

**MANAGING FOR DEVELOPMENT RESULTS IN THE  
MULTILATERAL DEVELOPMENT BANKS**

**VOLUME I: PROGRESS REPORT**

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**I. INTRODUCTION**

1. At the Monterrey Conference on Financing for Development in 2002, the international community gave voice to an emerging consensus on two important lessons of development experience. First, if development programs are to be successful, they must be country-owned and country-specific. And second, when countries have good policies and institutions in place, external assistance in support of good country policies and programs can be highly effective. From this consensus has arisen a new partnership for development that asks developing countries to increase their commitment to policies and actions that stimulate economic growth and reduce poverty, and calls on developed countries to support them through more effective aid and trade policies. In this context of shared responsibility to achieve better development results, global attention has turned to management strategies focused on performance and the achievement of outputs, outcomes, and impacts—in short, managing for development results.

2. ***Role of Multilateral Agencies.*** Within the global partnership, development agencies themselves need appropriate policies, management, and implementation practices, including a stronger focus on results. In 2002, in preparing for Monterrey, the presidents of the multilateral development banks (MDBs) met in London to discuss the importance of focusing on results to improve development outcomes. In a statement issued in Monterrey calling for increased attention to this topic, they proposed an international roundtable to share experiences and agree on future directions. This first roundtable, held in Washington, DC, in June 2002 (see Box 1), helped launch an international community of practice on managing for results. The roundtable concluded that future roundtables would be useful ways to share emerging experiences, draw international lessons, and disseminate knowledge about what gets results. The Second International Roundtable on Managing for Results will be held on February 4-5, 2004, in Marrakech, Morocco. As an input to that roundtable, this paper summarizes MDBs' recent progress in managing for development results.

3. ***Structure of the Paper.*** The report is organized to reflect the areas of the MDBs' work on results. The first area is work with partner countries. It is the countries themselves that will achieve results, and that must make the critical decisions about the uses of domestic and external resources. The MDBs can help them strengthen their capacity to make those decisions. Second, the MDBs are also contributing to achieving development results by ensuring that their own assistance is as effective as possible. To this end, results are increasingly at the forefront of the MDBs' country strategies and instruments, their reporting is including results to a greater extent, and their internal incentives and decisionmaking processes are beginning to make use of results information. Third, the MDBs share an understanding that working together they can be more effective than working separately. The Second Roundtable is an expression of their commitment to building a global partnership—both between development agencies and developing countries, and among the agencies themselves—to further the results agenda. The following chapters describe these three areas of work in more detail. The paper draws heavily on the discussions of the First Roundtable and on individual progress reports prepared by each of the MDBs, which

are available in a separate volume. (Annex A provides the statement by the MDB Heads in Monterrey, and Annexes B, C, D, E and F provide the progress reports of the MDBs.)

**Box 1. Roundtable on Results, June 2002**

The international Roundtable on Better Measuring, Monitoring, and Managing for Development Results was cosponsored by the multilateral development banks (MDBs) on June 5-6, 2002, in collaboration with the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC). It helped define the conceptual framework for managing for results in a development context and took stock of ongoing efforts in countries and agencies, zeroing in on actions to build demand for and increase capacity to adopt results-based approaches at the country level. It also stressed the need for coordinated donor support to strengthen country capacity and for harmonized approaches to results measurement and reporting. Participants discussed ways for development agencies, including the MDBs, to foster results-focused corporate cultures, incentives, and reporting systems.

Roundtable participants noted that the results agenda brings together three strands of the development dialogue of recent years: country-led development, results-based management, and aid effectiveness. It recognizes the importance of thinking about results across the various stages of the development process: (a) *before*, at the strategic planning and program formulation stage; (b) *during*, for day-to day management of implementation; and (c) *after*, at the program completion and evaluation stage. It also underscores the need for a coherent approach to managing for results at all of these stages. The same model of how public policy and spending affect behavior and outcomes should underpin the design of a country's strategy, implementation efforts, and evaluation of results—with consistency in the choice of monitoring indicators and establishment of accountabilities. Development agencies also need clarity in the underlying model of how their support affects the primary actors and outcomes in the country.

