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**BETTER MEASURING, MONITORING, AND  
MANAGING FOR DEVELOPMENT RESULTS**

Attached for the September 28, 2002, Development Committee meeting is a paper prepared by World Bank staff entitled "Better Measuring, Monitoring, and Managing for Development Results". This subject will be considered under item I.1.A of the Provisional Agenda.

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**SEPTEMBER 17, 2002**

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### ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
DAC	Development Assistance Committee
IDA	International Development Association
IMF	International Monetary Fund
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
OECD	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department
PRSP	Poverty Reduction Strategy Paper
QAG	Quality Assurance Group
SSP	Sector and Thematic Strategy Paper
UN	United Nations



# BETTER MEASURING, MONITORING, AND MANAGING FOR DEVELOPMENT RESULTS

## I. INTRODUCTION

1. During the past 50 years, the developing world has seen strong but uneven progress on sustainable growth and poverty reduction. Many countries have recorded progressive improvements in economic and social indicators, but others have been left behind. The collective record of the past yields three main lessons. First, good development outcomes require good policies and institutions. Second, if development progress is to be sustained, the underlying policies and institutions must be country-owned and country-specific. Third, when these conditions are in place, development assistance can be highly effective. As the Monterrey meeting made clear, there is broad consensus on these lessons. There also is broad consensus that the Millennium Development Goals (MDGs) provide a frame for many of the desired outcomes as well as agreement about the actions for achieving them—especially the policies and institutions that developing countries need to put in place, and the trade and aid measures that developed countries must take. On both sides, consistent and coherent implementation are key, reflecting the spirit of shared accountability in the post-Monterrey partnership for development.

2. ***Focus on Results.*** But the new partnership is not just about actions; importantly, it is also about results. When Ministers discussed partnership at the last Development Committee meeting, they highlighted the objective of measurable improvements in sustainable growth and poverty reduction.<sup>1</sup> And in discussing development effectiveness, they underlined the importance of an enhanced focus on results that countries could use in designing and implementing their strategies, and that donors and development agencies could use in scaling up and allocating their support.<sup>2</sup> The enhanced focus on results represents a natural next step in the ongoing efforts to improve the effectiveness of aid. Indeed, “results” was the fourth pillar of the framework for supporting country development that Ministers discussed in Prague—the other three pillars being the country’s development vision (as set out in the Poverty Reduction Strategy Paper, a Comprehensive Development Framework document, or other national strategy), the diagnosis of country conditions (as set out in economic and sector work and other analysis), and the program of support (as set out in the Country Assistance Strategy).<sup>3</sup> Like these three areas, results will require much work to get right; and the World Bank and others are engaged in a major effort to give specific operational content to their broad commitment to the enhanced focus on results.

3. ***Content and Structure of the Paper.*** This paper outlines the approach the Bank is taking to increase its results orientation, recognizing the need for coherence with partners’ approaches. It supports and complements two papers that are also on the agenda for the Development

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<sup>1</sup> *Development Effectiveness, Partnership, and Challenges for the Future* (DC2002-0006), April 9, 2002.

<sup>2</sup> Development Committee Communiqué, April 21, 2002.

<sup>3</sup> *Supporting Country Development: World Bank Role and Instruments in Low- and Middle-Income Countries* (DC2000-19), September 8, 2000.

Committee—*Progress Report on Implementing the Monterrey Consensus*<sup>4</sup> and *Development Effectiveness and Scaling Up: Lessons and Challenges from Case Studies*.<sup>5</sup> It is organized as follows: Chapter II sets out the elements of the conceptual framework for managing development programs for results. Chapters III-V then use that framework to consider the challenges developing countries face in managing for results, systemic challenges of managing for results in and across donor and development agencies, and the specific challenges the World Bank is facing in increasing its results orientation.

## II. MANAGING FOR RESULTS: A FRAMEWORK

4. This chapter sets out general considerations that apply across the board. It builds on the simple but powerful idea that results can be improved by increasing management focus on them. Subsequent chapters draw out implications for developing countries, the development system, and the Bank.

### A. Recent Developments

5. The application of results-based approaches to the management of development programs was discussed at the international Roundtable on Better Measuring, Monitoring, and Managing for Development Results that the multilateral development banks (MDBs) cosponsored on June 5-6 in cooperation with the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD-DAC).<sup>6</sup> The Roundtable had its genesis in a joint statement issued by the Heads of the MDBs in Monterrey setting out their commitment to put the country context at center stage in the assessment and evaluation of development effectiveness. The Roundtable 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; the need for donors to offer coordinated support for capacity building and to harmonize approaches to results measurement, monitoring, and management; and ways for development agencies, including the World Bank, to develop results-focused corporate cultures and incentives, as well as corporate reporting systems.

### B. Conceptual Framework

6. This section explores the scope and distinguishing features of the effort to increase the focus on results in the management of development programs. It sets out a common vocabulary to facilitate discussion and provides a context for considering benefits, costs, and risks in determining how much to invest in results-based approaches.

