WORLD BANK OPERATIONS EVALUATION DEPARTMENT

OED REACH

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The Monterrey Challenge:

Development Cooperation and Performance Evaluation

The Monterrey Challenge

The elements of a new global partnership were forged at the March 2002 U.N. Conference, *Financing for Development*, in Monterrey, Mexico. The new global partnership calls for the adoption of improved policies and good governance in developing countries with the provision of increased aid and trade opportunities by developed countries. The Monterrey challenge combines ambitious objectives, a focus on results, and an unprecedented partnership between developed and developing countries in pursuit of poverty reduction. The Monterrey Conference also addressed the need to achieve greater coherence in development efforts through the Millennium Development Goals (MDGs). Endorsed by all 189 United Nations states in 2000, the MDGs symbolize a commitment to achieve results in terms of poverty reduction, education, health and environmental sustainability that can be supported by the rich and poor countries alike.

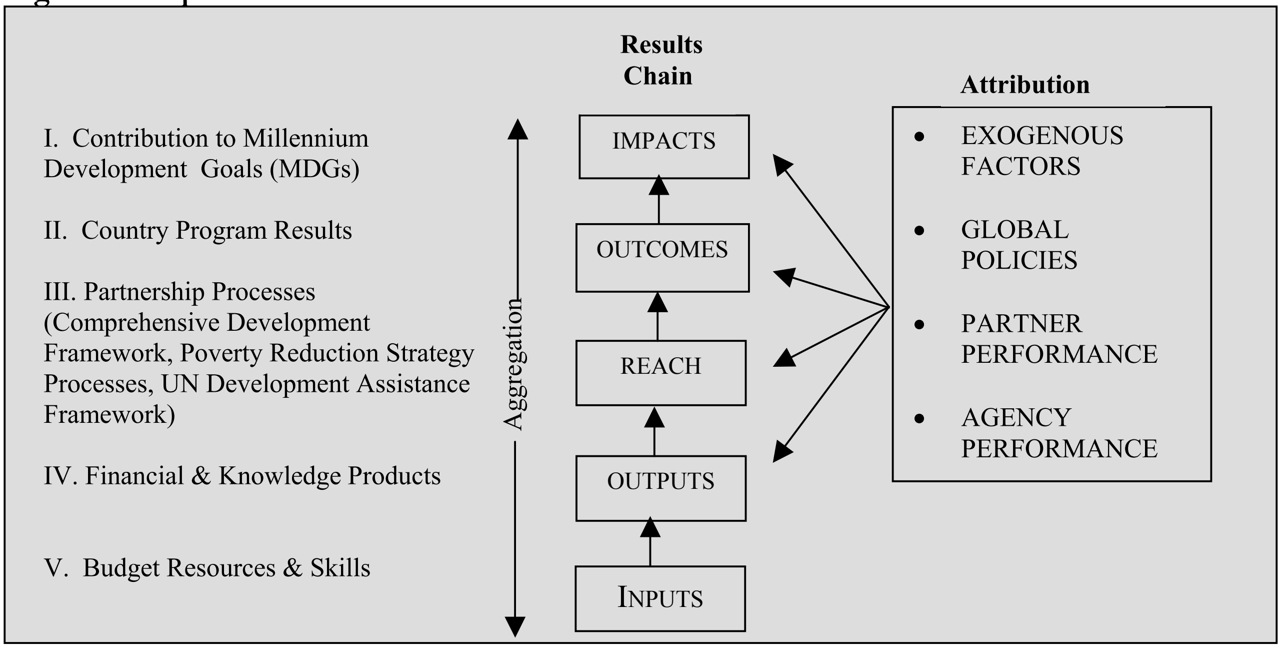
Implications for Performance Management

Basic changes in the structures, products, and processes of the aid industry are needed to enhance development effectiveness. Aid is often poorly coordinated and does not conform to the comparative advantage of partners. The efficiency of aid delivery has dropped as the number of donors has multiplied and aid volumes have declined. Harmonization of aid delivery mechanisms, fiduciary processes, and reporting requirements have lagged behind. Pool funding for sector-wide approaches is the exception rather than the rule. The resulting administrative burdens have mortgaged the skills needed to improve public sector effectiveness.

Implications for Performance Measurement

The new paradigm has four key implications for performance measurement. First, to capture program results (i.e., outputs, outcomes, and impacts), development indicators should go beyond the measurement of inputs. Second, the primary unit of account for monitoring and evaluation should extend beyond the individual project to the country program level. Third, monitoring indicators should allow tracking of progress toward the MDGs—as well as the intermediate objectives embedded in country programs. Fourth, the performance of individual partners should be assessed in terms of their distinctive accountabilities and reciprocal obligations. For development assistance agencies, these implications should be clearly reflected in corporate scorecards and consistent with results-based management principles (see figure 1).

Figure 1. Corporate Scorecard Model



In order to meet this demanding agenda, the practice of evaluation must overcome substantial challenges. There are problems at the *project* level created by lack of domestic evaluation capacity, organizational incentives, and the low priority given to results. At the *country* level, public expenditure program evaluation through logical frameworks, tracking surveys, and participatory methods has been neglected, and results chains are rarely used to make transparent linkages between projects, programs, and development outcomes, including the MDGs. Evaluation capacity development—the strengthening of country monitoring and evaluation (M&E) systems—has lagged and relevant data are often not collected, interpreted, or used for decisionmaking. At the *global* level, M&E is largely absent.

