only to the achievement of value for money, but also to the millions of people for whom international development is a crucial factor in rising out of poverty. This report examines the extent to which DFID use performance measurement to drive their development work. In particular we looked at:
- DFID's performance against their key measures and targets and the methodology which underpins their performance framework (Part 2);
 - how DFID have translated their objectives and Public Service Agreement targets into planning and activity at the country level (Part 3); and
 - how DFID monitor performance in deciding where they allocate their resources and which approaches to development assistance they employ (Part 4).

DFID are on track to meet most key targets but their contribution to global poverty reduction is hard to quantify

- 5 DFID's Public Service Agreements state their highest priority objectives for the succeeding three years, and associated performance measures and targets. The Agreements are reviewed every two years, as part of Government's Spending Review process, so one out of every three years is an 'overlap' year, with two sets of targets in force. 2001-02 was such a year and we set out below performance against 1999-02 and 2001-04 targets. **Figure 1** shows the latest reported performance (March 2001) against six⁴ key targets in DFID's 1999-02 Public Service Agreement. DFID had either met, or were on course to meet, four of these targets.

⁴ These six targets appeared in the 1999-02 Public Service Agreement itself. A further three measures were included in the supporting Output and Performance Analysis, which were also directly relevant to DFID's poverty reduction aim but for which no specific target levels were set.



1 Reported performance against DFID's 1999-02 Public Service Agreement targets to March 2001

Targets	Reported performance to March 2001 (DFID assessment of progress)
DFID will reduce poverty through a new aid strategy targeted on the poorest people in the poorest countries and underpinned by an additional £1.6 billion over the next three years, which will increase the overseas development assistance/GNP ratio to an estimated 0.3% by 2001.	0.32% (Met)
At least 75% of bilateral country resources are directed at low income countries by 2002, compared to 67% currently	75% (Met)
In the 30 largest recipients of British aid, DFID aims to make a major contribution to the achievement of	
<ul style="list-style-type: none"> ■ an annual 1.5% increase in GDP per capita, from the current average of 1.0%; 	-0.2% (Below target)
<ul style="list-style-type: none"> ■ a reduction of under-5 mortality rate from 74 to 70 per 1,000 live births by 2002; 	65/1,000 live births (Above target)
<ul style="list-style-type: none"> ■ a reduction in maternal mortality rate from 324 to 240 per 100,000 live births by 2002; and 	277/100,000 live births (Below target)
<ul style="list-style-type: none"> ■ an increase from 81%* to 91% of children in primary school by 2002 	89% (On course)

NOTE

* The published Public Service Agreement for 1999-02 gave the baseline figure for the percentage of children in primary education as 61%. However this was an error and the correct figure was 81%.

Source: DFID



- 6 With regard to the period 2001-04, DFID established four key objectives relating to the provision of assistance to low and middle income countries; sustainable development; and improved education and health outcomes. Of the 23 targets directly relevant to the achievement of these objectives, 12 reflect most directly the intention of the performance measures contained in the Public Service Agreement. It is too early to draw conclusions about whether the majority will be achieved. As at the end of December 2001, DFID had met one target, were forecasting that in two cases progress was ahead of schedule, were on course in another seven, and that slippage had occurred in two others (Figure 2).

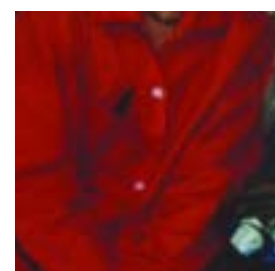
2 Reported performance against DFID's key 2001-04 Public Service Agreement targets to December 2001

Targets*	Reported performance to December 2001 (DFID assessment of progress)
An increase in the % of total bilateral country specific development aid going to low income countries from 71% in 1998-99 to 80% in 2002-03.	78% (Ahead of schedule)
An increase in the % of total bilateral country specific development aid spent in low income countries pursuing sustainable, pro-poor policies from 50% in 1998-99 to 65% in 2002-03.	56% (On course)
Increase the % of EC country specific official development assistance going to low income countries from 50% in 1998 to 55% in 2002.	38% (Major slippage)
Provide support to at least 12 partner countries by 2004 to develop and implement Poverty Reduction Strategies in co-ordination with other donors.	8 countries (Ahead of schedule)
DFID and HM Treasury working with the international community to bring 20 countries to Enhanced Heavily Indebted Poor Countries (HIPC II) Decision Points by end 2000 and a further 5 by end 2001. Building on this, the aim is for all HIPC countries to have reached their completion point by end 2004.	24 countries reached decision point; and 4 countries reached completion point by end 2001. (On course)
Developing guidance on the principles of sustainable development, securing OECD Development Assistance Committee agreement to it by mid-2001; work to secure wider international agreement by end-2001.	DAC agreement reached April 2001; and broader UN endorsement in November 2001 (Met)
Successful integration of these [sustainable development] principles into government, multilateral and DFID policies and programmes in 10 key DFID partner countries by early-2004, including agreed approaches to water resources management, and capacity building for environmental management.	11 target countries agreed and baselines established for five (On course)
Improved education systems in the top ten recipients of DFID education support demonstrated by:	
<ul style="list-style-type: none"> ■ an average increase in primary school enrolment from a baseline established in 2000 of 75% to 81% on the basis of data available in 2004; and 	78% (On course)
<ul style="list-style-type: none"> ■ improvements in gender equality in education, particularly primary education from a baseline of 86%. 	87% (On course)
Improvements in child, maternal and reproductive health in the top ten recipients of DFID health care assistance demonstrated by:	
<ul style="list-style-type: none"> ■ a decrease in the average under-5 mortality rate from 132 per 1,000 live births in 1997 to 103 on the basis of data available in 2004; 	134/1,000 live births (Some slippage)
<ul style="list-style-type: none"> ■ an increase in the proportion of births assisted by skilled attendants from a baseline established in 2000 of 43% to 50% on the basis of data available in 2004; and 	43% (On course)
<ul style="list-style-type: none"> ■ improved access to reproductive health care from a baseline of 32% for the extent of contraceptive prevalence in the 10 target countries. 	35% (On course)

NOTE

- * an analysis of all 23 targets which appear in DFID's Public Service Agreement, Service Delivery Agreement and Technical Note for 2001-04 which are directly relevant to the achievement of DFID's four poverty reduction objectives can be found at Figure 8 below.

- 7 DFID have forged stronger linkages over time between their Public Service Agreement objectives and their associated performance measures and targets; and have also made increasing efforts to design their performance measures and targets with good practice in mind. All the measures are relevant to the aim of eliminating poverty, and most are well-defined. Some difficulties remain, however, with the presentation and design of targets. Under current Government practice, key departmental performance targets appear in a Public Service Agreement; a Service Delivery Agreement sets out how key targets are to be achieved, and includes supporting and supplementary performance targets; and a Technical Note explains key terms and the approach to measuring performance. DFID provide a full description of their objectives, targets and measurement approaches in their current versions of these documents. But their Technical Note contains additional targets as well as explanation. And the complexity of the subject matter and the partially overlapping coverage of the three documents makes it difficult for a lay reader to obtain a full understanding of DFID's high-level performance targets.
- 8 The key design challenge that results from the adoption of outcome-based targets is the extent to which performance measures adequately reflect DFID's contribution to outcomes. The difficulty of establishing firm links between DFID's work and the achievement of outcome-orientated development goals is faced by all development agencies which have adopted the International Development Targets as the focus of their work. Dr Howard White of the Institute of Development Studies, University of Sussex, in a paper commissioned by the National Audit Office on the role of performance measurement in the international development field (Appendix 2), concludes that it 'is impossible (or at best virtually impossible) for an individual agency to isolate its impact on global, or even country, trends in the [International Development Target] indicators'.
- 9 In devising their Public Service Agreement targets DFID have recognised the problem, and looked to mitigate its effect by focusing targets on countries, sectors or activities where they judge the United Kingdom to have a significant influence on outcomes. They have also reflected influential aid effectiveness research in focusing aid in the poorest countries, and especially those with strong poverty reduction policies, and in sectors, where research has indicated the greatest impact can be achieved. Different approaches to performance targeting, such as targeting outputs, could solve attributability problems. But they can introduce other problems, such as: putting more emphasis on activity than achievement; obscuring the link between medium-term targets and longer-term outcome targets; and highlighting difficulties in aggregating many different sorts of output so as to provide an overall picture of performance against key objectives. Some of these problems have recently been highlighted by the Development Assistance Committee.⁵
- 10 Another important facet of effective performance management is the extent to which performance targets influence operational staff. DFID operational staff told us they felt disconnected from the Public Service Agreement targets and instead viewed the longer established International Development Targets, the relevant DFID Country Strategy Paper, and increasingly the host nation's development plan, as key drivers for their programmes. This situation was partly due to limited promotion of the Public Service Agreement targets within DFID, which was being remedied at the time of our study by a series of meetings and seminars. It was also due to the three-year timeframe, common to most Public Service Agreements, over which these outcome-orientated targets apply, which leaves country staff little opportunity to influence target outcome through management action, since discernible results in the development field often take more than three years to generate.



⁵ Development Assistance Committee, OECD (2000), *Results Based Management in the Development Co-operation Agencies: A Review of Experience (Executive Summary)*, Paris.

Performance measurement should feature more explicitly in DFID country programme management

- 11** DFID's country planning is based around the host nation's plans for development, and provides for widespread consultation with development partners. The resulting DFID plans for country assistance clearly address DFID's poverty reduction objectives. But they lack quantification of the scale of poverty reduction that is anticipated, and they do not identify the major risks to progress - such as conflict, disasters or adverse weather - or indicate how the programme proposed mitigates these risks. DFID are now reviewing their country planning processes.
- 12** In the past, DFID have implemented their country strategies largely through bilaterally-funded projects. The majority of projects we examined had clear objectives and associated performance measures, linking inputs, processes, outputs and immediate results, and an appropriate assessment of risks. A generic weakness of stand-alone projects faced by all development agencies, however, is that it is very difficult to identify how projects will contribute to poverty reduction at the national level and sustain their impact after donor-funding has ended. In response, DFID have made increasing use of broader-based approaches to channelling assistance to enhance prospects of sustainability.
- 13** Sector-wide approaches and budget support represent a move away from the funding of discrete projects towards funding sector expenditure budgets or national budgets. Sector-wide and budget support approaches can bring real benefits to poor people by increasing host nation ownership of development activity and reducing the costs of implementation. But they also present different risks for donors because they have less control over the use of funds, and links between achievement and an individual donor's contribution or activity is less clear. DFID have recognised this circumstance and have adopted explicit risk analysis and management arrangements to help counter the risks. DFID have also become engaged in other types of non-project-specific work as well, such as influencing the work of other bodies in pursuit of DFID's objectives for a particular country. DFID country staff we talked to saw this as increasingly important (**Figure 3**).

3 Influencing

'It's not just the case of DFID actually providing funds, it's also using our own strengths, our own people in influencing major players within Government.'

Source: NAO focus groups with country teams

Performance monitoring and review are well established but need better integration into corporate management systems

- 14** DFID employ a range of methods to monitor progress against their performance targets, from project monitoring through to periodic evaluation studies of the effects of their assistance. This range of methods has the potential to reflect the needs of performance management at different levels in DFID. But there are some areas where performance measurement does not yet make a full contribution to the management of DFID:
- country planning does not yet yield quantified objectives for poverty reduction, limiting the scope for monitoring progress at country level;
 - the Management Board concluded in 2000 that its performance monitoring role was limited by the flow of performance information. DFID have improved the information available, but there has not been a package of information that links together information on resources, activities and results;
 - DFID have directed evaluation work more towards sectoral and thematic reviews, and away from project evaluation, to improve the extent to which useful lessons can be identified and communicated to operational staff. But there is scope to use evaluation more directly in support of performance management - for example, by greater use of 'country evaluations' to help establish donor countries' contribution to poverty reduction, and the achievements that can be credited to DFID.
- 15** Measuring performance needs to be underpinned by data of appropriate quality. DFID have defined the type and sources of the data to be used for measuring and monitoring purposes, relying largely on definitions agreed by the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development. Most poverty data are collected independently of DFID and many poverty statistics suffer from timelags in data production; infrequent production; and concerns about the reliability of data collection. Although DFID are largely reliant on others for the collection of poverty data they are committed to improving data quality through their support of initiatives such as the Partnership in Statistics for Development in the 21st Century, which is seeking to help developing countries raise their capacity to generate good quality data, as well as funding country-specific projects with a similar purpose.



Conclusions and recommendations

Overall conclusions

16 DFID's professionalism in the pursuit of poverty reduction was widely recognized by the other donors and recipients of development assistance to whom we spoke during our study, and also in formal peer reviews of DFID: "DFID's strong presence in the field enables the United Kingdom to take a leading and often pro-active role within the local donor community"⁶. That professionalism is reflected in DFID's approach to performance management, which has a number of strengths:

- a clear focus on poverty reduction outcomes, targeted in agreement with international partners;
- strong leadership in pursuit of poverty reduction goals;
- planning and review systems which offer full, if largely qualitative, coverage of performance issues;
- established programme evaluation arrangements.

17 But to ensure that plans support the achievement of performance targets, and monitoring provides useful information for management on resource allocation and choice of development activity, performance measurement in DFID needs a stronger focus and a more direct relationship with performance management. The following recommendations are designed to help counter the risks inherent in measuring performance in the international development field, within the framework for measuring the performance of Departments set by the Government.

On DFID's strategic performance framework

18 In framing their Public Service Agreement targets, DFID have taken sensible steps to establish a medium term performance framework aligned to achievement of the longer term International Development Targets, which also recognises limitations on assessment inherent to the development field. But to make the Public Service Agreement targets into key drivers of corporate performance DFID should:

- maintain their focus on intended results, looking to improve their alignment with the International Development Targets and Millennium Development Goals which DFID have endorsed;
- clarify the relationship between Public Service Agreement outcome targets and supporting output and process targets in their Service Delivery Agreement, making sure that the targets represent a coherent and comprehensive expression of planned progress towards the underlying priority objectives;
- look to increase the value of the Public Service Agreement targets through improving their relevance to management, by:
 - seeking Treasury agreement to an extension of the time period over which Public Service Agreement targets apply so that a greater proportion of in-period management decisions taken within the life of these targets can affect target outturn;

⁶ Development Assistance Committee, OECD (2001), *A Review of the Development Co-operation Policies and Programmes of the United Kingdom*, Paris.



- reviewing the definitions of Public Service Agreement and Service Delivery Agreement targets, to factor in considerations of the proportion of front-line staff whose work they cover, as well as the proportion of expenditure and activity, to ensure that the coverage of these key targets present a balanced view of DFID's activities;
- where Public Service Agreement targets apply to specified country programmes, making sure that the expected contribution from each programme is defined when setting the targets, and understood by corporate and country staff, as an aid to planning and monitoring.

On DFID's country programme management

19 DFID have well established country planning which makes strong qualitative links between corporate objectives and resources allocated to country programmes. But country planning does not yield country performance targets, and it is difficult to associate the success of planned bilateral assistance programmes with progress towards corporate performance objectives. To strengthen country planning so that it is better placed to drive operational performance at the country level and to inform the monitoring of performance against DFID's Public Service Agreement, DFID should:

- make sure that country planning quantifies potential poverty reduction performance, and deals explicitly with risks to performance and risk management. The Annex to this Summary sets out some relevant questions for country planning to consider;
- streamline their country planning to minimise the number of documents produced, and ensure that their strategy for each country is kept up to date;
- develop an approach to measure the result of 'influencing activity', by reference to changes in the policies and practices of those to be influenced.

On DFID's performance monitoring and review

20 DFID have well-defined planning and review mechanisms; and evaluation has been made more relevant and more able to draw out lessons on aid effectiveness through its greater sectoral focus. But to give greater prominence to performance monitoring; and to address the problems of data quality, DFID should:

- consider the merits of creating a balanced set of corporate indicators, drawing on existing information where available, which covers not only results but also indications of the quality of processes, policies and resources - so measuring factors providing an indication of future results;
- consider replacing current End of Cycle reviews of country strategies with periodic country evaluations, undertaken as part of their mainstream evaluation programme; and
- continue efforts to improve host nation poverty statistics, particularly where such statistics are crucial for effective monitoring of progress against DFID performance targets.

Annex

Key questions relevant to DFID country planning

Partnership issues

1. Does the country plan take account of any host nation development plan (Poverty Reduction Strategy Paper, or equivalent) which has been drawn up?
 - Do host nation poverty reduction policies and targets provide a suitable basis for DFID support?
 - Is the development path proposed by the host nation's plan realistic?
2. Does the country plan assess the host nation's capacity to deliver planned improvements as per its development plan?
 - Has the quality of the host nation's governance arrangements been assessed (drawing on DFID's seven key capabilities of governance, and the *Governance Assessment Framework*)?
 - Where available, have the results of any Country Financial Accountability Assessment been taken account of?
3. Does the country plan assess the significance of major risks to progress; for example, political upheaval, or natural disasters?
4. Does the country plan assess the degree of coherence between different bilateral and multilateral donor partners' policies and practices?
 - Has the plan identified areas where, because of particular strengths or experience, DFID would enjoy comparative advantages over other donors in providing assistance?

Linking activities to objectives

5. Does the plan set out a broadly drawn logic model identifying how proposed DFID development assistance would reduce poverty?
 - Does the country plan identify key performance objectives, and associated targets?
 - What are the linkages between the inputs, processes and outputs which DFID are intending to deliver, and the results they hope to achieve?
 - What are the key assumptions upon which the model is based?

- What are the dependencies and interactions within the DFID country programme which are key to the achievement of the model?
- What are the external dependencies and interactions with the host nation government, donor partners and other development organisations upon which achievement of poverty reduction depends?

Risk management

6. Does the country plan cover the risks to the achievement of DFID performance objectives which are inherent in the strategy?
 - Has the plan assessed the significance and likelihood of the various risks identified?
 - Have these risks been related to the selection and priority accorded to proposed development activities?
 - Does the plan set out how risks will be managed?

DFID assistance strategy

7. Does the country plan set out a strategy for taking forward DFID development assistance based on the analysis of host nation development plans and capacity; donor coherence; risk management; and linkages between activities and the achievement of country objectives?
 - Is it clear why assistance is being proposed in specific areas?
 - Is the strategy precise enough to enable competing development proposals to be assessed against it?
 - Does the strategy demonstrate a clear sense of forward progress?
 - Are there adequate arrangements for monitoring progress towards country objectives and targets?

Resourcing

8. Does the country plan set out clearly the DFID resources, financial and human, needed to implement the strategy?
 - Have resources been clearly linked to expected improvements in key poverty indicators?
 - Has the significance for poverty reduction of different levels of resourcing been analysed and used to justify proposed resourcing levels?

Part 1

Performance management is important for tackling world poverty

'We will spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the human race from want.'

United Nations Millennium Declaration, September 2000

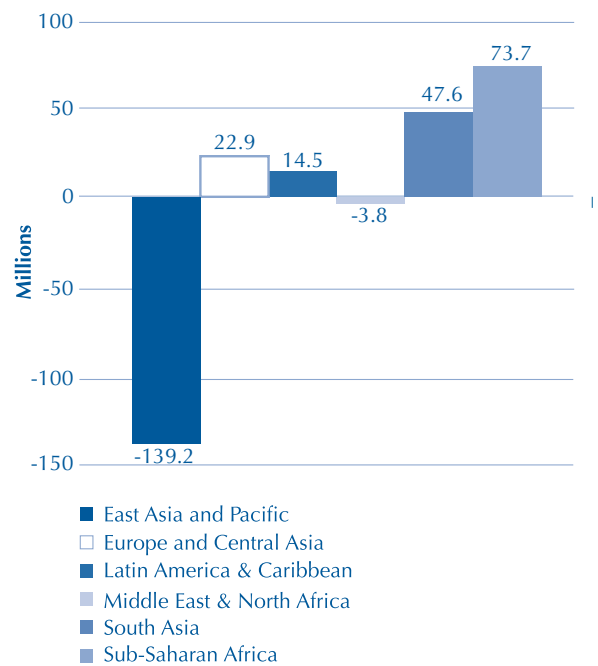
'Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.'

World Bank, Poverty Net Website⁷, 2001

Poverty is multi-dimensional and has a global reach

- 1.1 Over 1 billion people live in extreme poverty⁸, one in five of the world's population. This poverty is multi-dimensional. It is not just about material deprivation. It is also about low levels of education and health; a lack of access to adequate sanitation and clean water; of vulnerability to risks of violence, crime and natural disasters.
- 1.2 The distribution of poverty is not static (**Figure 4**). Worldwide the number and proportion of people living in extreme poverty declined slightly through the mid 1990s. Most of the decline was in East Asia, notably China. But progress slowed temporarily in some Asian countries in the late 1990s, and ground to a halt or reversed in others. In the rest of the world, while the proportion of people in poverty declined, population growth meant that the number of poor people increased. And in the countries of the former Soviet Union, undergoing economic and social transition, the proportion of poor more than tripled. The numbers of poor are greatest in South Asia (**Figure 5 on page 12**), but Sub-Saharan Africa has the greatest share (46 per cent in 1998⁹) of population living in extreme poverty.

4 Where poverty has fallen and where it has not - the change in number of people living on less than \$1 a day, 1987-98



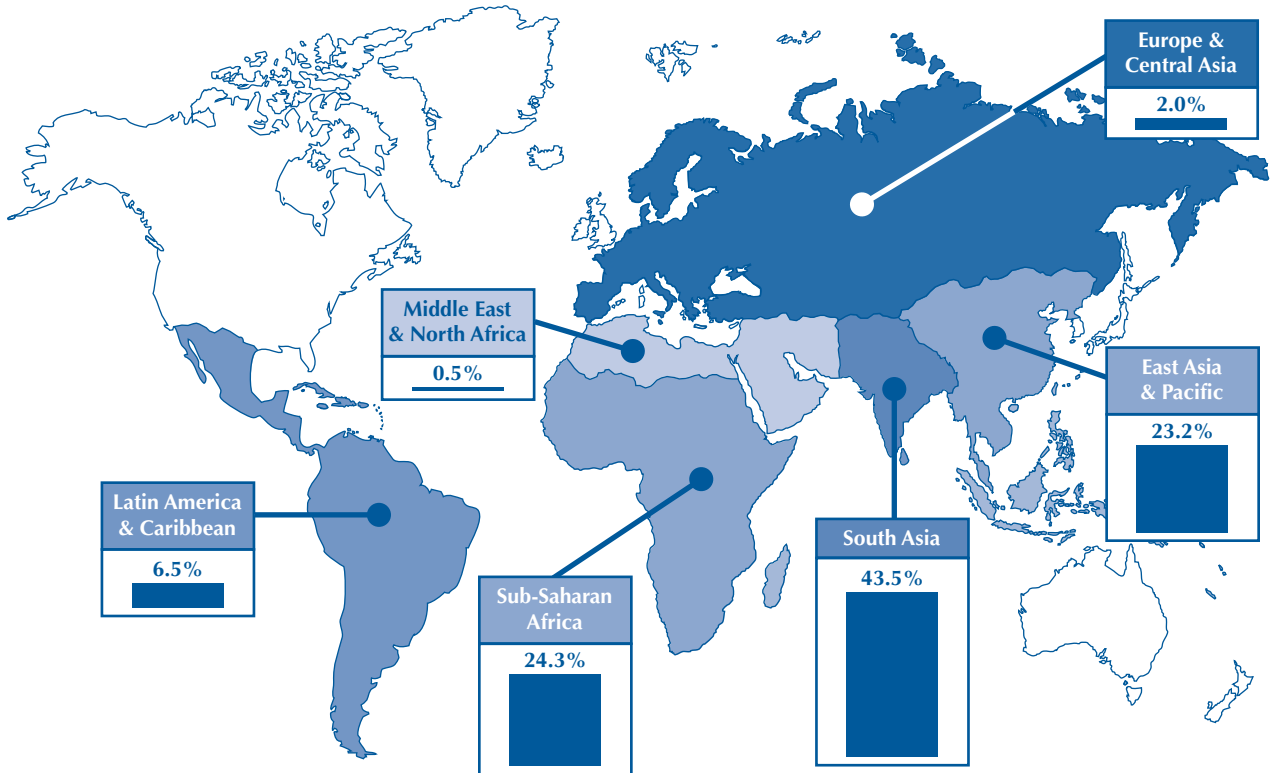
Source: World Bank (2001), World Development Report 2000-01

⁷ The World Bank Poverty Net can be accessed at <http://www.worldbank.org/poverty/>

⁸ Extreme poverty is defined by the World Bank as living on less than \$1 a day. Currently it is estimated that 1.2 billion people are in this position; with a further 1.6 billion existing on less than \$2 a day.

⁹ These are the latest figures available, as published in the World Bank's World Development Report 2000-01.

5 Distribution of population living in extreme poverty, 1998 (1.2 billion)



Source: World Bank (2001), World Development Report 2000-01

The international community has set targets for the elimination of poverty

1.3 The multi-faceted nature of poverty, and its changing global reach mean that efforts to tackle it need to be addressed on an international scale. The international community has recognised the aim of eliminating world poverty as the greatest challenge that it faces¹⁰. To address this challenge the Development Assistance Committee¹¹ of the Organisation for Economic Co-operation and Development adopted a number of International Development Targets in 1996 to drive forward progress (Appendix 1)¹². These Targets have the overriding aim of reducing by one-half by 2015 the proportion of people living in extreme poverty. Each target addresses an aspect of poverty: economic well-being; social and human development; and environmental sustainability and regeneration.