7. **Scope.** As the Roundtable participants discussed, the current effort brings together three strands of the development dialogue of recent years: country-led development, results-based management, and development effectiveness. Building on these antecedents, this effort recognizes the importance of thinking about results across the various stages of the development cycle: (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 evaluation stage. It also

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<sup>4</sup> To be issued as a Development Committee paper.

<sup>5</sup> To be issued as a Development Committee paper.

<sup>6</sup> See [www.worldbank.org/results](http://www.worldbank.org/results).

recognizes the need for coherence across these timeframes with respect to the critical ingredients of results-based approaches, especially the underlying model of cause and effect (or policies and other interventions and impacts), the modalities for measuring results, and the capacity for management follow-up. For a developing country, for example, the same broad model of how public policy and spending affect behavior and outcomes should underpin the design of its country strategy, its supervision of implementation, and its evaluation of impact, including with respect to the choice and design of monitoring indicators and the assignment of accountabilities. For a development agency, there is an additional need for clarity in the underlying model about how its actions and programs affect the primary actors in the country, and this additional factor also needs to be treated in a coherent and consistent way across the three timeframes.

8. **Vocabulary.** Corresponding to the different timeframes and dimensions are various results measurement concepts, three of which—outputs, intermediate outcomes, and outcomes—are important for present purposes.<sup>7</sup> This paper is based on the premise that improved country *outcomes* on sustainable growth and poverty reduction are the bottom-line measure of development effectiveness; that these outcomes emerge gradually as a result of influences from multiple sources, internal and external; and that for many development partners—both in developing countries and in development agencies—*outputs* and *intermediate outcome indicators* linked more tangibly and immediately to their own actions are appropriate performance benchmarks. In turn, this premise translates into a focus on outcomes for ex ante planning and ex post evaluation and a focus on outputs (and intermediate outcomes) for day-to-day management. It is clear, however, that there must be coherence between the different measures, and the relationship between outputs and outcomes needs to be kept under close review to ensure that the posited results-chain relationship between them remains valid. As later chapters discuss, this has implications for country assistance strategies and evaluations on the one hand and corporate reporting on the other.

9. **Benefits, Costs, and Risks.** Notwithstanding the broad desirability of focusing on results in the management of development programs, a key operational issue is how and how much to invest in systems for supporting results-based approaches. This issue needs to be considered in terms of the potential benefits, costs, and risks. On the *benefit* side, the biggest payoff comes from enhanced strategic alignment and improved day-to-day management. Clearly, management decisions taken with focused reference to their desired goals will be better at achieving those goals than management decisions that are taken without such focused reference. But for specific public spending proposals, due consideration must be given to *how much better*—as the magnitude of the improvements must be weighed against the costs and risks of achieving them. Central here is the nexus of measurement and monitoring issues, which need to be thoughtfully and carefully addressed in the design of results-based systems. Neither measurement nor monitoring is an end in itself; rather, both are means to better management and results, and both involve *costs* (of building systems and capacity) and *risks* (of using proxy indicators that may inadvertently distort behavior). That investments in measuring and monitoring systems need to

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<sup>7</sup> These are terms long used by the evaluation community. In addition, at the project level, evaluators refer to *impact* as the sustained effect years after the end of the intervention. When discussing sectoral or country program support, rather than discrete, timebound projects, the concept of impact is less relevant, as the outcomes themselves emerge with long and variable lags, and intervention is a continuous process of development. Hence, this paper refers to country outcomes in both the medium and long term. See *Glossary of Terms in Evaluation and Results-Based Management*, OECD/DAC, 2002.

be made in light of the benefits to be reaped from them, relative to their costs and risks, is equally true for the developing country context and for the development agency context.

### III. MANAGING FOR RESULTS IN DEVELOPING COUNTRIES

10. The quest for better development results must begin with developing countries. That is where development outcomes are realized and measured and where the MDGs and other goals will be met, or not. This chapter looks at the particular challenges developing countries face in managing for results, highlights their measurement needs and constraints, and discusses ways the development community can support their efforts.

#### A. Country Approaches

11. Improving country development outcomes is a highly complex undertaking that is dependent on a number of ingredients, including the right policies, institutions, and internal conditions, a supportive external environment for trade and capital flows, and adequate financing. Abstracting from the specific ingredients, this section briefly looks at how low- and middle-income countries are managing for results—addressing the MDGs and other quantified measures of economic and social development, and progressing from abstract ideas to the specific steps to achieve the targets.