## II. SUPPORTING COUNTRIES IN MANAGING FOR RESULTS

4. Today's paradigm for development recognizes the country and its policies and institutions as the key drivers of development outcomes.<sup>1</sup> It is widely recognized that unless development efforts are led by countries themselves, external assistance will prove ineffective. It is also widely accepted that achieving development outcomes such as the MDGs requires greater levels of aid matched with improved public sector governance. Experience from developed and developing countries suggests that managing for results can be an important element in sound public sector governance. A results-based approach adds an important feedback loop on the outcomes and consequences of government actions to the more traditional governance system emphasizing budget, human resources, and auditing. A premium is placed on reliable information for strategic policy formulation, managing programs and projects for performance improvements, and providing feedback into future policy and implementation decisions. This must be embedded in an overall incentive framework that encourages actions to achieve desired results. This chapter looks at the challenges facing low- and middle-income countries in improving institutional capacity to manage for development results, and examines how countries are moving from abstract ideas to specific policies and actions needed to achieve results. It then summarizes the MDBs' ongoing efforts to support countries in strengthening their capacity to manage for results.

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<sup>1</sup> The term *development outcomes* is used to indicate outcomes in both developing and transition countries.

## A. Challenges Facing Developing and Transition Countries

5. Strengthening the focus on results in the public sector takes time and political commitment. It also requires steady support, a focus on priority reforms, and proper sequencing and integration of capacity-building efforts into a government's policy and budget management systems. Public sector management for results involves policy formulation and strategic planning, public expenditure management and accountability, and results-based monitoring and evaluation systems. It also depends critically on putting in place an institutional setting that encourages use of information for flexible decisionmaking.

6. ***Policy Formulation and Strategic Planning.*** Managing for development results begins with identifying national goals and the strategies to achieve them within a specific context. For low-income countries, the introduction of the PRSP has led to a common platform for defining desired country outcomes and the strategies for obtaining and measuring progress toward results. For middle-income countries, there is no common platform, but most define national development strategies and are increasingly linking them to results-based expenditure management and performance orientation in public administration.

7. ***Knowledge.*** Developing countries need access to practical knowledge on what policies and programs get results. In addition to new research, existing knowledge needs to be tailored to the specific needs of developing and transition country policymakers and implementers. Here, the MDBs have an important role in disseminating knowledge.

8. ***Public Expenditure Management.*** The budget is a powerful policy document for governments, which reconcile competing policy objectives and implement them in concrete terms. The political and institutional pressures to sustain the status quo in expenditure patterns and practices can be pervasive as governments move towards a results focus and implement a budget strategy that ties annual budgets to development outcomes. MDBs support efforts to give budget processes and public expenditure management a stronger results orientation.

9. ***Results-Based Monitoring and Evaluation Systems.*** Results-based monitoring and evaluation (M&E) is a public management tool that helps policymakers track progress and demonstrate the outcomes and impacts of a given policy, program, or project. The information from a functioning M&E system is useful both internally for management and externally for transparency and accountability to citizens. It is the backbone that links desired country outcomes and actions—most useful when developed in conjunction with national plans and linked to public expenditure management systems. Definition of objectives and identification of indicators are key elements of an M&E system, but equally important are the quality of statistics and data used to verify indicators and the analytical ability to evaluate and use the information.

- ***Statistics and other data.*** Numbers are not the whole story, but clearly they are critical for a functioning M&E system and for managing for results. Statistics tell whether the country is on track for the MDGs, other global objectives, and national and local goals. Two kinds of data are needed. Aggregative country statistics and indicators are important for international comparisons and for assessing country performance over time. At the same time, ongoing management of ministries and programs, and accountability, require more disaggregated and timely information, as

well as performance data that may be less amenable to quantification, such as clients' qualitative responses on the performance of service providers.<sup>2</sup> The challenge lies in the human and financial constraints that countries face in collecting, analyzing, aggregating, and publishing accurate numbers—especially those for the social indicators—in a timely way. Another challenge is that the demand for information must drive the supply of that information. This requires that government policymakers be in communication and partnership with those responsible for gathering and disseminating information. The results system needs to be integrated into the policy arena of development so that it is clear to all why it is important to collect the data, how the information will be used to inform the efforts of the government and civil society to achieve results, and what information needs to be collected.