DFID lead the United Kingdom's commitment to tackling world poverty

'This White Paper sets out the Government's policies to achieve the sustainable development of this planet. It is first, and most importantly, about the single greatest challenge which the world faces - eliminating poverty. It is about ensuring that the poorest people in the world benefit as we move towards a new global society. It is about creating partnerships with developing countries and their peoples, on the basis of specific and achievable targets, to bring that about.'

White Paper on International Development (1997), Eliminating World Poverty: A Challenge for the 21st Century, Cm 3789, London, The Stationery Office

¹⁰ IMF, OECD, United Nations, World Bank (2000), A Better World for All - Progress towards the international development goals, Washington DC.

¹¹ The Development Assistance Committee is one of the key forums in which bilateral donors work together to increase the effectiveness of their common efforts to support sustainable development. The United Kingdom joined in 1961 when the Committee was established. The Committee concentrates on how international development co-operation contributes to the capacity of developing countries to participate in the global economy and the capacity of people to overcome poverty and participate fully in their societies. Amongst its main activities are peer reviews which monitor the aid programmes of individual Member countries. More information on the work of the Committee can be found at <http://www.oecd.org/dac>.

¹² Development Assistance Committee, OECD (1996), Shaping the 21st Century: The Contribution of Development Co-operation, Paris.

- 1.4 Key events which have shaped the United Kingdom's and the development community's approach to international development are set out in Appendix 3. This approach has been cast around the three key factors of poverty reduction; working in partnership; and sustainable development. Since 1997, the United Kingdom Government has given a strong commitment to tackling global poverty, and has placed development issues high on the agenda.
- 1.5 This commitment is reflected in the two International Development White Papers. The first¹³, published in 1997, committed the United Kingdom to the elimination of poverty and the encouragement of pro-poor economic growth as the over-arching goal for development co-operation; a multi-faceted approach to building partnerships with developing countries, other donors and development agencies, the private and voluntary sectors and the research community; broad consistency with the sustainable development objective across all Government policies affecting developing countries, particularly in the areas of human rights, conflict prevention and debt relief; and building support for development by increasing public awareness. The 1997 White Paper also stressed the importance of development funds no longer being used to promote short-term commercial objectives and announced the closing of the Aid and Trade Provision. This has resulted in a change of focus in some countries.
- 1.6 The second White Paper¹⁴ was published in 2000. It reaffirmed the United Kingdom's commitment to the International Development Targets and set out the challenges presented by globalisation and how it could be harnessed to reduce poverty and help achieve those Targets. The White Paper announced the introduction of a new International Development Bill to replace the outdated Overseas Development and Co-operation Act 1980, in order to consolidate the United Kingdom's poverty focused approach to development.
- 1.7 The United Kingdom's contribution to reducing world poverty is led by the Department for International Development (DFID). DFID were created as a separate Department in 1997 as a successor to the Overseas Development Administration, which was part of the

Foreign and Commonwealth Office. Spending on development assistance¹⁵ is increasing. In 2000-01, total United Kingdom gross public expenditure on aid was £3.2 billion. Of this, £2.8 billion (87 per cent) was spent through DFID¹⁶. DFID's spend is due to rise to £3.6 billion in 2003-04 at current prices. DFID are responsible for providing bilateral and multilateral¹⁷ development assistance to developing countries (in 2000-01, DFID provided assistance to the value of £1,414 million and £1,297 million respectively, including humanitarian assistance). Bilateral aid takes a number of forms, the most common is technical co-operation which made up 41 per cent of all bilateral aid provided in 2000-01 (Figure 6).

- 1.8 In 2000, the United Kingdom became the fourth largest provider of official development assistance amongst the Organisation for Economic Co-operation and Development's Development Assistance Committee Members behind Japan, the United States and Germany¹⁸. The United Nations' target for official development assistance is 0.7 per cent of Gross National Product. In 2000, the UK ratio was 0.32 per cent and the United Kingdom has committed itself to increasing the ratio to 0.33 per cent by 2003-04¹⁹, whilst continuing to make progress towards the 0.7 per cent target.

Using performance measurement to drive effective development work is not straightforward

- 1.9 Setting targets and measuring quantifiable progress are key factors in making the long term vision of poverty elimination a reality. Performance measurement is important at various levels: internationally, because poverty is a global problem; nationally, because different countries have different poverty needs; and institutionally, because the many donor nations and development agencies involved in providing development assistance need to know how best to contribute to the global effort, and be accountable for the support they provide.

13 *White Paper on International Development (1997), Eliminating World Poverty: A Challenge for the 21st Century, Cm 3789, London, The Stationery Office.*

14 *White Paper on International Development (2000), Eliminating World Poverty: Making Globalisation Work for the Poor, Cm 5006, London, The Stationery Office.*

15 *Development assistance from the United Kingdom is broken down into official development assistance (flows to developing countries and multilateral institutions provided by official agencies to promote the economic development and welfare of developing countries as its main objective; and which is concessional in character and contains a grant element of at least 25 per cent); official aid (flows to countries which are not eligible to receive official development assistance); other official flows (flows to aid recipient countries from the official sector which do not satisfy the criteria for official development assistance and official aid); and private flows (which are long-term capital transactions by United Kingdom residents, as defined for balance of payment purposes, with aid recipient countries, or through multilateral agencies for the benefit of such countries).*

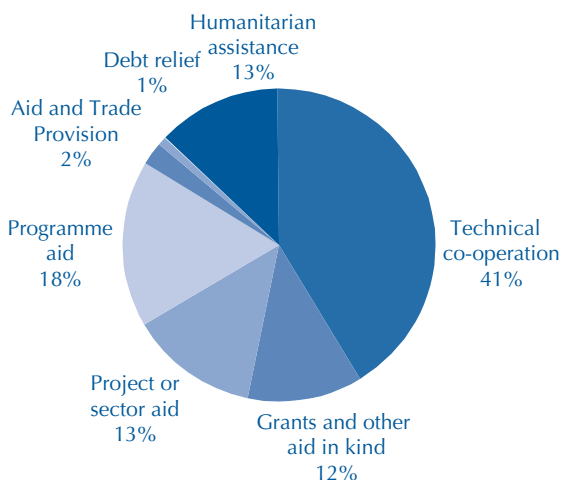
16 *Non-DFID development expenditure includes investments in emerging markets by CDC Group plc (formerly the Commonwealth Development Corporation); non-DFID debt relief; drug related assistance funded by the Home Office and the Foreign Office; and contributions from other government departments to Non-Governmental Organisations.*

17 *Bilateral aid is provided by DFID to aid recipient countries on a country to country basis. Multilateral aid is defined as aid which is channelled through international bodies for use in or on behalf of aid recipient countries. Aid channelled through multilateral development institutions is regarded as bilateral where DFID control the use and destination of funds. This relates mainly to humanitarian assistance delivered through United Nations agencies.*

18 *Development Assistance Committee, OECD (2001), Review of the Development Co-operation Policies and Programmes of the United Kingdom, Paris.*

19 *White Paper on International Development (2000), Eliminating World Poverty: Making Globalisation Work for the Poor, Cm 5006, London, The Stationery Office.*

6 Different forms of bilateral aid provided by DFID, 2000-01



Source: DFID, *Statistics on International Development, 1996-97 to 2000-01*

1.10 But there are difficulties and risks faced by development agencies in using performance management and measurement to drive their approaches to achieving their poverty reduction objectives. In a paper commissioned by the National Audit Office (Appendix 2), Dr Howard White of the Institute of Development Studies, University of Sussex points out that it 'is impossible (or at best virtually impossible) for an individual agency to isolate its impact on global, or even country, trends in the [International Development Target] indicators'. Without a direct link between activity and outcome, risks exist that development agencies will find it difficult to identify which activities are most effective in helping to contribute to achievement of the poverty reduction objectives. In addition, the timescales over which development activities are likely to show discernible impacts on poverty are often longer than the timeframes used to report progress for funding and accountability purposes. And, the decentralised structure of many development agencies, including DFID, with a significant proportion of staff working in teams across a large number of countries, raises risks that corporate objectives will not be translated successfully to country teams thus weakening the agency's ability to maximise its contribution to achieving the International Development Targets/Millennium Development Goals.

This study examines how effectively DFID use performance measurement to drive their development work

1.11 This study is about how effectively DFID use performance measurement to drive the work they do in pursuit of their aims and objectives as part of the global effort to reduce world poverty. We have focused, particularly, on DFID's bilateral country programmes which account for over half of DFID expenditure, and where links between DFID strategies, performance measurement and performance management are most clearly made. This report examines:

- DFID's performance against their key targets and the methodology which underpins their performance framework (Part 2);
- how DFID have translated their corporate objectives, as set out in International Development White Papers and their Public Service Agreement, down to planning and activity at the country level (Part 3); and
- how DFID, in practice, use performance measurement and information on emerging results to make decisions on where they allocate their resources and which approaches to development assistance they use (Part 4).

Details of the methodology we used to carry out the study are set out in Appendix 4.

1.12 The International Development Targets were open to criticism on the grounds that they were not "owned" by developing countries themselves and therefore could be said not to reflect their needs and concerns adequately. Dr White identifies weaknesses as well as strengths in the suitability of the International Development Targets to act as a basis for performance measurement. A complementary set of development targets, the Millennium Development Goals (Appendix 1), were adopted by the United Nations in 2000²⁰. While similar to the International Development Targets, they are not the same. There is a general acceptance within DFID that the Millennium Development Goals are slightly better focused in a number of areas and since they have broad acceptance within the United Nations, they now provide a global consensus on objectives for addressing poverty. Consequently the emphasis within DFID is moving towards these Goals. However, since the International Development Targets have up to 2001 provided the basis for objective setting within DFID, for the purposes of our study we have taken them as the agreed goals adopted by the international development community.

20 The eight **Millennium Development Goals** were adopted by the United Nations at the Millennium Summit in November 2000 (General Assembly Resolution 55/2). They focus on: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development. They are underpinned by 18 targets and 48 indicators. Further information on the Goals can be found at <http://www.un.org/News/Press/docs/2001/pi1380.doc.htm>.

Part 2

DFID are on track to meet most key targets but their contribution to global poverty reduction is hard to quantify

2.1 In this part we analyse DFID's performance against their key targets. We also examine how DFID's performance measurement framework compares with good practice. We do this against a background of challenges to effective performance measurement and management in the development field. These include:

- differences in the timescales for public expenditure control and reporting in the United Kingdom and the timescales over which discernible development results can be expected;
- difficulties in isolating the impact of the work of individual development agencies on progress towards poverty reduction given the range of external factors and other organisations involved;
- the problem of cascading high level corporate objectives to a large number of decentralised country programmes in a meaningful way;
- deciding the extent to which factors other than performance against quantified measures and targets should have a bearing on how development effort is directed; and
- ensuring that performance data from developing countries is timely and robust.

These challenges raise the risk that development agencies, including DFID, will find it hard to assess actual performance against the measures and targets they have set.

DFID's key performance measures and targets are set out in their Public Service Agreements

2.2 DFID's key corporate targets are set out in their Public Service Agreement. The 1998 Comprehensive Spending Review introduced Public Service Agreements for every major government department. The Agreements set out the aims, objectives and targets against which the performance of departments is measured; and the resources given to them to do so. So far two generations of Public Service Agreement have been published

covering the periods 1999-02 and 2001-04. The 1999-02 Public Service Agreements were supported by Output and Performance Analyses which were intended to set out indicators to measure and monitor success against the targets in the Agreement. For the period 2001-04, the Public Service Agreement regime was amended. The Output and Performance Analysis was replaced by a Service Delivery Agreement (which included output targets that are critical to the delivery of the outcome targets in the Public Service Agreement); and a Technical Note (which provides more precise details of how targets are to be measured, including terms and data definitions).



2.3 DFID's Public Service Agreements have been framed with the elimination of poverty in the poorest countries as their central aim. The Public Service Agreement targets covering three years therefore provide a framework against which to measure progress on a shorter timescale than the International Development Targets with their longer-term focus to 2015. The current Agreement reflects the International Development Targets more directly than the previous Agreement, by focusing on poverty reduction; sustainable development; and improved education and health outcomes. But clarity of target presentation suffers from the fact that some key targets are included in the Technical Note rather than in the Public Service or Service Delivery Agreements. We analysed DFID's performance against their two Public Service Agreements, bringing together the targets from the various documents.

Available data show DFID having met or being on course to meet the majority of their 1999-02 Public Service Agreement targets

2.4 **Figure 7 overleaf** shows performance against the nine targets in DFID's 1999-02 Public Service Agreement and the supporting Output and Performance Analysis. The latest figures available at the time of our study showed performance to the end of March 2001. By then, DFID had either met or were on course to meet six of these targets. In contrast, performance focusing on increasing Gross Domestic Product per capita growth;

7 Analysis of DFID's performance against their Public Service Agreement targets 1999-02

Performance Targets	Basis of Measurement	Reported Performance to March 2001	
Targets in the Public Service Agreement			
	<p>DFID will reduce poverty through a new aid strategy targeted on the poorest people in the poorest countries and underpinned by an additional £1.6 billion over the next three years, which will increase the overseas development assistance/GNP ratio to an estimated 0.3% by 2001.</p>	<p>'Official development assistance' are flows to developing countries and multilateral development institutions provided by official agencies or by their executive agencies. Each transaction must have as its main objective the economic development and welfare of developing countries; be concessional in nature; and convey a grant element of at least 25%.</p> <p>Performance is reported on a calendar year and not a financial year basis.</p>	<p>0.32% (Met)</p>
<p>At least 75% of bilateral country resources are directed at low income countries by 2002, compared to 67% currently.</p>	<p>Measure calculated as value of low income country programmes as a % of total value of country programmes.</p> <p>Countries are divided into the following income groups, based on World Bank thresholds: low income (GNP per capita in 1995 of below \$766); lower middle income (GNP per capita in 1995 of \$766 or above but not exceeding \$3,035); upper middle income (GNP per capita in 1995 of \$3,036 or above but not exceeding \$9,385); and high income (GNP per capita in 1995 of \$9,386 or above).</p>	<p>75% (Forecast outturn for 2000-01) (On course)</p>	
<p>In the 30 largest recipients of British aid, DFID aims to make a major contribution to the achievement of:</p>	<p>Group of top 30 recipients of British aid composed of the largest recipients of bilateral aid and imputed share of multilateral aid. Make up of top 30 changes between years.</p>		
<ul style="list-style-type: none"> an annual 1.5% increase in GDP per capita, from the current average of 1.0%; 	<p>Based on average real GDP per capita growth weighted by population.</p>	<p>-0.2% (Below Target)</p>	
	<ul style="list-style-type: none"> a reduction of under 5 mortality rate from 74 to 70 per 1,000 live births by 2002; 	<p>Based on average under 5 mortality rate across the 30 countries, weighted by population.</p>	<p>65/1,000 live births (On course)</p>
	<ul style="list-style-type: none"> a reduction of maternal mortality rate from 324 to 240 per 100,000 live births by 2002; and 	<p>Based on average maternal mortality rate across the 30 countries, weighted by population.</p>	<p>277/100,000 live births (Below Target)</p>
	<ul style="list-style-type: none"> an increase from 81%* to 91% of children in primary school by 2002. 	<p>Based on average % of children in primary school averaged across the 30 countries. 2002 target based on assuming a linear increase in the % of children in primary education between 1995 and 2015.</p>	<p>89% (On course)</p>

Performance Targets	Basis of Measurement	Reported Performance to March 2001
Targets in the Output and Performance Analysis		
Share in GDP of poorest 20% of population in top 30 UK development partners.	Based on top 30 recipients of British aid. Available figures cover a wide range of years. Reported figure is an average across the 30 countries.	7% (Below Target)
 Gender disparity in secondary education in top 30 UK development partners.	Based on top 30 recipients of British aid. Reported figure is girls as a % of boys in primary and secondary education averaged across the 30 countries.	87% (On course)
 % of population with access to safe water in top 30 UK development partners.	Based on top 30 recipients of British aid. Reported figure is an average across the 30 countries	77% (On course)

NOTE

*The published Public Service Agreement for 1999-02 gave the baseline figure for the percentage of children in primary education as 61%. However this was an error and the correct figure was 81%.

Source: DFID Public Service Agreement, and Output and Performance Analysis, 1999-02

reducing maternal mortality rates; and increasing the share in Gross Domestic Product of the poorest 20 cent of population in the top 30 United Kingdom development partners was below target.

It is too early to say whether DFID will meet all their 2001-04 Public Service Agreement targets

2.5 At the time of our study, data on performance against the 2001-04 Public Service Agreement was available up to the end of December 2001. **Figure 8 overleaf** sets out details of performance by that date against the 23 targets directly relevant to DFID's objectives, along with DFID's assessment of progress towards achieving the targets by the end of March 2004, and the basis for measuring performance. DFID had met or partly met three targets, and had concluded that progress in four cases was ahead of schedule, was on course in another 13, but that slippage had occurred in three others.

DFID's performance framework complies with good practice in many respects

2.6 The National Audit Office report *Measuring the Performance of Government Departments*²¹ highlighted the importance of designing Public Service Agreement performance measures and targets which could be directly linked to the delivery of a specific objective; and of setting targets which as far as possible focus on outcomes. We examined DFID's Public Service Agreements for the periods 1999-02 and 2001-04 (and the accompanying Service Delivery Agreement and Technical Note) to see the extent to which:

- DFID have assigned performance measures to their key objectives;
- those performance measures have related targets; and
- the design of DFID's performance measures and targets match good practice criteria.

21 NAO Report, *Measuring the Performance of Government Departments* (HC 310, 2000-01).

8 Analysis of performance against DFID's Public Service Agreement 2001-04 up to December 2001

OBJECTIVE 1

To reduce poverty through the provision of more focused and co-ordinated development assistance by the international community to low and middle income countries.

Public Service Agreement measures & targets

Service Delivery Agreement [SDA] and Technical Note [TN] Targets

(those shown in bold most directly reflect the intention of the associated performance measure)



An increased focus by DFID on poor countries, particularly those with effective governments pursuing high growth and pro-poor economic and social policies, as demonstrated by:

- an increase in the percentage of DFID's bilateral programme going to poor countries, particularly those with favourable policy environments;
- an increase in the percentage of EC development assistance going to poor countries; and
- adoption and implementation of effective Poverty Reduction Strategies by 2004 in all countries accessing International Development Association high impact or adjustment lending.

An increase in the % of total bilateral country specific development aid going to low income countries from 71% in 1998-99 to 80% in 2002-03. [TN]

An increase in the % of total bilateral country specific development aid spent in low income countries pursuing sustainable, pro-poor policies from 50% in 1998-99 to 65% in 2002-03. [TN]

Establish better organisation of EC programme delivery by end-2001. [SDA]

Gain agreement in Council and Commission to re-direct allocations and spend towards programmes which reduce poverty by 2003. [SDA]

Increase the % of EC country specific official development assistance going to low income countries from 50% in 1998 to 55% in 2002. [TN]

Increase the % of EC country specific official development assistance going to poor countries from 50% in 1998 to 70% in 2006. [SDA]

Provide support to at least 12 partner countries by 2004 to develop and implement Poverty Reduction Strategies in co-ordination with other donors. [SDA]





The Basis of Measurement (Technical Note)	Reported performance up to December 2001 (DFID assessment of progress)
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Countries are divided into the following income groups, using World Bank thresholds: low income (GNP per capita in 1998 of below \$760); lower middle income (GNP per capita in 1998 of \$761 or above but not exceeding \$3,030); upper middle income (GNP per capita in 1998 of \$3,031 or above but not exceeding \$9,360); and high income (GNP per capita in 1998 of \$9,361 or above). Countries with favourable policy environments are identified according to reviews of their Poverty Reduction Strategies as carried out by the World Bank and the International Monetary Fund. Humanitarian assistance is excluded from the calculation of aid provided.

78%
(Ahead of schedule)

56%
(On course)

'Official development assistance' are flows to developing countries and multilateral development institutions provided by official agencies or by their executive agencies. Each transaction must have as its main objective the economic development and welfare of developing countries; be concessional in nature; and convey a grant element of at least 25%.

EuropeAid established
January 2001
(Met)

Policy agreed but timetable for
implementation lacking.
(Partly met)

38%
(Major slippage)

38%
(Major slippage)

Poverty Reduction Strategies describe a country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as external financing needs. Poverty Reduction Strategy Papers are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund. The International Development Association is the vehicle by which the World Bank provides long-term loans to the poorest of the developing countries. There is no interest charge, but credits do carry a small service charge of 0.75% on disbursed balances. The Association is funded largely by contributions from its richest members. In 2000-01 the United Kingdom provided £233 million.

8 countries given support
(Ahead of schedule)

8 Analysis of performance against DFID's Public Service Agreement 2001-04 up to December 2001 *continued...*

OBJECTIVE 2 To promote sustainable development through co-ordinated UK and international action.



Public Service Agreement measures & targets

Service Delivery Agreement [SDA] and Technical Note [TN] Targets

(those shown in bold most directly reflect the intention of the associated performance measure)

Promote the integration of developing countries into the global economy through co-ordinated UK and international action, including by:

- relief of unsustainable debt by 2004 for all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by the end of 2000. (Joint target with HM Treasury); and

DFID and HM Treasury working with the international community to bring 20 countries to Enhanced Heavily Indebted Poor Countries (HIPC II) Decision Points by end 2000 and a further 5 by end 2001. Building on this, the aim is for all HIPC countries to have reached their completion point by end 2004. [TN]

Promote increased private sector foreign investment in poor countries by turning CDC into a Public-Private Partnership, when business conditions are right, with majority private capital. CDC is required to make 70% of its new investments in poor developing countries and seeks to make 50% of its new investments in Sub-Saharan Africa and South Asia. [SDA]

- gaining international agreement on the integration of social, economic and environmental aspects of sustainable development into poverty reduction programmes.

Developing guidance on the principles of sustainable development, securing OECD Development Assistance Committee agreement to it by mid-2001; work to secure wider international agreement by end-2001. [SDA]

Successful integration of these principles into government, multilateral and DFID policies and programmes in 10 key DFID partner countries by early-2004, including agreed approaches to water resources management, and capacity building for environmental management. [SDA]

Improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. (Joint target with the Foreign Office and the Ministry of Defence).

No baselines established against which to measure progress.



The Basis of Measurement (Technical Note)	Reported performance up to December 2001 (DFID assessment of progress)
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Heavily-Indebted Poor Countries (HIPC) are those which face an unsustainable debt burden, beyond available debt-relief mechanisms. The HIPC Initiative is intended to reduce to sustainable levels the external debt burden of these countries. All countries wanting to take advantage of the Initiative must have adopted a Poverty Reduction Strategy Paper, and have made progress in implementing this strategy for at least one year through World Bank- and International Monetary Fund-supported programmes. 'Sustainability' of debt is defined using World Bank/International Monetary Fund debt-to-export ratios. 'Decision point' is when the World Bank and International Monetary Fund decide whether countries applying to take advantage of the HIPC Initiative are eligible for such support. The decision is based on a debt sustainability analysis to determine whether a country's debt burden is unsustainable under traditional debt relief mechanisms.

PSA target:
24 countries reached decision point by end 2001
(On course)

Technical Note target:
24 countries reached decision point; and 4 countries reached completion point by end 2001
(On course)

70% / 50%
(On course)

Progress to be monitored using guidance agreed with the World Bank on how to assess whether Poverty Reduction Strategies contain 'national strategies for sustainable development'; and with the OECD Development Assistance Committee on assessing the presence of 'effective processes for sustainable development', which is the key indicator of such national strategies.

DAC agreement reached April 2001; broader UN endorsement November 2001
(Met)

11 target countries agreed and baselines established for 5 countries
(On course)

'New conflicts', 'conflict-related displacement' and 'war related casualties' based on definitions used by the Stockholm International Peace Research Institute, the International Institute for Strategic Studies, and the United Nations High Commission for Refugees.

Progress not measurable due to lack of baselines

8 Analysis of performance against DFID's Public Service Agreement 2001-04 up to December 2001 *continued...*

OBJECTIVE 3

Improved education outcomes in key countries receiving DFID education support.

Public Service Agreement measures & targets

Service Delivery Agreement [SDA] and Technical Note [TN] Targets

(those shown in bold most directly reflect the intention of the associated performance measure)



Improved education systems in the top ten recipients of DFID education support demonstrated by:

- **an average increase in primary school enrolment from a baseline established in 2000 of 75% to 81% on the basis of data available in 2004; and**

By 2004, 75% of DFID bilateral commitments for education in our top 10 recipients of bilateral education assistance will support multi-donor programmes, implementing government-agreed sector strategies. [SDA]



- improvements in gender equality in education, particularly primary education.

Development of basic monitoring and evaluation mechanisms and their integration into education sector strategies by 2004 in at least 8 of our top 10 recipients of bilateral education assistance. [SDA]

Successful adoption and implementation of education sector strategies which include explicit objectives on equitable access for girls and boys by 2004, in at least 8 of our top 10 recipients of bilateral education assistance. [SDA]

Improvements in gender equality in education, particularly primary education from a baseline of 86%. [TN]

OBJECTIVE 4

Improvements in health outcomes in key countries receiving DFID health care assistance.

