1 Need for partner performance management

AusAID manages around A$3.3 billion of Australian funds each year, of which about one third is for core contributions to partner organisations and about two thirds is for non-core funding of country programs. AusAID disburses more than A$1.1 billion through delivery partners for international development assistance programs each year. Performance management is implemented through evaluations, a quality reporting system (QRS) and assessments of organisational performance in delivery partners to support three objectives: accountability, efficient management and effective decision-making. The need for performance management information is different for core and non-core funding:

- **Core funding** – information that supports analysis and partnership
- **Non-core funding** – information that supports delivery performance and accountability for results

AusAID systems deliver evaluations (e.g. QAE, IPR, ICR, thematic and sector evaluations by ODE) and regular performance monitoring (e.g. QAI, APPR, ATPR and ARDE) to support accountability and inform decision-making. These systems complement activity-level monitoring implemented by delivery partners and focus particularly on use of non-core funding. However, there is a gap in information to support accountability for and decision-making about core funding. This gap includes a lack of organisational assessment to inform management of relationships with development partners and decision-making about which organisations to partner with in the future and the nature of those partnerships.

This concept paper focuses on opportunities to fill the organisational assessment gap so that AusAID has access to a full suit of information for accountability, management and decision-making relating to the range of delivery partners it works with now and in the future.

Chart 1 shows the approximate distribution of program funds by delivery partner while Chart 2 shows the distribution of contracts by value and number. This highlights the need for systems that address performance at a portfolio level (that is groups of activities or initiatives) as well as the performance of each type of partner. The system needs to recognise the different relationships AusAID has with these partners, the characteristics of each type of partner and the obligations AusAID has to manage Commonwealth funds under the Financial Management and Accountability Act, 1997 (FMA).

**Chart 1 : AusAID relies on a variety of delivery partners**

![Distribution of AusAID program to delivery partners 2008/2009 A$1.113bn](chart1.png)

As AusAID scales up and as partner country systems are strengthened, it is likely that the share of AusAID investment delivered by partner countries will increase. With this diversity of delivery partners, and to be consistent with the Commonwealth Grants Guidelines and the FMA Act, AusAID needs a partnership performance system to assess and manage performance of:

- **Multilateral organisations** – including World Bank, Asian Development Bank (ADB) and United Nations (UN) agencies.
- **Non-government organisations** – including NGOs accredited through the Australian NGO Cooperation Partnership (ANCP), faith based organisations and community-based organisations supported by AusAID.
- **Whole-of-Government partners** – including Australian Government agencies supporting in-line positions and twinning programs with partner governments.
- **Managing contractors** – including implementation service providers.
- **Partner Governments** – including national agencies and their authorities.
- **Regional institutions** – such as ASEAN, SPC and SPREP.
- **Other development partners** – including other bilateral donors such as UK Department for International Development (DFID) and philanthropic foundations such as the Clinton Foundation or Gates Foundation.

Some elements of AusAID’s existing performance management system are consistent with the need outlined above, and this provides a foundation on which to develop the concept for systematically capturing organisational performance information for AusAID development partners. The reasons for investing in such a system include providing evidence to¹:

- support mutual accountability and continuous improvement;
- influence partner behaviour;
- inform activity management;
- enable public accountability;
- inform aid allocation decisions; and
- verify compliance with AusAID policies.

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2 Analysis of performance models and options

Annex 2 sets out the results from a rapid appraisal of performance management systems used by other agencies to assess organisational performance. The rapid appraisal was made of models used by AusAID, Japan Bank for International Cooperation (JBIC), DFID, World Bank, US Government and Government of Canada.

A results-chain was used as one part of the analytical framework, because it is a foundation for performance management commonly adopted by international development agencies. The other part of the framework is based on four elements linked to performance theory:\(^2\):

- What outputs are produced and for whom?
- How will quality of outputs be assessed and how can this be measured?
- Which processes produce these outputs?
- What has to be measured to forecast whether satisfactory performance will be delivered?

The summary result of the analysis is shown schematically in Chart 3 – highlighting that partner models focus on different parts of the results chain.