12. **Low-Income Countries.** The Poverty Reduction Strategy Paper (PRSP) process provides low-income countries with a common platform for setting out their objectives, strategies, and results, as a basis for leading the dialogue with donors at the country level. The process has progressed since the PRSP was adopted three years ago, especially with respect to enhancing country ownership. But it has seen less progress with respect to setting out credible implementation plans and tracking mechanisms for results. A review of PRSPs conducted in early 2002 highlighted the critical importance of monitoring and evaluation for the effective implementation of PRSPs, even as it concluded that the data being collected in the context of PRSPs were often not able to answer questions about the outputs or likely outcomes of policy choices.<sup>8</sup> The review identified weaknesses in (a) the long-term targets for poverty reduction, which were seen as overly ambitious in many PRSPs, (b) intermediate indicators to help track the implementation of public programs, and (c) institutional structures for monitoring. Recognizing that PRSPs need to be more focused on results, Bank and Fund staff have been working to help clients strengthen their PRSPs, and help staff improve their Joint Staff Assessments—for example, by improving the PRSP sourcebook, guidelines, and training programs. They also are urging that PRSPs set out clear linkages between country-specific outcomes and the MDGs, and are helping countries train staff and improve capabilities for monitoring outcomes. In partnership with the United Nations (UN), the Bank is managing the Multi-donor Poverty Reduction Strategy Trust Fund, designed to help build country capacity for preparing and implementing PRSPs. By improving their monitoring of outcomes, countries will be better able to compare their performance—especially relevant for the countries participating in the New Partnership for Africa’s Development (NEPAD).<sup>9</sup> Equally, IDA-eligible countries will be better able to take on board the IDA13 Agreement’s recommendations concerning the

<sup>8</sup> *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings* (DC2002-03), March 27, 2002.

<sup>9</sup> See [www.nepad.org/](http://www.nepad.org/).



orientation of PRSPs, and to provide data that the Bank can use to report on progress in achieving results across IDA countries.<sup>10</sup>

13. ***Middle-Income Countries.*** For the middle-income countries, there is no common framework, such as the PRSP, for setting out or gauging a country's objectives and results focus.<sup>11</sup> However, many countries do set out their national strategies in published documents, and these strategies suggest that some countries are beginning to use results-based approaches to formulate development policies and to manage public expenditures.<sup>12</sup> Indeed, for middle-income and higher-income countries, it is in the arena of public expenditure management that the enhanced focus on results has the most practical relevance for central government activities, especially for measuring the effectiveness of public spending. With respect to the MDGs, the middle-income countries are more on track for meeting them than the low-income countries, although issues remain regarding the achievement of the goals for subregions or ethnic groups within countries. To make further progress, most middle-income countries are focusing on specific elements of their development strategies that are critical for achieving their sustainable growth and poverty reduction objectives—for example, the financial sector, human development, private sector development, or rural development.

## **B. Knowledge, Information, and Capacity**

14. The results agenda brings to center stage the management aspects of development, including the information needs of policy and program managers in developing countries. These managers need practical and up-to-date knowledge about what works in different real-world circumstances, timely information about what is happening on the ground, and effective evaluation capacity to put the two together and draw out the implications for action. Their information needs are most pronounced with respect to the social indicators, governance, and public sector efficiency, reflecting the greater progress in recent years on macroeconomic, financial, and debt statistics.

15. ***Knowledge.*** Building on the needs of developing countries in managing for results and on the Monterrey consensus, attention is shifting to implementation issues associated with the MDGs. For example, the UN is sponsoring the Millennium Project as a vehicle for gathering and assessing research and other evidence relevant to countries' strategies for meeting the MDGs. Within the Bank, recognizing the critical importance of clarity about how different policies affect outcomes, the Networks are taking stock of their advice and approaches to ensure that they are up to date and relevant to countries' pursuit of the MDGs and other outcomes, as well as accessible to policymakers and implementation managers in developing countries, using the Development Gateway and other vehicles to promote knowledge sharing.

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<sup>10</sup> Measuring development results featured prominently in the IDA13 replenishment negotiations, and IDA Deputies requested Bank Management to measure the progress of selected indicators in the areas of education, health, and private sector development over the course of the IDA13 period. They also asked Management to further develop the results measurement system during IDA13 according to the same principles used to enhance corporate reporting of results Bankwide. See *Additions to IDA Resources: Thirteenth Replenishment Supporting Poverty Reduction Strategies* (IDA/R2002-0136), July 12, 2002.

<sup>11</sup> *Supporting Country Development: Strengthening the World Bank Group's Support for Middle-Income Countries* (DC2001-0005), April 10, 2001.

<sup>12</sup> Mario Marcel, "Day-to-Day Managing for Results: Measuring and Monitoring—Budgeting for Results in Chile," presented at the Roundtable on Better Measuring, Monitoring, and Managing for Development Results, June 5-6, 2002, Washington, D.C.

Meanwhile, the post-Monterrey research agenda is focusing on the efficacy of public spending and service-delivery mechanisms—taking account of gender, income, and education differences and of the multisectoral influences on development outcomes—with new surveys of schools, clinics, and other service-providing units studying incentives, cost-effectiveness, and the impact of institutional reforms. Plans also are under way to learn more from development projects by building into them, as appropriate, evaluation mechanisms such as independent trials and control groups.<sup>13</sup> Reflecting these and other activities, next year’s World Development Report will investigate how countries can accelerate progress toward the MDGs by making public services work for poor people. These important initiatives notwithstanding, even greater efforts will be needed in coming years to sharpen the focus of research and knowledge dissemination on the particular challenges developing countries face in managing for results.