- ***Analytic and evaluation capacity.*** Even more important than having knowledge and information is interpreting and using it. While data and tracking indicators can provide useful information and flag potential problems, they do not answer the causal questions about good or weak performance. Evaluation capacity is a key, and sometimes overlooked, element in results-focused public sector management. This capacity also provides an additional driver of good performance in government, where value-for-money audits and analytical reports can be provided to key users, both in and outside of government
- ***Using information.*** Only if countries have committed users will they sustain the necessary investments to establish and maintain the quality of the data, and only if information is used is it of real value. Indeed, the real payoff comes when countries have complementary systems of knowledge information and analytic capacity that country champions—whether in the Ministry of Finance, Parliament, or operating ministries/agencies—can use to manage for results.

## B. MDB Support for Countries

10. All the MDBs have knowledge and capacity-building programs in areas related to results-based public sector management, monitoring and evaluation, and statistics. At the country level, many countries (e.g., Philippines) benefit from combined support for analytic work or public sector reform. Some examples of the types of support pursued by the MDBs follow.

- AfDB is carrying out a major program for capacity building. The Bank is working through the International Comparison Project to build national statistical capacity and improve price and national accounts statistics in member countries. And, as further noted in Box 2, since 1996 it has been collaborating with the World Bank and other

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7. Countries, donors, and development agencies have a strong interest in using the same indicators, and there is a global public interest in agreeing on a common set of reporting requirements and data on outcomes. The PARIS21 Consortium—Partnerships in Statistics for Development in the 21st Century—set up in November 1999 by the UN, OECD, World Bank, IMF, and EU—is working to ensure the needed collaboration by helping to develop well-managed and appropriately resourced statistical systems as the foundation for effective development policies. With its worldwide membership, PARIS21 aims to help to promote a culture of evidence-based policymaking and monitoring in all countries, and especially in poor developing countries.

partners in a program for evaluation capacity building, which it is now extending to accommodate the results agenda. However, in both areas, AfDB cautions that clients' starting point is often very weak, especially where AIDS has taken a heavy toll. Looking more broadly at results-based knowledge dissemination, AfDB collaborates with African and international research agencies on producing and disseminating practical knowledge on macroeconomic policy and management, agriculture and farming practices, and all aspects of development policy and management in Africa.

**Box 2. AfDB Support for Capacity Building for Monitoring and Evaluation**

The evaluation department of the AfDB, with the collaboration of the World Bank and donor partners, initiated a series of conferences, seminars, and workshops aimed at building monitoring and evaluation capacities and the evaluation profession in Africa. With the advent of PRSPs, this activity has become particularly important in helping countries develop and strengthen their own monitoring and evaluation systems. Setting up and strengthening monitoring and evaluation units for efficient, effective, and sustainable management of the development process is a key strategic priority for the AfDB. In addition, the Bank Group is working through the ICP to build national statistical capacity building and improving price and national accounts statistics in member countries. The Technical Assistance for Statistics collection (TAS) operation will build sustainable statistical capacity to produce and disseminate economic, social, and environmental statistics in the countries. These statistics would be the basis for well-informed decision-making, policy formulation and project and program monitoring.

- AsDB has programs to build both statistical and evaluation capacity. In working with country clients on country strategies and the linkages with PRSPs, AsDB has also nurtured the capacity and demand for improved techniques to manage for development results, including attainment of MDGs and related targets. An example of its many results-based knowledge-oriented activities is the Asia Policy Forum, which is designed to research and develop realistic and practical policy recommendations on urgent topics.
- In line with the EBRD's mandate and comparative advantage, all EBRD investment operations contain covenants on corporate governance, auditing and reporting, and implementation monitoring that require improvements in client capacity to measure, monitor, and manage for results. EBRD's knowledge transfer activities focus on business and market-economy skills for the private and public sectors and on results-based demonstration projects to promote replication within and across countries.
- IADB has an overall strategy for improving public sector management, where success can have far-reaching consequences. As part of this strategy, capacity building for monitoring and evaluation is eligible for financing under the newly introduced Institutional Development Sector Facility, which is designed to help relax the financial constraints that deter some regional clients from investing in results measurement frameworks. IADB also supports regional research networks devoted to building policy-focused research capacity, and regional policy dialogues that bring together practitioners in such areas as public sector management and transparency to share lessons learned (see Box 3).

