Results Based Management (RBM) in Finland's Development Cooperation

– Concepts and Guiding Principles

MINISTRY FOR FOREIGN AFFAIRS

Contents

1. Background

T he emphasis on results based management (RBM) in development cooperation has been at the core of the international aid effectiveness agenda since the Paris Declaration (2005). Since the 2012 Development Policy Program, Finland has paid increasing importance to this topic in order to strengthen the quality and impact of its development cooperation. In 2012, the Ministry for Foreign Affairs (MFA) adopted its first comprehensive Action Plan (2013-2014) on strengthening results based development cooperation.[1] The present government also emphasizes the importance of results and effectiveness.

The 2015 evaluation of Finland's Development Policy Programs (2004, 2007, 2012)[2] concluded that RBM measures taken during 2012-2014 have improved MFA's management systems from a results based management point of view, but also notes that a lot of challenges still exist.

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[1] Tulosperustaisen toiminnan kehittäminen Suomen kehitysyhteistyössä, toimintaohjelma vuosille 2013-2014.
[2] Finland's Development Policy Programmes from a RBM Point of View 2003-2013, 2015.

2. Purpose

This paper is an outcome of the implementation of the 2013–2014 RBM Action Plan. Its purpose is to **outline the basic definitions, objectives and principles of RBM**, and thus provide a common framework and basic guidance for measures to further strengthen results based management in Finland's development cooperation. Its purpose is also to **outline the results chain approach**, which Finland has decided to start using in its development cooperation. The paper also includes **a description of a generic risk management approach**, which will be included into the planning and implementation of aid interventions.

This guidance takes effect immediately upon its publication. It is applied in the planning of all new aid interventions. More specific guidance is provided by revisions of instrument and other manuals. During the transition period before updated specific guidance is available, the Ministry's staff applies this general guidance according to their capacities and by using the Ministry's advisor services.

3. The Aim of Results Based Management

3.1. What is Results Based Management in Development Cooperation?

The RBM concept is often used as a name for an organizational management approach, common in public sector organizations, by which is usually meant that all actors in the organization should ensure that their processes, products and services contribute to the achievement of the agreed results objectives and targets.

Managing and focusing on results is one of the Aid Effectiveness principles as agreed in the context of the Paris Declaration and Busan Partnership Agreement (2005, 2011) on Aid Effectiveness. According to the Paris Declaration *"Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision making".* A key focus is that actors in donor organizations use information and evidence on results, collected through monitoring and evaluation, to inform decision making on the design, resourcing and delivery of programs and activities. The focus on results information is also important for accountability purposes.

Results based management therefore involves **shifting management approach away from focusing on inputs, activities and processes to focusing more on the desired results**. OECD/DAC defines RBM as *"A management strategy focusing on performance and achievement of outputs, outcomes and impacts".*[3] In conclusion, results based management in development cooperation is simultaneously:

- An organizational management approach, based on a set of principles;
- An approach utilizing results based tools for planning, monitoring and evaluating the performance of development projects and programs.
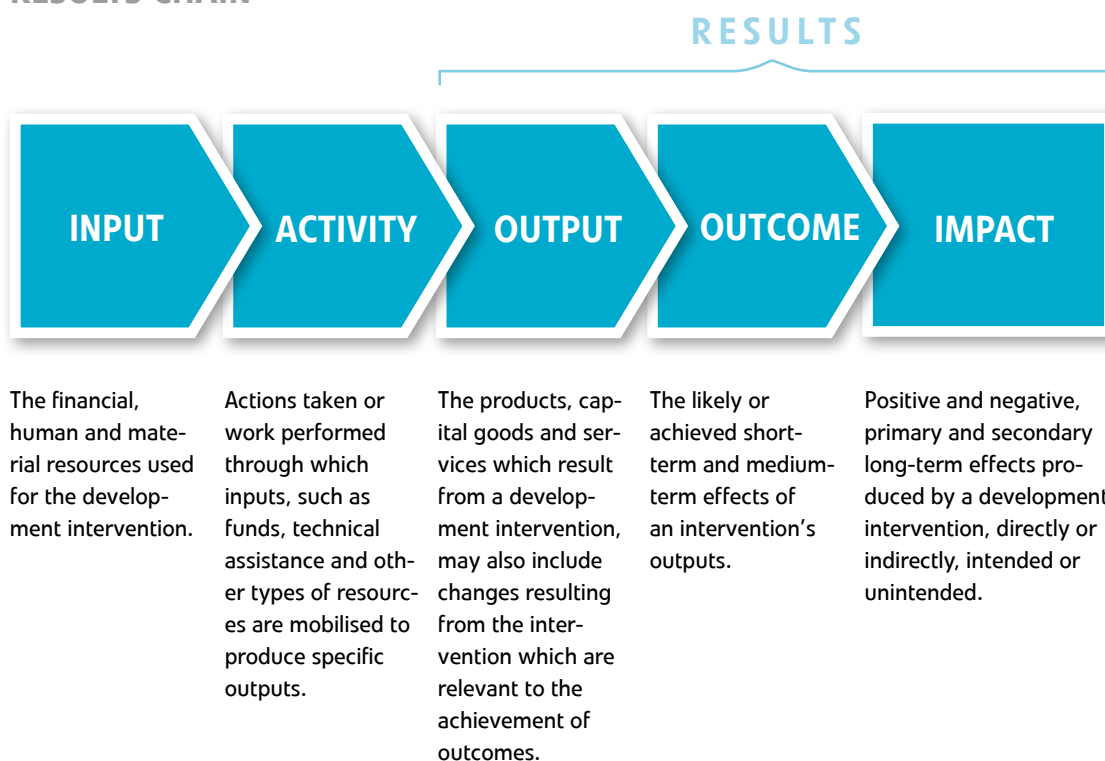
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3   Glossary of Key terms in Evaluation and Results Based Management. OECD/DAC, 2010.

3.2. What is a Result?

In general, a result is something that arises as a consequence. UNDP defines **results** as *"changes in a state or a condition that derive from a cause-and-effect relationship"*.[4] It is important to note that changes can be intended and unintended as well as positive or negative. In development cooperation the aim is to achieve intended "changes" that ultimately translate into long term positive impacts related to reduction of poverty or in improvements of lives of men, women and children.

The key tool in RBM is the so called **results chain** approach, which can be used for designing projects and broader programs. OECD/DAC defines a results chain as *"The causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback"*.[5] The key principle in this approach is that it defines outputs, outcomes, and impacts as three different levels of results.[6]

RESULTS CHAIN

RESULTS

INPUT	ACTIVITY	OUTPUT	OUTCOME	IMPACT
The financial, human and material resources used for the development intervention.	Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilised to produce specific outputs.	The products, capital goods and services which result from a development intervention, may also include changes resulting from the intervention which are relevant to the achievement of outcomes.	The likely or achieved short-term and medium-term effects of an intervention's outputs.	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.

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4   United Nations Development Group RBM Handbook, 2011.
5   Glossary of Key terms in Evaluation and Results Based Management". OECD/DAC, 2010.
6   Definitions taken from OECD/DAC, 2010. See above.

In a project, outputs should be directly linked and attributable to the project itself. The short and medium term outcomes, however, may in addition to the direct effects of the project also be a consequence of factors beyond the control of the project, i.e. the outputs contribute to an outcome. This is even more so in the case of the longer term impacts of a project. Therefore the impacts of a project are also a consequence of other factors than those that the project can directly control, such as policies by the government in the partner countries. Those factors that are external to a project and may have an effect on the output – outcome – impact linkages need to be taken into consideration when setting results objectives and targets.

EXAMPLES OF RESULTS

Impact

Impacts can be measured by indicators such as people living below the poverty line and under-five mortality rate.

Outcome

Outcomes can be measured by indicators such as percentage of births attended by skilled health personnel and prevalence of under-weight children under five years of age.

Outputs

Outputs can be measured by indicators such as number of teachers trained and number of health clinics equipped and number of people assisted by emergency food programs.

Source: European Commission, Staff Working Document, Launching the EU International Cooperation and Development Results Framework. 2015.

3.3. What is the link between a human rights based (HRBA) and a results based management approach?

RBM is an organizational management approach and process that helps to reach desired results and report them while the HRBA is a framework that helps to define the actual result objectives, i.e. its content, and the process through which the results are achieved.

Finland considers the HRBA and the RBM complementary and compatible. Applying HRBA requires that human rights principles and commitments are used in planning processes when defining the output, outcome and impact indicators included in results frameworks.

