



## Performance Benchmarks for Australian Aid: GRM International

Performance benchmarking is key to GRM approach to project implementation, as a Managing Contractor, for DFAT and other clients including DFID and USAID. Over the last 18 months we have invested in focused research in the area of Development Effectiveness with a view to better contribute to and articulate meaningful results to our of donor partners, all the while being mindful of opportunities to leverage learning across a portfolio of work.

An important aspect of this has been a keen focus on performance benchmarking, and as such we welcome the opportunity to respond to the Minister of Foreign Affairs' consultation and appreciate being able to present our reflections on best practice and practical considerations for performance benchmarking at a whole of donor, program or country and project level. This submission is made in furtherance to earlier contribution through Senator Mason.

We acknowledge and support in our response, the stated objectives of a revised Australian Aid program that entrenches the delivery of fully accountable effective and efficient outcomes; are in the national interest and integrated with broader foreign and trade policies; link performance with funding; and are justifiable to partner countries and taxpayers.

### 1. How should performance of the aid program be defined and assessed?

*Multilateral fora support the shaping of donor objectives through a range of data constructs including the World Bank development indicators, the UNDP Human development index, UNICEF child focused reporting, UNFPA demography and population reporting, and UNHCR recording of refugees and displacement. These country-level indicators report a very broad picture that would still require greater holistic analysis in determine the shape of the DFAT program. Top level aid program Benchmarks, both thematic and geographic should, through application cascade down to the design and implementation of projects that deliver results aligned to the stated DFAT strategic objectives and priorities.*

- 1.1 Determining target countries is a key first step to effective benchmarking; in the DFAT issued Comprehensive Aid Policy Framework 2015-2016<sup>1</sup> target countries were selected through a calculation based on each country's; *Poverty, National Interest, Capacity to make a difference, Current Scale and Effectiveness*. Changes to the Australian aid budget such as the reduction of the Africa allocation by AUD 150 Million<sup>2</sup>, along with the Government's new political aims need to be reflected in a revision of which countries to support. A transparent method that allows for regular reappraisal of countries viability for levels and forms of aid is required.
- 1.2 Existing models such as the Need Effectiveness Index<sup>3</sup> speak to DFATs requirement to benchmark planned country expenditure against Fiduciary Risk, Efficiency and Sustainability. DFAT could use this as a basis with which to allocate program funding to countries that were high on this index but also fulfilled national interest criteria. An example of this use of the NEI was DFID's recent decision to phase out funding to India in spite of its high Need Effectiveness index score.
- 1.3 Parallel to selecting country priorities and benchmarks, there needs to be a reassessment of the thematic focus for Australian Aid that are identified in the Comprehensive Aid Policy

<sup>1</sup> Helping the World's Poor Through Effective Aid: Australia's Comprehensive Aid Policy Framework 2015-2016

<sup>2</sup> <http://aid.dfat.gov.au/countries/sub-saharan-africa/Pages/default.aspx>

<sup>3</sup> 2011 DFID Bilateral Aid Review Technical Report March Annex B :19

Framework<sup>4</sup>. These objectives were set in line with the Millennium Development Goals. Given increasing discussion around a post-MDG order, further consultation is required to include some of the key policy priorities that are emerging in post-2015 debate. These include recognition of areas highlighted by the High Level Panel on the Post-2015 Development Agenda (HLP).

- 1.4 Reassessment may require a broader redefining of what constitutes Australia's contribution to development. Over a decade ago the Center for Global Development (CGDev) developed its Commitment to Development Index (CDI). The Index looks beyond standard comparisons of foreign aid flows, assessing national effort in seven policy areas: aid, trade, investment, migration, environment, security, and technology. Demonstrating that effective benchmarking of a countries contribution to development is about more than quantity of Aid; reporting against the CDI could be a more effective way of articulating Australia's *development dividend*. One component of this could be integrating measurement of the job creation of Australian firms in developing countries as a part of Australia's contribution to Development. This aligns with the HLPs declaration to 'Transform Economies for Jobs and Inclusive Growth' harnessing; innovation, technology, and the potential of business, but also DFATs explicit recognition of 'Aid for Trade' as a key part of aid delivering national interest<sup>5</sup>. Austrade is an already existing conduit for measuring this and could look to better capture the positive impact Australian business investment abroad through a unified performance benchmarking framework.
- 1.5 Reflexively though; whilst it is important to ensure that trade as a part of national interest is recognised. It is equally important to ensure that the aid program does not lose its core competencies or to totally stop effective implementation in traditional thematic areas where results may take longer to evidence themselves. TVET programs, of which GRM has managed many in the pacific, represent a core comparative advantage for DFAT. Above many donors Australian aid have demonstrated that through capacity development, good will and networks between Australian and international education institutions, there have been demonstrated tangible results in skills development and increasing employment opportunities.