Improvements in child, maternal and reproductive health in the top ten recipients of DFID health care assistance demonstrated by:

- **a decrease in the average under-5 mortality rate from 132 per 1,000 live births in 1997 to 103 on the basis of data available in 2004;**
- **an increase in the proportion of births assisted by skilled attendants from a baseline established in 2000 of 43% to 50% on the basis of data available in 2004; and**
- improved access to reproductive health care.

Development and implementation of health sector strategies by 2004 in at least 8 of the top 10 recipients of bilateral health assistance which: (a) aim to improve child health outcomes and include actions to strengthen immunisation and prevention, and the treatment of childhood illnesses, including malaria where endemic; and (b) include explicit policy and operational frameworks to strengthen the capacity of health systems, improve the quality and coverage of maternal health care, and ensure universal access to reproductive health services. [SDA]



Development and implementation of strategies focused on improving access to safe water and sanitation and reducing levels of child mortality, in at least 8 of the top 10 recipients of bilateral health assistance by 2004. [SDA]



Strengthened multilateral initiatives to combat HIV/AIDS in Africa (UNAIDS) and Roll Back Malaria (WHO) demonstrated through national strategies, with jointly agreed milestones, in at least five of the top 10 recipients of DFID healthcare assistance. [SDA]

Improved access to reproductive health care from a baseline of 32% for the extent of contraceptive prevalence in the 10 target countries. [TN]



The Basis of Measurement (Technical Note)	Reported performance up to December 2001 (DFID assessment of progress)				
<p>The top ten recipients of DFID education support (based on total financial commitments as at September 1999) are Bangladesh, China, Ghana, India, Malawi, Pakistan, South Africa, Tanzania, Uganda and Zambia. This target group of countries remains fixed over the Public Service Agreement period, 2001-04. Target for primary school enrolment of 81% in 2004 was set by estimating the annual straight line increase in net enrolment required over the period 2000-2015 to achieve the 99% indicator of success identified for the International Development Target. Data used to measure progress on enrolment and gender equality are collected by the UNESCO Institute of Statistics and collated by the World Bank.</p>	<table border="1"> <tr> <td>PSA target: 78% (On course)</td> <td>SDA target: 72.5% (On course)</td> </tr> <tr> <td colspan="2" style="text-align: center;">6 countries (On course)</td> </tr> </table>	PSA target: 78% (On course)	SDA target: 72.5% (On course)	6 countries (On course)	
PSA target: 78% (On course)	SDA target: 72.5% (On course)				
6 countries (On course)					
<p>Gender equality is calculated as the gross enrolment ratio for girls as a percentage of the gross enrolment ratio for boys. Gross enrolments are used as the availability of gender disaggregated data is greater.</p>	<table border="1"> <tr> <td colspan="2" style="text-align: center;">6 countries (On course)</td> </tr> <tr> <td colspan="2" style="text-align: center;">87% (On course)</td> </tr> </table>	6 countries (On course)		87% (On course)	
6 countries (On course)					
87% (On course)					
	<p style="text-align: center;">Strategies implemented in 7 countries (Ahead of schedule)</p>				
<p>The top ten recipients of DFID health care assistance (based on total financial commitments as at September 1999) are Bangladesh, Ghana, India, Kenya, Malawi, Pakistan, South Africa, Tanzania, Uganda, Zambia. This target group of countries remains fixed over the Public Service Agreement period, 2001-04. The targets for under five mortality and births attended by skilled attendants were set by estimating the annual straight line increase in these indicators required over the period 2000-2015 to achieve the International Development Targets. World Health Organisation analysis demonstrates a close correlation between maternal mortality rate and the proportion of women giving birth who are attended by a skilled health practitioner. As data on skilled attendance at birth are routinely collected it is used as an internationally recognised proxy measure for the maternal mortality rate, for which significant measurement difficulties exist in many of the poorest countries. All data, including that on reproductive health care, provided by the World Bank.</p>	<table border="1"> <tr> <td>PSA target: 134 per 1,000 live births (Some slippage)</td> <td>SDA target: Strategies implemented in 4 countries (On course)</td> </tr> <tr> <td colspan="2" style="text-align: center;">43% (On course)</td> </tr> </table>	PSA target: 134 per 1,000 live births (Some slippage)	SDA target: Strategies implemented in 4 countries (On course)	43% (On course)	
PSA target: 134 per 1,000 live births (Some slippage)	SDA target: Strategies implemented in 4 countries (On course)				
43% (On course)					
	<p style="text-align: center;">HIV/AIDS - 3 countries Malaria - 7 countries (Ahead of schedule)</p>				
<p>Contraceptive prevalence used as a proxy for assessing access to reproductive health care services, on the basis that it provides a snapshot of access to and use of family planning, and data is collected on a routine basis.</p>	<p style="text-align: center;">35% (On course)</p>				

9 Good practice criteria for individual performance measures

Relevant	Relevant to what the organisation is aiming to achieve.
Able to avoid perverse incentives	Does not encourage unwanted or wasteful behaviour.
Attributable	The activity measured must be capable of being influenced by actions which can be attributed to the organisation, and it should be clear where accountability lies.
Well-defined	There should be a clear, unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use.
Timely	Data should be produced frequently enough to track progress, and quickly enough for the data to still be useful.
Reliable	Accurate enough for its intended use, and responsive to change.
Comparable	Comparable with either past periods or similar programmes elsewhere.
Verifiable	With clear documentation behind it, so that the processes that produce the measure can be validated.

Source: *Choosing the Right FABRIC - A Framework for Performance Information*

The linkages between objectives and performance measures have improved

2.7 It is difficult to understand the link between DFID's performance measures and their objectives in the 1999-02 Public Service Agreement. This difficulty arises because the objectives describe processes - for example, building development partnerships with poorer and transition²² countries; working with and influencing multilateral development organisations; and promoting consistent policies affecting poorer countries - whereas DFID's key performance measures for 1999-02 are formulated in terms of outputs (Figure 7).

2.8 There has been a significant improvement in the design of DFID's objectives and in linking them with performance measures in the current Public Service Agreement for the period 2001-04. DFID's four key objectives match closely the International Development Targets and all objectives have been assigned one or more performance measures (Figure 8).

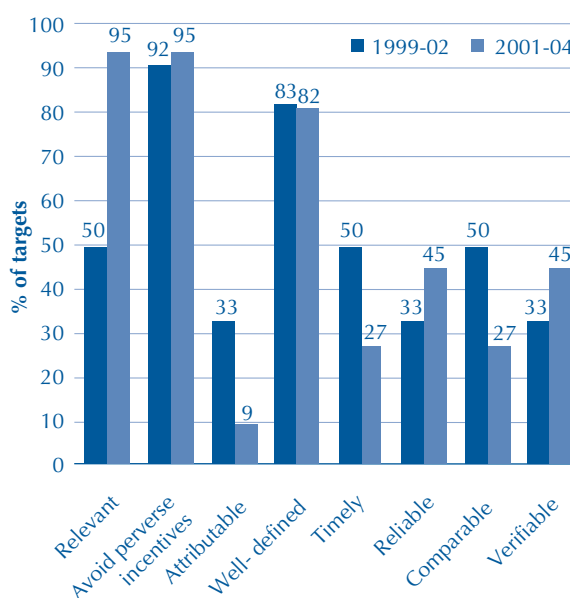
Most key performance measures have an associated target

2.9 We examined the extent to which DFID had set targets, in terms of quantified levels of achievement or milestones for their key performance measures in their first and current Public Service Agreement (including the supporting Output and Performance Analysis; and Service Delivery Agreement and Technical Note, respectively). We found out that one or more targets had been associated with nine of the 12 key performance measures for 1999-02, and for 23 of 24 measures for 2001-04. The untargeted measures were: the share in Gross Domestic Product of the poorest 20 per cent of population; gender disparity in education; and the percentage of population with access to safe water in the 1999-02 Output and Performance Analysis (Figure 7). And the conflict prevention and management measure relating to Objective II in the 2001-04 Public Service Agreement (Figure 8).

The design of DFID's performance measures and targets reflect good practice criteria in many respects

2.10 In 2001, HM Treasury, the Cabinet Office, the National Audit Office, the Audit Commission and the Office for National Statistics issued criteria for designing performance measures²³ (Figure 9). We examined the extent to which the performance measures included in DFID's two Public Service Agreements matched these criteria (Figure 10).

10 Comparison of key performance measures against good practice criteria



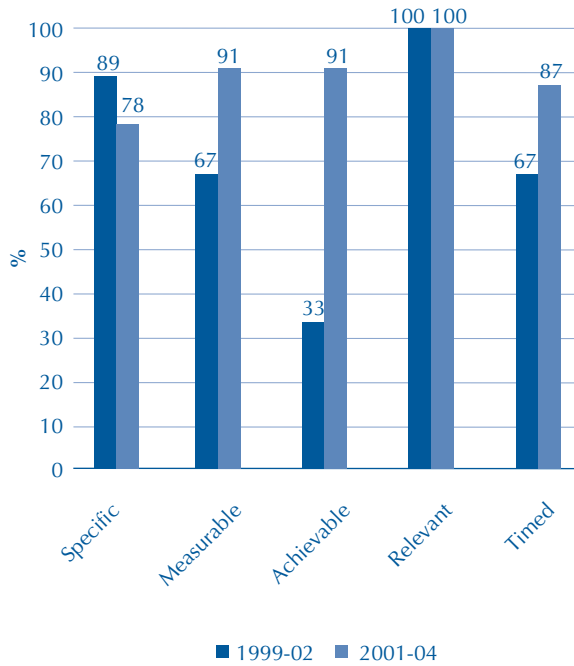
NOTE

The 1999-02 Public Service Agreement contained six key measures (the measure relating to under-5 and maternal mortality has been counted as two as the measure relates to two aspects of health improvement). The 2001-04 Public Service Agreement contains 11 key measures.

Source: *National Audit Office analysis*

2.11 We also examined the extent to which targets were SMART, that is, specific, measurable, achievable, relevant and timed (Figure 11).

11 Proportion of targets in DFID's 1999-02 and 2001-04 Public Service Agreements which meet the SMART criteria



NOTE

In 1999-02 a total of nine key targets were included in the Public Service Agreement (see Figure 7 - the target on under-5 and maternal mortality rates has been counted as two as it contains different target levels for each rate). In 2001-04 the Public Service Agreement includes a total of 23 key targets (four of these appear on the face of the Agreement itself, the others appear in the supporting Service Delivery Agreement or Technical Note).

Source: World Bank (1998), *Assessing Aid: What Works, What Doesn't, and Why*

2.12 We found that the design of DFID's key performance measures has improved over time in that a larger number of measures in the 2001-04 Public Service Agreement are more directly relevant to stated performance objectives. Similarly, the 2001-04 performance targets fared better against the SMART criteria than those for 1999-02, where some targets lacked a sense of the level of achievement being sought and over what time period. Overall, measures and targets were well-defined, related to the aims and objectives of poverty reduction and specified in ways which did not give rise to perverse incentives to pursue the form of targets rather than their underlying purpose.

22 **Transition countries** are not aid-dependent but suffer nevertheless from a significant degree of poverty. Located largely in eastern and central Europe, they are undergoing a process of reform in their governmental, economic and social systems.



23 HM Treasury et al (2001), *Choosing the Right FABRIC - A Framework for Performance Information*, London.

But difficulties remain in measuring DFID's contribution to global poverty reduction

2.13 Nonetheless, a number of good practice criteria are difficult to satisfy in the context of international development. The criteria which cause DFID most problems are:

- **Attributable:** with the majority of measures it is not possible to determine the extent to which any achievement is a result of DFID's efforts, because of the numerous other factors and organisations involved in development work. The exceptions are those measures which focus on providing a higher level of DFID resources.

The problem of attribution

Problems with attributability have two components. Measures of movement in poverty reflect not only formal development activity, but also independent activity by national governments of poor countries; global economic trends; and unexpected events such as drought, floods and conflicts. Moreover, even where targets reflect development activity alone, such as debt relief, the performance of DFID is difficult to isolate from that of other donor nations. These factors hamper the ready assessment of DFID's performance, and weaken the ability for past performance to help inform future strategy.

In the face of this difficulty the development community has developed logic models in an attempt to provide a basis for understanding performance. These models attempt to link inputs, through processes and outputs, to outcomes, in order to establish 'plausible association' between programme efforts and performance. (The use of logic models is discussed in more detail in Dr White's paper at Appendix 2). In addition periodic evaluation studies can provide insights into attribution, taking advantage of the scope for deeper analysis of a variety of factors which cannot be captured in individual measures.

- **Timely, reliable and verifiable:** data used by DFID to measure progress are sometimes not available on an annual basis, or are subject to time lags in their production. With some there have been difficulties with measurement, such as the target to achieve a 1.5 per cent increase in Gross Domestic Product per capita in the 30 largest recipients of British aid in the 1999-02 Public Service Agreement, which was dropped for the current Public Service Agreement. The data are also often unreliable (we examine this in more detail Part 4). Additionally, there are doubts about whether some data are supported by documentation adequate to allow other people to check the measure.
- **Comparable:** not all the data used are comparable between periods. In some cases the basis of a measure has changed for example, DFID employed a 'top 30 countries' format for targets in the education and health sectors in 1999-02 compared to a 'top 10 countries' format in 2001-04. In others, a measure has been dropped - for example, the 1999-02 maternal mortality measure was not taken forward to 2001-04 measures because of data availability problems.

Aid effectiveness research is an important influence on the performance framework

2.14 Research can provide a useful insight into what aid approaches have been successful, and why, and so help define factors worth measuring. In 1998, for example, the World Bank produced its report *Assessing Aid*²⁴, which concluded that monetary aid was most effective in low income countries with policy environments which supported poverty reduction and sound economic management. This view was repeated in the progress report on the International Development Targets *A Better World for All* published in 2000²⁵. But there is no universal acceptance that this model is correct, and recent academic work suggests that more emphasis should be given to the numbers of poor, as compared with the policy environment, as a factor in the effectiveness of aid.

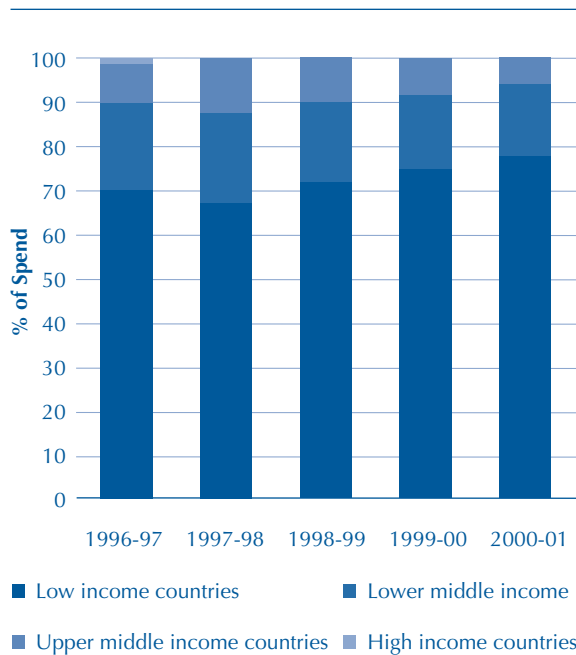
'Financial assistance leads to faster growth, poverty reduction, and gains in social indicators in developing countries with sound economic management. And the effect is large: with sound country management, 1 per cent of GDP in assistance translates into a 1 per cent decline in poverty and a similar decline in infant mortality. In a weak environment, however, money has much less impact.'

World Bank (1998), Assessing Aid: What Works, What Doesn't, and Why.

²⁴ World Bank (1998), *Assessing Aid: What Works, What Doesn't, and Why*, Washington DC, Oxford University Press.

²⁵ International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank (2000), *A Better World for All - Progress towards the International Development Targets*, Washington DC.

12 Proportion of DFID bilateral aid directed at low income countries, excluding humanitarian assistance, 1996-97 to 2000-01



Source: DFID, *Statistics on International Development, 1996-97 to 2000-01*

2.15 DFID, in common with several other development agencies, including the International Monetary Fund, the Organisation for Economic Co-operation and Development, the United Nations and the World Bank, have taken on board the *Assessing Aid* view of aid effectiveness in designing their strategic performance measures and targets:

- From 1997-98, in line with their Public Service Agreement targets, DFID have increased the proportion of bilateral aid, excluding humanitarian assistance, they have provided to low income countries (**Figure 12**).
- DFID's joint target with HM Treasury to relieve unsustainable debt by 2004 is focused on those Heavily-Indebted Poor Countries who are committed to poverty reduction.

2.16 In addition, DFID have reflected the need to reduce mortality rates, improve the proportion of children in primary school and address gender disparities in education in their 1999-02 Public Service Agreement (Figure 7). For 2001-04 (Figure 8), they have gone further by also including measures focused on improving access to reproductive health care. An increase in the proportion of resources directed towards education and health-related assistance (**Figure 13 overleaf**) suggests that this emphasis is being reflected in spending decisions.

The importance of education and health for poverty reduction



'The attainment of basic literacy and numeracy skills has been identified repeatedly as the most significant factor in reducing poverty and increasing participation by individuals in the economic, political and cultural life of their societies.'

'Child mortality, as a measure of the availability of health and nutrition for the most vulnerable members of society, is a key indicator of the overall state of health in a society.'

'Maternal mortality is an area of one of the greatest disparities between developing and industrialised countries....'

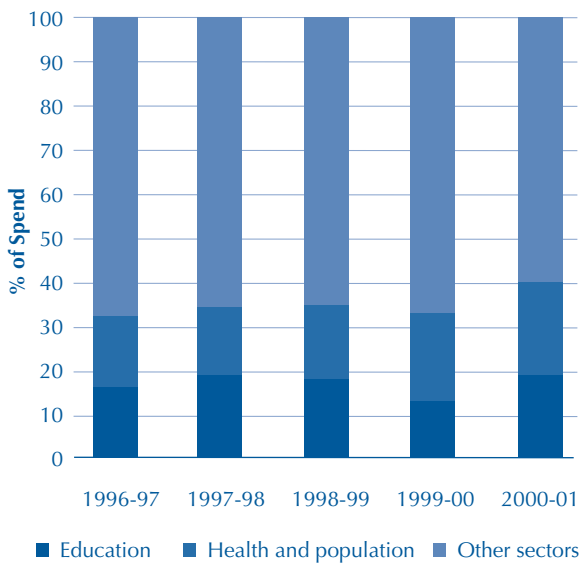
Development Assistance Committee, Organisation for Economic Co-operation and Development (1996), *Shaping the 21st Century: The Contribution of Development Co-operation*, Paris.



'Educated girls have many more choices - in marriage, in childbearing, in work, in life. They can seize more economic opportunities. And they do more to shape their society's political, social, economic and environmental progress.'

International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank (2000), *A Better World for All - Progress towards the International Development Targets*, Washington DC.

13 Proportion of DFID resources directed towards education and health sectors*, excluding humanitarian assistance, 1996-97 to 2000-01



NOTE

*Does not include health and education spending provided as part of Budget Support arrangements.

Source: DFID, *Statistics on International Development, 1996-97 to 2000-01*

2.18 The Strategies are intended to inform DFID staff about priorities and methodologies they should consider when devising strategies for DFID's work at the country level (see Part 3). They do, however, represent different sources of advice which do not always acknowledge the cross-cutting nature of much development work. Our discussions with country teams have also highlighted differences of opinion about what actually works at the local level.

DFID's performance measures and targets do not cover all their activities

2.19 The focus on low income countries with pro-poor policies, however, is not DFID's only priority. In 2000-01 DFID also provided 22 per cent (£223 million) of their country-specific bilateral aid, excluding humanitarian assistance, to middle income countries on the grounds that sections of those communities still live in poverty. And DFID continue to provide substantial resources to low income countries where the policy environment is not favourable. DFID's view is that there are often strong reasons for supporting poverty reduction, particularly at local level, in countries with poor policy environments, as many of these countries contain large numbers of very poor people. Where the policy environment is weak, donors may also be able to make a worthwhile long term contribution towards improving the ability of the country to govern itself, and resources may justifiably be committed to capacity building efforts. In the extreme case of "failed states", governments may be incapable of making effective use of development assistance at all, or of progressing towards the International Development Targets/Millennium Development Goals. DFID nevertheless recognise the importance of the international community remaining engaged with such countries in order to promote change, reduce poverty and where necessary provide humanitarian assistance.

2.20 DFID targets also highlight work in particular sectors and countries. For the period 2001-04 DFID have introduced measures specifically focused on education and health assistance which are targeted on the top ten recipients of DFID support in each of these sectors.

Strategy papers summarise knowledge on how to achieve targets

2.17 DFID have also set out their thinking on how they and the development community at large should seek to achieve the International Development Targets. Each Target Strategy Paper²⁶ focuses on specific International Development Targets, or other aspects of development which are important to their achievement (such as governance; water; and poverty in urban areas). They describe the nature of the problem to be tackled; highlight progress to date and lessons learnt; identify priorities and strategies for future action and describe how future progress is to be measured.



26 DFID has published Target Strategy Papers on economic growth, equity and security; the empowerment of women; human rights; environmental sustainability; health; universal primary education; water; governance; and poverty in urban areas.

DFID considered that they would be able to measure progress more accurately by focusing on a smaller number of countries which were in receipt of the majority of expenditure in these high priority sectors. But it means that other important areas of DFID's activities, for example, renewable natural resources (on which DFID allocated 15 per cent (£127 million) of the £868 million sectoral bilateral aid in 2000-01) are not so targeted. Nor is health and education assistance in the countries falling outside the top ten group for these targets. Our discussions with country teams revealed that, as a result, the Public Service Agreements have less relevance to DFID staff working outside the education and health sectors, and in countries other than the top ten recipients of education and health.

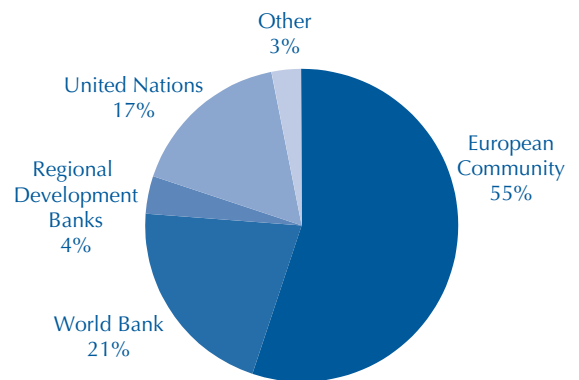
2.21 DFID are fully committed to working with multilateral development institutions. This commitment to partnership working is reflected in the fact that since 1991-92 over 40 per cent of annual development assistance, including humanitarian aid, provided by DFID has been multilateral in nature. It is also reflected in DFID's support for the vision underlying the World Bank's Comprehensive Development Framework²⁷ which encourages a participatory and inclusive approach to poverty reduction.

2.22 A peer review in 2001 by the Development Assistance Committee of the United Kingdom's development co-operation policies and programmes²⁸ recognised the leading role that the United Kingdom played in promoting the development partnership approach, and in mobilising the international community to work towards the International Development Targets. In addition, the review concluded that DFID's strategic framework reflected closely the Committee's *Guidelines on Poverty Reduction*²⁹ which have been established to help donors improve their individual and collective efforts. Dr White's paper (Appendix 2) highlights the prominent support that DFID have given to the International Development Targets amongst bilateral donors.

2.23 The need to work with and influence these institutions, in order to help improve their performance, was reflected by the objectives contained in DFID's 1999-02 Public Service Agreement. Over the same period, they had also produced Institutional Strategy Papers which set out at the strategic level how DFID aim to achieve their White Paper objectives in partnership with a variety of multilateral development institutions, and which include objectives intended to improve the effectiveness of those organisations.

2.24 This focus has received greater recognition in DFID's high level targets for the period 2001-04, through a target to increase the percentage of development assistance provided by the European Community to poor countries. A target specifically focused on the Community reflects the fact that it is the largest recipient of DFID multilateral resources (Figure 14), receiving 55 per cent (£709 million) of DFID's total contributions to multilateral development institutions of £1,297 million in 2000-01.

14 DFID contributions to multilateral development institutions, 2000-01



NOTE

'Other' includes Global Environmental Assistance; and contributions to Commonwealth organisations, and International Research Organisations.

Source: DFID, *Statistics on International Development, 1996-97 to 2000-01*.



27 The **Comprehensive Development Framework** is a vision proposed by the World Bank to overcome fragmentation of development efforts and focus on poverty reduction and sustainable development. The core principles include: a long term integrated vision of development at the country level, which is owned by that country; a participatory approach to in-country relationships; coherent and harmonised donor support; and a focus on results, linked to the International Development Targets. Further information on the Framework is available at <http://www.worldbank.org/cdf/>.

28 Development Assistance Committee, OECD (2001), *Review of the Development Co-operation Policies and Programmes of the United Kingdom*, Paris.

29 Development Assistance Committee, OECD (2001), *DAC Guidelines on Poverty Reduction*, Paris.

2.25 The World Bank Group was the second largest recipient receiving 21 per cent (£277 million) of all multilateral funding in 2000-01, of which £233 million was given to the Bank's International Development Association. DFID use negotiations on the three-yearly replenishment of International Development Association resources to influence a range of policies and approaches of the Bank in the poorest countries. In the current negotiations, DFID are emphasising the centrality of the Poverty Reduction Strategy process for countries accessing International Development Association lending. In order to provide concrete support for this, DFID have also set the target for 2001-04 of assisting a number of partner countries to develop country-owned Poverty Reduction Strategies.