**Chart 3: Models focus on different parts of the results chain**

\[\text{Inputs} \rightarrow \text{Process} \rightarrow \text{Output} \rightarrow \text{Outcome} \rightarrow \text{Impact} \]

\(|\begin{array}{c}
\text{AusAID} \\
\text{Contractor} \\
\text{Performance} \\
\text{Assessment}
\end{array}|
\|\begin{array}{c}
\text{DFID} \\
\text{Multilateral} \\
\text{Effectiveness} \\
\text{Framework}
\end{array}|
\|\begin{array}{c}
\text{JBIC} \\
\text{Performance} \\
\text{Rating}
\end{array}|
\]

2.1 Principles

Performance models used by AusAID and other donor partners share a number of principles that provide options for a more comprehensive AusAID system. These include:

- **Cost effectiveness** – performance management benefits should be greater that the investment in performance assessment systems. A simple approach that collects enough data to make an assessment of partner performance that is approximately right will be better than a complex system that misses the point.
- **Ownership and partnership** – to be effective an approach should enable ownership by partners and encourage partnership for mutual accountability. Methods such as joint assessment are useful in building ownership.
- **Objectivity** – the tension between independence to ensure objectivity and understanding to ensure relevance is common to most performance assessment models.
- **Comprehensiveness** – performance assessment should be holistic so that it covers all parts of the investment cycle and all parts of the partner organisation.
- **Complex analysis of data** – to identify themes and trends that support management and inform decision making both strengths and weaknesses need to be recognised. This requires complex analysis that is best done by specialists independent of those implementing programs and managing partner relationships. In particular, comparative and time-series analysis is needed to demonstrate influence and change over time.

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- **Use of information for continuous improvement** – the point of performance management is to improve delivery of development results. Effective models included processes for communicating information in a way that supported management and informed decision making.

### 2.2 Perspectives and elements

Options for the focus of a delivery partner performance management approach that seem relevant to AusAID include **3 perspectives** that can be summarised as: (1) organisational performance; (2) country-level results and (3) behaviour in partnerships as well as **4 elements** that can be summarised as: (1) What outputs are produced and for whom? (2) How will quality of outputs be assessed and measured? (3) Which processes produce these outputs? and (4) What has to be measured to forecast delivery of satisfactory performance? These perspectives and elements of focus are shared by those agencies that assess performance of partner organisations – including US Government, DFID, MOPAN and AusAID. Chart 4 highlights common perspectives and elements of focus that provide a foundation for an AusAID approach to organisational performance assessment.

The shared focus provides opportunities for efficiencies through shared assessments, consistent with Paris Declaration harmonisation commitments on common arrangements, simplified procedures and more effective division of labour as well as more collaborative behaviour. For example, there is an opportunity to build on lessons learned from the MOPAN and the Common Performance Assessment System (COMPAS) developed by the Multilateral Development Bank Working Group on Managing for Development Results.

#### Chart 4: Common elements for organisational performance assessment

<table>
<thead>
<tr>
<th>US PART Tool</th>
<th>DFID MEFF Tool</th>
<th>MOPAN CA</th>
<th>AusAID CPA Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 key criteria</td>
<td>8 Corporate Systems</td>
<td>Partnership behaviours:</td>
<td>4 elements</td>
</tr>
<tr>
<td>- Purpose and design (20%)</td>
<td>- Corporate governance</td>
<td>- Policy dialogue</td>
<td>- Organisation</td>
</tr>
<tr>
<td>- Strategic planning (10%)</td>
<td>- Corporate strategy</td>
<td>- Capacity development</td>
<td>- 4 Q, 12 sub-Q</td>
</tr>
<tr>
<td>- Program management (20%)</td>
<td>- Resource management</td>
<td>- Advocacy</td>
<td>- Approach</td>
</tr>
<tr>
<td>- Program results (50%)</td>
<td>- Operational management</td>
<td>- Alignment with national development strategies, systems and procedures</td>
<td>- 5 Q, 8 sub-Q</td>
</tr>
</tbody>
</table>

#### 2.3 Methods and tools

Most agencies use a mix of surveys, ratings and evaluation to assess organisational performance within a results-based management framework focused on the process and output parts of the results-chain (see Chart 3). Options for methods and tools include:

- **Joint assessment tools** – recent AusAID experience with joint assessment of contractor performance has been successful. These tools enable partnership, build ownership and highlight areas where there are different perceptions of performance between AusAID and its partners. DFID and MOPAN used modified joint assessment tools with similar results.