16. **Information.** Numbers—though they clearly are not the whole story of managing for results—are critical. They tell whether the country is on track for the MDGs and other development objectives. In many cases, the needed numbers are easy to conceptualize; the challenge lies in the human, institutional, and financial constraints that countries face in collecting, analyzing, and publishing them in a timely manner. And there are trade-offs between different uses and users of the data: on one hand, international comparisons and assessments of country performance over time require aggregated country statistics and indicators that are common across countries; while on the other hand, day-to-day management of ministries and operating units (at all levels of government) requires more disaggregated and timely operational data, including some that may be less amenable to quantification, such as feedback from the kinds of surveys discussed above. In designing and upgrading their systems, countries need to take into account the different requirements of the various users, both internal and external, drawing on support for statistical capacity building from such international efforts as PARIS21.<sup>14</sup> The Bank, working with external partners in the context of PARIS21 and other fora, offers support for statistical capacity building as part of its Country Assistance Strategy (CAS), and will be piloting an operational product providing enhanced sectorwide support in this area.

17. **Capacity.** More important than knowledge and information per se is their interpretation and use. Therefore, in strengthening statistical systems, it is also important to consider the companion needs of country monitoring and evaluation systems.<sup>15</sup> This is where the real payoff comes: from complementary systems of knowledge, information, and analytic capacity that country champions—whether in the Ministry of Finance, Parliament, a supreme audit institution, or operating ministries and agencies—can use to improve public expenditure management and other aspects of performance. But the key driver must be country demand for information; without it, the necessary investments in information and evaluation systems will not yield

<sup>13</sup> Esther Duflo and Michael Kremer, “Building Knowledge for Development: The Potential of Program Evaluation,” presented at the Roundtable on Better Measuring, Monitoring, and Managing for Development Results, June 5-6, 2002, Washington, D.C.

<sup>14</sup> The PARIS21 Consortium—Partnerships In Statistics for Development in the 21st Century—was set up in November 1999 by the United Nations, OECD, World Bank, IMF, and the European Union. See [www.paris21.org/](http://www.paris21.org/) and “The Millennium Development Goals: Reporting and Building the Required Statistical Capacity Using the PARIS21 Initiative,” OECD-DAC, Development Co-operation Directorate/DAC (2001/REV1), November 30, 2001.

<sup>15</sup> This also has long been recommended by the DAC Working Party on Evaluation and the Evaluation Cooperation Group of the MDBs; see *Annual Report on Evaluation Capacity Development*, Operations Evaluation Department, World Bank, June 13, 2002.

benefits in terms of improved implementation and performance, nor will they be sustained. Hence donor support for such systems must be tailored to country readiness and designed to strengthen the policymaking and institutional setting within which the systems will operate. The Bank has developed diagnostic tools for assessing country readiness to move toward results-based management and has completed assessments in a number of countries.<sup>16</sup> Follow-up is examining how best to mainstream evaluation capacity building in the context of the CAS, with the various Bank units working together on a common approach—including diagnostic tools and subsequent support through lending and nonlending services—for customization in country programs. These are areas in which the Bank’s support for *country* capacity building complements its emphasis on monitoring and evaluation in the *projects* and *programs* it finances (see para. 26).

#### IV. MANAGING FOR RESULTS IN AND ACROSS DEVELOPMENT AGENCIES

18. The results challenge for donor and development agencies goes beyond helping countries develop the knowledge, information, and capacity they need to better measure and manage for results. It also involves the larger issue of development effectiveness: how development agencies can maximize their impact, working across countries and sectors and with partners.

##### A. Aid Effectiveness

19. Aid agencies do not achieve development outcomes through individual action, but they can contribute to them. For agencies, success depends on effectively deploying assistance in high-quality ways in countries and in programs that deliver, and in influencing country policies and programs—often at a distance. Given the vast needs of developing countries relative to available donor resources, the issue is how best to direct those resources—both financial and advisory—for results. This section deals with the choice of countries and sectors and the instruments of support.

20. *Assessing Country Policies and Institutions.* The aid effectiveness literature provides evidence that aid has a bigger impact on growth and poverty reduction in the context of good policies and institutions, thus establishing a framework for donor selectivity according to country and sectoral performance.<sup>17</sup> In line with this thinking, the World Bank has long had a mechanism for assessing country policy and institutional performance as a basis for allocating concessional funding to IDA-eligible countries, and it has recently enhanced the assessment process. Since Monterrey, bilateral donors also have been adopting systems for assessing country performance as a basis for their increased aid allocations. These efforts help to increase the effectiveness of individual donor programs in getting results. But there is also a strong case for collective action to ensure coherence among donor assessments. By continuing to enhance its performance-based allocation system and making it more accessible, the Bank would be able to make a contribution to this end. Indeed, the IDA Deputies observed that if the Bank’s rating system were disclosed, it could serve as a diagnostic for strengthening development partnerships. In line with the IDA13 Agreement, Management is preparing to report at the IDA13 Mid-Term Review on the

<sup>16</sup> Ibid. See also J.Z. Kusek and R. R. Rist, “Building Results-Based Monitoring and Evaluation Systems: Assessing Developing Countries’ Readiness,” *Zeitschrift für Evaluation*, forthcoming September 2002.

