The need to communicate results will continue to grow, in line with the demands of donors. Integrating results tools into the system of IFIs has been a gradual process over the last two decades, supported by the emerging development and aid effectiveness agenda. This has led to greater transparency, accountability and communications of results. This article looks at the impact, limitations and future trends of IFIs from a results tools perspective.
Introduction

Over the last two decades, tools such as results frameworks for projects and corporate scorecards to monitor institutional performance, have become commonplace in International Financial Institutions (IFIs). Results tools are instruments used by management to track performance, different to evaluations which focus solely on ex-post reviews, learning lessons and making recommendations for improvements.

This article is divided into three sections. The first section provides a review of performance management and how the aid effectiveness agenda supported the introduction of a results agenda in IFIs. The second part discusses the impact of results tools both at operational and corporate levels. The third section anticipates future trends, while the conclusion proposes recommendations for future results tools and systems.

The origins of “what gets monitored gets managed”

Performance management has its origins in the scientific management theory that was developed by Frederic Taylor at the beginning of the 20th century. At the time, this concept focused on reviewing production processes and applying scientific techniques to improve effectiveness and efficiency of production planning and business practices. This was part of the Taylor paradigm that focused on a systematic analysis of human behavior in order to improve profitability for newly established mass-production companies during the Roaring Twenties.

"The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target."

Dusenbury (2000)

As individually owned workshops grew into large corporations, business processes were progressively formalized. There was a need for rational and transparent rules while ensuring accountability of performance.

Monitoring became essential for the execution of organizational strategy and the achievement of overall objectives for private businesses (Williams, 2004).

Key Performance Indicators (KPIs) were also originally used by private firms to ensure alignment with strategy and feedback for decision-making (Kaplan & Norton, 1996). In order to track progress, KPIs...
were often summed in scorecards which provided a simple overview of the organization’s performance (Marr, 2017).

Flaws appeared when corporate systems were linked to staff incentives such as salary and bonuses as the system created incentives to produce inaccurate performance data. The concept of “what gets monitored gets managed” was part of the New Public Management Approach which applied private sector monitoring tools to public sector organizations. This trend of implementing private sector performance management tools was supported by the evolution in the aid effectiveness agenda which followed the International Conference on Financing for Development in 2002. As part of this process, donor agencies undertook to ‘manage for results’ and this was accompanied by a series of high level conferences in Paris (2005) and Accra (2008). The follow-up conferences in Busan (2011) and Mexico (2014) emphasized the shift from an approach based on aid, to a broader development effectiveness approach. One of the key issues consistently raised was the importance of development aid results.

The 2007 economic downturn, which caused many traditional donor countries to restrict their aid budgets, increased the pressure on development agencies to make aid more effective and to allocate their resources more efficiently. A Value for Money approach which emphasizes the balance between effectiveness, efficiency, economy and equity emerged (Schiere, 2016). There has been a major cultural shift to development results in IFIs.

Development cooperation has become more results-focused, encompassing accountability and promoting transparency. This fits well with the New Public Management Approach, centered on a business-like and transparent approach to results reporting which includes corporate KPIs and results frameworks for projects. Consequently, there has been a shift of focus from budgetary approval or disbursements to outputs and outcomes.

Results tools have clearly improved transparency and communications.

Some of the KPIs are published as annual corporate performance scorecards, such as in the Results Measurement Frameworks of MDBs. These are subsequently integrated in the Multilateral Organization Performance Assessment Network (MOPAN) so that donors can jointly assess and review the effectiveness of individual IFIs.

Challenges of results management for IFIs

Although managing for results has undeniably contributed to better focus on development outcomes and performance, there are several drawbacks to consider.

Firstly, the rolling-out of various results tools in IFIs was not necessarily undertaken in a clearly sequenced or coordinated manner, but rather ad hoc. Some issues – such as projects results frameworks for projects – were gradually introduced in the 1990s, while the corporate scorecard performance tracking required more institutional reform as it needed a standard set of indicators to be tracked over time (Holzapfel 2014). In practical terms, this meant that both corporate and project level results had to be aligned with standard indicators, reducing the flexibility of departments to finance projects.

Secondly, although corporate results scorecards helped improve transparency and accountability to external stakeholders, it is sometimes seen as a way to ensure certain priorities were integrated into
IFIs. In this respect, the scorecards are not only used to track development results, but to ensure alignment with the national and parliamentary priorities of donors. This can create tensions between “upward” donor accountability and “downward” accountability to client countries (Edwards and Hulme 1996).

Thirdly, strict results reporting offers IFIs less flexibility to adapt to the common agenda, and can therefore hinder the creation of joint programmes with other development partners. This is also contrary to the aid effectiveness agenda that seeks to promote joint programming, alignment, country ownership and harmonization (Sjöstedt 2013) which reduces coordination and implementation costs.

