

Department for International Development

Performance Management - Helping to Reduce World Poverty



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
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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?