<sup>17</sup> David Dollar and Lant Pritchett, *Assessing Aid—What Works, What Doesn’t, and Why*, World Bank Policy Research Report (New York, NY: Oxford University Press for the World Bank, 1998).

readiness of the system for public disclosure and the timing of public disclosure of individual IDA-eligible country ratings.<sup>18</sup>

21. ***Choosing and Designing Instruments.*** Reinforcing the view that country policies and institutions are the key drivers of country outcomes, the aid effectiveness literature concludes that policy advice and knowledge transfer can be as important as finance. This has implications for the choice, design, and packaging of instruments in the pursuit of development results. It means donors can “unbundle” their advisory and financial support and tailor the overall mix to the country situation, allowing for support that is almost all financial for countries at one end of the performance spectrum, and support that is almost all advisory for countries at the other. It also means that within a donor’s country program, individual financing instruments that incorporate policy advice and knowledge transfer—such as policy-based loans and credits, and finance for projects with strong demonstration effects—can be powerful vehicles for leveraging support into even larger results through the capture of synergies between finance and knowledge. Such synergies can also be captured across individual lending (both investment and adjustment) and nonlending instruments in the context of the CAS, and—as discussed below—across development agencies in the context of partnerships in support of the country’s PRSP or other national strategy. They are best captured when the mix of instruments is clearly defined and transparently related to the intended country outcomes under the leadership of the developing country itself.

## **B. Partnership**

22. Where many donors are involved in a country program, it is essential that they act in a complementary and coordinated manner. At a minimum, they should harmonize their rules and reporting requirements to avoid diverting scarce country capacity from important implementation issues such as monitoring and evaluation.<sup>19</sup> In addition, where there is a PRSP, donors should synchronize their country strategies with it, so that the country can know the resource envelope it is working with. But maximizing the gains from partnership requires going beyond harmonization and synchronization; it also requires strategic alignment. While agencies should continue to elaborate comprehensive diagnoses, for maximum development effectiveness they should be programmatically selective according to their comparative advantage. This means that individual CASs and related donor documents may not always appear complete when viewed in isolation, simply because other donors are addressing different parts of the program.

23. ***Attribution.*** These considerations have implications for the attribution of development results, and in turn for the design and architecture of intra- and inter-agency evaluation systems.<sup>20</sup>

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<sup>18</sup> Pending the completion of this work and further discussions and decisions about possible disclosure of actual ratings, relative Country Policy and Institutional Assessment ratings for countries eligible for IDA financing, classified by quintile, are publicly available. See *Linking IDA Support to Country Performance: Third Annual Report on IDA’s Country Assessment and Allocation Process* (IDA/SecM2002-0248), April 30, 2002, and [www.worldbank.org/ida/idasecm2002-0248.pdf](http://www.worldbank.org/ida/idasecm2002-0248.pdf). See also *World Bank Disclosure Policy Review: Revised Discussion Draft* (R2001-0146), July 27, 2001; and *World Bank Policy on Disclosure of Information* (SecM2002-0311), June 10, 2002.

<sup>19</sup> *Harmonization of Operational Policies, Procedures, and Practices: Second Progress Report* (DC2002-0004/Rev1), April 2, 2002.

<sup>20</sup> Robert Picciotto, *Development Cooperation and Performance Evaluation: The Monterrey Challenge*, Operations Evaluation Department (Washington, D.C.: World Bank, 2002).

As noted earlier, though outputs and other medium-term results can be associated with the contributions of individual donor agency programs, country outcomes need to be assessed as a product of group efforts led by the country. In this sense, attribution is collective, although the relevance and effectiveness of individual agency *contributions* to the larger outcome can be evaluated. And, while it is difficult to attribute development outcomes to individual agencies, it is possible—indeed imperative—to assess individual agency *performance* against clearly defined policies and standards, including the agency’s performance as a development partner. Here, evidence-based analysis and peer professional judgments can provide important insights, as the Operations Evaluation Department (OED) has demonstrated in the methodology it has been developing for assessing Bank performance in the context of Country Assistance Evaluations.<sup>21</sup> Within agencies, there is a need for transparency in setting out project and program results and carrying out the associated self-assessment as a basis for validation by peers and independent evaluators. Across agencies, there is a need for joint evaluations of donor programs in supporting countries’ poverty reduction strategies, along with assessments of individual donors’ contributions and performance as partners, taking into account the critical country ownership dimension.<sup>22</sup> Outside agencies, there is a need to foster public recognition of the gains in effectiveness that flow from the collective contributions of results-focused coalitions of development partners.<sup>23</sup>