Fourthly, the focus on results can lead to the prioritization of short-term visible projects, instead of long-term capacity-building or institutional reforms that can bring more sustainable results. Moreover, a long-term plan comes with greater risks and less predictable results (Natsios 2010), rendering attribution more difficult.

Often donors prioritize funding low hanging fruits which ensure results with limited risks.

Similarly, the emphasis of results that are “easy” to crystallize can also lead to less innovation as IFIs reduce the risk-taking appetite and create a tunnel vision. Tunnel vision refers to quantified performance measurement, at the expense of enabling aspects that accompany the achievement of objectives (Smith 1995). As a result, organizations focus on measures of success rather than underlying objectives. The risk associated with measuring success is that it encourages strategies which raise the values of the indicators reported, rather than those which help achieve objectives. Also, an excessive

Figure 1: Core areas of results management

- Transparency & Accountability
  - Communication of results

- Performance Measurement
- Strategic Planning

- Management Systems
  - Corporate KPIs & IT Systems for results management

- Reporting tools
  - Specific tools to track results in operations
focus on risk and the fear that unmet targets can trigger a negative audit report (Ramalingam 2013), reduce the will to innovate and experiment.

Finally, results reporting can also have financial and administrative costs, in particular if this is not aligned to existing M&E systems of institutional projects. More specifically, ad hoc requests for specific results by some donors on issues which are in their own national interests, but outside the scope of existing monitoring systems of institutions, is costly for the IFI. To some extent, this is also evident from the Value for Money discussions – which emphasize the balance between effectiveness, efficiency, economy and equity. Although, this concept sounds convincing for communication purposes, it is not always practical. Take for example the cost of building a road. The difficulty depends on the geographical constraints of the country, and political hurdles. It is not possible to compare the costs of building a road in a fragile state with the building of a road in a middle-income country. The costs of introducing these Value for Money systems, will lead to additional overhead costs and outweigh any possible benefits.

**Future trends for integrating results tools**

The integration of result tools into management systems of IFIs will continue to evolve in the near future. Some of the new tools are linked to global trends such as the integration of private sector operations, and reflect the shift from aid to the broader concept of development effectiveness agenda. This is part of the billions to trillions agenda of IFIs that emphasizes the shift from tracking financial and profitability indicators to development outcomes and outputs.

This shift to development outcomes has already taken place in public sector operations of IFIs, but it is taking longer for the private sector due to its nature being transaction-oriented and representing a relatively small proportion of an IFI portfolio. Now that donor funding has been reduced and the private sector window has grown, it has become increasingly important to integrate results tools which include both financial additionalities and development results. On the flip side, additional reporting inevitably leads to overhead costs, slower business processes and can reduce the competitive advantage of IFIs for client companies.

The latest trend in results reporting tools is the use of input-output methodology which uses a Social Accountability Matrix to present development outcomes. A statistical model measures the effect of investments by showing how economic sectors depend on one another, both as a consumer of output and as a supplier of input.

By making use of these econometric models, IFIs can estimate the development outcome of investments in an easy and cost-efficient manner. The disadvantage of this approach is that they are not necessarily accurate and are used mainly for communication purposes.

Also, with the evolution of IT technologies and results tools, it is now possible to communicate results in a visually attractive manner. Geocoding, for example, identifies the location of investment projects on an interactive map, and provides key data of investment outcomes. Although this approach helps promote transparency by tracing funding to end-beneficiaries for traditional investment projects, it is difficult to capture results for budget support operations, knowledge work, policy advocacy and leveraging, which are the future activities of IFIs.
Conclusion & recommendations

The need to communicate results will continue to grow, in line with the demands of donors. Integrating results tools into the system of IFIs has been a gradual process over the last two decades, supported by the emerging development and aid effectiveness agenda. This has led to greater transparency, accountability and communications of results. Some recommendations to further improve the results tools are:

- **Mainstream tools into existing management systems of IFIs to avoid additional overhead costs, instead of creating separate and cumbersome new channels to collect results data.** For example, reporting on outcomes and outputs for individual projects should be within the existing M&E system.

- **An econometric social accountability matrix can be useful as a cost-effective measure to report on results.** Some individual donor requests for ad hoc results for their parliaments are important, but can lead to additional overhead costs. The Value for Money discussion is useful from a communications perspective, but not on a continental scale, as the management and fiscal costs of such a monitoring system would be excessive and not necessarily lead to improved decision making.

- **A better balance between external communication of results and improving institutional performance.** External publication often leads to “naming and shaming” and institutional energy is spent on defensive actions rather than corrective actions.

References


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