2.26 However, the Institutional Strategy Papers do not contain any detailed performance measures or targets against which to measure progress against each objective. While setting meaningful measures and targets is more difficult where DFID's influence over the intended outcome is indirect, the lack of a measurable strategy makes it harder to identify DFID's success in influencing the manner in which these organisations work. Properly measured strategies would aid the further development of Public Service Agreement targets focused on multilateral development institutions, while providing a future term of reference for the Action Plans which DFID are providing to secure effective implementation of the strategies.

Part 3

Performance measurement should feature more explicitly in DFID country programme management

3.1 This Part covers DFID's work in using measures of poverty and poverty reduction to select and take forward a programme of assistance, tailored to the circumstances of a given country. It shows that DFID have a well-established set of strategies for country assistance, which act as a vehicle for widespread consultation with donor and host nation partners, and yield programmes that can be linked to achievement of broader poverty reduction objectives. There is however a lack of quantification in country strategies of poverty reduction prospects, and the links made between the scale and nature of programmes and their impact on poverty reduction are often indirect.

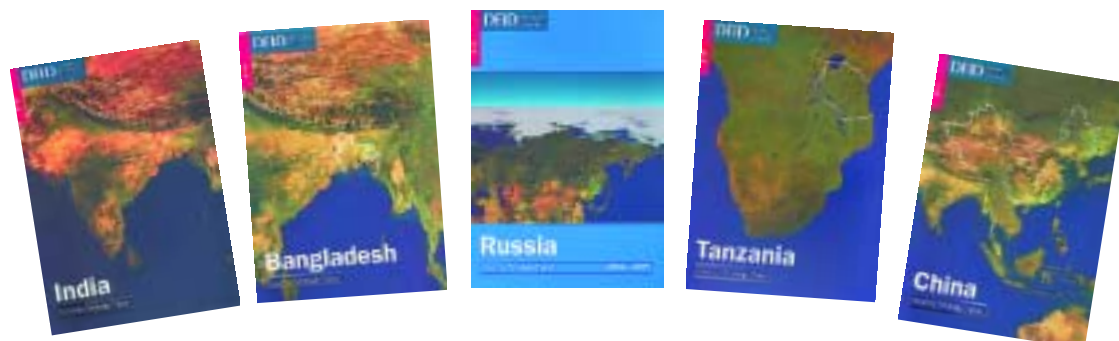
DFID have a well-established set of strategies for country assistance

3.2 Effective and sustained poverty reduction depends crucially on partnerships between donors and host nations; and choice of the most effective forms of development assistance depends, inter alia, on the political and administrative environment, and the quality of governance. For these reasons, DFID have chosen to focus most of their operational strategies at country level - rather than at regional level or on groups of countries - although such formulations feature in DFID's administrative structures.

3.3 DFID take forward their country strategy by reference to four main documents - three internal, one external. The external document is the development plan of the host nation. In some countries, development plans may be

subsumed into general government plans for the country as a whole. But for many poorer countries, there is a separate plan focusing on economic development and poverty reduction. For countries that benefit from certain types of assistance and debt relief, a formal Poverty Reduction Strategy Paper is a condition of assistance. The preparation of these papers involves extensive participation and consultation to ensure broad ownership within developing countries. They are intended to provide a means of ensuring that resources for development, including the savings from debt relief, have the maximum impact on poverty reduction.

3.4 DFID and other donors are therefore able to see clearly the poverty reduction priorities of the host nation and can form a view about the scale and nature of their bilateral contribution. Over the medium term (3 to 4 years), their plans are set out in a Country Strategy Paper, which are supported by Annual Plan and Performance Reviews, setting out progress against strategic objectives, and updating the strategy as necessary; and by a Policy and Resource Plan, which details programmes of work and the associated DFID resources. Taken together, these documents currently represent the formal elements of DFID country planning. Since the start of our study DFID have begun a review of their approach to country planning. We asked DFID staff how important these documents were to the management of country development programmes, and explored the relationship between them. Typical comments are set out in **Figure 15 overleaf**.



15 DFID staff comments on the importance of country planning documents

- "the Country Strategy Paper is the most important document, and should encapsulate all other objectives"
- "the Country Strategy Paper is the document without which we can't work"
- "the Country Strategy Paper has become somewhat outdated"
- "I think it's [Country Strategy Paper] been rapidly overtaken in the light of the Annual Plan and Performance Review process which seems to be replacing the Country Strategy Paper"
- "now the lead is increasingly coming from the Poverty Reduction Strategy Paper"
- "the Poverty Reduction Strategy Paper provides a framework...We're trying to align our projects, programmes, activities and so on to the Poverty Reduction Strategy Paper"
- "the most important document for people working in each State is the State Strategy"
- "our current Country Strategy programme is based on a conscious condition that it makes sense to focus our attention in these states for a variety of reasons"

Source: National Audit Office focus groups with DFID country teams

3.5 The comments confirm the importance of the set of documents as a whole. They also indicate the growing importance of host nation plans, and of the newer Annual Plan and Performance Review - the latter document helping to counter Country Strategy Papers that have become outdated. We reviewed these documents to see what use they made of performance measures and targets, starting with Country Strategy Papers.

reason for this is the lack of sufficiently accurate data on which to base credible predictions country by country. As a result, it is not possible to assess how far any country's planned progress will contribute towards achievement of Public Service Agreement or International Development Targets. We analysed the full range of country planning documents to see what performance information was presented.

3.6 **Figure 16** shows that there are strong qualitative links from DFID's corporate objectives, through country level objectives, to local resource allocation. But there is no quantitative interpretation of country objectives: none of the Country Strategy Papers chart the projected trend in poverty status indicators over the plan period. The main

3.7 **Figure 17** shows that aggregate information on performance is largely restricted to historic reviews of progress, together with only broad input indicators of resource allocation. Moreover, assessments of performance achieved are often also qualitative in nature. Work is, however, in hand to improve performance

16 Country Strategy Papers: Consistency with Objectives

Criteria	Bangladesh	Bolivia	China	India	Kenya	Russia	Tanzania
1. Are DFID's country objectives clear from the Country Strategy Papers or other relevant papers?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Are these objectives clearly related to DFID's PSA and IDT objectives?	IDT - Yes PSA - Yes	IDT - Yes PSA - Yes	IDT - Yes PSA - 67%	IDT - Yes PSA - Yes	IDT - Yes PSA - Yes	IDT - 33% PSA - 89%	IDT - Yes PSA - 80%
3. Is the allocation of funds broadly in line with the stated objectives	Yes	Yes	Yes	Yes	Yes	Yes - only to later CSP objectives	Yes
4. Have clear performance measures and targets been set?	No clear targets only activities	No clear targets only activities	No clear targets only activities	No clear targets only activities	No clear targets only activities	No clear targets only activities	No clear targets only activities
5. Are these measures and targets clearly related to the PSA and IDT targets?	Activities yes, but no clear targets	Activities yes, but no clear targets	Activities yes, but no clear targets	Activities yes, but no clear targets	Activities yes, but no clear targets	Activities yes, but no clear targets	Activities yes, but no clear targets

Source: National Audit Office analysis.

assessment. DFID India for example are developing medium term targets and indicators to help with performance assessment in the context of their new state and federal strategies.

- 3.8 More recent Annual Plan and Performance Reviews, however, are becoming more analytical in nature. For example, **Figure 18** overleaf shows quantified progress against some of the key Public Service Agreement targets relevant to Tanzania, taken from their Annual Plan and Performance Review issued in June 2001.
- 3.9 The Review presents Tanzanian progress against some key poverty indicators and associated DFID targets, including selected snapshots of DFID development activity relevant to Country Strategy Paper priorities, although it does not offer a view of future performance, or translate DFID's corporate targets into targets appropriate to Tanzania's circumstances. The Review does, however, set out a Performance Assessment Framework, to help monitor implementation of Tanzania's Poverty Reduction Strategy Paper through tracking quantitative poverty indicators, and qualitative

assessments of progress with administrative reforms. Although the Framework is still being developed for use it offers the prospect of gaining a view not only of the current poverty status, but the likely pace of poverty reduction over the near future - through assessments of Tanzania's growing capacity to manage development.

The impact on poverty of individual projects is difficult to assess

- 3.10 The strategies and reviews summarise programme expenditure on projects. In turn, individual projects have performance objectives usually derived from a "logical framework" ('logframe') analysis designed to link inputs, process, outputs and immediate results. Projects can range widely in size, nature and duration. Some are conducted jointly with other donors and the host government, others may be contracted to non-governmental organisations for independent delivery. **Figure 19** overleaf illustrates the performance measures applied to a smaller and more self-contained project, promoting economic development in Tanzania.

17 Country planning: Performance indications

Criteria	Bangladesh	Bolivia	China	India	Kenya	Russia	Tanzania
1. What form do the majority of targets take (eg. Input, Output, Milestone, Outcome)?	No clear targets. Presentation does not allow form of activities to be clearly identified	Majority of Activities could be considered weak INPUT & OUTPUT measures	No clear targets. Presentation does not allow form of activities to be clearly identified	Majority of Activities could be considered weak INPUT measures	Majority of Activities could be considered weak INPUT measures	Majority of Activities could be considered weak INPUT measures	Majority of Activities could be considered weak INPUT measures
2. Is progress against the country Objectives and targets clearly set out?	Progress against objectives but there are no clear targets	NO (Review of Region not Country)	Progress against objectives but there are no clear targets	Progress against objectives but there are no clear targets	NO (Review of Region not Country)	Progress against objectives but there are no clear targets	Progress against objectives but there are no clear targets
3. On what basis has this been assessed (eg. actual data, objective analysis, subjective opinion etc.)	Subjective Opinion and review of projects	N/A No assessment	Subjective Opinion and review of projects	Subject Opinion and review of projects	N/A No assessment	Subjective opinion, using project sample	Project review, and internal and external opinion
4. Is it clear how the detailed activities have contributed towards the PSA, and country objectives?	APPR links activity to PSA targets	Very Limited	Only against country objectives	Only by link through Country Objectives	APPR sets out progress against relevant PSA targets	Only by link through Country Objectives	APPR sets out progress against relevant PSA targets

Source: National Audit Office analysis.

18 Progress against Public Service Agreement targets relevant to Tanzania

Public Service Agreement target

Objective 3:

- an increase in primary school enrolment from a baseline established in 2000 of 75 per cent to 81 per cent on the basis of data available in 2004; and improvements in gender equality in education, particularly primary education.

Objective 4:

- a decrease in the average under-five mortality rate from 132 per 1,000 live births to 103 on the basis of data available in 2004;
- an increase in the proportion of births assisted by skilled attendants from a baseline established in 2000 of 43 per cent to 50 per cent on the basis of data available in 2004.

Progress

- Primary school enrolment has deteriorated since 1990. The latest available figure for 1997 puts the primary school enrolment rate at 78 per cent, with approximately equal rates for boys and girls. The overall net enrolment rate is only 57 per cent.
- Under -five mortality rate 158 per 1,000 live births in 1999. With malaria a leading cause of mortality, the Department has supported the marketing of bed nets to urban communities and important changes in Government policy on malaria.
- 36 per cent of births were assisted by skilled attendants (1999).

Source: Tanzania Annual Plan and Performance Review, June 2001

19 Support to the Small Enterprise Development Agency (SEDA)



Background:

One of the key constraints to development in poor countries is the availability of finance to support small businesses. The establishment of 'micro finance' agencies, lending typically to self-employed people engaged in retail or trade activity, has helped to secure economic development. Loans, of between US \$150-200, are available only to savers. This project supports the expansion of an existing micro-finance institution in the 'lakes' district of Tanzania.

Project budget: £878,000

Goal statement: Stimulate the private sector to improve production opportunities, particularly for the poor and women.

Project start: May 1999, end May 2002

- Indicators:** 50% of clients to increase income by 30%
 80% of clients to sustain current jobs
 5% of clients create new employment opportunities

Purpose statement: To support the development of SEDA as a micro-finance institution providing financial services on a sustainable basis to poor Tanzanian micro-entrepreneurs, particularly women.

- Indicators:** SEDA achieves 85% operational and 60% financial self-sufficiency by end of year 3
 Client base increases from 2,200 to 12,200 by end of period
 At least 70% of all loans disbursed are to poor women.

Activities:

- Branch upgrade, portfolio extension
- Loan methodology improvement
- Management information improvements

- Staff development
- Business planning enhancement

Monitoring and evaluation

Goal indicators: to be subject to evaluation at end of project.

Purpose indicators: monitored quarterly through SEDA returns and annually in 'output to purpose' reviews.

Source: DFID

3.11 This project provides a good example of a number of common features in DFID's project portfolio:

- the project objectives are clear, realistic, and backed by research confirming the value of this type of institution;
- the project takes forward work also supported by partner bilateral donors and non-governmental organisations; and
- the project is fully compatible with the Government of Tanzania strategy for development.

3.12 This project also demonstrates, however, a generic problem with project support - it is unclear how such a small, local project will contribute to national economic development targets or any relevant International Development or Public Service Agreement targets. The SEDA Project, for example, is not set in any quantitative context of broader Tanzanian micro-finance needs, or of a portfolio of similar projects in other localities. Often, the performance information collected at project level is not suitable for aggregation across a number of projects so as to draw conclusions about progress in achieving these targets at the country level.

3.13 There are, however, some examples where it has been possible to devise project objectives and indicators that relate more closely to DFID's strategic objectives. Previous developments in Uganda and Malawi together with research in Brazil had shown that dropping charges

for primary education led to rapidly increasing primary education enrolment rates and that the provision of textbooks was a cost-effective way of enhancing achievement. Based on this evidence, the Strengthening of Primary Education Project in Kenya, for example (Figure 20), was able to adopt a specific low level intervention - the supply of textbooks - which has a more direct link back to the Public Service Agreement and International Development Targets.

Many project approval documents make no explicit reference to the achievement of broader performance targets

3.14 We reviewed project documentation for a sample of projects to establish the basis on which projects were offered for approval. Figure 21 overleaf shows that individual project documents usually justified the planned expenditure by reference to the extent of compliance with the country strategy or other national or international strategies, rather than the Public Service Agreement (only 9 per cent of projects examined) or the International Development Targets (26 per cent). This situation is not surprising for projects which were designed before the Public Service Agreement was introduced or the International Development Targets were given a central role. But, when combined with the lack of quantitative performance targets in the Country Strategies, it means that many projects have no clear link to achievement of priority outcomes.

20 Strengthening of Primary Education Project, Kenya



Background:

In Kenya, the cost of items such as school uniforms and textbooks fell to parents to bear. As a result many parents either did not send their children to school or children (more than 50 per cent) failed to complete their primary education. DFID funding is designed to match extra funds of £9.5 million over three years obtained by The Ministry of Education, Science and Technology in Kenya for textbook purchases. The money enables schools to purchase text books at a ratio of 1:2 or 1:3 pupils (previously around 1:20).

The project also seeks to improve quality by providing opportunities for teachers, especially women teachers, to upgrade their skills through implementation of a School-based Teacher Development Programme.

Project budget: £12.8 million

Goal statement: To assist in the achievement of Universal Primary Education.

Purpose statement: To improve access of poor children to better quality primary education.

Outputs statement: Improved provision of basic teaching/learning materials to poor children on an equitable basis.

Project start: June 2000. End: June 2002

Indicators: All school aged children enrolled in primary school by 2015.

Indicators: Increased net enrolment by gender by 5% by end of project in target districts.

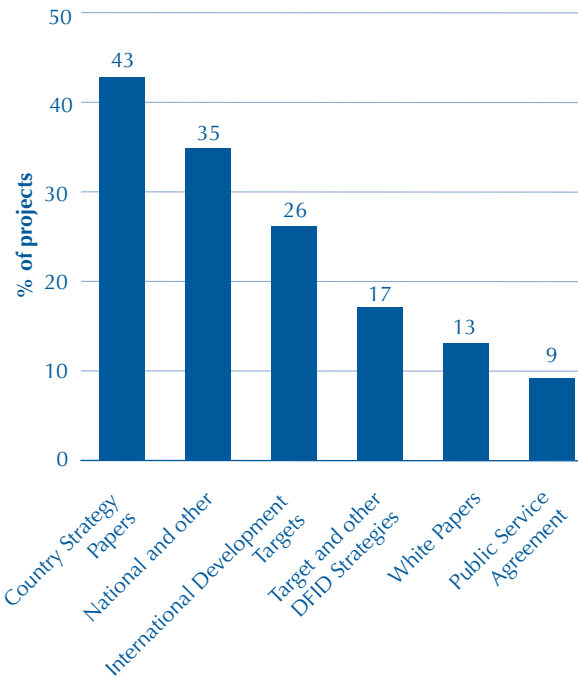
Improved attendance by 10% in all districts by end of project.

Improved retention by grade and gender by 5% by end of project.

Indicators: Govt. of Kenya expenditure on textbooks increases by 20% per annum.

30% reduction in (short term) school levies to parents of recipient pupils.

21 Project references to source strategies



Source: National Audit Office analysis

DFID have made increasing use of approaches designed to improve sustainability

3.15 To gain understanding of the way in which a programme of projects was compiled, we asked country staff how they identified ideas for projects. They told us that many projects followed-on from previous projects in the same geographical or sectoral areas, extending the project's life, or deepening or broadening its scope, as new challenges emerged. Some resulted directly from requests for assistance from local communities or non-governmental organisations with specific projects already in mind. Others from consideration with the host nation of its development plan - which included some projects, such as those in the governance area, which reflected DFID analysis of development needs. Country staff said that finding good development projects, capable of being justified by research or experience, compliant with development strategies and likely to lead to sustainable improvements, was no easy task. Managing a wide range of projects placed burdens on both donor and host nation resources; while building ownership for overseas-funded projects could be difficult - leading to potential problems in sustaining any initial gains.

3.16 Donors and host nations have therefore been exploring other ways to channel development assistance which reduce transaction costs and increase host nation ownership of development activity. Two of the approaches that have been developed feature increasingly in DFID programmes: Sector Wide Approaches; and Budget Support. Each approach shifts the focus away from discrete donor funded projects to a broader programme. Donors provide funds to support linked projects and/or overall national or sector expenditure budgets, on the basis of agreed expenditure profiles and objectives. The host nation decides on detailed activity and takes development activity forward - although it may receive donor technical assistance support in planning and taking forward its programme.

3.17 **Figure 22** shows that the organisation of a Sector Wide Approach can be complicated, involving several strands of development activity and many different monitoring activities. Budget Support represents a further step towards partnership with the host nation, but is, in some ways, simpler in design. Under Budget Support, donor funding is based on host nation expenditure plans, and associated with their policy objectives and stated poverty indicators, rather than a suite of specific projects.

3.18 These forms of support can bring real benefits. Draft DFID guidance on the selection of assistance mechanisms suggests that Budget Support and Sector Wide Approaches should be explored before moving to project-based programmes. But they also incur different risks compared with those presented by stand-alone projects. Donors have less control over the precise use of funds and relevant performance indicators describe general improvements in services or processes, and are therefore difficult to link with specific donor contributions. These approaches also depend on good host nation expenditure controls to ensure that funds reach priority poverty reduction activities. DFID have adopted explicit risk analysis and management arrangements to counter these risks, including:

- confirmation that poverty reduction plans clearly set out Government expenditure intentions credibly linked to broader Government policies;
- assessment that the host nation's planning, budgeting, and monitoring systems, are sufficiently developed to make best use of the additional funds, while providing the necessary transparency to donors;
- ensuring that standard monitoring processes are built into the project, aligned with existing World Bank and International Monetary Fund reporting where possible; and
- providing for donors to have specific rights of access to information and to commission external audits of expenditure.

22 Support for the Government of Bangladesh's Health and Population Sector Programme



Background:

A Sector-Wide Approach (SWAp) may eventually reach a stage where all sector finance is provided through budget support. Currently, however, SWAps tend to include a range of donor budget support, project aid and technical assistance.

In support for the Bangladesh Health and Population Sector Programme (HPSP), DFID provide health sector budget support (£25 million), with seven other donors including the World Bank; and technical assistance (£30 million) through their Strengthening Health and Population for the Less Advantaged (SHAPLA) initiative to eight key institutional and policy components (for example hospital management; and strengthening the role of nursing) considered to be essential to supporting health service reform in Bangladesh.

DFID's involvement has been based on an assessment of the social, economic, financial and institutional capacity within the Bangladesh health sector; and an analysis of the risks of not achieving the goal and purpose of the programme.

Project budget: £55 million

Goal statement: Improved health outcomes for the poor, particularly poor women and children.

Project start: July 1998; end: June 2003

Indicators:

- Improved life expectancy from 57 to 62 years.
- Reduced maternal morbidity and mortality (from maternal mortality ratio of 4.5 to 3 by 2003).
- Reduced child morbidity and mortality (from under-5 mortality of 116 to 70).
- Reduced prevalence of TB, leprosy, malaria, kala azar, sexually transmitted diseases/HIV/AIDS.
- Reduced fertility (from 3.4 to 2.5 by 2005).
- Age at first birth to be greater than 18.

Purpose statement: Increased access to and utilisation of cost-effective health services by the poor, particularly women and children.

Indicators:

- Increased share of public, private and NGO resources for health allocated to the Essential Service Package (ESP) [see below] annually.
- 10% increase in ESP use at sub-district level and below each year.
- Annual increase in Government of Bangladesh staff trained to deliver the ESP.
- One stop ESP shopping in 50 reorganised sub-districts available by end of Year 2.
- Service statistics in decentralised sub-districts available by age, sex and income.
- Increased use of quality checks for the ESP.
- Cost of services decreased per user over 5 years.
- Service hours adjusted to suit people's needs.
- Service personnel in post and available regularly.

Activities:

- Delivery of the Essential Services Package, a package of services tailored to the needs of the poor, including reproductive health care; child health care; communicable disease control (including HIV/AIDS); and limited curative care.
- Reorganising health service delivery under single line management to provide a one stop shop for ESP services.
- Integration of previously fragmented support services: human resource management and development; facilities and logistics; quality assurance; research and development.
- Improved hospital services, including joint ventures with NGOs and the private sector.
- Strengthening sector-wide management capacity; including planning, monitoring and review, health economics and financial management.
- Review and revision of regulatory framework in such areas as cost recovery, health insurance, public-private mix, drug policy, safety standards and introduction of a client bill of rights.

Support for the Government of Bangladesh's Health and Population Sector Programme (continued)

Monitoring and evaluation

Goal indicators: subject to a mid-term review (May 2001); and to an evaluation at the end of the project.

Purpose indicators: subject to:

For HPSP

- quarterly monitoring by Government;
- on-going independent community-based surveys to review service use by the poor;
- alternate year Demographic and Health Surveys to update impact indicators; and
- joint Government/development partner Annual Performance Reviews of output to purpose.

For SHAPLA-funded projects

- monitored through field management arrangements;
- quarterly monitoring reports of activities against outputs; and
- joint Government/DFID twice-yearly reviews - the second being conducted as part of the Annual Performance Review of the HPSP.

DFID and other development partners retain the right to withhold pooled financing and relevant project funding if programme performance does not meet agreed objectives set out in an annual plan for the HPSP.

Source: DFID

3.19 A further issue concerns the extent to which any improvement in poverty indicators can be associated with donor contributions. Under either Sector Wide Approaches or Budget Support, it is not generally possible to associate donor contributions with particular projects, or regions. Only if evaluations of progress, such as 'country assistance evaluations' or 'country programme evaluations', establish what the overall development activity of the country has achieved can an estimate of the development return on Budget Support be obtained. Such evaluations are now occasionally jointly-commissioned by donors in countries with substantial budget support arrangements - usually providing a good outcome-focused view of changes in key International Development Target areas, and a more useful strategic review than would emerge from equivalent project evaluations sponsored by individual donors.

'Influencing' the activity of others is an important factor in success

3.20 In addition to work defined under 'projects', DFID engage in broader 'influencing' activity with host nations, bilateral and multilateral donor partners, non-governmental organisations and others in the development field. In a broad sense influencing can include general networking and international development practice improvement. But we use it here in a more directive sense: DFID exerting influence on other bodies in pursuit of DFID's development objectives for the country in question. The importance of this activity was noted in the World Bank report *Assessing Aid*³⁰:

'There is evidence that donors can make a difference without large-scale financing. Intangible and low-cost effort can promote policy reform over the long term - by disseminating development ideas, training the next generation of leaders, and stimulating policy debate in civil society'. DFID staff, too, commented on the importance of influencing activity (Figure 23).

3.21 Influencing activity is often covered only implicitly in Country Strategy Papers, or resourcing plans, in sections dealing with relations with host nations and development partners. These sections often discuss the extent to which the policies of these entities match DFID's analysis of those best suited to reducing poverty. But there are no performance measures or structured assessments that help assess the current position or track changes. DFID have set up a working group to look at this issue in the context of influencing multilateral development institutions.