- **Harmonised questionnaires** – the harmonised approach to questionnaires developed to assess performance of multilateral organisations (such as MOPAN CA and COMPAS) may be useful for these AusAID partners.
• **Ratings tools** – most performance management models reviewed use ratings to summarise complex data. AusAID does this already with the QAI and also the small value contract assessment. There are statistical issues with these tools (they assume linearity for example and are prone to subjective bias) but they are simple, practical and enable use of quantitative as well as qualitative data. The question is about what scales to use (e.g. satisfaction, contribution, “traffic light” or agreement ratings) and whether a quantitative overall rating is relevant (as the Japan and USA do). A useful lesson from review of the USA performance-based budgeting model is to link the performance assessment ratings to a strategic plan.

• **RBM and a results-chain methodology** – most performance management models reviewed had results based management as the foundation methodology. This allowed a focus on organisational effectiveness to address attribution issues as well as ensuring cost-effectiveness. This methodology is widely promoted for ODA (e.g. by OECD DAC) as well as good public finance management practice (e.g. by OECD, Canada and USA).

• **Evaluations to add value to key management decisions** – a performance management model is just one part of the overall performance system. The AusAID Quality Reporting System (QRS) remains relevant as does evaluations and perhaps also performance audits. There is an opportunity for AusAID to complement an approach to organisational performance assessment with an annual schedule of evaluations.

• **A clear logic model methodology** – the most rigorous performance management models reviewed (e.g. DFID and Japan) used a clear logic model as their foundation. There is an opportunity for AusAID to include such a model in the engagement strategy for each type of partner, so that this can be tested in the performance assessment approach.

### 2.4 Measures used to assess performance

Once relevant methods and tools are selected for an AusAID approach to organisational performance assessment it is necessary to select measures to be used. Options reviewed for this concept paper emphasise the different measures required for different purposes. Chart 5 summarises the sorts of measures needed for each performance assessment purpose. Chart 6 is a schematic that shows the relationship between the proposed organisational performance approach and other performance assessment systems used by AusAID.

#### Chart 5 : Eight purposes and measures for performance assessment

<table>
<thead>
<tr>
<th>The purpose</th>
<th>The question that the performance measure can help answer</th>
<th>Characteristics of performance measures for different purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluate</td>
<td>How well is the AusAID partner performing?</td>
<td>Outcomes, combined with inputs and with the effects of external factors</td>
</tr>
<tr>
<td>Control</td>
<td>How can AusAID ensure that partners are doing the right thing?</td>
<td>Inputs that can be regulated</td>
</tr>
<tr>
<td>Budget</td>
<td>On what programs, people, or projects should AusAID spend the public’s money?</td>
<td>Efficiency measures (specifically outcomes or outputs divided by inputs)</td>
</tr>
<tr>
<td>Motivate</td>
<td>How can AusAID motivate partners to do the things necessary to improve performance?</td>
<td>Almost-real-time outputs compared with planned output targets</td>
</tr>
<tr>
<td>Promote</td>
<td>How can AusAID convince political superiors, legislators, stakeholders, journalists, and citizens that the partner is doing a good job?</td>
<td>Easily understood aspects of performance about which citizens really care</td>
</tr>
<tr>
<td>Celebrate</td>
<td>What accomplishments are worthy of the important organizational ritual of celebrating success?</td>
<td>Periodic and significant performance targets that, when achieved, provide people with a real sense of personal and collective accomplishment</td>
</tr>
<tr>
<td>Learn</td>
<td>Why are things working or not working?</td>
<td>Disaggregated data that can reveal variation from the expected</td>
</tr>
<tr>
<td>Improve</td>
<td>What exactly could be done differently to improve performance?</td>
<td>Inside-the-black-box relationships that connect changes in operations to changes in outputs and outcomes</td>
</tr>
</tbody>
</table>

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3 Proposed approach

3.1 Key features

The proposed approach uses complex analysis of data from existing systems and complements this with a survey instrument that allows joint assessment of organisational performance using a 5-point rating system: Outstanding, Very Good, Satisfactory, Less than Satisfactory and Weak. It is proposed that a common set of performance questions be used for all delivery partners – complemented by the existing quality reporting system and a scheduled program of evaluations. This relationship is shown schematically in Chart 6. The proposed common set of performance questions is presented in Annex 1 for discussion.

Chart 6: Assessing performance of AusAID delivery partners

The proposed approach has the following features:

- **Principles** – key principles include cost effectiveness, ownership and partnership, objectivity and use of information for continuous improvement.