## 2. How should performance at the Country or Program level be measured?

*At a country or program level there remain significant questions around the extent to which directly comparable benchmarking can be made. Benchmarks need to reflect contextual realities both of types of programs and country contexts and can feed into the top level setting of benchmarking for the whole aid program.*

- 2.1 Historically Australian aid had reported country level programs by process and output; largely without collation of results against thematic priorities. The recent release of the 2012–13 Aid Program Performance Reports represents a landmark move towards effective benchmarking for country programmes. As identified in the 2013 DFAT report on Independent Evaluation<sup>6</sup> many of the APPRs now demonstrate 'progress towards intermediate sectoral outcomes and movements tracked nationally against longer term development outcomes'. This recognition of the importance of attempting to collate impact has also been supported by the adoption of country level Theories of change as a premise for evaluation in the most recent APPRs. In order to consolidate this and to ensure consistency across all country level reporting the development of country level umbrella logframes

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<sup>4</sup> *Saving Lives, Promoting Opportunities for all, Sustainable Economic Development, Effective Governance, Humanitarian and Disaster Response*

<sup>5</sup> Opening address - 2014 Australasian Aid and International Development Policy workshop, Julie Bishop, [http://foreignminister.gov.au/speeches/2014/jb\\_sp\\_140213.html](http://foreignminister.gov.au/speeches/2014/jb_sp_140213.html)

<sup>6</sup> Lessons From Australian Aid: 2013 Report on independent Evaluation and quality assurance Office of Development Effectiveness: 2014:

reporting on both activity, impact and outcomes of the suite of projects within a specific country context could be developed. From a national interest level; DFAT would then be better able to articulate to both partner governments and the Australian people the cumulative impact of the countries bilateral relationship in a standardised way. Country wide cumulative measurement of impact can also be done reflectively. A mixed methods study GRM recently completed in Nepal provides an indication of how, through combining retroactive analysis of large amounts of existing data with new qualitative studies capturing individuals personal reflections, long term impact of development initiatives (in this case over 40 years) can be demonstrated even if not totally attributed.

- 2.2 In order to more effectively measure the true impact of programs, there needs to be a greater focus on results measurement beyond individual project lifecycles. Whether or not this is through traditional impact evaluation or Randomised Control Trials; there is a need to track the social impact on beneficiaries after interventions have ended. Although DFAT and GRM are interested in human development indicators, the impacts of empowerment or improved access to livelihood cannot be accurately measured over the timespan of the project. The usefulness of doing so, can be seen on an evaluation of a seven year market development program in Ethiopia managed by GRM. The impact evaluation, is ongoing and will continue until 2023, 4 years after expected project closure. By continuing to assess components of programs after they have ended, a more realistic appraisal of the full project impact can be gathered. In the Ethiopian case, measures of increased income and job creation should provide evidence of a catalytic change in the private sector rather than just temporary distortions of the market created by unsustainable development interventions. Post completion evaluation also requires a strong emphasis on the assimilation of findings into an evidence base for checking progress of similar ongoing programs as well as subsequent program designs.
- 2.3 Co-investment and collaboration by donors on initiatives is a vital part of effective development and becomes increasingly more important as new regional donors such as china represent highly appealing co-investment options. As a signatory to the 2005 Paris Declaration around Harmonization; Australian Aid has made great strides towards this, there is still however greater scope to better ensure that this contribution is captured in program level benchmarking. In Nepal GRM managed the partially Australian Aid funded multi-donor, Rights Democracy and Inclusion Fund (RDIF) along with DANIDA, DFID and the SDC. Due to differing donor reporting requirements the fund had to develop and report against two logframes, one for DFID and one for the other donors. Pooling through multi donor funds like the RDIF are clear opportunities to leverage the impact of tax payer expenditure, but they require DFAT to ensure that indicators used and the broader management of these funds are aligned to DFAT standards.
- 2.4 Value for money<sup>7</sup> benchmarking is increasingly important in ensuring aid programs are properly accountable. As has been shown at a program and country level it is viable to develop economy level benchmarks relating to ensuring the actual costs of goods and services procured are competitive. On programs this can be realised through upper limits on Per Diems, hotel costs and international wages as already exists through the ARF. Benchmarking of these costs both acts to ensure that Aid Service providers will be incentivised to keep reimbursable costs low. Getting realistic rates for salaries and in country costs also ensures Australian Aid get quality advisers without paying excessive rates for them. Reviewing any gaps in this, such as on the pricing of flights, needs to be coupled with a review of country specific programmes to ensure such benchmarking is not unduly distorting market rates. Additionally it may be worthwhile to conduct an annual transparent review of the ARF rates, because they need to remain appropriate, accurate and competitive.