Country staff and development partners are responsible for programme management

3.22 In 1999, the problem of the 'missing middle' - a lack of linkage between activities, measures and outcomes - was identified in relation to DFID's Country Strategy Papers³¹. In discussing the significance of the 'missing middle', staff and commentators identified a number of factors that were relevant to greater or better use of performance measures to increase aid effectiveness. These included staff and partnership issues.

³⁰ World Bank (1998), *Assessing Aid: What Works, What Doesn't, and Why*, Washington DC, Oxford University Press.

³¹ Booth, D and H White (1999), *How can Country Strategies be a More Effective Tool for Poverty Reduction?: Issues from a Review of CSPs*.

23 DFID staff comments on the importance of influencing

'DFID does have a sort of an influencing role with other donors.'

'What you're doing is trying to have an added influence on processes.'

'Everybody's always looking around for opportunities to engage ... where they can influence change.'

'We've got to remain strategically engaged to such an extent that you can continue to influence a Government.'

'It's not just a case of actually providing DFID funds, it's also using our own strengths, our own people in influencing major players within ... Governments. We do actually spend a lot of time influencing them.'

'Many of the things we see as the most valuable, particularly policy influencing, aren't necessarily particularly expensive things to do.'

Source: National Audit Office focus groups with DFID country teams

24 DFID staff comments on the importance of the Public Service Agreement

'The PSA is irrelevant - the PSA is meant to reflect IDTs, so people don't think about the PSA'

'the PSA you would have to see as work in progress and we are sort of beginning to look at it'

'the PSAs are a bit remote to people working on the ground, whereas IDTs are less time bound and more realistic'

'I would say that it [the Driving force] was certainly the IDTs'

'If you were in the UK I guess some of these would be more relevant than the IDTs (the Public Service Agreements) ... here You tend to focus on the IDTs'

'we haven't really looked much at the PSA at all'

'I would say the PSA was the least known document in DFID'

Source: National Audit Office focus groups with DFID country teams

Many DFID country staff did not see the Public Service Agreements as a key influence on their work

3.23 As part of our work on the seven country development programmes we examined in detail, we arranged focus groups with samples of country staff, to explore their views on performance management issues. We found that staff at all levels were aware of the longer established global International Development Targets, and the United Kingdom commitment to them, but many were not aware of DFID's Public Service Agreement targets, or did not view them as an important influence on their activity. Typical comments from focus group participants are shown in **Figure 24**.

3.24 The lack of awareness of Public Service Agreement targets has been partly due to limited promotion of the targets within DFID - although that was being remedied at the time of our study by a series of meetings and seminars, and their relatively recent introduction compared with other policy and strategy documents. But it also reflects the lack of direct relevance to the day-to-day work of country staff - in that there is an absence of firm links between their projects and activities, and international poverty indicators.

3.25 Furthermore, the Public Service Agreement targets do not sit well with the timescales of development. **Figure 25** illustrates the timeline of a typical development project and shows that many activities or projects cannot yield outcomes within the three-year timeframe of a Public Service Agreement target. In addition, some countries do not feature in key elements of the Public Service Agreement targets - such as the 'top ten'-based targets for health and education. In these circumstances, there were no performance targets between low level project targets

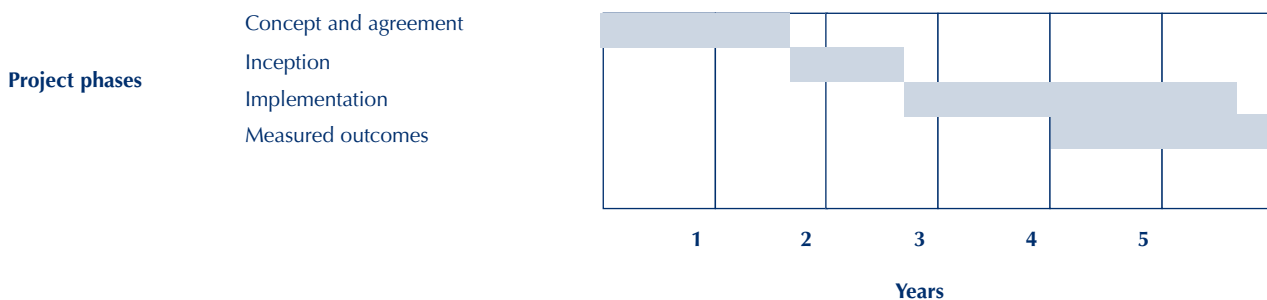
and the 15-year International Development Targets, and staff felt disconnected from DFID's medium-term performance objectives.

Partnerships with the host nation and other donors are important for improving effectiveness

3.26 The development community have recognised the importance of effective partnerships - both with the host nation and with each other. The main vehicle for taking forward partnerships is the host nation's development plan. For many donors - multilateral and bilateral - the content of the plan, and the vigour which the host nation brings to its implementation, influence the level and nature of assistance offered. But the extent to which a nation's development plan can form the basis for good performance management of donor funds depends on the extent to which the plan has been founded on a clear analysis of the nation's circumstances, and the extent to which poverty reduction is quantified, and credibly linked to development mechanisms.

3.27 In the case of the seven countries we considered, there were a number of Poverty Reduction Strategy Papers as well as several more general development plans. These plans usually defined a number of output and outcome indicators for overall poverty monitoring, covering key sectors and issues. But the problem of forging credible links between development activity, its resourcing and targeted levels of improvement remained, and the treatment of risk was rudimentary or absent. The plans did, however, help to bring together a varied donor community - typically over 50 organisations with Government backing, as well as many non-governmental organisations - in a common view of a good development path.

25 **Timeline of a typical development project**



Source: National Audit Office analysis

The quality of governance in the host nation is also important

3.28 The increasing importance of host nation development plans, and the increasing use of general budget support mechanisms, have caused donors to take a closer interest in the host nation's delivery of, and capacity to deliver, the development plan - one of the key elements of which is the quality of governance arrangements.

3.29 DFID's Target Strategy Paper "Making government work for poor people" identifies seven key capabilities which are seen as essential to the quality of democratic governance and which countries need to develop to provide a suitable environment in which poverty reduction can flourish (Figure 26). One of the objectives of international co-operation is to help governments identify their needs for developing these capabilities and to assist in their realisation.



for poor people" identifies seven key capabilities which are seen as essential to the quality of democratic governance and which countries need to develop to provide a suitable environment in which poverty reduction can flourish (Figure 26). One of the objectives of international co-operation is to help governments identify their needs for developing these capabilities and to assist in their realisation.

3.30 DFID started formal governance assessments in 1997, and to date have carried out assessments on nine³² countries or territories. In two cases, a second assessment was carried out to review DFID's governance portfolio in the light of the original review. A formal DFID "Governance Assessment Framework", which could help interpret these principles at country level, was introduced in August 2000. At least six of the assessments pre-date the introduction of the Assessment Framework, but follow a similar approach.

3.31 We examined the assessments carried out for Kenya and Tanzania, two of our focus countries. Both assessments highlighted deficiencies, as they existed then, in the governance and institutional capacity of the country. These included excessive executive powers; gender discrimination and a weak civil society; judicial reform

and human rights concerns; and the need for public sector reform. The assessments then went on to make suggestions as to how DFID could respond to help improve governance in the future, including incorporating a civil society perspective into all new and existing governance projects; assisting in the improvement of election procedures; assisting strengthened financial accountability in the public sector; and providing professional training for the judiciary, police and prison services. The assessments did not suggest how DFID might track changes in governance capacity between reviews for particular countries, or what indicators would be best suited to identifying changes that were occurring.

26 **The seven key governance capabilities**

The seven key capabilities which DFID believe states need to develop, in partnership with the private sector and civil society, in order to meet the International Development Targets are:

- 1 To operate political systems which provide opportunities for all the poor and disadvantaged, to influence government policy and practice;
- 2 Provide macroeconomic stability and to facilitate private sector investment and trade so as to promote the growth necessary to reduce poverty;
- 3 Implement pro-poor policy and to raise, allocate and account for public resources accordingly;
- 4 Guarantee the equitable and universal provision of effective basic services;
- 5 Ensure personal safety and security with access to justice for all;
- 6 Manage national security arrangements accountably and to resolve differences between communities before they develop into violent conflicts;
- 7 Develop honest and accountable government that can combat corruption.

Source: Department for International Development, Target Strategy Paper - " Making government work for poor people"

32 The nine were Kenya (1997, with a follow-up in 1998); Tanzania (1997); Pakistan (1997); Uganda (1998 with a follow-up in the same year); West Bank and Gaza (1999); Romania (1999 with a follow-up in the same year); Indonesia (2000); Cambodia (2000); and Nepal (2001).

- 3.32 As well as drawing up the key capabilities and developing the Framework, DFID have also directly supported projects intended to help host nations improve the quality of governance. An example is the work DFID carried out with the Centre for Policy Dialogue in Bangladesh to improve the contribution of civil society to policy debate and formulation in the national political process (**Figure 27**).
- 3.33 DFID also make use of another set of governance assessments, produced by some countries as a condition of access to certain World Bank and International Monetary Fund programmes. These 'Financial Accountability Assessments' aim to establish whether the quality of internal financial management is adequate to guarantee appropriate propriety, transparency and effectiveness in the case of aid money. DFID use these assessments, when produced, as important indicators of the scope to move towards Sector Wide Approaches and Budget Support mechanisms.
- 3.34 DFID assessments of the quality of governance tended to follow those made by the World Bank and International Monetary Fund. In the case of Kenya, an initially favourable assessment led DFID to move to a 'high case' level of assistance (up to £51 million annually by 2000-01). Then 18 months later, a review showed inadequate progress with financial and governance reforms, which led them to return to 'low case' assistance (up to £21 million annually by 2000-01) - the only tenable option in the circumstances. Rapid strategic changes of this sort present problems for DFID in managing money effectively - problems which are exacerbated for the host

27 Support for the Centre for Policy Dialogue, Bangladesh

The Centre for Policy Dialogue is a leading and respected national 'think tank' in Bangladesh. In the run up to national elections in 2001, the Centre proposed a project intended to strengthen the quality of, and capacity for, pro-poor policy formulation and implementation in Bangladesh, where the increasingly polarised political debate was in danger of excluding or penalising civil society stakeholders.

The project, for which DFID provided £200,000, supported the production, validation and dissemination of Policy Briefs which provided a platform for wider participation by civil society, down to the grassroots level, in the pre-Election policy debate; and influence those debates through encouraging an increased focus on issues and not on personalities and past grievances.

The Briefs did not hold the current Government to account in terms of recent performance, but did provide a set of benchmarks against which to measure party performance in the election, and subsequently of the new Government.

As well as providing benefit for the democratic process in Bangladesh, the project has helped to position DFID well in relation to civil society in the run-up to the production of any future Poverty Reduction Strategy Paper.

Source: DFID

nation, since many other donors also follow the lead of the multilateral development institutions in reaching their own governance assessments.

- 3.35 In reviewing governance assessments used by DFID, including those they carried out themselves, we noted that most of them concentrated heavily on financial propriety and accountability, together with a degree of analysis of the legal framework and the extent of democratic freedoms. Governance assessments do not deal as fully with broader management issues, such as the quality of service planning, controls over service delivery, or the use of and stewardship of assets, despite DFID's Target Strategy Paper on governance highlighting the ability to guarantee the equitable and universal provision of effective basic services, including improving the quality and coverage of service delivery, as a key capability. Nor do these assessments provide a graduated view of the quality of governance - in terms of degrees of competence or control, or across sections and regions. A broader-based governance assessment would provide a better basis for reviews of the feasibility of development plans, while a more graduated approach would help avoid sudden changes in aid policy. Work amongst the international development community to improve governance indicators is ongoing. Previous work by the Development Assistance Committee failed to reach agreement on what constituted a 'good' governance indicator. Since then, the World Bank has begun work on indicators of governance and institutional quality. DFID are funding a member of the team involved in this work.

DFID take a leading role in building partnerships

- 3.36 We asked officials in host nations how they assessed DFID's approach to development assistance. The majority thought DFID were leaders in developing the partnerships, and in building on host nation ideas and plans rather than simply substituting their own view of development prospects. We also found a similar picture when discussing DFID's approach with other donor organisations (**Figure 28**).
- 3.37 The picture of DFID that emerges from these views, and from others we received during country visits and contact with international aid organisations, is one of an influential and well-respected organisation that acts constructively to promote effective partnerships. That practice is confirmed in the peer review of DFID by the Organisation for Economic Co-operation and Development's, Development Assistance Committee:

'DFID's strong presence in the field enables the United Kingdom to take a leading and often pro-active role within the local donor community'³³.

33 Development Assistance Committee, Organisation for Economic Co-operation and Development (2001), *Review of the Development Co-operation Policies and Programmes of the United Kingdom, Paris* (paragraph 156).

28 Host nations' and other donor views of DFID's approach to development assistance

Host Nations

'DFID recognises that Kenya is in the driving seat' and 'I like their consultative approach'

'DFID played pivotal role with Government of Kenya and other donors to support Kenya via the PRSP ... support for the use of facts in political debate'

'DFID is in the lead in moving away from basket support to budget support. DFID and the Government are trying to convince other donors to get involved in budget support'

Other donors

'The World Bank sees DFID as its chief bilateral donor partner in Kenya. We take the same line of having constructive dialogue with the Government'

'DFID is good at thinking of innovative approaches, to teach old dogs new tricks. The Government of Kenya listens to DFID because of this.'

'We have a very close relationship with DFID, and we are very like-minded. DFID are the main player amongst the bilateral donors when it comes to influencing the Government'

Source: NAO discussions with government officials and multilateral, non-governmental organisation and donor partner officials during country visits

Technical limitations constrain the development of more precise performance measurement

3.38 There are a variety of technical issues that hinder the introduction of more precise performance measurement into Country Strategies. This section looks at: problems linking activities with outcomes; resourcing activities for given outcomes; the identification and assessment of interactions and interdependencies; and risks within development plans and strategies.

Better linkages between proposed activity and poverty reduction objectives are needed in DFID country planning documents

3.39 Our analysis of country planning documents showed that there were no quantified links between development activities proposed, resources committed, and progress against Public Service Agreement or International Development Targets. We asked Dr White, to review the literature on this issue. He concluded (Appendix 2) that weak links between activities, measures and outcomes, which he termed the 'missing middle' of development planning, was common to all the agencies that had adopted the International Development Targets as a focus for their work. DFID were, therefore, not alone in struggling to make firm links between their programmes of assistance and expected outcomes.

3.40 He noted that attempting to measure performance by a 'bottom-up' aggregation would be onerous - and that in practice the data do not exist to do so. He observed that there might therefore be a worrying disjunction between project and programme level monitoring. In considering other approaches, he did not find any solutions which clearly balanced better the need to maintain progress towards outcome oriented International Development Targets, while providing insight to the performance of individual agencies involved in development.

3.41 Logic models and logical frameworks are schemes for linking inputs to outcomes. They entail the identification of the main factors which will influence poverty reduction, mapping the interaction of these factors in the context of a given nation's resources, policies and practices. They promote 'systems thinking' rather than a narrow focus on projects, and facilitate constructive dialogue with other donors and the host nation. Although Country Strategy Papers are intended to adopt a logical framework approach, Dr White noted that few contained such logic models, or evidence that they had been used in the development of the strategy. As a result, the potential logical structure of the strategy paper does not provide the rationale for the interventions being undertaken; and what scope there is for assessing attribution is undermined. He suggested that a more rigorous attempt to apply a 'logic model' concept to Country Strategy Papers could, at least, help bridge the gap between activities and outcomes.

3.42 This analysis is consistent with our own review of Country Strategies. We looked to see what level of precision could be derived from the qualitative statements they contain, and the extent that statements about priorities or resourcing were supported by analysis or argumentation. We found that Strategies were often so generally worded that almost any intrinsically worthwhile development project would fit somewhere in the strategy. There was often little sense of the prioritisation between, or the cost implications of, different objectives. Despite widespread concerns about the burdens placed on host nations by the need to deal with a multitude of development organisations, explicit focusing of DFID's bilateral programme to a few sectors or activities was rare. One example where such a focusing of effort was provided was that for Tanzania where DFID concentrated on general budget support for the Government, supplemented by project support in health, education and civil society areas. They planned to phase out project work in environment and water sectors.

3.43 Country Strategy Papers explicitly identify planned development expenditure over the strategy period (3 or 4 years). But there is little discussion or analysis of the relation between resources committed and impacts or outcomes resulting. DFID funding of development is not explicitly set alongside other donors' contributions, or the national development expenditure plan and there is no sense of sensitivity analysis designed to gauge whether resourcing is at a sensible level given the context. Resourcing of development activity is a difficult issue about which to make judgements - since there are a variety of technical, external and partnership dimensions to consider, and considerable uncertainty about future developments in each dimension. Better logic modelling of underpinning Country Strategies would help inform resourcing judgements by helping to identify key interactions and risks along the chosen development path. DFID are working on new guidance on country planning which will address these issues.

Country Strategies could say more about any interdependencies between donor programmes

3.44 For the seven country programmes we examined, Country Strategies generally refer to the degree of coherence of donor policy and practice. They do not, however, detail the way in which response to development needs is shared between donors. It is

therefore difficult to assess whether, for example, any regional or sector focus for DFID assistance is counter-balanced by other donor nations' or multilateral development institution work in other regions and sectors. Moreover, any links or dependencies between donor programmes, or between elements of DFID's programme, are not brought out. Should projects follow a defined order? Is another nation's work in developing physical infrastructure a prerequisite to gaining value from our work in building staff expertise and capacity in the host nation? The Strategies do not explore these types of question, with the result that the force behind any priorities in the programme is dissipated, and the sense of 'fit' with wider development objectives is diminished.

Risk assessments are carried out at the project and budget support levels but are not consistently aggregated at the country level

3.45 At the project level, DFID usually conduct formal risk assessments as part of the design and approval phases. In the case of Budget Support schemes, for example, assessment and management of the risks surrounding the use and accounting for budgeted funds has been a key part of DFID's work in developing the schemes. That explicit focus on risks and risk management was not carried forward, in a broader performance sense, to country planning. Yet risks to poverty reduction plans exist at this level too. Most development plans, for example, envisage significant levels of real economic growth year on year. In Tanzania, for example, DFID estimated that the economy would have to grow at seven per cent per annum for 15 years to hit the International Development Target of halving poverty by 2015. Sustained growth of this sort is difficult to achieve, and implies considerably higher growth in 'good years', to counterbalance a range of potential problems, caused by factors such as political unrest, drought, or flood. The country strategies we examined did not analyse the likelihood or significance of adverse events or developments, nor did they relate such risks to the selection of, or priority accorded to, development projects - or to effects on poverty reduction outcomes. The absence of a formal approach to risk in country strategies not only makes the strategy vulnerable to being knocked off course, but also means there is no ready source material to fuel assessment of risks to performance objectives at the corporate level.



Part 4

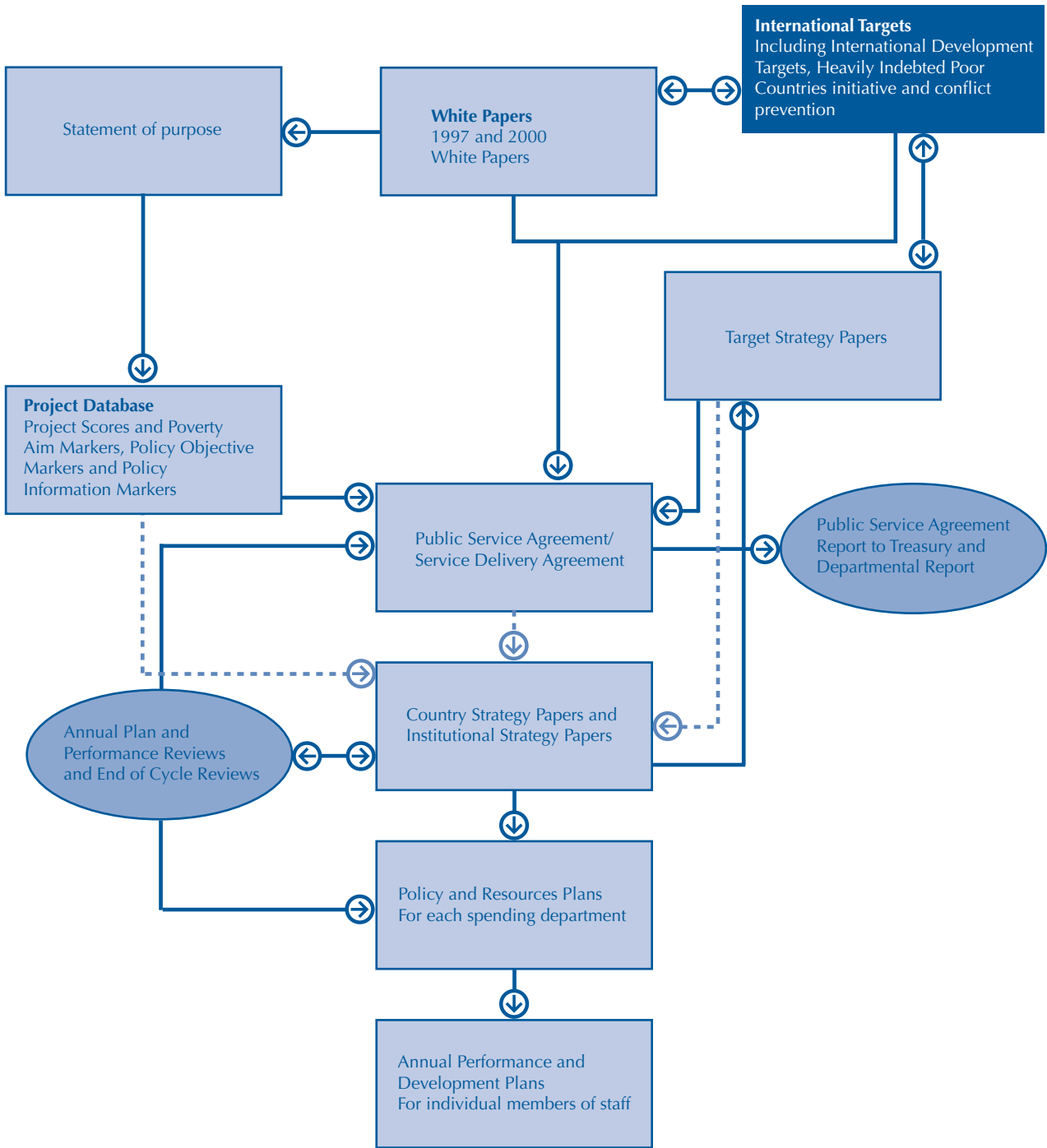
Performance monitoring and review are well established but need better integration into corporate management systems

- 4.1 This part examines the nature of DFID's planning and review processes, relating to performance against their poverty reduction targets. It reveals a developed but complicated process, which does not fully address performance against key DFID targets. The systems have afforded DFID a qualitative view of progress that has helped them take resource allocation and development activity decisions. But, whilst DFID are developing their approach to evaluation and performance monitoring, there is currently an insufficient flow of performance monitoring information to fully inform such decisions.
- 4.4 In consequence, a certain proportion of strategy papers are likely to be out of date at any given time by reference to the latest Public Service Agreement targets, for example. This circumstance complicates performance management - since there are several potential frames of reference against which to judge performance. As Part 3 noted, quantitative targets rarely feature in country strategies and there is scope, therefore, to both standardise planning and review processes while also ensuring that performance targets are explicitly cascaded down to country level strategies.

DFID have a complex system for performance management

- 4.2 **Figure 29 overleaf** shows the complexity of the information flows that characterise DFID's performance management system. This was a product of the need to respond rapidly to the significant changes in United Kingdom policy on development issues which took place in 1997. As a result of variations in the timing of development of the various strategy papers and the introduction of the Public Service Agreement, key linkages between them are often weak or missing (as shown by the broken arrows). As a result, the objectives which they contain, whilst broadly in line with the Public Service Agreement and the Target Strategy Papers, do not clearly reflect the detail of the targets. In addition, results of reviews of those strategies (the Annual Plan and Performance Reviews and End of Cycle Reviews) do not feed back directly into the process for monitoring progress against the Public Service Agreement.
- 4.3 In fact Figure 29 somewhat underestimates the level of complexity, because there are nine Target Strategy Papers, 21 Institutional Strategy Papers, 44 sets of strategies and reviews at country level, and around 7,000 "live" projects, of which around 5,500 are actively incurring expenditure, at any given time. Further Institutional and Country Strategy Papers are in preparation. Complexity is also exacerbated by the different cycles over which key targets or strategies are revised (**Figure 30 on page 47**).
- The ability to vary resource allocations is limited in the short term
- 4.5 To achieve their development aims, DFID place great emphasis on the need to work in partnership with developing country governments, other bilateral or multilateral donors, civil society and non-governmental and private sector organisations. In order to develop and maintain such partnerships, a degree of commitment in the level and duration of funding is important. Thus, when determining resource allocations, both financial and human, senior management must always take into account existing funding agreements on individual projects, country programmes and contributions to multilateral and non-governmental organisations, all of which limit DFID's ability to make significant changes to the pattern of existing development activity in the shorter term.
- 4.6 Given the nature of international development activities, and the time that it often takes for meaningful and sustainable impacts to be achieved, it is not surprising that project approvals and the funding agreements that go with them often run for at least three to five years and sometimes longer. Break points may be built into the project at periodic intervals, but these are rarely annual. **Figure 31 (on page 47)** shows that of the individual phases included in a sample of projects examined by the National Audit Office, over 70 per cent had a duration of three years or more.