## V. MANAGING FOR RESULTS WITHIN THE WORLD BANK

24. Historically, the Bank measured its operational performance primarily by lending commitments—both dollars lent and projects approved. Building on the findings of and the follow-up to the Wapenhans Task Force Report,<sup>24</sup> the quality dimension was added in 1996 as a second primary indicator of operational performance. Adding the quality of lending and nonlending services as an indicator served to focus Management attention on that dimension, and, after the investment of much time, resources, and commitment, the Bank’s performance on quality improved substantially.<sup>25</sup> Adding results as a third indicator is a logical next step that would further improve the Bank’s effectiveness by subjecting this important topic to more systematic Management scrutiny. This chapter outlines some of the steps the Bank is taking to increase its results orientation, which are to be discussed in greater detail with the Executive Board Committee on Development Effectiveness following the Annual Meetings. Broadly speaking, the actions cited are being piloted in FY03 for rollout in FY04 and fine-tuning and adaptation thereafter, following the same general timetable and approach used for the quality initiative. (See the Annex to this paper for the preliminary action plan.)

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<sup>21</sup> *Note on OED Methodology for Country Assistance Evaluation* (OM2002-0043), March 15, 2002.

<sup>22</sup> See, for example, the “Joint Evaluation of the Ghana Road Sub-Sector Programme (1996-2000),” DANIDA, 2000, carried out by Denmark, Ghana, Germany, Japan, The Netherlands, the African Development Bank, European Union, OED (World Bank), and the United Kingdom; see [www.um.dk/danida/evalueringsrapporter/2000-6/index.asp](http://www.um.dk/danida/evalueringsrapporter/2000-6/index.asp).

<sup>23</sup> Len Good, “New Approaches to Development and Results-Based Management,” keynote address to the Roundtable on Better Measuring, Monitoring, and Managing for Development Results, World Bank, June 5-6, 2002.

<sup>24</sup> *Report of the Task Force on Portfolio Performance Management*, World Bank, 1992.

<sup>25</sup> *2001 Annual Review of Development Effectiveness: Making Choices* (R2001-0219), December 27, 2001; *2000 Annual Review of Development Effectiveness: From Strategy to Results* (R2001-0005), January 12, 2001; Office Memorandum, *End FY02 Portfolio Status*, Quality Assurance Group, July 23, 2002; and *Annual Report on Portfolio Performance (ARPP)—FY2001* (R2001-0216), December 21, 2001.

## A. Defining and Measuring Operational Results

25. Central to the Bank's increased focus on results is better anchoring of the CAS in the country's specific priorities and objectives, as articulated in the PRSP or other national development strategy. In addition, the Bank is committed to providing greater clarity and transparency about its strategic objectives in individual operational activities, specificity about the process for achieving the objectives, and effective monitoring and evaluation systems for tracking progress. This approach is being pursued in CASs, in products and services, and in Sector and Thematic Strategy Papers (SSPs).

26. ***Country Program and Product Results.*** To track progress on results, effective monitoring and evaluation systems are key. This is true not only for investment lending, for which the Bank's monitoring and evaluation methodology is well advanced (although implementation performance needs to be improved), but also for the CAS, adjustment lending, and nonlending services, for which the methodology and implementation both need further development.<sup>26</sup> In all these areas, work is under way to see how best to apply, adapt, and improve existing approaches, building on the lessons learned from recent monitoring and evaluation pilots and OED reviews.<sup>27</sup> Improvements are planned to ensure that the CAS explains the proposed choice of Bank interventions in light of the ultimate outcomes they are intended to affect, the intervening "results chain" for getting there, and the benchmarks for measuring and monitoring progress—all in light of partners' contributions. To this end, several country teams are preparing to pilot a "results-based CAS" that identifies country outcomes (from the PRSP or other national strategy) to which the Bank will contribute, along with intermediate indicators linked to the particular products and services that the Bank will provide. Complementing this effort, work also is under way to pilot a "CAS completion report," a systematic self-assessment of CAS results and Bank performance that will provide the basis for review by the Quality Assurance Group (QAG) and subsequent independent evaluation by OED. With respect to the Bank's lending and nonlending products and services, internal processes are being reviewed with the aim of expediting implementation and the achievement of results, while documentation requirements are being reviewed with the aim of increased transparency in the reporting of results objectives and achievements.

27. ***Sector and Thematic Strategies.*** The results agenda also has a number of implications for the way the Bank looks across country programs in the context of its sector and thematic strategy work. Such work needs to be more transparent about the Bank's sectoral and thematic objectives in terms of actual changes on the ground and how they can be achieved, while acknowledging the many complexities and degrees of separation between such objectives and actual country outcomes. Indeed, as the impact of SSPs on the ground is indirect—through their ability to inform and support decisions made at the country program level—the two sides of the Bank's management matrix bear collective responsibility for achieving the desired results. In

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<sup>26</sup> *Country Assistance Strategies: Retrospective and Outlook* (SecM98-242), March 30, 1998; and *Country Assistance Strategies: Retrospective and Implications and Note on "Enhancing Board Discussion of Country Assistance Strategies"* (R99-228/2), May 22, 2000.

