



**World Food
Programme**

**Programme
Alimentaire
Mondial**

**Programa
Mundial de
Alimentos**

**برنامج الأغذية
العالمي**



The
Executive
Director

20 February 2014

The Hon. Brett Mason
Parliamentary Secretary to the Minister for Foreign Affairs
Senate
Parliament House
Canberra ACT 2600
Australia

Dear Senator Mason,

Thank you for your message of 23 January 2014 giving the World Food Programme (WFP) the opportunity to comment on the consultation paper on the development of performance benchmarks for Australia's aid programme. I am pleased to attach WFP's submission.

I am sorry I did not meet you during my official visit to Australia earlier this month. I look forward to seeing you in the near future.

WFP is grateful for the valuable support provided by Australia and we remain at your disposal for any further information your government may need.

Sincerely,

Ertharin Cousin

cc: Mr. Samuel Beever, Alternate Permanent Representative, Embassy
of Australia, Rome

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World Food Programme's Response to Aid Performance Benchmarks – Consultations by the Australian Government

Introduction

WFP welcomes the opportunity to comment on the *Consultation Paper: Performance Benchmarks for Australian Aid* and looks forward to engaging further as the approach evolves. WFP notes that Australia intends to introduce performance benchmarks to:

- Improve the accountability of the aid programme;
- Link performance with budgeting;
- Integrate aid programme with Australia's broader foreign and trade policies; and
- Justify better aid investments to partner countries and taxpayers.

In order to help Australia achieve its aid programme's intended results, WFP would welcome careful consideration of the following four core elements in the performance benchmarking approach to be pursued by DFAT:

- Ensuring meaningful linkage between performance and budgeting;
- Applying the concept of benchmarking to comparable entities, programmes, projects;
- Reflecting appropriately operating contexts and complexity of results; and
- Building on existing systems instead of duplicating.

WFP also welcomes the use of evidence for decision-making to improve accountability and performance, as evidenced by its own policies, practices and systems, but would caution establishing a linear relationship between funding and performance assessment given diverse contexts, duration of result achievements, complexity of assumptions and difficulties in establishing attribution on outcome and impact level results.

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

At the whole-of-aid programme level, performance benchmarks could consider the reach of Australia's aid programme as well as its ability to address the world's biggest challenges in the smartest way in addition to achieving the greatest impact on people's lives.¹

At a partner government or implementing organization level, the performance of aid programming is significantly impacted by the capabilities of Australia's partners to:

- (a) deliver quickly and efficiently;
- (b) generate impact; and
- (c) target the aid quickly where it is most needed.

¹ For example, see the Copenhagen Consensus 2012 identifying fighting malnourishment at the top priority for policy makers and philanthropists. See: <http://www.copenhagenconsensus.com>

WFP would recommend addressing the following:

- (a) Has aid funding resulted in expected provision of services?
- (b) Within the expected timeframe?
- (c) Are policies, systems in place that provide assurance that services will be delivered as intended in the future?
- (d) What is the scope of positive externalities achieved by the implementing organization beyond pure delivery of services?
- (e) Is the organization able to channel the services where they are needed the most?

To provide Australia the assurance of delivery capacity of implementing organizations, delivery capability benchmarks could be based on the following:

- (a) Past performance of the implementing organization to provide the aid services as planned. In the case of WFP, a simple example would be:
 - planned vs. actual delivery of aid services;
 - planned vs. actual numbers of beneficiaries reached with services; and
 - ability to deliver within a given time frame;
- (b) Evidence of a fully operational performance management system at the organization/partner government level that continuously provides assurance that Australia's aid will result in services efficiently and effectively delivered as planned.

Independent reviews (such as MOPAN or independent evaluations) can further provide such assurance. Consideration could therefore be given to the adherence to aid effectiveness principles in service delivery. There is also an opportunity for Australia to consider benchmarking the positive externalities achieved above and beyond the assurance of service delivery as planned.

Given that implementing organizations do have distinct profiles, structures, scopes, etc., WFP suggests that performance benchmarks also consider an organization's effectiveness in impacting global agendas, policy dialogues and international advocacy and commitments in addition to its capacity to deliver according to mutual expectations. Consideration could be given to aspects of visibility and leverage to enhance the impact of whole-of-aid programme through global mechanisms.

At a project level, WFP would welcome the use of WFP's existing benchmarks for projects receiving funding from Australia as input for decision-making on the direction of future funding.