29 DFID's Performance Management System



DFID functions
 External functions
 Review functions
 Information flows
 Key weak or missing linkages

Source: NAO analysis of DFID processes

30 Strategic planning and update cycles

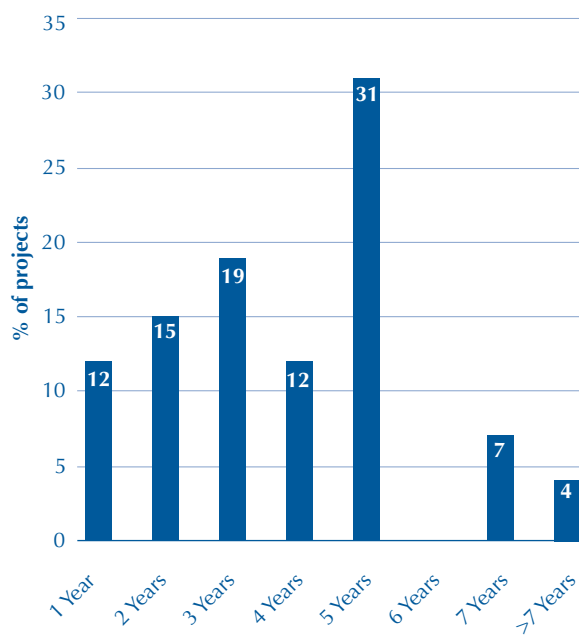
	Forward look	Update cycle
International Development Targets	Largely for achievement by 2015	Ad-hoc reviews (Review of progress in 2000)
Public Service Agreement Targets	3 years	2 years
Target Strategy Papers	No life cycle stipulated	
Institutional Strategy Papers	3 years	3 years*
Country Strategy Papers	4 years	4 years*
Project Objectives	Typically 3-5 years	Output to Purpose Review (usually at mid-point of project)

NOTE

* Annual reviews may revise the actual strategy, but do not replace the formal document.

Source: National Audit Office analysis

31 Length of Project Phases



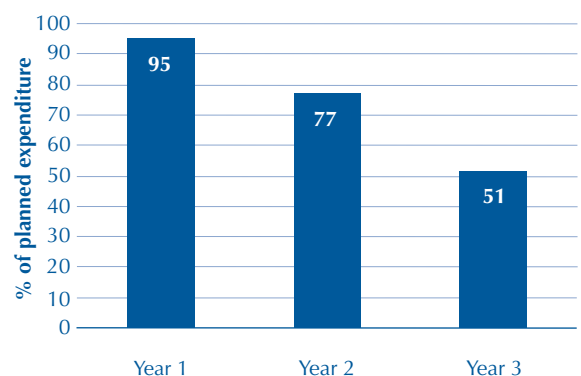
Source: National Audit Office analysis

4.7 For three of the country programmes we examined in detail, DFID staff had analysed future expenditure commitments. Based on these analyses (which were performed around five months prior to the start of Year 1), **Figure 32** shows the average proportion of pre-committed expenditure in the three years following each review. It shows that freedom to vary resource allocation starts to emerge in Year 2 of a plan, and reaches around half of the programme budget by Year 3.

4.8 Multilateral development institutions such as the European Community, the World Bank and the United Nations play an important role in the achievement of the International Development Targets, through the scale of the resources at their disposal, the extent and quality of their research and analysis resources and the influence that they can apply to government policies in developing countries. Currently, around 44 per cent of DFID's aid is channelled through such institutions.

4.9 The Institutional Strategy Papers provide a framework for how DFID will work with such agencies, but whilst DFID seek to influence the direction of multilateral development institutions' work they have no control over the detailed development programmes to be taken forward. For example, the majority of DFID's funding to the European Community is based on budgeted costs for those external programmes considered to relate to international development, which are agreed by Member States, the Council of Ministers and the European Parliament. The actual cost in a particular year depends on how much is actually spent. DFID have no influence over this figure. For the World Bank, major central funding is provided through a regular three to four-yearly cycle of replenishments of their resources. At the start of each cycle the size of the replenishment is negotiated between the institution concerned and the financing agencies, taking account of perceived performance as well as future plans. Once the replenishment is formally agreed, financing cannot be varied until the next replenishment.

32 Proportion of pre-committed expenditure



Source: National Audit Office analysis

4.10 On average, around 25 per cent of a country bilateral programme will be at a natural decision point each year, while multilateral funding is governed by the rules of membership of the various organisations. Changes involving reductions in funding are hardest to implement. But even increased funding can be difficult to manage, since, for example, an increased bilateral programme in a given country needs to be founded on well chosen projects or well-planned budget support arrangements - which take time to put in place. So while there is scope to vary resource allocation, the speed of change possible is limited - placing a premium on good forward planning. DFID's influencing activity can, of course, be more responsive to emerging development results.

DFID review performance and identify good practice in a number of ways

DFID have a recognised track record in analysis and evaluation

"...it's a very interesting debate which I think is going on internally is how we use our Evaluation Department, it's very unclear what its role is at the moment..."

"...I've always been very sceptical about the worth of evaluation in DFID, not because it's a bad thing to do, it's not but because as an organisation we rarely take much notice of it."

Source: National Audit Office focus groups with DFID country teams

4.11 DFID have a recognised track record in analysing and evaluating the performance of their projects, their aim being to 'examine rigorously the implementation and impact of selected past projects and to generate the lessons learned from them so that these can be applied to current and future projects'. This has helped to strengthen project management processes. Project evaluation studies and research papers have been the means employed to investigate questions of aid effectiveness - catering for aid results that emerge some time after the project has been completed and isolating the effects of aid from other influences on poverty reduction.

4.12 The various types of evaluation reports represent an important drawing together of information from past work, which potentially is of significant value to DFID in informing their approach to development assistance in the future. But there are indications that formal evaluation reports are not read by country teams. This raises the risk that evaluation findings are not receiving the attention they need to influence development practice across DFID. Those staff we spoke to in country teams told us that they made more use of their informal learning networks to identify good practice and lessons learnt than of formal evaluation reports.

4.13 DFID are aware of the need to make the most of evaluation results. Guidance regarding the evaluation system is set out clearly in DFID's Office Instructions. However, it is not clear how far, operationally, evaluation outputs contribute to decision-making within DFID. To address this situation, DFID are piloting the production of an annual Development Effectiveness Report, which is intended to provide a more systematic, independent and authoritative assessment of their overall development performance. DFID's Evaluation Department are also increasingly using informal networks for discussion and dissemination of evaluation findings and lessons; to cover wider themes and topics of general interest.

4.14 Evaluation is also carried out throughout DFID at sector and local levels and tailored to local purposes. But this variety of practice has led to patchy and unsystematic evaluation coverage, and Internal Audit have commented that there is a risk of duplication and lack of co-ordination in the monitoring of progress against policy objectives. To address these issues, DFID are preparing a policy on evaluation and performance assessment which they hope will lead to a more consistent and systematic approach to evaluation and the dissemination of results.

4.15 End of Cycle Reviews - an example of evaluation work managed and carried out at local level by country staff - provide an opportunity to carry out a more fundamental assessment of success of country programmes in achieving their objectives than is provided by Annual Plan and Performance Reviews. Although DFID have reviewed experience against country strategies for a number of years, experience of formal End of Cycle Reviews is so far limited to just three countries, the Russian Federation, Ukraine and Brazil. The Russian Review we examined did not attempt to carry out a full assessment of the impact of DFID's



programme in Russia, considering that it was too early to do so. Its purpose was to 'enhance the effectiveness of DFID activities in Russia by identifying practical lessons from past experience and appropriate measures of success for future programmes'. The review considered the wider environment within which DFID's Russia programme operated; the strategic issues which lay behind the existing Country Strategy Paper, including the relevance of DFID's work to the priorities of the Russian Government; operational and procedural issues relevant to implementing the country programme; and made recommendations for strengthening DFID's strategy in the future. There are, however, a number of matters which it did not cover but which are, nevertheless, relevant to the design of any future country strategy, including an analysis of the linkages between proposed DFID activity and poverty reduction. As a result, the new Russian Federation Country Strategy Paper, which was based partly on the results of the End of Cycle Review, does not include a quantified strategy for achieving DFID's poverty reduction objectives for Russia.

Corporate governance and monitoring arrangements are being strengthened

- 4.16 Following the recommendations of the Turnbull Committee, in 2001-02 DFID began to strengthen their corporate governance arrangements. The structure of the Management Board has been changed to include sub-committees dealing with Development Policy; Knowledge and Communication; Human Resources; and Finance and Audit. DFID have also introduced a Strategic Risk Management Framework which is supplemented by extensive technical notes on addressing risk at the investment level. Each DFID Director is required to submit an annual statement of matters relating to internal control to the Accounting Officer. This statement confirms, or reports weaknesses in, the adequacy and effectiveness of the Directorate's systems and procedures for addressing risk; delivering against objectives (including Public Service Agreement); managing staff; the use of corporate information; and action taken on Internal Audit and National Audit Office recommendations. For the year 2001-02 onwards, the Directors' statements will support the Accounting Officer's Statement on Internal Control which will accompany the annual accounts to Parliament.
- 4.17 To monitor DFID's progress against the Public Service Agreement, the Treasury require progress reports to be submitted quarterly. The nature of development assistance, however, is such that little, if any, progress against development outcomes will be discernible over such a short period. The value for money target included in the 2001-04 Public Service Agreement is better suited to quarterly monitoring but suffers from the small

proportion of projects that have currently received a performance and risk score, which together form the basis for measurement. The monitoring report to HM Treasury for the period ended September 2001, shows that only 17 per cent of eligible projects had received both a performance assessment and a risk categorisation. By January 2002, the number of projects with a performance assessment had risen to over 30 per cent, and the figure for risk assessments to 19 per cent. DFID have taken steps to address this problem through the development of monthly statistical reports to Directors showing the number of projects in their areas of responsibility which have not received a performance score or a risk categorisation. From April 2000, Directors' annual statements relating to internal control have included a statement that the requirements on project scoring and risk categorisation have been adequately complied with.

- 4.18 Given the problems of monitoring progress against Public Service Agreement outcome targets, progress information is not provided routinely to the Management Board. At a meeting held in April 2001, the Management Board accepted that it had not fully exercised its responsibility for monitoring DFID's overall performance against the International Development and Public Service Agreement targets. The Board concluded that its ability to play a proper role in this respect was limited by the flow of information and the quantity of the data.
- 4.19 DFID are now developing ways to improve high-level performance reporting and have sought advice from a variety of sources including senior private sector executives. In the meantime, the Board has received quarterly information on expenditure; on performance against the United Nations target ratio for the level of official development assistance against Gross National Product; and on performance against the 2001-04 Public Service Agreement value for money target. Senior committees such as the Development Committee receive information regarding the performance of country strategies through their review of Annual Plan and Performance and End of Cycle Reviews. As all executive members of the Management Board also sit on the Development Committee, apart from the Accounting Officer who receives the papers, DFID told us that they were confident that Board members had access to relevant information on DFID's performance. But the lack of direct and comprehensive reporting to the Board hinders it in carrying out its corporate performance responsibilities which sit over those of senior committees.

Project monitoring arrangements are well-established but centrally held data are incomplete

" ... there's quite well established practice within DFID for impact measurement of projects (through the logical framework, through the setting of indicators) ... "

" ... there are also issues at the outset in terms of defining proper indicators in the logframes and I suspect we don't actually give as much attention to that as we should ... "

Source: National Audit Office focus groups with DFID country teams

4.20 The project monitoring and review process consists of a number of elements:

- The Project Memorandum: describes how the project will be implemented and monitored;
- The Logical Framework ('logframe'): sets out the 'Objectively Verifiable Indicators' against which progress will be measured;
- Monitoring Reports: produced at regular intervals during implementation, showing progress against the logical framework and explanations where progress is not proceeding as planned;
- Project Scoring: from January 1998, all projects costing above £500,000 (increased to above £1 million from April 2002) must be scored at least once a year, except during the first two years if scoring would be premature;
- Output to Purpose Review: usually conducted at the mid-point of the project's planned life - which should be undertaken jointly with the recipient, in order to assess progress against the project's objectives and a check on whether the assumptions remain valid.

4.21 For the Institutional Development Component of the Bangladesh Third Road Rehabilitation Project, DFID and their consultants have developed a detailed monitoring system, based on the logical framework (**Figure 33**). In addition to the usual commentary on progress, the quarterly monitoring reports provide, for each output in the logframe:

- Charts showing the actual activity during the project against the programmed activity for each individual task and an estimate of the degree of completion of each task;

- The reasons for differences between planned and actual activities and details of and responsibilities for any remedial action; and
- A breakdown of the time spent by the consultants.

"one problem with the Project Completion Report...is that by the time you get to that point...a lot of the people have moved on (mentally if not physically)...so it's seen as a formality to be gone through..."

Source: National Audit Office focus groups with DFID country teams

4.22 Project Completion Reports are also required for all bilateral projects with expenditure in excess of £500,000 (increased to £1 million from April 2002). The main purpose is to assess the extent to which planned outputs have been achieved and whether this has been done within the planned timescale. This information is intended to allow DFID to draw conclusions and learn lessons from their experience. The completed reports are held by DFID's Evaluation Department on a database, and are available to all staff. In the past, the trends in project performance, in terms of costs, duration and the degree to which objectives have been achieved, shown by a sample of Project Completion Reports, have been drawn together annually, by the Evaluation Department, and published in their Project Completion Report Synthesis Studies. However, these Synthesis Studies do not draw out the reasons for the success or otherwise of the projects analysed in order to inform future project design.

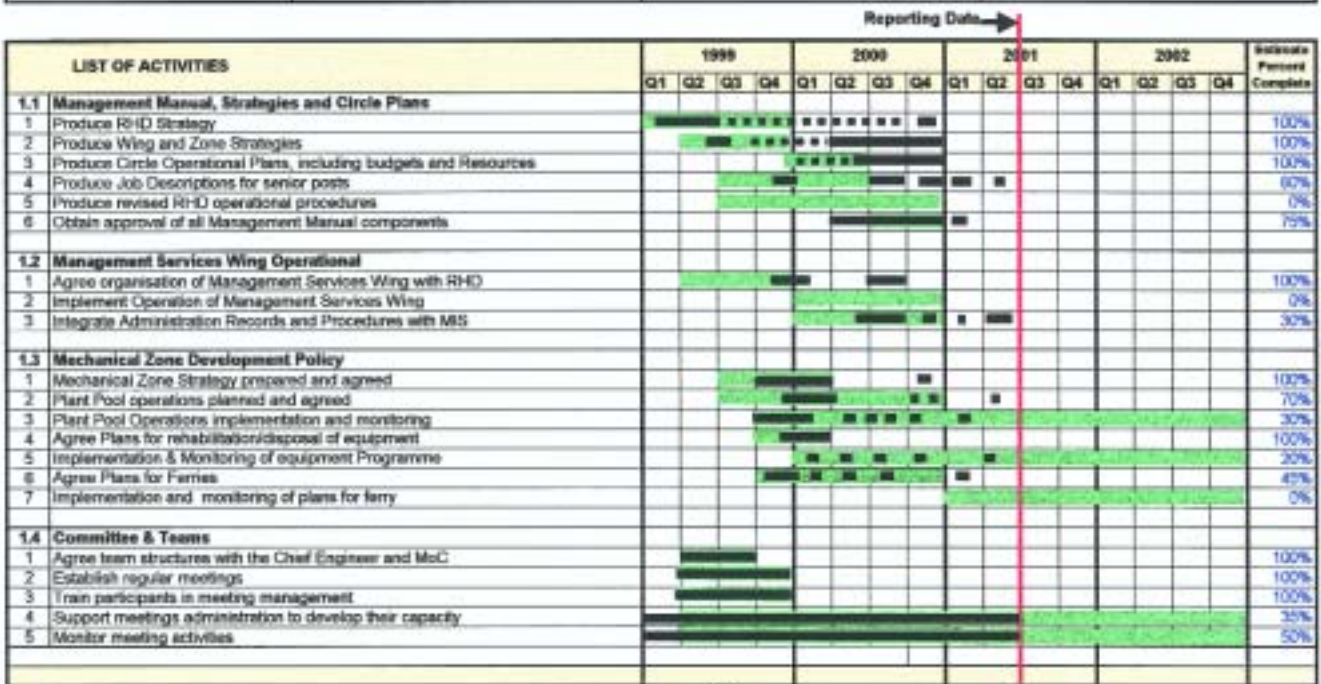
4.23 DFID are also dealing with a backlog of projects for which no performance or risk score has been allocated. The value for money targets included in both the 1999-02 and 2001-04 Public Service Agreements are based, wholly or in part, on the proportion of projects achieving a performance score of two or above. For the 2001-04 Public Service Agreement, the risk assessment is also required. However, by January 2002, whilst 31 per cent of the 737 eligible projects had been allocated performance scores only 19 per cent had received risk assessments. Within these overall figures, compliance varied, with some regional departments having achieved almost full compliance with others still lagging behind. As a result, DFID's monitoring return for the period April to September 2001 does not include any performance results for this target. DFID are taking further steps to ensure that information held on the database is complete. Discussions with staff also indicated a concern that this target could influence staff to score projects more highly than they otherwise might, although the involvement in project scoring by non-DFID staff should counterbalance any such effect.

33 Monitoring report used on Bangladesh Third Road Rehabilitation Project

IDC3 - PROGRESS AGAINST LOGICAL FRAMEWORK

UP TO THE END OF: 2nd Quarter 2001.

OUTPUT NO 1	OVI	MEANS OF VERIFICATION	ASSUMPTIONS
1 RHD run according to modern management methods	1.1 Management Plan and all Head Office Circle Operational Plans adopted	1.1 RHD Management Plan including Strategies and Circle Operational Plans	1.1 Revised Management Plan accepted and approved by MoC.
	1.2 Management Services Wing is operational, and reviews all administrative procedures by end of 2000	1.2 Management Services Management Team Minutes.	1.2 Arrangements for establishment of Management Services Wing agreed by MoC and acted upon.
	1.3 Mechanical Zone Development Policy drawn up and started by April 2000	1.3 Mechanical Zone Management Team Meeting Minutes	1.3 RHD / MoC adopts new systems and procedures to allow more commercial operation of equipment and ferries.
	1.4 Senior Management Committee and other Management Teams operational by the end of 1999.	1.4 Committee/Team Meeting minutes.	



Key
Originally Programmed (Green bar)
Actual Time of Inputs (Black bar)

Act.	Reason(s) for difference between planned/ actual activities	Follow up - What / Who
1.1	Specific Job Descriptions produced for all post of EE rank and above. SOE and AE remain to be done. Preparation of operational procedures not yet started. Adoption of Circle plans plans cannot fully take place until reorganisation is approved.	Progress in completing this work will depend on speed of implementation of re-organisation and consultants resources (See Output 2 re-organisation). Mid-term review confirmed need for additional resources.
1.2	New organisation of Management Services Wing is agreed with RHD. Implementation of operations cannot begin until reorganisation implemented. Work on Integrating Administration records with MIS is proceeding with large personnel data collection exercise commenced.	Speed of work on MIS is constrained by Consultant's resources. Working Closely with Administration and Establishment Circle in updating personnel records.
1.3	Progress started well but now slowed somewhat as many issues outside scope of Mechanical Wing to solve as involve Ministry Policy, relationships between Civil and Mechanical areas of RHD, contracting systems etc.	Some issues can only be resolved when re-organisation and new contracting systems introduced. Ministry attitude to plant pools and ferry operations needs clarification.
1.4	Committee and Teams established and operating well. Some change in emphasis to troubleshooting and monitoring progress of new systems to be introduced.	Changes in Committee operations will take place over coming months. Some assistance in managing change likely to be required.
Estimation of Overall Progress to Date: 68%		

CONSULTANT'S TIME UTILISATION - Long Term				CONSULTANT'S TIME UTILISATION - Short Term			
Sl.	Designation	% of time on activities*	Remarks	Sl.	Designation	% of time on	Remarks
e1	Team Leader	25%	1 week leave	1		0%	
e2	Management Spec	0%	input completed in December				
e5	HR Training Specialist	0%	3 weeks leave				
e7	Tech. Consultant	0%	input completed 18th April				
n1	Deputy Team Leader	30%	5 weeks leave				
n7	MIS Specialist	0%					
* % of individual's time in this Quarter				* % of individual's time in this Quarter			

Source: DFID

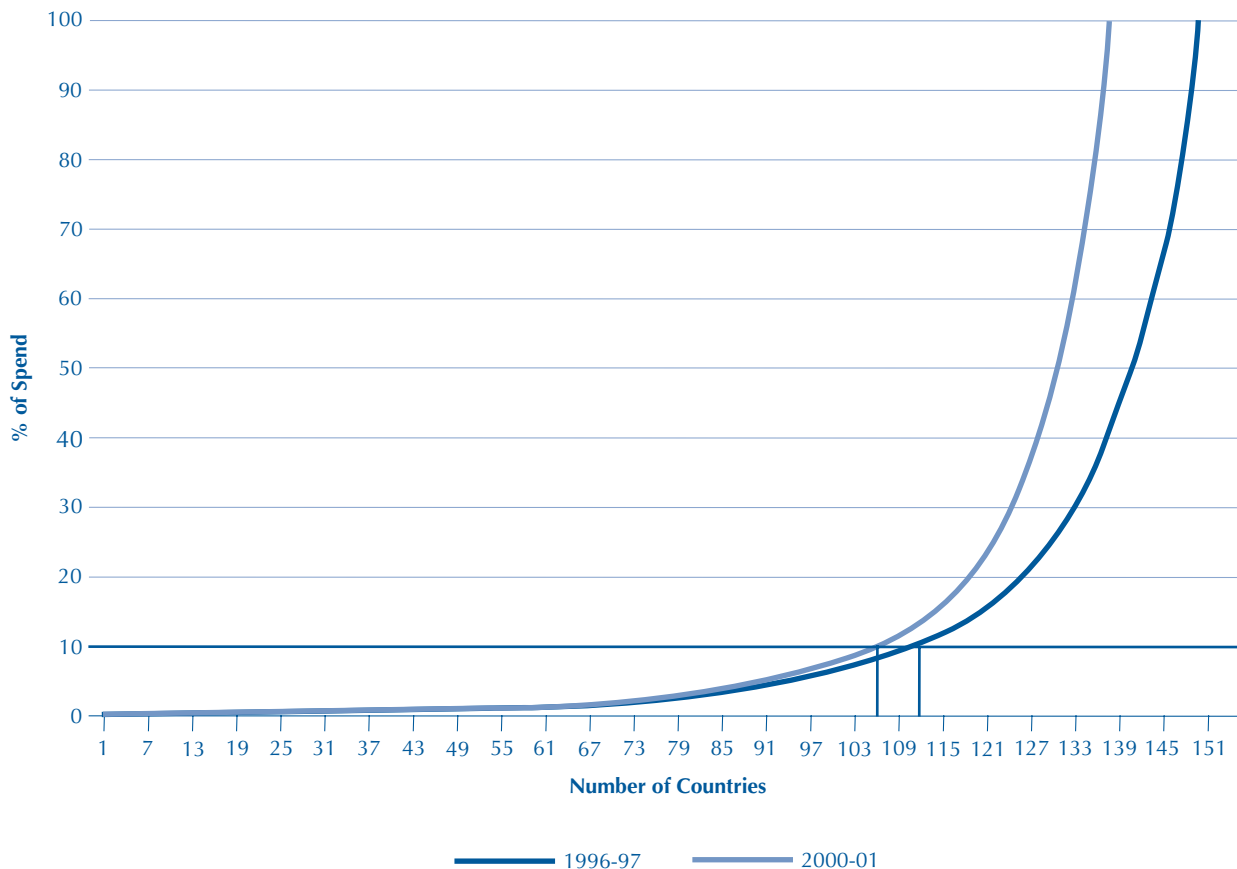
There is no defined system for measuring internal capability

- 4.24 While DFID have developed performance measures relating to the outcomes and outputs of their programme activity, there is no defined system of indicators to monitor the internal functioning of the organisation, in terms of efficiency, or the quality of policies, processes and people, for example, either at corporate or country level. We looked to see what information was readily available on the distribution of resources.
- 4.25 Excluding humanitarian assistance, the number of countries to whom DFID provide bilateral funding, in one form or another, has fallen since 1996-97. They currently provide funding to nearly 140 separate countries with over 100 country programmes accounting for 10 per cent of total funds (Figure 34). The widespread nature of the funding carries with it the prospect of high administration costs. However, the number of countries where DFID actively manage a regular country programme is only around 60.

4.26 DFID have recognised the need to counteract any tendency to spread their effort too thinly. The management of small-scale development projects has been delegated largely to Foreign Office Posts under the Small Grants Scheme (the ceiling for each project is £100,000), and to non-governmental organisations. Such schemes operate in most developing countries, regardless of whether DFID has a regular programme there, but in many non-priority countries such schemes represent the only expenditure, except for occasional humanitarian assistance. In 2000-01, expenditure on these types of projects made up the largest part of the £177 million DFID spent on 'Grants and Other Aid in Kind'.