<sup>27</sup> *2002 Annual Report on Operations Evaluation* (R2002-0124), June 21, 2002; *2002 Annual Report on Operations Evaluation (AROE) and Draft Management Response—Statement from the Chairman* (CODE2002-0063), July 30, 2002; and *2002 Annual Report on Operations Evaluation—Management Response* (R2002-0124/1), July 22, 2002.

light of this, the monitoring and evaluation framework in SSPs needs to include indicators of trends in country outcomes and country demand for Bank support (for example, reporting on lending trends as reflected in CASs), as well as an evaluation of Network performance in supporting country programs (sector analytic work, knowledge management, role of global programs,<sup>28</sup> and sector skills assessment and enhancement). In providing the context for self-assessing past performance and deriving implications for the Bank's future directions, SSPs need to review what other development agencies and donors are doing in the sector, identifying the broad strategic directions of donor agencies at the global level, but also recognizing the differing outcomes of donor coordination across countries. Finally, given the importance of research on and analyses of intersectoral linkages, sector and thematic strategy work must increasingly take them into account, and, conversely, it must provide inputs into the Bank's research agenda. In examining the treatment of these issues, future SSP stocktakings will look across individual sector and thematic strategy documents for the bigger picture on which sectors and thematic areas are growing or declining compared to others, why, and what (if anything) should be done about it.

## B. Corporate Issues

28. Implementing the results agenda raises practical issues for the Bank with respect to corporate reporting, staff incentives and training, and risk management.

29. **Corporate Reporting.** The Bank's preliminary thinking on corporate reporting on results involves two complementary lines. The first line of reporting would deal with the results focus of individual operational products and activities. It would build on QAG and related assessments to summarize the extent to which country outcomes have been adequately addressed in lending operations, analytic work, CASs, and SSPs. These assessments would provide the basis for comparisons over time and across units within the Bank, similar to those now made for quality. To provide a platform for periodic discussions with Executive Directors on trends and methodological issues related to the Bank's results focus, the Annual Report on Portfolio Performance would be broadened into an Annual Report on Portfolio Performance and Results. The second line of reporting would build on and reinforce the first, focusing on the results that Bank units are striving for and their success (or lack of success) in achieving them. In line with the conceptual framework set out in Chapter II, these "results" would typically be measured annually in terms of outputs and intermediate outcomes related to real-time actions, rather than program and country outcomes that will be realized only after long and variable lags. At the same time, the program and country outcomes would be measured periodically, with the linkages between the various output and outcome measures scrutinized and recalibrated as needed. Unit reports on results, appropriately analyzed and aggregated, would be reflected in corporate budget and strategy documents, the corporate scorecard, and CAS and SSP documents.<sup>29</sup> The principles underpinning this second line of reporting, involving the reporting and aggregation of diverse

<sup>28</sup> *Global Programs: Linking Global Concerns with Country Needs*, OED, World Bank, 2002.

<sup>29</sup> Clearly a key challenge in such reporting will involve the aggregation of different kinds of results, and it will be essential to build on the lessons of experience of other agencies. As part of the Roundtable on Better Measuring, Monitoring, and Managing for Development Results, a workshop explored approaches being applied in the Asian Development Bank, the European Bank for Reconstruction and Development, the United Nations Development Programme, Canada, New Zealand, and the aid agencies of Japan, the United Kingdom, and the United States. See [www.worldbank.org/results](http://www.worldbank.org/results).

and unit-specific results, would also be important for the ongoing work on the IDA results measurement system.

30. ***Incentives and Training.*** Focusing Senior Management and Board attention more systematically on results—via corporate reporting and other vehicles—will send powerful signals to staff and middle managers. This was the lesson of the quality initiative: as Management attention shifted to quality, the institutional culture evolved, and along with it the criteria that managers and staff used for assessing performance. At the same time, considerable proactivity is needed to ensure a consistent and coherent approach and to correct disincentives that staff may perceive in current human resources and budget policies. To this end, the Bank is examining the various criteria for promotion, panel clearance, budgetary allocations, and so on to ensure that they give proper weight to results, taking into account all the complexities involved and the need to align staff incentives with corporate priorities. Staff training—both in the core curriculum and in more specialized courses—is being adapted to reflect the Bank’s enhanced results orientation, building on the ongoing review of training on monitoring and evaluation. As experience is gained with results-based approaches at the country and sector level, the staff training program, especially for CASs and adjustment lending, will evolve to reflect this experience. When appropriate, training will be directed toward Bank and client staff *jointly*, including through distance learning programs. Finally, a handbook on managing for results is planned, highlighting proven approaches to getting and documenting results in different products and services.

