**Performance Benchmarks for the Australian Aid Program**

A Written Submission for DFAT’s consideration

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DFAT has recently uploaded a *Consultation Paper: Performance Benchmarks for Australian Aid* on its website and invited written submissions on the proposed approach.

This short note is in response to this invitation. It contains an approach to crafting an effective performance framework for the aid program in specific countries.

**First Level Performance Benchmarks – Outcome / Impact Indicators at a Country Level**

Overarching targets at a macro and sector level are the typical *anchors* of the aid program. At a macro level they are indicators / targets such as ‘economic growth’, ‘poverty reduction’, ‘employment levels’; at a sector level they could include ‘mortality rates’, ‘morbidity rates’, ‘school retention rates’, ‘crime rates’ etc.

Their main purpose is to *provide clarity of focus for the aid program* in the client country*.*  They reflect the ultimate objectives of the aid program. However, evaluating the aid program’s performance based on year-on-year progress on these indicators / targets is difficult. Such impact indicators take time to change. Also, attribution is usually complex since numerous factors other than the aid program influence them.

Notwithstanding – they are and should remain the anchor performance benchmarks of the aid program. They give direction and focus. And they certainly need to be monitored periodically. But don’t expect them to provide concrete data to help assess the effectiveness of the aid program on an annual basis.

**Second Level Performance Benchmarks are the Output Indicators**

These are the heart of the performance framework of the aid program. They are the indicators which contribute to achievement of the macro level targets / impacts. They are crucial in many ways as suggested below.-

* *They indicate the appropriateness of the sectors* chosen for investment – are these the sectors most pertinent to economic growth, or employment, or quality of life?
* *They are typically concrete, measurable, and can be directly linked* in their potential contribution to the first level outcome indicators.
* *They are a select few and strategically critical*. For example – the #of days it takes to register a business; teacher/student ratios; # of kms of roads maintained; reforestation rates per year; etc
* *They clarify in concrete terms, what the aid program will specifically help deliver in target sectors,* and how these will contribute to macro outcomes.

These performance benchmarks need to be clearly stated and monitored annually.

**Third Level Performance Benchmarks are the Policy, Budgetary and Institutional (Process) changes needed to achieve the above described output targets.**

These are also called the ‘*Policy and Institutional Roadmaps’* to achieving development impact. In most cases, the achievement of outputs (and later outcomes) depends critically on whether key policies are in place, whether critical inputs and budgets are made available, and whether key processes work efficiently. Clear diagnostics will identify what policy, financial and institutional bottlenecks are constraining the achievement of targeted outputs and outcomes.

Examples include – taxation regimes to encourage investment, budget appropriations for road maintenance; timeliness of budget releases for service sectors; performance management of key programs; etc

The bulk of the aid program’s attention needs to be focused on these ‘roadmaps’, one for each key sector output. The targets and benchmarks which make up these roadmaps essentially provide transparency to the aid program in the sense that they clarify both ‘What’ the program aims to achieve, and ‘How’ it intends to achieve this, step by step.

Thus, the aid program needs to -

* Negotiate with the client government these policy, budgetary and institutional improvement benchmarks which will lead to achievement of macro and sector performance targets;
* Help establish a W-O-G performance management system within the client government to resource, manage and monitor progress towards these benchmarks, and
* Facilitate Annual Policy and Performance Dialogues to assess progress and help identify constraints.

**Key Questions which should guide the Aid Strategy for Each Client Country**

**Is the aid budget for a specific country adequate to provide leverage for policy and institutional reform?**

The primary purpose of aid is to help effect change / improvement in development indicators. And such changes are typically contingent on policy and institutional reform. The aid program needs adequate ‘presence’ in a country / sector to enable it influence, negotiate and facilitate such changes. An aid donor is not taken particularly seriously unless it brings to the table a substantive level of assistance to a particular sector.

**Is there a clear strategy / roadmap for achieving the targeted policy and institutional changes?**

Does this roadmap have clear milestones, as well as flexibility to adjust to take account of ongoing dynamics?

**Have these performance indicators and related roadmaps been negotiated and enshrined in a ‘development contract’ with each client country**.

The roadmaps are the key ingredient that has been missing in most aid programs. They make transparent to all parties concerned how the aid investments intend to achieve concrete outputs and outcomes. They are contestable by all stakeholders concerned.

**Will there be ‘consequences’ for not achieving agreed policy and institutional changes**? These can range from delay or withholding of an aid tranche to complete cancellation of a program. Hence, a formal ‘development contract’ is essential.

This is another key ingredient that has been missing in aid programs. DFAT needs to be serious about the negotiated roadmaps. If agreed commitments/milestones are not achieved, there needs to be consequences.

All of the above is based on the well-established **principles of aid effectiveness**-

* *Clarity of Goals/Targets/Benchmarks* (Results-based). Clear performance benchmarks are developed as a focus of the aid program – at a Country, Sector and Program Level.
* *Clarity of Accountability* (Ownership) – who in the recipient’s government is responsible for each specified performance indicator? This is critical to enable appropriate partnering.
* *Performance Monitoring* – Who monitors? How? How often?
* *Conditionality/Consequences* – inadequate performance must have consequences. Funds will need to be delayed/cancelled. Otherwise there is no incentive to perform.
1. Cedric Saldanha was the Senior Director – Governance and Regional Cooperation for the ADB from 2000 to 2003. Prior to that he was ADB’s Director – Pacific Programs. Since 2004 he has been an independent consultant with his own consulting firm. He has consulted widely for AusAID. Please see his website – [www.publicsectormanagement.com](http://www.publicsectormanagement.com) or [www.cedricsaldanha.com](http://www.cedricsaldanha.com) [↑](#footnote-ref-1)