Evaluation Governance

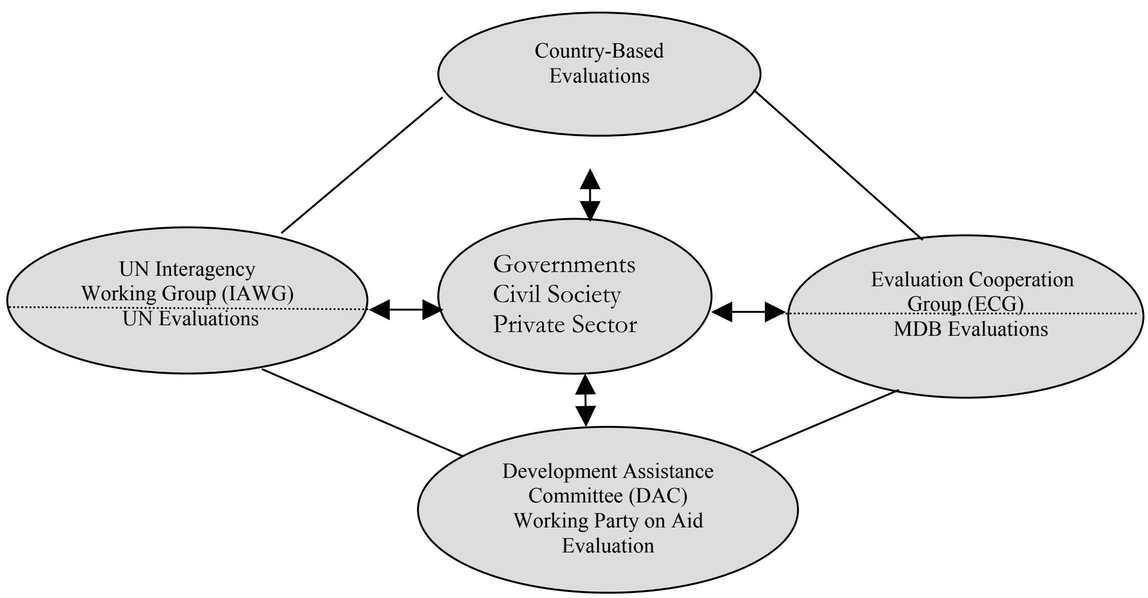
The conceptual foundations for objective-based performance evaluation exist. But the credibility of evaluation hinges in large part on its governance, i.e., on the set-up of *independent evaluation units* that report to country legislatures or to governing bodies—or other independent verification mechanisms. This prerequisite of credibility is missing in the evaluation systems used by most governments, companies, and development agencies. Evaluation processes should combine independent and self-evaluation mechanisms. They should be both participatory and an integral part of business processes, public administration, and aid procedures to combine accountability with learning and adaptability. This means that self-evaluation should be built into all major corporate processes and transactions at the project, country, and global levels and that independent evaluation should attest to their rigor and quality.

The fragmentation of evaluation products and the diversity of evaluation methods among donors contribute to "evaluation bombardment". For aid evaluation as for aid delivery, the solution lies in harmonization, coordination, and the forging of partnerships. More resources need to be devoted to nurturing of convergence in evaluation methods through networks of evaluators, development of evaluation capacities, professional associations (such as the soon to be established International Development Evaluation Association), joint or parallel evaluations, and country-based evaluations connected to enhanced processes of public expenditure management.

Country Assistance Evaluation
The shift from project to country programs as the unit of account for performance management and evaluation requires the methods designed to overcome three major methodological challenges: (i) aid allocations; (ii) aggregation; and (iii) attribution. Given that development effectiveness hinges in large part on the quality of the enabling policy and institutional environment, *performance-based aid allocations* are critical. Such allocations must be informed by the results of evaluation. They require the regular compilation of policy and institutional indicators at the country level, optimally allowing for tracking of the MDGs. The problem of *aggregation* arises because the quality of a country assistance program must also be judged through quality assessments of individual projects. This meta-evaluation technique relies on independently validated ratings of lending and non-lending operations through regular business processes—a golden rule that is rarely enforced.
Finally, the problem of *attribution* (assessing the contribution of various partners, initial conditions and exogenous factors) requires assessments of the compliance of development actors with agreed policies and procedures imposed by their own governance. Use of focus groups, client surveys, and advisory committees is needed for such assessments.

The development architecture will eventually be reshaped. It will inevitably rely on "pool funding" allocated according to performance and results. To facilitate this transformation process, high-quality monitoring and evaluation will be required to ensure accountability and learning at the country and global levels. Hence, it is time to lay the foundations for a country-based evaluation architecture that embraces the U.N. system, the multilateral development banks, and the bilateral aid system as well as governments, civil society, and the private sector so as to better meet the global poverty reduction challenge (see figure 2).

Figure 2. Toward a New Evaluation Architecture



Meeting the Challenge
The Bank's endorsement of the MDGs has raised the bar for performance management and evaluation. Sustained corporate actions are needed to: (i) strengthen monitoring and evaluation at the project, country, sector, global and corporate levels; (ii) improve self-evaluation processes for country assistance and sector strategies; (iii) build evaluation capacity in developing countries; and (iv) forge partnerships to enhance evaluation excellence, independence, coordination and harmonization within the global development system.

This OED Reach is based on the OED Working Paper on *Development Cooperation and Performance Evaluation: The Monterrey Challenge,* prepared by Robert Picciotto, Director-General, Operations Evaluation. For further information: http://www.worldbank.org/oed/.