31. ***Risk Management.*** Adding results to the Bank’s performance indicators of deliveries and quality is not without risks. The most serious has to do with possible distortions to incentives and behavior. In particular, premature or mechanistic application of imperfect measures of results could cause the Bank to do more of some things than it should, such as easy wins that look good on the results scorecard but are not fundamentally important, and less of other things than it should, such as helping low-income countries with particularly difficult, long-term development challenges.<sup>30</sup> Clearly, good judgment will need to prevail in the implementation of the results agenda—as in other areas—with synthetic measures meant to be the beginning of conversations about results and not the end. More generally, appropriate risk management—and the lessons learned from other agencies—points to the need for a medium-term, incremental approach that builds on existing systems and initiatives, careful work to ensure that staff incentives focus appropriately on country outcomes and sustainability, and effective communications on what the Bank is doing and why. The preliminary action plan reflects these considerations, and its concerted implementation—modified as needed to reflect the emerging lessons of experience—should help to sharpen the Bank’s results focus over time and in turn improve its contribution to sustainable growth and poverty reduction in developing countries.

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<sup>30</sup> *Report on the World Bank Group Task Force on Low-Income Countries Under Stress* (SecM2002-0367), July 8, 2002; and *Low-Income Countries Under Stress* (SecM2002-0195), April 10, 2002.



### Preliminary Action Plan for Enhancing the World Bank's Results Orientation

<i>Objective</i>	<i>Activity</i>	<i>Timeframe</i>
<b>Country strategy and capacity</b>		
Strengthen support for results-focused PRSPs, with clear linkages to MDGs.	Publish PRSP Sourcebook with relevant guidance on measurement and monitoring; and publish guidelines for JSAs on Annual Progress Reports. Focus staff assessments of PRSPs and Annual Progress Reports on targets and monitoring of results.	FY03 Q1-4
Help countries build statistical systems and analytic capacity.	In consultation with partners, design and pilot operational product providing enhanced sectorwide support for statistical capacity building.	FY03 Q1-4
Help countries build results-based monitoring and evaluation capacity.	Adopt common approach to providing diagnostic tools and institutional support via CAS.	FY03 Q2
<b>Knowledge accumulation and dissemination</b>		
Support countries' achievement of MDGs and other development outcomes through advice and research.	Prepare notes on MDG determinants to clarify underlying model of policies and impacts. WDR 2004 to present lessons learned on how countries can accelerate progress toward the MDGs by making services work for poor people.	FY03 Q1-4
Ensure that sector and thematic advice is up to date, practical, and relevant to real-world challenges countries face in getting results.	Review Sector Strategy Papers and other Network compendia of advice; compile work program and research agenda to fill gaps in knowledge on determinants of results.	FY03 Q2-3
Provide clients with a clear and consistent window for accessing knowledge and best-practice examples across sectors and themes.	Review existing knowledge dissemination mechanisms. Adopt harmonized approach to dissemination and knowledge management, making use of Development Gateway.	FY03 Q3
<b>Bank strategy and instruments</b>		
Establish results-based CAS to show clear results chain linking country outcomes to Bank products and services.	Launch results-based CASs in five countries. Develop template and revise guidelines for rollout.	FY03
Develop results-based CAS monitoring and evaluation framework.	Pilot CAS completion report and associated peer-review mechanism.	FY03
Increase feedback from client on Bank contribution to results.	Revise client survey instrument and align timing with CAS cycle.	FY03 Q3-4
Enhance results focus of products and services, and linkages to CAS outcomes.	As part of ongoing review of design of, and guidelines for, Bank lending and nonlending products, strengthen monitoring and evaluation frameworks to enhance results focus and alignment with results-based CAS.	FY03-04
<b>Staff learning and incentives</b>		
Make best practice into standard Bank practice in managing for results.	Launch Staff Handbook on Managing for Results, with framework and best-practice examples.	FY03-Q2
Provide staff with consistent training on results-based approaches.	Assess training needs. Review and rationalize supply of results-based M&E training.	FY03 Q2-4
Support international community of practice on results-based approaches to managing development programs.	Follow up international Roundtable on Results with workshop on results-based approaches in aid agencies.	FY03 Q2
Ensure that internal staff incentives are aligned with focus on sustained development results.	Review staff incentives and revise as necessary to reflect enhanced results focus.	FY03
<b>Corporate reporting</b>		
Report on results in corporate strategy and budget documents.	Review corporate planning and budget cycle to assess methods for integrating results. Pilot test in FY03 for further integration in corporate reporting in FY04.	FY03-04
Enhance results focus of quality assessments of products and services.	Increase results focus of quality at entry, supervision, and ESW assessments carried out by Quality Assurance Group. Develop Annual Report on Portfolio Performance and Results.	FY03 Q2-4; FY04
Design system to report to IDA Deputies on IDA-eligible country results.	Develop and refine results measurement system for IDA-eligible countries based on country-specific results defined in PRSPs and supported through CASs (by IDA13 midterm review).	FY03 Q1-4