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<sup>7</sup> Please note, GRM has made an earlier submission to Senator Mason that focusses specifically on value for money approach

### 3. How should performance at a Government Level be measured?

*As recognised by the 2013 DFAT report on Independent Evaluation<sup>8</sup>, as the primary donor in many countries it works Australia is under pressure to deliver 'regardless of the partner government's performance'. To design an aid programme that is truly focused on benchmarking effectiveness there needs to be recognition of a mutual obligation by Australian Aid and counterpart governments to report on ineffectiveness and respond accordingly.*

- 3.1 Capacity development of partner government representatives remain problematic to assess. Capacity building programmes require performance benchmarking that creates a path to ending international presences within ministries. This is particularly significant given the impact of the 2010 Australian Aid Review of Adviser Effectiveness, which saw in 2012-2013 key countries like PNG reduce the number of international adviser positions by over 35%<sup>9</sup> in response to the report. The scale of international adviser presence needs to be benchmarked against their ability to enact long term development of ministries through institutional development rather than a perception of the political saliency of having them in a ministry at a given time.
- 3.2 Management Information Systems and interfaces can also be set up to make government information transparent to both Donors and beneficiaries. In Guatemala working in the ministry of Education GRM Futures took 15 years' worth of data and made it live through developing interactive dashboards; allowing donors, beneficiaries and the broader public to assess the impact of donor supported government initiatives.

### 4. How should performance at a Project Level be measured?

*Effective benchmarking of results at a project level lies beyond measuring project outputs and moving towards measuring satisfactory human outcomes. It is not adequate simply to conclude, for example, that x miles of road have been paved or y gallons of water and sewage have been processed. Part of facilitating this shift requires making those in the position of service delivery more empowered and accountable for delivering and measuring 'real' results.*

- 4.1 As part of the *Comprehensive Aid policy framework* it was proposed that to deliver better Value for Money, consolidation would occur that would see the number of Australian Aid initiatives 'reduce by more than 25%' <sup>10</sup>. One of the key ways to reduce initiatives whilst maintaining scale of investment in identified priority areas is through mechanisms for scale up. Performance benchmarking can be a method for this - continuous monitoring of project impact and evolution through developed mechanisms for success and information sharing can trigger the allocation of additional funds to successful & viable initiatives and multiply impact.
- 4.2 Effective Performance benchmarking of projects also requires there to be conduits for service providers to undertake corrective action when results are not expected to be delivered. The delivery of outcomes (success) rests critically on the validity of the causality embedded in the logic of the results chain (or theory of change), which in turns depends on the strength of evidence and reasonableness of assumptions upon which it is built, along with the degree to which exogenous risks impact on the results chain. Open dialogue around the achievement of performance benchmarks must therefore occur between DFAT and its service providers, to ensure that all is done to ensure projects meet indicators. Linked to this are the project level ex-post evaluations mentioned above. In a stronger results culture there needs to be

<sup>8</sup> Lessons From Australian Aid: 2013 Report on independent Evaluation and quality assurance: 2014: 3

<sup>9</sup> Aid Program Performance Report 2012-13 Papua New Guinea: 9

<sup>10</sup> Helping the World's Poor Through Effective Aid: Australia's Comprehensive Aid Policy Framework 23

increased evaluation of projects once they have finished, through these impact of implementation problems or successes can properly be reflected upon communicated to service providers and importantly to help determine future tendering.