Australia should expect that projects funded through its aid programme articulate clear results, such as measurable outcome and output indicators at the project level, to engage implementing organizations in a dialogue about the implications for resourcing decisions. Specific benchmarks to consider could be:

- Positive trends for agreed outcome and output project level results.

However, careful consideration would need to be given to a number of points when taking funding decisions:

- Measurements rarely reflect progress on results holistically. Hence, performance of a project should rely on triangulating information about various aspects of project performance and not solely on quantitative progress against one or more performance metrics.
- The causal relationship between funding and project performance is not linear. Performance assessments at project level provide the basis for evidence-based analysis and dialogue about root causes for performance. Linear conclusions about the level of achievement against a set of metrics should be avoided.

2. How could performance be linked to the aid budget?

Linking budgeting and performance has been a controversial topic for many years because its intended results have, in many cases, not been achieved.² There is no single agreed standard definition or model of performance budgeting, or the type of information it should include, or to what stage of the budget process it applies.

OECD defined performance budgeting as 'budgeting that links the funds allocated to measurable results and distinguishes three broad types':

1. **Presentational performance budgeting:** performance information is presented in budget documents or other documents of the organization; i.e., targets, results as background information for accountability and dialogue. Performance information is not intended to play a role in decision-making.
2. **Performance-informed budgeting:** resources indirectly related to proposed future or to past performance; performance information is important in the budget decision-making process, but does not determine the amount of resources allocated; is used along with other information in the decision-making process.
3. **Performance (based) budgeting:** allocating resources based on results achieved.

The existing practices for performance (based) budgeting has shown mixed results as it requires a number of preconditions to be met, which is often not the case. For example:

- Continuity of results and measures;
- Creation of incentive problems and undesirable behavioural effects when linking resources with quantitative performance information;

² See for example: "Linking Performance and Budgeting: Opportunities in the Federal Budget Process", Philip G. Joyce, IBM Center for the Business of Government, 2003; or "Does Performance Budgeting Work? An Analytical Review of the Empirical Literature", Marc Robinson and Jim Brumby, IMF Working Paper, 2005.

- Limited ability to check performance for accuracy.

There is no doubt that performance information should be brought into the aid budgeting process. However, WFP does recommend recognition of situations where larger budget appropriations may result in moving a programme from being a poor performer to a good performer. Further, making allocations contingent on achieving their expected outputs and outcomes may create unintended consequences where the focus is only on meeting the target regardless of changes in the context and other concerns that may impact the overall result. Therefore, the intention to have the aid budget “subject” to progress against achievements of a set of expected outcomes may create incentive problems in measuring and demonstrating results at the whole-of-aid programme level.

The consultation paper has a single focus on budget allocations. WFP would request that Australia considers opportunities to use performance information at other stages of the budgeting process, such as budget execution, results reporting and evaluation.

Given the challenges of attribution, WFP recognizes that at the country programme level, attempts to make results directly attributable to the resources delivered by the Australian Government may not be feasible. However, WFP believes that Australia’s interest in delivering an effective aid programme may be better served with a more refined and strategic analysis of results and underlying causes for achieving or not achieving the results. WFP believes that it would be beneficial to have a common understanding of “good performance” that takes into account risks, external factors and a multi-dimensional understanding of performance in a given context. Following factors would all need to be contemplated when considering and especially benchmarking performance:

- The operating context - social, political and environmental conditions; i.e. the contextual conditions that influence the programme;
- Sustainability of the programme performance;
- The level of intended results (impact, outcome, outputs) to be achieved measured through performance indicators; and
- The complexity of assumptions on how the change underlying the performance will be achieved.

WFP proposes that investment decisions in projects be informed by but not necessarily based on performance results. The analysis and understanding of performance requires looking at performance ratings across several dimensions. This is also reflected in management theory through the ‘open systems perspectives’ where organizations/programmes/projects must be seen in the context of the broader environments in which they operate and must be analyzed in terms of interaction amongst different elements of performance.

Improving implementing partner performance

3. How can the assessment of the performance of implementing partners be improved?

WFP recognizes that Australia can contribute significantly to strengthen the existing performance management systems of the organizations it is working with in order to receive the necessary evidence it requires to improve accountability. WFP recommends that when the performance benchmarks are agreed to and finalized, the existing systems mentioned in the consultation paper could be reviewed to incorporate extraction of information from the partner performance management systems. WFP believes that doing so will not only reduce the transaction costs involved, but will also result in harmonizing evidence generation and streamlining reporting.

WFP Rome, 19 February 2014