**Box 3. IADB Support for Monitoring and Evaluation of Public Sector Activities**

In September 2003, the IADB supported the “Workshop on International Experiences with Monitoring and Performance Evaluation in the Public Sector,” organized by the Office of the Presidency of Brazil to help strengthen Brazil’s capacity in connection with monitoring and performance evaluation. The experiences of Canada, Australia, United States, and Chile were presented. The presentations were followed by two days of working sessions with the representatives of the federal and state governments to deal with the issues associated with monitoring and evaluation at different governmental levels. In a similar vein, in March 2004, the IADB will host, with Brazil’s Institute for Research in Applied Economics, a “Latin American Seminar on Evaluation and Management of Government Policies and Programs.”

- The World Bank’s support for strengthening country capacity frequently takes the form of analytic work (such as public Expenditure Reviews, Results-Based Readiness Assessments, and assessments of procurement and financial management systems), on which operational support for PRSP preparation and results-based public sector management is based. The World Bank often works with partners on such studies. In addition, the World Bank has an extensive program of research on country results.

### **III. MANAGING FOR RESULTS WITHIN THE MDBs**

11. The foundations for the MDB results agenda were laid in the 1990s. It was during those years that the country superseded the project as the unit of account in the development paradigm; MDB country strategies became important operational documents discussed with Executive Boards and in many cases subsequently published; and portfolio reviews ushered in an era of more systematic attention to quality from project appraisal through supervision. Notwithstanding differences in timing and intensity, all the MDBs pursued a broadly similar reform agenda, introducing independent evaluation, Executive Board oversight on development effectiveness, and attention to quality more broadly. Focusing Management attention on quality has encouraged the investment of time, resources, and commitment that has brought about improved performance. The logical next step is to focus on results in terms of the MDBs’ contribution to country development, in the expectation that increased Management attention will bring about improved performance in this area, as well. Against this background, this chapter looks at the MDBs’ experience in implementing the results agenda since the 2002 Roundtable.

#### **A. Strategies and Instruments**

12. The MDBs do not achieve development outcomes directly through their individual actions. For MDBs (and other agencies), success depends on effectively deploying assistance in high-quality ways in countries and in programs that deliver, and on influencing country policies and programs—often at a distance. This means that it is inherently hard to assess the MDB contribution to the achievement of country outcomes—and, indeed, to design MDB programs to maximize that impact. An underlying theme of the results agenda is the need for coherence between ex ante program appraisal and ex post evaluation: if the complexities make it hard to

assess impact *after* the fact, it is doubly hard—and triply important—to try and anticipate it *before* the fact so as to contribute to operational design. This section looks at how the MDBs are approaching these issues through their country strategies, knowledge and capacity-building efforts, and operational products and services.

13. **Country Strategies.** All MDBs are working to adapt and improve their approaches to country strategies, in line with the results agenda. Developing a country strategy has been mostly about processes and documents. Bringing a results focus to the strategy changes the key objective to a more substantive one—to improve the relevance of MDB support programs by selecting and designing interventions that maximize relevant results and developing an outcome-focused systems that can be used during implementation to assess progress toward results.