- **Elements** – the approach focuses on complex analysis of data from existing systems complemented where needed to fill gaps by assessment of organisational performance relating to strategic planning; resource management; operational management including strategies; systems and procedures; staff management; monitoring, evaluation and learning lessons; and contribution to results.

- **Methods and tools** – results based management forms the key methodological foundation for the approach. Within this, the approach uses quality rating (eg QAI) and joint assessment tools to rate performance against key perspectives and elements that are defined by a clear logic model of the contribution the partner makes to delivery of higher level AusAID strategic goals.

With these features, the approach will provide time series data for process, output and outcome quality through joint assessments that become a catalyst for meaningful reflection between AusAID and its delivery partners. For AusAID the partner performance data allows analysis and benchmarking at whole-of-score level for partners, sectors and country programs to support APPR as well as complementing QRS and evaluations across the portfolio. This allows AusAID to tell a story about delivery partner performance as well as provide evidence of partner contributions for accountability, management and decision-making.
3.2 Operational requirements

The operational requirements of the proposed approach are summarised in Chart [Deleted] for the three performance objectives: accountability, management and decision making. This needs review by AusAID and its business process owners to ensure efficiency.

Chart [Deleted] demonstrates the four key operational requirements:

- administration of joint assessment survey;
- analysis of data and collation of information for presentation to different audiences;
- communication of information from the system; and
- support to users of information to support continuous improvement and evidence-based decision making.

The proposed approach uses a rating assessment of performance. This can be administered through online survey tools such as Survey Monkey (www.surveymonkey.com), Web Survey Creator (www.websurveycreator.com) or Zoomerang (www.zoomerang.com). AusAID already has experience with Survey Monkey.

3.3 Likely outputs and how they meet objectives

Example outputs from the proposed approach are presented in Annex 3. The proposed approach will produce time-series information from complex analysis of QAI data and operational performance surveys as well as evaluations, at four levels:

- **Delivery partner** – identifying lessons learned that support continuous improvement for management and accountability by the delivery partner and their AusAID stakeholders. Annual data can be presented as thematic pie charts and radial charts such as the one shown in Annex 3, Chart 3-1. Time series data should demonstrate continuous improvement over time for the individual partner, as shown in Annex 3, Chart 3-2.

- **Partner type** – benchmarking information to identify relative strengths and weaknesses across partners of a particular type. This information needs to be used carefully since performance is always influenced by context, but if this is accounted for then time series data of relative performance should support decision-making about preferred delivery partner for a particular initiative by AusAID, as shown in Annex 3, Chart 3-3.

- **Portfolio level** – benchmarking information to identify relative strengths and weaknesses across all partners. This information needs to be used carefully to allow for context, but if this is accounted for then time series data of relative performance should support decision-making about preferred type of delivery partner for a particular initiative by AusAID, as shown in Annex 3, Chart 3-4.

- **AusAID management** – those elements of the QRS and sections of the partner performance assessment system that relate to AusAID management and relationships with AusAID may identify patterns that inform management and decision making relating to the performance of AusAID itself. For example if a particular post, sector or relationship is consistently different from the average, it would trigger a management response based on lessons learned.

4 Factors affecting implementation

4.1 Limitations and risks

The limitations and risks associated with the proposed approach are offset by the complementary QRS and evaluation processes that AusAID also uses as part of its wider performance and quality management system – as shown schematically in Chart 6. Limitations and risks to be managed include:
• **Ratings systems can be subjective** – the approach relies on rating processes in QRS and organisational performance surveys that assign a numerical score to a level of performance perceived by various individuals. This is a rapid appraisal approach which is cost effective and complements evaluation processes. Limitations to this approach include the subjectivity of ratings and the different scaling adopted by individuals – my perceived “very good” is your perceived “satisfactory”. These risks can be managed by normalisation of ratings during analysis and verification against evaluation results.

• **Ratings systems assume linearity** – the proposed approach assumes that each criterion has equal weighting and that the overall score and sub-scores have a linear relationship. With careful design this limitation can be managed through appropriate weighting and balance between criteria.

• **Limitations of focus on organisational performance** – performance management models that focus on organisational performance address only one part of the effectiveness story. Quality and implementation are equally important. This limitation is addressed by combining complex analysis of QRS outputs (e.g. QAI) with lessons learned from evaluations as well as data from organisational performance surveys to provide more in-depth analyses.