- 4.3 As established, Value for Money as a subset of Performance Benchmarking, is already measured in terms of Economy benchmarking at the program level. Measuring VFM focused around the causal relationship between money that is being spent and outcomes that are achieved, realizing the maximum possible outcomes at the most efficient price should also be core to all project implementation. A good example of this can be evidenced through the development of such benchmarks in Nigeria where GRM (for DFID) works with Meat and Leather producers in the North of the Country. In 2012/13 The programme's DCED standard results framework recorded an improvement of the ratio of Income of beneficiaries compared to cost of implementation increasing from 22% to 73%. Less tangible outcomes could also be included in this type of assessment, although there is more research required in this area. A GRM managed governance programme in Nepal was able to quantify the value of community mediation programmes and compared to a range of similar GBV programmes through cost-benefit analysis of the number of beneficiaries reached. This sort of VFM data can then be used to inform DFAT decision making, to hold the project accountable to Australian tax payers and beneficiaries and to set serious meaningful targets in relation to VFM for future projects.

## 5. How could performance be linked to the aid budget?

*Examining the long term impact of development efforts is not something that implementing partners can deliver on their own, but must do so in partnership with funders and beneficiary countries. It is a long term proposition examining all inputs (not donor specific) focused on the priority issues identified in both countries and regions. This being said, measuring and communicating long-term impact is crucial to the continued viability of the development sector.*

- 5.1 Performance delivery must be addressed within the context of the development chain and not just at a contract level. This requires a greater focus on impact at a sectoral and country level, not solely at a project level. With this in mind, there should be alignment between contracted obligations and ongoing performance measurement to review not only quality of delivery, but also efficacy of the design and implementation approach. Realistically, performance considerations must be incorporated into the feasibility/design and activity design phase to ensure there are sufficient program resources to implement them. Partnership between donors and implementers is critical to influence the dialogue before that stage and to advocate at the budgeting stage of decision-making with donors.
- 5.2 Partnership as a concept requires greater dialogue as well as openness and transparency between actors to enforce trust – this in itself can be more strongly evidenced through performance benchmarking which introduces a more structured approach to quality assurance and in demonstrating strong accountability. Partnership between DFAT, implementing partners and recipients can more fully address effectiveness across the whole programme cycle through initiatives such as impact assessments, knowledge management and dissemination and more integration between all actors in development delivery.
- 5.3 To ensure maximum value, contracts and business visions will need to have space to evolve to ever changing contexts. Continued collaboration between DFAT and delivery partners on project metrics and a critical evaluation of the use of reporting frameworks can ensure accurate and replicable measurement based on the specific context, robust evaluation and crucially flexibility to undertake corrective action.
- 5.4 Projects design should look outward to ensuring complementarities with other programmes and initiatives (private and government) are fully exploited; ensuring that value is achieved across all development projects and aid modalities; and ensuring that each project addresses core donor and recipient government priorities and initiatives. This will require an element



of harmonised performance reporting that could in turn influence budget allocations to (relatively) stronger performing approaches.

## 6. How can the assessment of the performance of our implementing partners be improved?

*Implementation of strong M&E systems deliver accurate and ongoing assessments of project performance the capacity to employ corrective action if necessary to safeguard results.*

- 6.1 The current Australian Aid Contractor Performance Assessment is largely a reflection of the quality of reporting and quality of relationships, rather than the quality of outcomes and impact of a project. Whilst recognising that it is not always possible to measure impact on an annual basis, it would seem pertinent to track interim results and to hold the service provider at least in part accountable for the delivery of results in addition to operational performance.
- 6.2 The classification of data reporting and frequency of measurement allows an informed decision about value and should inform the level of investment based on what delivers the greatest marginal gains in outcome and any corrective action to be undertaken. A reporting structure that tightly correlates objectives to impact, with costs disaggregated per activity/result rather than at the macro input level facilitates this.

## 7. Conclusion

GRM International supports DFAT's approach toward performance management and quality assurance and note the complexity that this involves. We appreciate that a full understanding of a practical performance benchmarking standard may only emerge after some time. A non-linear understanding of development impact thus emphasises the need to allow for experimentation and also some 'spillage' of costs when development agencies attempt to achieve complex outcomes and impacts.

We appreciate the opportunity to lodge our comments in this regard and remain available to further consultation if required. Please direct any queries to **Ken Marshall** (Regional Manager: APAC, email: [Ken.Marshall@grminternational.com](mailto:Ken.Marshall@grminternational.com)) and/or **Russell Mckay** (Economist for the Effective Development Group, email: [Russell.Mckay@edgroup.com.au](mailto:Russell.Mckay@edgroup.com.au)).