- In the AfDB, country strategy papers have been aligned more closely with PRSPs; the analysis has been deepened on the basis of poverty diagnostics, sectoral priorities, and outcome indicators articulated in country-owned PRSPs; and the paper spells out how the proposed AfDB lending and nonlending activities will contribute to poverty reduction. The evaluation department evaluates the country strategy programs on completion, affording an opportunity to test and validate the strategy’s results.
- The AsDB has also made progress in linking country strategy papers to PRSPs, and is designing and piloting results-based strategies. The AsDB’s independent evaluation department selectively evaluates country assistance programs on a selective basis upon their completion.
- In the EBRD, individual country strategies are results-based: they are evaluated against the performance of the country portfolio of projects and against the sector reform and transition challenges tracked by the Transition Report and sector strategies. The evaluation department has added country strategy evaluations to its work program.
- The IADB introduced new guidelines for its country strategies last year, requiring, among other things, that they (a) explicitly focus on results, with a “strategy matrix” articulating the link between the country’s own development objectives and strategy and the development objectives and strategies of all donors, including the IADB; (b) identify of the proposed IADB-assisted interventions together with performance indicators and targets of expected results; and (c) reflect the findings of the country program evaluations prepared by the IADB’s independent evaluation office.
- In preparing a Country Assistance Strategy, the World Bank has long used national strategies, in diagnostic work, and information on the programs of partners as a basis for identifying the areas for support that will have the largest impact. In 2003, the World Bank introduced and piloted a new “results-based Country Assistance Strategy,” which goes a step further by asking clients and country teams to be more explicit about the outcomes that Bank-supported activities will influence. The results-based CAS also involves better monitoring and evaluation and greater emphasis on strengthening country capacity to manage for results.

14. ***Operational Products and Services.*** Important as strategies are, by themselves they do not achieve results. The individual operations in the MDB programs must have high quality, relate to the country strategy, and have synergies with other operations (those supported by MDBs and others), so that the whole is greater than the sum of the parts. All the MDBs are giving greater attention to the quality and impact of their operations through enhanced monitoring and evaluation and portfolio management. And there are important partnerships across the MDBs: for example, AfDB and the World Bank hold joint country performance review missions, affording opportunities for joint learning and reducing the number of missions clients must accommodate.

- Beginning a few years ago, the AfDB has taken measures to improve project quality at entry, supervision, monitoring and evaluation, and portfolio management. It is now extending and deepening these measures in line with the results agenda's focus on "higher-level" interventions and evaluations—at the country, sectoral, and regional levels.
- Having designed a strong action plan for improving its Project Performance Management System (PPMS), AfDB has significantly increased the results focus of its portfolio management and monitoring of project implementation. Project documentation throughout the project cycle has been refocused on development objectives, and lessons learned are highlighted in project completion and audit reports. AfDB is also giving special attention to the quality and analytic content of its economic, thematic, and sector work, as a basis for the policy dialogue with clients.
- Last year the EBRD introduced a new Transition Impact Monitoring System to facilitate a portfolio approach to project monitoring (see Box 4). Progress reporting on both a project and a portfolio basis allows a comparison of the portfolio's transition impact potential against other sources of project risks and returns, and other sector and country dimensions.

**Box 4. EBRD's Transition Impact Monitoring System**

The EBRD has a mandate to foster transition to an open economy and multiparty democracy. A project's *transition impact* is the contribution it makes to the transformation of a company, sector, or economy—from central planning to well functioning market structures, behaviors, or institutions. In January 2003, the EBRD introduced a management information system to monitor and periodically assess the contribution of its portfolio of loans and investments to transition in the countries of operation. The system's objectives are to

- improve the structure of projects by fine-tuning the balance among transition targets, project covenants, and risk-mitigating conditions;
- address transition impact problems consistently, as soon as they arise, to facilitate corrective action and the transition-related dialogue between the Bank and its clients; and
- provide regular assessments of the transition impact of EBRD- financed projects, on both an individual project basis and a sector- and countrywide basis.

- IADB has taken a number of steps to improve project design, including measures on quality at entry such as improvements to project design and evaluability; introduced a structured self-evaluation system for use during project supervision; launched initiatives to improve portfolio management (including steps to improve reporting during supervision and on project completion); and upgraded the coverage of ex post evaluations by the independent evaluation unit.
- To enhance the results focus of individual products and services, the Bank has simplified its requirements for investment lending and is working to amend its guidelines for policy-based lending. For analytic work, staff toolkits show how to incorporate monitorable action plans, and assessments of the results focus of economic and sector work will in turn to improved guidance to staff. All of these instruments are being more strongly linked with and the results-based CAS.

## **B. Incentives and Reporting**

15. All the MDBs' efforts are being supported by Senior Management and led by clearly identified units that are charged with coordinating the associated change agenda throughout the institution. These units comprise the MDB Results Working Group, which is also managing the cross-fertilization effort across the MDBs and with other partners on results. These units have looked internally at the challenges they face in promoting institutional change and making their institutions more results-focused, and they have highlighted two strategic issues as particularly important—incentives and corporate reporting.