Another limitation is worthwhile raising at this point. In 1992 Myron Tribus coined the Perversity Principle: 

“If you try to improve the performance of a system of people, machines and procedures by setting numerical goals for the improvement of individual parts of the system, the system will defeat your efforts and you will pay a price where you least expect it.”

When considering options for performance management systems it is worth remembering the risks of perverse responses to any such system and selecting the simplest, holistic and least perverting option available. For example, the US PART tool focuses attention on outcomes and results, but between 2004 and 2008 did not succeed in bringing about significant changes in program management. Improvements in ratings came predominantly from learning better how to use the PART instrument, not from introducing important changes in program design or management.

Intuitively, you might expect partner performance to be assessable from results achieved in developing countries. However, partner reporting of activity performance lacks results information, added to which there are technical difficulties in attributing results to actions of a single agency. Many agencies therefore focus on organisational effectiveness – DFID, Japan, US and increasingly AusAID. This approach draws on Results-Based-Management (RBM) theory, which argues that an effective organisation is one that incorporates a results focus into all its business processes and uses the results to continually improve performance.

### 4.2 Time frame

Because of the number of delivery partners working with AusAID a mixture of sampling and compulsory annual performance assessments is proposed, as shown schematically in Chart 7. In this way delivery partners responsible for the largest proportion of the AusAID program would automatically have performance assessments each year. Those delivery partners responsible for a moderate share of the program would be sampled – ideally at least 30% each year – so that over time all core delivery partners would have their performance assessed. Those partners responsible for a small share of the program would have their performance assessed by exception – if QAI and evaluations identified likely lessons to be learned, either positive or negative, that would warrant the cost of organisational performance assessment.

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4 With the majority of measures it is not possible to determine the extent to which any achievement is a result of DFID’s effort, because of the numerous other factors and organisations in development work.’ NAO ‘Performance Management – Helping to Reduce World Poverty’, April 2002, page 26.
The phasing of the performance assessments should complement implementation, quality reporting processes and evaluations as well as partner country systems. The schematic in Chart 8 sets out the proposed phasing.

**Chart 7 : Approach to sampling for annual performance rating**

![Chart 7: Approach to sampling for annual performance rating](image)

**Chart 8 : Annual cycle of performance assessments**

![Chart 8: Annual cycle of performance assessments](image)

### 4.3 Resource implications

The proposed roles and responsibilities have the following resource implications:

- **At post** – time for program managers to support performance assessment processes and activity managers to complete partner performance assessments each year and for both to communicate feedback to delivery partners and use lessons learned to inform design of new initiatives, ensure accountability of delivery partners, support decision-making and inform management of existing initiatives in their portfolio. Estimated to require up to an additional 3 FTE days per initiative per year, or an increase of less than 1.5% of staff management resources for each initiative.

- **In OPS-ASPP** – provision of complex analytical services for QRS (especially QAI) data and organisational performance survey data at whole-of-agency level for communication to program managers for their further analysis and use at program and portfolio levels. OPS would need to resource time for administration of organisational performance assessments, communication with program and activity managers in core programs and analysis of collated data at delivery partner type and whole-of-agency scales. The amount of time required will depend on the number of delivery partners assessed each year –
likely to be somewhere between 34 and 70 partners. Assuming 45 delivery partners are assessed each year – using the sampling approach shown in Chart 8 – the roles for OPS are likely to need between 1 and 1.5 FTE. This is likely to be 1 FTE for a young professional with administrative and analytical competencies and 0.5 FTE for a person at Director level to perform strategic analysis, interpretation, communication and oversight.

- **In partner relationship branches** – managers responsible for relationships with NGO partners, multilateral organisations and country partners will use relevant information from performance assessments to support APPR and ATPR reporting as well as their annual dialogue meetings with key partners. This is not expected to require additional resources, since the analysed and collated information will form part of the usual resources consulted during preparations for management of these relationships.

- **In delivery partners** – delivery partners will participate in joint assessment – an effort likely to require up to 1 hour per managed initiative. This is not expected to require additional resources since it is a small cost of time compared to the benefits of client feedback and joint assessment for continuous improvement processes.

### 4.4 How performance management could look

The approach to organisational performance assessment proposed in this concept paper complements existing AusAID quality and performance management systems to provide data from the entire results chain that supports accountability, management and decision-making. Chart 9 is a schematic of the performance management model.

**Chart 9 : Schematic of proposed performance management model**