4.27 While there is no management process for making a global assessment of the cost-effectiveness of the spread of DFID programmes, the annual Policy and Resource Plans do enable the running costs of country programmes to be compared to their programme costs and allow comparisons to be made between countries. It is therefore possible to identify where programme management costs are relatively high. Running costs play an important part in decisions on whether to start up a new country programme and provide an incentive not to do so. They have also been a factor in decisions to withdraw from programmes in, for example, Central Asia.

34 Distribution of Bilateral Spend 1996-97 and 2000-01 (excluding humanitarian assistance)



Source: DFID, 'Statistics on International Development, 1996/97 - 2000/01'

4.28 There are good developmental reasons for donors to concentrate on fewer countries, in order to build up country expertise, reduce administrative overheads, and reduce donor proliferation. DFID considered that, although they had been focusing their resources on fewer countries, they had to be mindful of the fact that complete withdrawal was difficult to manage, while any need to recreate a programme in a country they had left carried large start-up costs.

4.29 We also examined the extent to which DFID have systems to measure performance in their processes and dealings with partners. DFID have no indicators that track these sorts of issues. They do, however, have systems of internal audit, and peer review - particularly through the Organisation for Economic Co-operation and Development's Development Assistance Committee - which provide long-form reporting on a variety of practice and capability matters, together with a degree of benchmarking against other development organisations' activities.

4.30 Other public sector organisations have, however, started to adopt packages of performance indicators which balance results indicators with indicators of organisational capability - which can help assess prospects for future results. An approach of this sort could have particular value for an organisation such as DFID where results are distanced in time or certainty from activity. Two common approaches are the European Foundation for Quality Management Excellence Model®³⁴ and the Balanced Scorecard³⁵. The Excellence Model focuses on identifying an organisation's strengths and areas for improvement both in terms of what an organisation does (the 'enablers' - leadership; people; policy and strategy; partnerships and resources; and processes) and what it achieves (the 'results', relating to people; customers; society; and key performance results). The Balanced Scorecard provides feedback around both an organisation's internal business processes and its external outcomes from four 'perspectives': business processes; financial; learning and growth; and customer. Models of this sort help to ensure that the same components of performance are integrated into planning and monitoring at all levels of an organisation.

There are problems with the quality of data DFID have to use which they are seeking to address

"Development talk is full of statistics but they are often old and unreliable and thus fail to capture the policies that produce progress or failure until it is much too late. Badly informed decisions particularly affect poor people."

Rt Hon Clare Short, Secretary of State for International Development, November 1999

4.31 The National Audit Office report *Measuring the Performance of Government Departments*³⁶ and the *Performance Information Framework*³⁷ both highlighted the importance of securing performance information of the right quality to fuel performance measurement. Such data need to be well-defined, accurate, timely and reliable. One effect of the International Development Targets has been to throw greater light on data quality in the development field.

4.32 At the strategic level, DFID rely largely on performance data provided by multilateral agencies such as the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development. DFID also use these data to measure progress against achieving their Public Service Agreement targets. The Technical Note which accompanies the Agreement defines all the data sources to be used in monitoring.

"sometimes you don't get the information until it's of academic interest rather than policy influencing interest."

Source: National Audit Office focus groups with DFID country teams

4.33 This greater transparency, however, has brought to light problems with the quality of some of the data. These limitations are fully recognised by DFID and are set out in the Technical Note:

- Income group thresholds are updated every year by the World Bank to incorporate international inflation. Thus the thresholds remain the same in real terms over time. However, as countries' economies change they may move between income groups. DFID, in line with the Development Assistance Committee, update income group classifications every three years, and are currently using 1998 data to report on 2000 aid flows.

³⁴ Further information on the European Foundation for Quality Management Excellence Model® can be found at <http://www.efqm.org>.

³⁵ Further information on the Balanced Scorecard can be found at <http://www.balancedscorecard.org>.

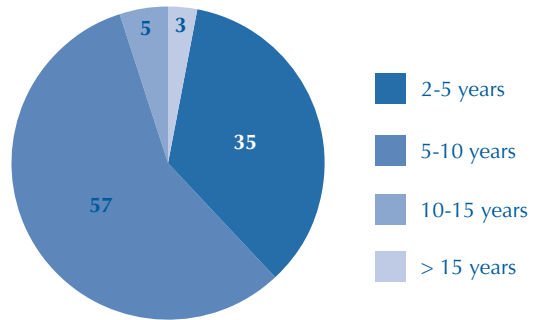
³⁶ National Audit Office (2001), *Measuring the Performance of Government Departments*, (HC 301, 2000-01).

³⁷ HM Treasury et al (2001), *Choosing the Right FABRIC - A Framework for Performance Information*.

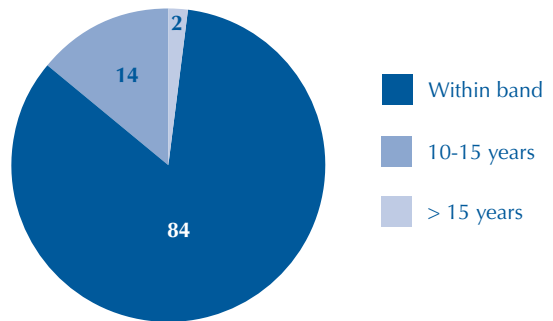
- The target for the increase in European Community development assistance going to poor countries is baselined against 1998 figures and will report with a two year time lag - thus in 2004, the most up to date figures available will be for 2002.
- The data available in 2004, to measure progress against the education and health targets, are only likely to cover the period up to 2001. It is possible that no further data will become available from some countries during the Public Service Agreement period, due to resource constraints or inadequacies in their statistical systems.
- Baseline data for the gender equality target differ between countries and range across the period 1990-96. Similarly baseline data for the school enrolment targets range across the period 1981-96. The baseline data for the under-5 mortality target relate to 1997. The baseline for the contraceptive prevalence target covers the period 1990-98.
- There are great difficulties in collecting regular and accurate data on maternal mortality rates, for many of the poorest countries. Analysis by the World Health Organisation has shown a close correlation between maternal mortality rates and the proportion of births attended by a skilled health practitioner, and this is internationally recognised as a proxy performance measure. However, the data on this range between 1991 and 1995.

35 Age of Data

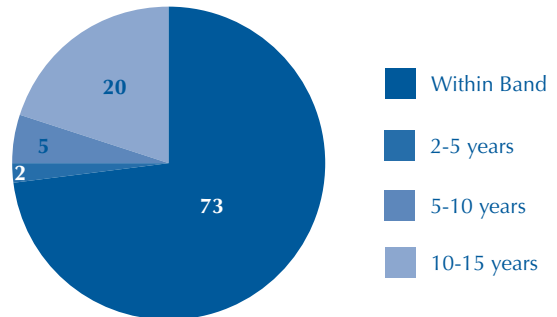
Percentage of population below \$1 a day (%)



Net primary school enrolment (%)
(Age Band = 1992-1997)



Births attended by health staff (%)
(Age band = 1993-1998)



Source: DFID, *Statistics on International Development: 1996-97 to 2000-01*

4.34 The development indicator data shown in DFID's *Statistics on International Development: 1996-97 to 2000-01*, specifies an 'age range' for many of the indicators, within which most data fall. For indicators such as the under-5 and maternal mortality rates, all data fall within the stated range. Nevertheless, this still means that data may be as much as seven or ten years old respectively. As **Figure 35** shows, as much as 27 per cent of data, for some indicators, may fall outside these age ranges and on average, around ten per cent of data is greater than ten years old.

4.35 These difficulties are faced by all development agencies. In response, DFID are supporting initiatives such as the Partnership in Statistics for Development in the 21st Century (PARIS21) (**Figure 36**) in order to help developing countries raise their long-term capacity to generate good quality data.

4.36 Similarly, DFID are also funding country-specific projects with the aim of helping developing countries to strengthen their statistical and data collection capabilities. For example, the support provided to the Kenyan population census (**Figure 37**). Such international and country specific initiatives are important for host nations in helping to provide them

with the capacity to generate reliable data needed to support their own poverty reduction programmes, and to donors, including DFID, involved in supporting sector-wide approaches and budget support for whom good quality statistics are important to gaining assurance about the performance of programmes over which they do not have direct control. More specifically, from DFID's point of view, by providing bilateral support to projects such as the Kenyan population census, they are helping to improve the data on which they rely to measure progress against their Public Service Agreement targets which are focused on particular countries.

36 Partnerships in Statistics for Development in the 21st Century (PARIS21)

PARIS21 is a global consortium of policy makers, statisticians and users of statistical information in support of development. It is served by a small Secretariat whose funding is mainly provided by DFID. The consortium aims to:

- build statistical capacity as the foundation for effective development policies by helping to develop well-managed statistical systems that are appropriately resourced; and
- raise awareness and demand for statistical analysis.

It was launched at a meeting of senior statisticians and policy makers from countries and development agencies in November 1999. The meeting was an initiative of the United Nations, Organisation for Economic Co-operation and Development, World Bank, International Monetary Fund and the European Community in response to a United Nations resolution on indicators and statistical capacity building and the demand created by the International Development Targets for indicators to measure progress.

The initial focus of **PARIS21** is on helping countries to maximise use of existing information in preparing national Poverty Reduction Strategy Papers while laying the foundations for sustainable statistical capacity building to help in implementing them.

PARIS21 is seen to be key to generating reliable statistics to monitor progress against the 21 indicators set to measure progress against the International Development Targets.

Further information on **PARIS21** is available at www.paris21.org.

Source: Organisation for Economic Co-operation and Development

37 DFID support for Kenyan Population Census



The purpose of this project was to provide support to the Government of Kenya to enable it to produce sound demographic and socio-economic information from the country's 1999 Population Census. If used properly, the information will contribute to improved pro-poor policy formulation, implementation and monitoring by the Government of Kenya, donors, non-governmental organisations and other civil society organisations.

Population censuses are the backbone of any national statistical system. They are essential for developing sampling frames for and strengthening statistical offices' capacity to conduct and release results from many other surveys carried out between national censuses. Censuses are particularly important in developing countries that characteristically lack effective civil registration, where birth rates, death rates and levels of migration tend to be high, especially for the poor.

The project, which is running from 1999 to 2002, is co-funded by the Government of Kenya, the United Nations Family Planning Association, the United States Agency for International Development, the United Nations Development Programme and DFID. DFID originally provided £700,000 for the printing of Census questionnaires. DFID subsequently increased their funding to just under £1.8 million to provide consultancy support; for a Post Enumeration Survey; to maintain data capture equipment; to assist with data analysis; to support training and capacity building; and to provide assistance in developing a National Sampling Frame and National Sample from the

census data (which will enable samples to be drawn for future household surveys without the need for assistance from a sampling expert).

Source: DFID

Appendix 1

The International Development Targets and the Millennium Development Goals

The International Development Targets

Economic well-being

- A reduction by one-half in the proportion of people living in extreme poverty by 2015.

Social and human development

- Universal primary education in all countries by 2015.
- Demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005.
- A reduction by two-thirds in the mortality rates for infants and children under age five by 2015.
- A reduction by three-fourths in maternal mortality by 2015.
- Access through the primary health care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015.

Environmental sustainability and regeneration

- The implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.

The Millennium Development Goals

Goal 1. Eradicate extreme poverty and hunger

- Target 1. Halve, by 2015, the proportion of people whose income is less than one dollar a day.
- Target 2. Halve, by 2015, the proportion of people who suffer from hunger.

Goal 2. Achieve universal primary education

- Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3. Promote gender equality and empower women

- Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.

Goal 4. Reduce child mortality

- Target 5. Reduce by two thirds, by 2015, the under-five mortality rate.

Goal 5. Improve maternal health

- Target 6. Reduce by three quarters, by 2015, the maternal mortality ratio.

Goal 6. Combat HIV/AIDS, malaria and other diseases

- Target 7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
- Target 8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7. Ensure environmental sustainability

- Target 9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- Target 10. Halve by 2015 the proportion of people without sustainable access to safe drinking water.
- Target 11. By 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8. Develop a global partnership for development

- Target 12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.
- Target 13. Address the special needs of the least developed countries.

- Target 14. Address the special needs of landlocked countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the 22nd special session of the General Assembly).
- Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
- Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.
- Target 17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
- Target 18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Appendix 2

A drop in the ocean? The International Development Targets as a basis for performance measurement

Paper by Dr Howard White, Institute of Development Studies, University of Sussex (a full version of this paper can be found at http://www.nao.gov.uk/publications/nao_reports.htm).

1 Introduction

The 1996 Organisation for Economic Co-operation and Development document *Shaping the 21st Century* laid out seven quantifiable development targets, which have become known as the International Development Targets (see Appendix 1 for a list of the targets). Although there have been very many previous development targets over the decades, this set of targets have won an unprecedented level of support. DFID have been particularly vocal in promoting the International Development Targets. The targets have occupied a central position in the two White Papers, public pronouncements of the Secretary of State, and within DFID in developing their strategy.

This paper examines the use of the International Development Targets for measuring the performance of development agencies such as DFID. Part 2 discusses desirable properties of performance measures, their use and appraises the Targets against these requirements. Part 3 looks at the use of the Targets by DFID and how they have handled some of the problems mentioned in Part 2. Part 4 concludes.

2 The International Development Targets as performance measures

2.1 Desirable properties of performance measures

The literature identifies several desirable features of performance measures:

- *Relevant and balanced.* Balance breaks down into three areas: (i) coverage: measures should cover all elements of an organisation's activities - and they should not include things which are not a part of them (i.e. indicators should be relevant), (ii) focus on both short and long-term performance (which may correspond to the distinction between outcomes and impact); and (iii) logic: measures should cover the whole process of producing the final performance measures i.e. also include inputs, activities and outputs.

- *Measures known, understood and trusted.* Performance measures should be known by the members of the organisation and their meaning understood. But it is also necessary that they are believed to be useful and well-defined and the quality of the underlying data believed to be good.
- *Affected and attributable.* Changes in performance measures should be affected by the activities of the organisation and the extent of the effect measurable (attributable).
- *Achievable:* targets should be achievable, but not too easily.
- *Linked to existing management systems.* New systems of results-based management should not be separate or parallel to these existing management information systems. They should be integrated, hence encompassing the logic of how inputs lead to outcomes.

2.2 Using performance outcome measures

Performance outcome measures serve two main functions: accountability and improving organisational performance. The accountability function is straightforward. An organisation commits itself to achieving certain outcomes and it either does or doesn't deliver. For tax-payers, politicians or shareholders this may well be sufficient and they can respond by withholding votes or funds. But managers need to understand why outcomes have or have not been achieved. There are three questions here: (1) how can performance measures help change organisational practice to enhance the likelihood that targets will be met, (2) how can measures be interpreted to understand how inputs have or have not led to the desired outcomes, and (3) how can the organisation's activities be linked to the outcomes? There is one answer to each of these three questions, which is logic models.³⁸

Ideally performance measures affect organisational culture. The process of planning how targets will be achieved opens up substantial possibilities for changing working practices. This planning process should be systematic and broadly-based within the organisation. This is where logic models come in. Logic models and the logical framework are schemes for linking inputs to outcomes. Terminology varies somewhat, but all capture the same basic idea. The stages

³⁸ *Logic models is the preferred term in the literature, these are very similar to the concept of the logical framework familiar in development agencies. Cummings (1997) distinguishes logic models, the logical framework and results-based management only to conclude that the three are closely related.*

recognised in the National Audit Office's model are resources, inputs, processes (often called activities), outputs and outcomes (also called impacts) (National Audit Office, 2001: 2). It is a rather obvious truism that resources should be utilised in such a way as to achieve the desired outcomes. But the failure to do this has been commonly observed.

The attraction of logic models is partly that they should force the agency to examine a programme to see if it really will achieve the desired outcomes (Millar et al., 2000). However, logic models are a starting point for planning, rather than the end point. It is an easy matter to put a poverty-related goal at the top of a log-frame as a goal, but a rather more complex one to be clear how the inputs will help achieve that goal and to monitor progress accordingly. For example, DFID's budget support to Kenya in 2000, which was paid in support of the public sector reform programme (i.e. to finance retrenchment), included the maternal mortality rate as a goal-indicator. It is very difficult indeed to trace any links between this outcome and the activities, particularly given their short-term nature. It is all too easy to explain away discrepancies between outturns and targets with reference to problems of attribution or external factors. But, used properly, logic models help overcome these problems.

In principle, various types of modelling can be undertaken to demonstrate the determinants of outcomes and thus the contribution made by an organisation's activities. In practice such modelling is too costly, cumbersome and frequently contentious to provide a basis for regular performance monitoring. Hence less rigorous strategies have been proposed to establish "plausible association" between programme efforts and performance (Scheirer and Newcomer, 2000: 68). These should include attempts to account for the influence of external factors, which may of course be positive or negative. The main method here is based on having a logic model of how desired outcomes are produced.

Attribution becomes harder as we move along the causal chain. It is easy to attribute responsibility for delivering inputs, and usually for carrying out activities, although external factors may play a part. These activities should lead to desired outputs which deliver the target outcomes, again subject to external factors. If the underlying model is correct then indicators should capture if the organisation is doing what it needs to do to achieve the outcomes - which may well be the case even if the targets are not met. As a development of this approach, Scheirer (2000) argues for use of logic models to look at the relationships between measures, especially across time. Such a method is very similar to theory-based evaluation (see in particular Weiss, 1998) which is based on creating models of how outcomes are to be achieved - although there are important differences between performance measurement and the evaluation function (see Development Assistance Committee, 2000: 13-14).

2.3 How do the International Development Targets do?

Relevance and balance

The International Development Targets score highly on relevance. They capture some of the main aspects of poverty in the developing world, including its multi-dimensional nature. It can further be argued that the Targets have made themselves relevant. Their prominence has resulted in a consensus around this set of indicators for monitoring poverty reduction, paving the way for an unprecedented degree of co-ordination amongst donor agencies, opening the way for a harmonisation of performance monitoring which has proved difficult to achieve in the past (Development Assistance Committee, 2000: 21).

A more pertinent critique may be the focus on the measurable. Although the International Development Targets also mention the importance of qualitative aspects of development most discussion of the indicators themselves focuses on those which can be measured (and the qualitative aspects were not included in the list of the Targets in the second White Paper). However, agencies are active in the qualitative aspects.

But the International Development Targets are not balanced in that for most of them the target date is 2015, with a couple for 2005. Fifteen years (twenty when they were set) is definitely a long-term goal. Although, as has been done (see the joint International Monetary Fund, World Bank and United Nations publication *A Better World for All*), progress can be measured with respect to being on-track, it is preferable to set explicit short-term goals. These short-term goals may either be interim targets for the same variables, or targets for outputs which will help achieve the desired outcome. This brings us to another lack of balance in the indicators.

The International Development Targets are also not balanced in that they are mostly outcome indicators, as are most of the wider set of indicators. Some are output indicators, but not in a consistent manner of a set of indicator capturing inputs, process, outputs and outcomes for a single target. Hence the Targets do not provide a basis for monitoring performance on taking the steps necessary to achieve the outcomes they contain. This lack is not because such indicators are not amenable to international agreement. For example, the Copenhagen Social Summit launched the 20:20 initiative, by which 20 per cent of government spending and 20 per cent of aid monies should be devoted to providing basic services to the poor. And the data are available to monitor progress in meeting this target. Another example would be immunization, an important factor for child survival, and which has suffered set backs in recent years.

Well-defined and measured

Most of the International Development Targets are clearly defined. Three exceptions may be noted. First, access to reproductive health is not measured by any existing indicator and the proxy of contraceptive prevalence is problematic. Second, the environmental target speaks of reversing current trends in resource use. Taken literally this means that the available quantity of environmental resources should begin to increase rather than decrease. Aside from being unattainable, this target does not fit with the general consensus that it is okay to use environmental resources but in a way which is consistent with overall sustainable development. DFID, which use the expression "managing environmental resources", recognises this fact. Finally, it may be questioned if equality in school enrolments is an adequate proxy for gender equality. A defence of the measure is that equality of education is a necessary starting point for achieving other forms of equality.

Knowledge of the Targets amongst DFID staff is high.³⁹ This does not imply that they are aware of the precise technical definition of the variables. For example, understanding of the purchasing power parity dollar a day used for income-poverty is mainly restricted to economists and the relevant age groups for infant and child mortality to health advisors. But it is doubtful that lack of this precise knowledge impedes work on the targets.

The chosen indicators are all ones for which data were already being collected. They are now published in a variety of places, notably the Development Assistance Committee website, the World Bank's *World Development Indicators* and DFID's *Statistics on International Development*. However, data quality varies by indicator. An issue for all the indicators is coverage, meaning for how many countries data are available. For some indicators baseline coverage was very low: income-poverty data were missing for about 30 per cent of the population of the developing world, and nearly two-thirds of those in sub-Saharan Africa, and for net primary enrolments there was only 12 per cent coverage for South Asia and 69 per cent globally.

A further issue is the frequency and timeliness with which data are available. Income poverty data come from income and expenditure surveys which are not conducted annually in many developing countries but rather every 3-4 years. Vital registration systems and health facility-based reporting have inadequate coverage of the population in developing countries to be a reliable source of health data. Good quality data on child health, including infant and child mortality, are provided by Demographic Health Surveys, but these are conducted about every four years and not in all countries. It is difficult to respond to performance data which are available only with a three year lag.

Even where data are available they may be of poor quality. From the Targets themselves maternal mortality data are the most problematic area. These data are notoriously unreliable, to the extent that it is surprising the indicator was deemed suitable for inclusion amongst the Targets. In measuring progress on this target *A Better World for All* reported the percentage of attended births rather than maternal mortality itself. But the setting of the International Development Targets has in itself provided an impetus to improving data quality.

Are the Targets achievable?

Whether or not the Targets can be achieved has been looked at through the extrapolation of trends, different scenarios mainly related to economic growth, and modelling the determinants of the different target variables (e.g. Hanmer and Naschold, 2001; and Demery and Walton, 1999). The results of nearly all these analyses is that most the Targets will not be met: "on current trends, none of the international development goals on health and education are likely to be achieved at the global level" (International Monetary Fund *et al.*, 2001: 12). For example, on current trends there will still be 100 million children of school-going age out of school in 2001.

However, performance varies greatly by region. The Targets themselves are defined at various levels of aggregation. Some apply globally (e.g. income-poverty), some are country specific (e.g. infant and child mortality) and some necessarily apply to each country (e.g. universal primary education will only be achieved when it is achieved in all countries). But even the Targets stated as global figures are intended to be met at the disaggregated level, i.e. for each country and region. Here performance varies: "the education and gender equality goals are likely to be achieved in some regions and many countries. And a few countries are on track to achieve large reductions in infant and under 5 mortality" (World Bank, 2001: 12). In general, Africa is performing worst with respect to the different Targets and East Asia the best. Some of these differences are explained by continued high growth in East Asia (so that the income-poverty target has already been met) compared to low growth in Africa. But African countries also suffer from much higher rates of HIV/AIDs, which has helped reverse the long-run decline in mortality rates in several countries, and from extensive conflict which undermines the ability of countries to attain any of the targets. The transition economies of Eastern Europe and the former Soviet Union saw very sharp increases in poverty in the early 1990s so that the income-poverty target is unlikely to be met, and in some countries, notably Russia, social indicators have also worsened.

Whether or not the Targets will be achieved is not the same thing as whether they are achievable. The papers reviewed offer limited advice on this point. The main argument made is the importance of a good policy environment (see *A Better World for All*, Demery and Walton, 1999, and Collier and

³⁹ This statement is based on the assessment of the DFID staff interviewed and on the author's experience leading a poverty training programme targeted at all DFID staff.

Dollar, 2000): "whether or not poverty incidence will be halved by 2015 depends in part on how well economies are managed" (Demery and Walton, 1999: 83). The argument is that better policies promote growth which reduce income-poverty and other forms too such as mortality rates. Most the papers do not discuss an explicit role for development agencies. The exception is the paper of Collier and Dollar which builds on the suggestion that aid works best at promoting growth, and so reducing poverty, when the policy environment is right. Hence the prospect of meeting the International Development Targets is enhanced if aid is concentrated on poor countries with good policies. This piece of research has influenced several development agencies - including being cited in the second White Paper and embodied in DFID's Public Service Agreement/Service Delivery Agreement - though its theoretical and empirical basis is highly contestable (see Lensink and White, 2000).

Attribution

The International Development Targets do least well with respect to attribution. It is impossible (or at very best virtually impossible) for an individual agency to isolate its impact on global, or even country, trends in the Target indicators. This fact is demonstrated by the experience of the United States Agency for International Development.

The United States Government Performance and Results Act of 1993 required government agencies to set outcome-based indicators against which their performance could be measured. In 1997 the United States Agency for International Development laid out six strategic development goals, e.g. "broad-based economic growth and agricultural development encouraged", and for each of these defined a set of outcome indicators at both country and global levels (e.g. "average annual growth rates in real per capita income above 1 per cent"). With respect to the growth goal, the FY 2000 performance report states that "nearly 70 per cent of USAID-assisted countries were growing at positive rates in the second half of the 1990s, compared with 45 per cent in the early part of the decade" (United States Agency for International Development, 2001: v). However, that same performance report noted that "one cannot reasonably attribute overall country progress to USAID programs" (United States Agency for International Development, 2001: viii). Commenting on the previous year's United States Agency for International Development Performance Report, the General Accounting Office had similarly observed that the goals were "so broad and progress affected by many factors other than USAID programmes, [that] the indicators cannot realistically serve as measures of the agency's specific efforts" (General Accounting Office, 2000: 1-2). In response to these criticisms the FY 2000 performance report announced that the indicators related to the strategic goals will no longer be used to measure the Agency's performance (but they will be reported as being of interest in their own right, being referred to as "Development Performance Benchmarks"). Rather performance will be measured against the strategic objectives of the individual operating units (e.g. country programmes).