16. ***Incentives.*** The lessons of past change management programs in the MDBs suggest that when Management and Board systematically focus their attention on an issue—via corporate reporting and other vehicles—the signals to staff will follow. At the same time, it will be important to be proactive in correcting disincentives that staff perceive in human resources and budget policies. It will also be important to ensure that there is adequate capacity for staff to draw on in implementing the results focus at the country level. The MDBs are addressing a number of challenges in the area of incentives:

- The AfDB is working to improve staff ownership of the results agenda by identifying and providing appropriate incentives and support, including effective staff guidance and training and supportive information technology systems.
- The AsDB is working to strengthen two-way communications on results between Management and staff, especially staff in the country departments, who are in the vanguard of the dialogue with clients. Critical here is the need for clarity and training on how AsDB actions help countries achieve the MDGs.
- The EBRD aims to ensure the alignment of staff incentives with results by basing its annual performance appraisals of teams and individuals on performance indicators that are in line with those used in the institutional scorecard.

- The IADB has highlighted the prevailing staff focus on achieving project outputs rather than outcomes; a lingering “approval culture” in response to a system of incentives that, in spite of many significant corrections, sometimes continues to emphasize the approval of new operations over the attainment of results; and the lack of time on the part of country office staff to adequately monitor project results.
- The World Bank is reviewing staff learning programs to ensure that staff share core knowledge on results-based management and associated monitoring and evaluation systems as they apply to redesigned strategies and instruments. It is also reviewing staff incentives to ensure that they are aligned with and supportive of the enhanced results focus.

17. ***Corporate Reporting.*** Corporate reporting is critical for informing shareholders and stakeholders about progress on the agenda and for ensuring sustained Management attention and, institutional follow-through.

- The AfDB reports on results through three main channels: (a) its reports on quality, development effectiveness and results, and evaluation to the Board Committee on Development Effectiveness; (b) the pilot Results Measurement Framework that it provides to assist the African Development Fund Deputies in their oversight function; and (c) a results-based balanced scorecard it expects to use in reporting to its Executive Board on strategic planning and budgeting.
- The AsDB uses the dialogue on results to report to the recently created Board Committee on Development Effectiveness and to the Asian Development Fund Deputies, including in the context of the design and implementation of a Results Measurement System.
- The EBRD uses results-based management not only for projects but also for its own institutional performance and budgeting. The institutional scorecard that it shares with its Executive Board focuses on transition impact and financial indicators. Each year the Board reviews both the transition impact and financial performance objectives in the Bank’s Medium-Term Strategy Update and its Strategic Portfolio Review, and these reviews inform Management’s annual dialogue with the Board on the budgeting process.
- Since Monterrey, IADB has been upgrading its development effectiveness work, and it is also strengthening its corporate reporting. Beginning in 2004, it plans to prepare an annual Progress Report on Management’s Actions and Plans to Enhance the Bank’s Development Effectiveness. The first such report will include a proposal to establish a comprehensive Bankwide system of self-evaluation.
- The World Bank is engaged in corporate reporting on results along three lines. First, it reports to the Executive Board and the Board Committee on Development Effectiveness on the results focus of operational products and activities, drawing on Quality Assurance Group documents to summarize the findings on operational results in lending operations, analytic work, and country and sectoral strategies; in this context, it plans to refocus its Annual Report on Portfolio Performance more strongly on results. Second, in the context of the IDA Results Measurement System it reports to the IDA Deputies for their review

of IDA performance (see Box 5). And third, it reports to the Executive Board on the corporate strategy and budget process.

**Box 5. IDA's Two-Tiered Results Measurement System**

The IDA Results Measurement System has two tiers, one focused on country outcomes and the other on IDA's contribution to country outcomes.

The first tier of the system aims to assess progress on country outcomes as articulated in PRSPs. Following a request from the Executive Directors to include indicators on growth, infrastructure, agricultural productivity, and other aspects of the growth agenda as well as the MDGs, in April 2003 Management proposed a set of 15 indicators and baseline data to the IDA Deputies. Management expects to refine and adapt these indicators over the course of the year, and report to the Deputies on the updated system and progress against them in Spring 2004.