Integrated with existing management information systems

Agency-wide monitoring may be either "bottom up" or "top down". Bottom up systems take individual activities as the primary unit of analysis and aggregate performance across countries, sectors and the agency as a whole. Top down systems report on outcome indicators for a country (or at least sector in a country) and whole regions. Top down systems suffer from attribution problems - can a link be made between the observed outcome and the agency's activities? If not then the information is of limited, if any, value, in guiding management systems. Bottom up systems, which are more strongly rooted in traditional management information systems, face problems of aggregation and linking to International Development Target-relevant outcome indicators.

All donor agencies have some sort of monitoring and evaluation system at the project and programme level, which should provide a basis for both feedback at the project level and "feed-up" to management. For our purposes here we are interested in the two questions: (1) are the data collected of a suitable form to be aggregated to give an overall indication of agency performance (and broken down at the country, regional and sectoral levels)? ; and (2) if there is such an aggregation, does it yield information on outcomes in relation to the International Development Targets?

The World Bank's rating system is an example of a system yielding agency-wide results. All activities are rated under a number of criteria on a regular basis and upon completion, including an overall rating of if the activity has been satisfactory. Hence overall portfolio performance can be judged by the percentage of projects deemed satisfactory. This analysis is published in the *Annual Review of Development Effectiveness* produced by the Operations Evaluation Department of the World Bank. This system does yield information of use to management in identifying "problem areas".

Whilst a "satisfactory" project is defined as one which is substantially meeting its development objectives, this does not allow us to say anything about the contribution of the World Bank to meeting the International Development Targets. The information collected is simply not the right sort to provide that information. There is a misalignment between the data collected from the "bottom up" and the sort of outcomes being monitored in "top down" International Development Target-oriented systems. The same is true of all other agencies which collect data of a form suitable for bottom up aggregation, including DFID's Policy Information Markers/Policy Objective Markers/Policy Aim Markers.

There are two possible responses to this problem of misalignment. The first is to say that it is inevitable. The problem of attribution is not going to be solved for routine monitoring purposes, so no attempt should be made to link agency performance as measured by bottom up systems with agency impact on the International Development Targets. That answer does not seem satisfactory for agencies, like

DFID, which have pinned their performance to the International Development Target mast. So the second response to the misalignment problem is to resort to logic models. The bridge must be made between observing satisfactory activities and presumed impact on development outcomes.

3 The use of the International Development Targets by DFID

From target to strategy

Over the last five years DFID have been elaborating a strategy for DFID's achieving their aim of eliminating world poverty. Central to this work have been the strategy papers: Target Strategy Papers, Institutional Strategy Papers and Country Strategy Papers. The relationship between these papers, and the Public Service Agreement/Service Delivery Agreement and other plans and monitoring instruments is shown in Figure 1 of the full report (available at http://www.nao.gov.uk/publications.nao_reports/index.htm).

All strategy papers have a common structure which corresponds to a logic model. The first section sketches out the challenge, e.g. the relevant International Development Target(s) for a Target Strategy Paper, how an organisation relates to the poverty agenda for an Institutional Strategy Paper and the poverty situation in a country for a Country Strategy Paper. The next section lays out the strategy necessary to meet this challenge. This is a strategy for all partners, not DFID alone. The paper then reviews the role of different actors and, finally, the part that DFID can play.

However, an analysis of Country Strategy Papers argued that they suffer from a "missing middle" (Booth and White, 1999). Whilst good on providing a poverty profile they are weaker on the causes of poverty and little attempt is made to link causes to interventions. The potential logical structure of the strategy paper is not utilised to provide the rationale for the interventions being undertaken. Although Country Strategy Papers are intended to use the logical framework it does not appear in the published version, and it appears they have not been utilised very frequently in preparing the Country Strategy Paper itself. As argued above, the lack of a logical model undermines what scope there is for attribution.

Feeling amongst DFID staff is generally that some Institutional Strategy Papers are weak and that Country Strategy Papers are of variable quality both within specific Country Strategy Papers and between countries. In addition to the problem of the missing middle outlined in the previous paragraph, Country Strategy Papers often deal with the issue of partnership in a rather superficial manner. They do not always tackle head on the issue of the true poverty-orientation of

either government or other partners or what will be done to influence them. Hence, more specific attention is needed to developing influence strategies.

The Public Service Agreement/Service Delivery Agreement and the annual performance plans are important in bringing the International Development Targets down to a realistic management time-frame. Fifteen years is too long for management targets. The current Public Service Agreement and Service Delivery Agreement bring these down to targets for 2004, though sometimes making them more ambitious than their longer-run counterparts. For example the target for under-5 mortality requires an annual reduction of around 6 per cent, which over 25 years would imply a nearly 80 per cent reduction as against the International Development Target of two-thirds. Since most countries are not on track for the longer-run Target the chances of meeting the shorter-run one must be doubted. The Public Service Agreement has five development objectives and one management one (value for money). Each objective has a number of performance targets, which are a mixture of process, output and outcomes. Some objectives (health and education) remain largely focused on outcome performance measures, whereas others (income-poverty) are far more process-oriented. The Service Delivery Agreement is firmly focused on process issues linked to each of the Public Service Agreement objectives.

The Public Service Agreement/Service Delivery Agreement deal to some extent with problems of affect and attribution in two ways. First, the targets are defined in relation to a smaller number of countries rather than all developing countries. For example, the health and education targets are set with respect to the top 10 recipients of United Kingdom health and education sector support respectively. Second, the Public Service Agreement and the Service Delivery Agreement, at least to some extent, provide the logic model which is missing from the International Development Targets taken by themselves.⁴⁰ However, there are also problems in the approach, principally that of data availability: data of the sort required are often collected on a 3-4 year cycle at best. Hence there may well be gaps in monitoring fulfilment of many of the Public Service Agreement targets. In line with the argument developed above. The outcome indicators given in the Public Service Agreement are not suitable for judging agency performance. But these outcomes can be observed, and the contribution DFID may or may not have made to their fulfilment judged by the input and process indicators contained in the Public Service Agreement/Service Delivery Agreement.

The current Public Service Agreement is the second produced by DFID and differs in that the first specified targets for the top 30 recipients of the various types of aid. The shift to a smaller number reflects a more realistic objective in terms of attribution, though by no means solves that problem. Since the target relates to specific countries, proper monitoring requires data on all countries. As indicated above, these data

⁴⁰ *Sketching the logic models underlying the various objectives shows them to be somewhat patchy - that for health is the most complete. They are particularly weak on outputs.*

are not likely to be readily available for several indicators. Moreover, it is not for DFID alone to develop the monitoring systems to collect these data. The International Development Targets potentially provide the basis for harmonised monitoring procedures across donors, although this has not been achieved in the past.

The Public Service Agreement does solve the problem of how to judge agency performance by aggregating across the agency. And it probably will do so without creating burdensome reporting procedures which have weighed down other agencies. But others might argue that the disjuncture between project and programme level monitoring and judging DFID's performance is a bad move. This aggregation is not based on activity-level performance. Indeed the performance measures explicitly exclude many DFID-financed activities: for example health and education programmes not in the top ten recipients of these types of aid, and some whole sectors and countries.

So wouldn't DFID's performance best be judged by aggregating the performance of different activities? In practice the data do not exist to do so, and trying to collect them would indeed be onerous. In recent years a database, the Performance Reporting Information System for Management (PRISM), has been developed intended to contain data on all project activities. The coverage of PRISM is improving but still far from complete. Even if PRISM were to have full coverage it is not clear that it will be able to generate aggregate data on agency performance (in the manner of the World Bank described above), and certainly not to give any information relating to the International Development Targets.

At present one must wonder on what data DFID management do base their decisions. There is no "bottom up" system to indicate overall performance. And the International Development Target-related indicators embodied in the Public Service Agreement are of little operational use.⁴¹

However, DFID are one of the foremost donor agencies in the related developments of increased budget support and Sector Programmes (sector wide approaches, SWAPs in DFID terminology). These are consistent with both harmonised procedures and monitoring based on country-wide performance indicators. To the extent that these are developed and DFID harness the information they provide then there will be some sort of systemised feedback, though not in a form that can be readily aggregated.

However, important issues remain as to (1) the extent to which the Public Service Agreement and Service Delivery Agreement manifest themselves in the daily work of DFID (by for example being incorporated in Country Strategy Papers), and (2) if the underlying model is "right". The first of these questions is a focus of the National Audit Office report. DFID staff readily point to changes brought about by the renewed

focus on poverty. For example, DFID's programme to China has changed from being Aid and Trade Provision-financed infrastructure in the relatively affluent seaboard provinces to social sectors in poorer Western provinces. It is debatable how much the change comes from adopting the International Development Targets per se rather than an increased poverty focus. Such a focus was already there since 1990: for example, during the nineties the Zambia programme shifted from secondary schools and support to hospitals to primary education and health clinics. It is also striking that DFID staff and outside experts stress that a major part of DFID's contribution to achieving the targets comes through its influence on partner country policies and the actions of other actors. Yet measuring impact through influence is an under-researched area.

Whether the model is right is not a matter of objective fact. Targets do not in themselves contain the strategy as to how they should be attained so that competing strategies may be proposed. The changes DFID are making, e.g. toward selectivity, are in line with the consensus amongst donor agencies, if disputed by some critics (Lensink and White, 2000). Other areas of contention include the nature and depth of debt relief and cost recovery schemes for basic services.

Data quality

DFID staff are aware of data quality issues. Whilst operational staff express appropriate scepticism as to the quality of the data, various initiatives are underway to promote use of the data and improve them. Indeed, an advantage of the International Development Targets is said to have been to draw attention to data quality issues. The publication formerly called *British Aid Statistics* has become *Statistics on International Development* and includes data on the International Development Targets. Country Strategy Papers are required to report a country's performance with respect to the Target indicators (though this has been done in an uneven way, see Booth and White, 1999). DFID statistical staff are well-informed on data quality and are active in supporting initiatives for them to be improved, notably Development Assistance Committee's Partnerships in Statistics for Development in the 21st Century initiative.

DFID staff don't feel that the International Development Targets stress quantitative at the expense of qualitative aspects of development since they believe the importance of the latter is well understood. In addition DFID supported work by the Development Assistance Committee on governance indicators to quantify the governance target. When the working group was unable to reach agreement DFID support has shifted to on-going efforts to develop acceptable indicators by the World Bank. The difficulty in selecting measures of "governance" revolves in part around disagreements as to what constitutes "good governance". With respect to human rights European countries may wish to

⁴¹ The questionnaire sent to some DFID staff in preparing this paper asked what DFID's response should be to the fact that A Better World For All showed that none of the International Development Targets would be met at the global level. Virtually all respondents thought no response was necessary - clearly illustrating that data on the Targets do not yield information of operational significance.

include the absence of the death penalty, but this is still applied in other developed countries. The extent of restrictions on individual freedom for reasons of national security is another murky area. The indicators being developed by the World Bank attempt to side step these issues to some extent to proposing a set of process indicators - such as civil service wages and the nature of elections (e.g. proportional representation or not) - which have no normative content. Performance measures on the quality of governance - e.g. corruption and predictability of policy-making - are included separately.

4 Conclusions

The International Development Targets, launched in 1996, have caught the attention of the development community. Unlike previous targets, they have not fallen by the wayside, but continue to be referred to and monitored. Their dominance is explained partly by the renewed focus on poverty, partly by the rise of results-based management and partly by the support they have received from key actors including the United Kingdom government. Targets can play an important role in accountability and performance measurement, though they are not without their disadvantages. To be most effective, performance measures should satisfy a number of criteria. The International Development Targets satisfy only some of these criteria. They are very relevant, mostly well-defined and correspond to existing indicators. But they are mostly outcome-oriented with little effort made to build a consensus around an underlying logic model of how the targets are to be achieved. In the absence of such a model it is extremely difficult to say anything sensible to attribute changes in target indicators to the actions of the development community. To put it bluntly, the Targets are not suitable for judging the performance of individual development agencies.

Amongst bilateral donors, DFID have been a prominent supporter of the Targets and has made substantial steps to internalise them. The Targets have been central to the two White Papers produced since 1997 and strategy papers have been produced as to how the Targets may be achieved. The Public Service Agreement and Service Delivery Agreement contain performance measures which are related to the International Development Targets, but also include inputs, process and outputs. Hence they contain a model of how to achieve these interim targets and so, implicitly, the Targets themselves. To the extent that performance is judged by these intermediary indicators, then the Public Service Agreement/Service Delivery Agreement represent an improvement. However, worries remain over the misalignment between these top down targets (which have incomplete coverage of DFID's activities) and the nascent bottom up system in PRISM. A key area of further investigation is the extent to which the Public Service Agreement affects the work of the various parts of DFID.

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Appendix 3

Chronology of key events in the development of United Kingdom policy on development assistance

Key event	Date	Significance
International Development Targets	1996	The Organisation for Economic Co-operation and Development set out in its document <i>Shaping the 21st Century: the Contribution of Development Co-operation</i> 7 quantifiable targets for progress towards global poverty reduction.
International Development White Paper <i>Eliminating World Poverty: A Challenge for the 21st Century</i> (Cm 3789)	1997	The White Paper: <ul style="list-style-type: none"> ■ committed the UK to the achievement of the International Development Targets; ■ established DFID's aim as the elimination of poverty in poorer countries; and ■ set DFID's objectives as policies and actions which promote sustainable livelihoods; better education, health and opportunities for poor people; and protection and better management of the natural and physical environment.
Aid and Trade Provision abolished	1997	The Provision allowed development funds to be used to further short-term commercial objectives. The Government considered this not to be in the interests of poverty reduction and abolished the Provision.
World Bank Report <i>Assessing Aid: What Works, What Doesn't and Why</i>	1998	The report sought to rethink the use of aid and asked how development assistance could be most effective at reducing global poverty. Amongst other things, it concluded that aid effectiveness is improved when directed at poorer countries with good policy environments.
DFID Public Service Agreement 1999-2002	1999	The Public Service Agreement repeated DFID's aim as the elimination of poverty in poorer countries; set quantifiable targets in support of that aim; and linked achievement to a three year resource framework.
World Bank Comprehensive Development Framework	1999	The Framework proposed a vision for development involving a more collaborative approach among donors.
Indicators for development progress adopted by a Development Forum organised by the OECD, United Nations, the International Monetary Fund and the World Bank	2000	A set of 21 core indicators were agreed by the Development Forum with which to measure progress against the International Development Targets.
DFID Public Service Agreement 2001-04	2000	The Public Service Agreement reiterated DFID's aim, linked its objectives directly to the International Development Targets and set targets more tightly focused on, for example, the top 10 recipients of DFID education and health assistance.
Millennium Development Goals	2000	The Goals were set out in a Millennium Declaration adopted by all 189 members of the United Nations at the Millennium Summit in September 2000. The Goals build on the International Development Targets and cover eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development.
International Development White Paper <i>Eliminating World Poverty: Making Globalisation Work for the Poor</i> (Cm 5006)	2000	The White Paper endorsed the policy stance set out in the 1997 White Paper and took the Government's poverty reduction and influencing agenda further. It recognised that globalisation created opportunities and risks and that the poorest countries could become marginalised unless greater attention was paid to international economic linkages. Amongst other things, the White Paper: <ul style="list-style-type: none"> ■ announced the Government's intention to end the tying of its development assistance to the procurement of British goods and services; ■ pledged to increase the UK's official development assistance as a proportion of Gross National Product to 0.33% by 2003-04, and to continue to make further progress towards the 0.7% United Nations target; and ■ committed the Government to introduce a new International Development Bill.
International Development Bill	2000	The Bill seeks to repeal and replace the Overseas Development and Co-operation Act 1980 and become the new basis for the UK provision of development assistance overseas. It seeks to update the legislation and clarify the poverty reduction purposes of development assistance.
Ending of remaining UK tied aid	2001	Much of the UK's development assistance was untied as a result of the abolition of the Aid and Trade Provision. All remaining aid was untied from April 2001.

Appendix 4

Study methodology

The main aspects of our methodology were:

Semi-structured interviews

We undertook semi-structured interviews with key staff based at DFID's headquarters in London and East Kilbride to:

- more fully understand the respective roles of regional, advisory and other central functions within the Department and their role in contributing to DFID's approach to performance measurement;
- obtain a more complete view of the Department's corporate business planning process and the role of performance measurement within that system, including the preparation of the Public Service Agreements and strategy papers; and the reporting of performance; and
- identify major developments in the Department's approach to performance measurement and evaluation.

Country examinations

To understand the relevance and implications of performance measurement at the operational level, we focused our examination on the work of DFID in the following countries: Bangladesh, Bolivia, China, India, Kenya, the Russian Federation and Tanzania. These were chosen, after discussion with the Department, as providing a mix of countries which were broadly typical (although not statistically representative) of the range of circumstances in which DFID operate.

We visited Bangladesh, China, India, Kenya and Tanzania. During each visit we:

- Undertook semi-structured interviews with key Departmental staff to explore the role of performance measurement in setting country strategies and operational approaches; and identify the mechanisms for monitoring and reporting performance at the country level, and how this information was fed into reviews of corporate performance.
- Held focus groups with a cross-section of DFID advisory and project management staff to explore issues around measuring and managing the performance of development activities and how the Department approach these issues in the context of a particular country programme. The key questions discussed at these focus groups are set out in the attached Annex.

- Held discussions with representatives of the host nation government; bilateral donor partners; multilateral development institutions; and non-governmental organisations to gain an understanding of the role of partnership in development assistance and obtain views on the approaches taken by DFID to engaging with the wider development community.
- Examined documentation relating to a number of specific development activities to identify the use of performance measurement in their design; and the mechanisms set up to monitor and report on their progress towards achieving their objectives.
- Visited a number of development assistance projects in the field to gain a more detailed understanding of the nature of development activity; talk to field staff about the considerations and difficulties present in applying performance measurement to the practicalities of day to day management; and to recipients of aid about the impact of DFID's work, and their involvement in project design and monitoring.

In relation to Bolivia and the Russian Federation we undertook the same programme of work with the exception of discussions with government representatives and other external organisations; and visits to development activities.

International survey

We carried out a survey of how international development agencies in the following countries approached performance measurement: Canada, Germany, the Netherlands, Sweden and the United States. The survey focused on the following areas:

- the factors involved in targeting development assistance and identifying the most effective development approaches;
- the modelling of development effectiveness, and addressing the problem of attributability;
- the monitoring of progress of projects, programmes and strategies against objectives;
- the integration of performance information into wider business planning processes;
- the cascading of high-level objectives and targets down to the operational level; and
- the role of evaluation in deciding future strategy.

Reference panel

We set up a reference panel to provide advice and guidance and to test and validate the emerging findings and draft report. Membership of the panel comprised the following experts:

Richard Carey	Deputy Director, Development Co-operation Directorate, Organisation for Economic Co-operation and Development
Frank Grogan	Director, Overseas Services (Value for Money), National Audit Office.
John Parsons	Director, Internal Oversight Services, United Nations Educational, Scientific and Cultural Organization
William Plowden	International development consultant
Dr Howard White	Fellow, Institute of Development Studies, University of Sussex

We also commissioned Dr White to prepare a paper on the role of the International Development Targets as a basis for performance measurement. A summary of this paper is at Appendix 2. The full version can be found at: http://www.nao.gov.uk/publications/nao_reports/index.htm

Annex

Key questions used at focus groups with DFID country staff

The focus group discussions were focused on the following questions:

1. What is the relative influence of the International Development Targets; White Papers; Public Service Agreement; and Strategy Papers (Target, Country and Institutional) on the work you do?
2. How do you decide which activities to include in your country programme in order to achieve your country strategy?
3. What systems and processes do you have for the collection and dissemination of performance information? How could they be improved?
4. How easily can you monitor progress of individual projects? How do you monitor progress across your country programme as a whole?
5. What challenges does joint working with government, other donor countries and partners etc present to measuring the performance of your country programme?
6. How much freedom and flexibility do you have to change the direction of your country programme if performance varies from what you expect?
7. How do you assess the contribution individual projects make to achievement of your country programme strategy and of that strategy to DFID's high level aim and objectives?

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Glossary

Aid and Trade Provision:	A system whereby development assistance was provided on the basis that it was used to purchase supplies and services from the United Kingdom. The Provision was closed in November 1997.
Annual Plan and Performance Reviews:	Annual DFID reviews setting out progress towards the strategic objectives included in the Country Strategy Paper and updating the strategy as necessary.
Bilateral Aid:	Development assistance provided directly to recipient countries on a country to country basis. Aid channelled through multilateral development institutions is regarded as bilateral where DFID control the use and destination of funds.
Budget Support:	Funds provided by donors in support of the recipient country's overall national budget. As with ' Sector Wide Approaches ', the large scale financing of stand-alone projects is abandoned in favour of the funding of national expenditure profiles and objectives. Detailed development activity is determined and taken forward by the host nation with technical assistance from donors.
Country Strategy Papers:	Papers produced by DFID setting out how they aim to achieve their development aims within each specific country.
End of Cycle Reviews:	Reviews carried out by DFID, within each country, at the end of the three to four year life span of the Country Strategy Paper, providing a more fundamental assessment of success in achieving the Country Strategy. In this year, the End of Cycle Review replaces the ' Annual Plan and Performance Review ' and acts as a starting point for the development of the new ' Country Strategy Paper '.
Extreme poverty	Defined by the World Bank as living on less than \$1 a day.
Heavily-Indebted Poor Countries (HIPC):	Countries with unsustainable debt burdens beyond available debt relief mechanisms. The HIPC initiative is intended to reduce the debt burdens of these countries to sustainable levels. Countries wishing to take advantage of the initiative must have adopted a ' Poverty Reduction Strategy Paper ' and made progress towards implementing it for at least one year, through World Bank and International Monetary Fund programmes.
Humanitarian assistance:	Generally involves the provision of material aid (including food, medical care and personnel) and finance and advice to: save lives and prevent suffering; hasten recovery, and protect and rebuild livelihoods and communities; and reduce risks and vulnerability to future crises.
International Development Association:	The organisation through which the World Bank provides long-term, interest free loans to the poorest of the developing countries.
International Development Targets:	A series of seven Targets focusing on the multi-faceted nature of poverty and the need to address it on a global scale, which have the overriding aim of reducing by one-half by 2015 the proportion of people living in extreme poverty. The Targets were launched by the Development Assistance Committee of the Organisation for Economic Co-operation and Development in 1996. Each Target addresses an aspect of poverty: economic well-being; social and human development; and environmental sustainability and regeneration.
Institutional Strategy Papers:	Papers produced by DFID, focusing on individual multilateral development institutions, and setting out how they aim to achieve their White Paper objectives in partnership with that institution.

Logical Framework or 'Logframe':	Analysis produced as part of individual project submissions and designed to link specific project activities to the achievement of higher level strategic outcomes. Logical Frameworks are also beginning to be applied to Country Strategies as well as projects.
Low Income Countries:	Countries with a Gross National Product per capita in 1998, of less than \$760.
Millennium Development Goals	Eight Goals adopted by the United Nations at the Millennium Summit in November 2000. They focus on: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development.
Multilateral Aid:	Development assistance channelled through international bodies such as the European Community and the World Bank, for use in or on behalf of aid recipient countries.
Non-governmental organisations:	Private and voluntary organisations involved in the delivery of aid assistance and funded, wholly or in part, by donor countries.
Output to Purpose Reviews:	Carried out by the country team, usually at the mid-point of each individual project, assessing the progress made on the project to date, the extent to which the project is likely to achieve it's overall objectives, and any changes required to the project or it's objectives as a result.
Policy and Resource Plans:	Annual DFID plans, setting out detailed programmes of work and the associated DFID resources required to carry them out. Policy and Resource Plans are often produced on a regional basis rather than for individual countries.
Poverty Reduction Strategy Papers (PRSP):	Papers prepared by recipient governments with participation from donors such as the World Bank and the International Monetary Fund, describing the country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty.
Project Completion Reports:	DFID reviews undertaken by the project team, within six months of the completion of the project assessing the extent to which the project has or is likely to meet it's objectives and identifying any lessons to be learnt for future projects.
Public Service Agreement:	A formal agreement between the Government and an individual Department, setting out the Department's key objectives and establishing targets for the performance to be achieved.
Sector Wide Approaches (SWAs):	Provision of funds by donors in support of the recipient country's national budget within a prescribed sector of the economy, such as education or health. See also ' Budget Support '.
Sub-Saharan Africa:	Those areas of Africa south of the Sahara desert.
Sustainable development:	Improvements in the various aspects of poverty, which are both economically and environmentally sustainable.
Target Strategy Papers:	Papers produced by DFID setting out how they and the development community at large should seek to achieve the International Development Targets. Each Strategy Paper focuses on a specific International Development Target or other key aspect of development, such as governance or water.
Technical co-operation:	The provision of know-how in the form of personnel, training, research and associated costs.
Universal primary education:	Access to primary education for all children, boys and girls, of school age in all countries.