The second tier of the IDA Results Measurement System will focus on the contribution of IDA programs to country outcomes. The results-based CAS framework is expected to provide the necessary inputs in the medium term; but until such data are available, Management expects to use IDA portfolio indicators derived from OED ratings for project outcomes and QAG quality assessments which are correlated with positive outcomes.

**IV. MDBS' ROLE IN THE GLOBAL PARTNERSHIP ON MANAGING FOR RESULTS**

18. The Monterrey Consensus spurred a global partnership for results that has been changing the way development agencies work. There is a wide recognition that assistance programs are more effective when they are designed and implemented in collaboration with all partners and stakeholders, both in developing countries and development agencies. It is also widely recognized that a critical goal of development agencies' work is to make it easier for countries to achieve better and lasting results. Fostering this global partnership on results is an important element of the MDBs' commitment to manage for development results, and has become a key part of each MDB's results agenda. As a result, MDBs and other development agencies are making a more systematic effort to identify actions that produce results, scale up support for what works, ensure that the basic data to steer toward shared goals are available, and converging in their approaches to managing for development results. Global dialogue on country outcome monitoring is leading to harmonization of approaches, policies, and procedures at the agency level, as well as in partner countries, thus reducing the costs to developing countries of dealing with the MDBs and other development agencies. Development agencies are approaching the challenge of coordinated support for capacity building and collaborative design, monitoring, and evaluation of operations. There are four critical areas of the global partnership that MDBs participate in and contribute to.

- ***Sharing knowledge on what works.*** MDBs recognize the importance of drawing international lessons from what works and what doesn't, and disseminating this information broadly. For this purpose, the MDBs heads formally established an MDB Working Group on managing for results. In addition, the MDBs are full and active members of the OECD/DAC Joint Venture on managing for development results, established in October 2003 to provide a forum for participant to share emerging practices and learn from each other, as well as from partner countries, as the basis for harmonization of operational policies and procedures and coordination of support for

country capacity building. The Second Roundtable and this paper are both part of the effort to share knowledge on managing for development results. A planned effort for 2004 is to capture existing experience in a Sourcebook on Emerging Good Practice, and to use information tools to make this available worldwide.

- ***Strengthening capacity to manage for results.*** The developing and transition countries need increased and better coordinated support to strengthen strategic planning, statistics, monitoring and evaluation capacity. These are essential capacities for generating and using information to make better decisions. MDBs increasingly recognize that strengthening capacity in these areas should not be an afterthought, but rather a central component of MDBs' cooperation strategies.
- ***Improving data availability and quality.*** For indicators on fundamental issues—whether malnutrition or literacy—many countries cannot even measure trends over a decade—much less use regular data to manage programs for better results. Fixing this requires improvements in the functioning of both national and international statistical systems. The first Roundtable in June 2002 asked the statistical community to take action to improve the availability and quality of basic statistics, and they have done so, with a medium-term plan that includes improving international accountability, setting up a household survey network, and increasing resources to strengthen national statistical systems. MDBs are actively involved at both regional and global level of actions to improve data availability and quality.
- ***Harmonizing results reporting.*** As MDBs and other development agencies align their cooperation strategies to country priorities, results reporting requirements must also be harmonized around national monitoring and evaluation systems that help countries to manage for results. Through the Evaluation Cooperation Group, the MDBs have already made progress in harmonizing project and country strategy evaluation methodologies. This year, they hope to make tangible progress in at least a half dozen countries through a country-led process to harmonize results reporting around national systems.

## V. RISKS

19. Bringing results into the spotlight in operational and research work, Board oversight, and dialogue with clients, partners, and shareholders will lead over time to improved MDB effectiveness both in getting results and in measuring and monitoring them. In this endeavor, MDBs are cognizant of four areas of risk.

- First, expectations need to be kept in check. Strengthening the results focus of the MDBs will be a gradual process over a number of years. Much of the impact of this greater results focus would be felt in improved country outcomes that will not be attributable directly to an agency. Given the limitations of attribution and aggregation of results, it will remain easier to assess results focus than to characterize MDB results in easily digested sound bites.
- The second risk is that MDBs may be tempted to use imperfect measures of results—including “easy wins” that look good on the results scorecard but are at odds with the MDBs' fundamental objectives. This would distort staff behavior and lead to misallocation of time and energy within the Banks.

- The third risk is that the perfect will be the enemy of the good, and that the process of strengthening institutional capacities internally and externally will unduly delay the adoption of more results-focused approaches.
- The fourth risk is that the main purposes of the results agenda—flexible decisionmaking, learning through adaptation, improved allocation of resources and thus achievement of better results on the ground—will be overshadowed by a rigid “accountability” use of results information. While accountability is a necessary condition, the results agenda must be first and foremost useful to countries and country teams. Experience has shown that an excessive focus on accountability may lead to risk-averse gaming of the system or to managing for results to only lower level outputs that are under the direct control of the agency.

Mitigating these risks will require careful work to create incentives that focus on country outcomes, even though it may take years before these incentives yield their full impact. It will be important to ensure an incentive framework that rewards staff and managers who focus on long-term sustainability, major structural change, and participatory approaches—all key to getting results in the longer run.

## VI. GOING FORWARD

20. Significant progress has been made since the MDB Presidents highlighted the results agenda two years ago in Monterrey. Much has happened in our partner countries, within the individual MDBs, and across the MDB community, establishing a strong platform for further progress. MDBs have redoubled their efforts to support countries in strengthening their national strategies and public sector management. Equally important has been the internal drive to manage for results within the MDBs, linking country assistance programs more explicitly to countries’ priorities and desired outcomes. At the same time, MDBs are converging around core principles and results agendas that share common elements and approaches. This convergence contributes to a global partnership for greater harmonization of policies and procedures and better coordination of support to strengthen country capacity.

21. ***Agenda Ahead.*** Despite notable progress in managing for results in countries, within and across agencies, a complex and demanding implementation agenda lies ahead. In going forward, MDBs face challenges that they need to address to fully implement their results agenda:

- ***At the country level,*** MDBs’ success depends on the willingness and ability of client countries to manage for results. MDBs need to intensify support for strengthening countries’ capacity to integrate a focus on results in their own strategy formulation and public sector management. Equally important is civil society’s participation in the development process and their demand for enhanced accountability for results.
- ***Within the MDBs,*** a critical step is to fully incorporate the results frameworks in country assistance programs and to strengthen associated monitoring and evaluation systems. Going forward, it will be important to move beyond country strategies and

lending operations to include global, regional, and sectoral programs, as well as advisory services, in the analysis of results. Some interesting approaches have emerged (see Box 6), and further progress will benefit from real-time sharing of information, innovations, and lessons learned.

**Box 6. AsDB's New Frontier on Results Monitoring**

In line with the increasing global focus on identifying and delivering global and regional public goods, AsDB has begun monitoring results at the subregional level. Recognizing its comparative advantage in promoting regional cooperation and in undertaking regional projects that address cross-border concerns and production of global and regional public goods, AsDB has recently embarked on an approach to plan operations at regional level on the basis of medium-term strategy and program planning. The Regional Cooperation Strategy and Program documents now indicate what AsDB plans to deliver in terms of cross-border projects in each of its five subregions (East and Central Asia, South Asia, South-East Asia, Mekong, and Pacific). The documents show a clear strategic path from identifying the challenges facing the region to monitoring progress in addressing those challenges.

- *Across the MDBs*, progress in harmonizing evaluation methodologies and engaging in joint design, supervision and evaluation should be widened to encompass harmonization of results reporting around national monitoring and evaluation systems. Further coordination and development of joint initiatives will be helpful in supporting countries to strengthen their capacity to manage for results.

22. *Mindset Change.* Adapting existing systems and introducing new ones to fully implement the results agenda are not ends in themselves but the means to an end—for the MDBs to become more effective institutions for delivering development services to clients. Strengthening results-based thinking, even without elaborate data sets, can take the MDBs a long way toward where they need to go. The essential change is the change in mindset—an inexpensive change, albeit one with far-reaching implications—from focusing on the programming inputs and then analyzing their likely impacts, to focusing on the desired outcomes and then identifying what inputs and actions are needed to get there.