4. Guiding Principles

The following are the guiding principles[7] for RBM in Finland's development cooperation.

- **Base results targets on national priorities and ownership**

Results targets needs to be based on national development priorities by partner countries and/or development challenges of its people. Mutual ownership of jointly set results targets with partners is important.

- **Set clear results targets at all levels**

It is important to set out specific results targets, and indicators, for organizational prioririties, country programs and interventions. A project, or another aid intervention, needs to include results strategies and frameworks outlining the intervention logic, including its assumptions and risks.

- **Collect credible results information**

RBM requires a focus on gathering and analyzing credible information on results, both based on monitoring activities and independent evaluations. Organizational information systems need to support results management practices. It is important to build cost effective information systems that handle and provide easy access to information on results and progress of operations. It is also important to strengthen data availability and reliability in partner countries.

- **Use results information for learning and managing, as well as accountability**

Realizing the benefits from RBM requires learning from information on results and improving perfomance. The learning process should include assessments of achieved results in relation to inputs. It is also important to use results information for external accountability purposes.

- **Promote and support a mature results-oriented culture**

Fostering a results culture is critical. Key building blocks in strengthening a results culture is a results oriented organizational accountability regime as well as the capacity to learn and foster learning among staff. Effective leadership is essential if RBM is to succeed and requires commitment and knowledge of results management among senior managers.

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7   For discussion on this, see OECD guidelines "Measuring and managing results in Development Cooperation", 2015 and MFA evaluation "Finland's Development Policy Programs from a RBM Point of View 2003-2013", 2015.

● **Balance between short term and long term results**

The results agenda only matters if it contributes to long term improvements in poor and vulnerable people's lives. It is important to understand how short term results link to long term changes. Pressure to account for clear and measurable results should not lead to an over focus on short term results.

5. Results Based Management in Practice – Results Frameworks as a Management Tool

5.1. What is a Results Framework?

If the expected results of an intervention are not explicitly set and defined it is difficult to know if they are achieved or not. **A results framework is an articulation, often in a matrix form, of the causal logic and expected results of a project.**

Finland has so far used the LFA (Logical Framework Approach) approach, which is one results based programming tool, in its project management. The LFA approach and the Results Chain approach are both commonly used methods to describe a project's logic. The results chain approach and concepts have, however, become increasingly common among donors in results management of their development cooperation. **Instead of LFA, Finland has decided to start using the results chain approach, for internal and external harmonization purposes, in its aid instruments.** A key rationale for this change is also to start using the results chain concepts at all operational levels in order to be able to strengthen results monitoring and reporting on Finland's overall development cooperation.

In generic terms a results framework for a project should be built around the following key questions

- Why do we want to do this project in the first place/what long term changes are aimed at? (**impact**)
- What short term and medium term changes do we wish to achieve with the project? (**outcome**)
- What is produced or delivered by the project (**outputs**) and what key activities need to be carried out? (**activities**)
- What resources (**inputs**) are required?
- What are the potential problems (**risks**) that may affect the success of the project?
- What are the fundamental **assumptions** that the project design is based on?
- How do we measure (**indicators**) and verify (**data sources**) success?

INDICATORS

Indicators can be quantitative or qualitative. A quantitative indicator is represented by a number, measures of quantity, percentage or a ratio. In contrast, a qualitative indicator measures quality and is often based on perception and opinion.

Examples of quantitative indicators:
> employment and education levels.

Examples of qualitative indicators:
> level of satisfaction with a school, perception of level of corruption.

It is also common to use **proxy** or **process** indicators. Proxy indicators are used when results cannot be measured directly, such as for example when trying to measure the level of governance in a particular country. Process indicators measure the performance of processes, such as the number of joint missions and joint evaluations, which are connected to the objective of increased harmonization.

A baseline is the level of the indicator at the beginning of the project or program and the **target** is the level of the indicator that one hopes to achieve at the end of the project or program.

Source: UNDP, RBM Handbook, 2011

5.2. What can a Results Framework be used for?

A results framework is **a planning and management tool. Its design should start from the outcome and impact objectives.** It is important that the formulation of the various levels of results focuses on the intended changes, and only after that on the activities and inputs. The design of a results framework provides the opportunity to bring about consensus among the beneficiaries, implementers and other stakeholders on the content and implementation approach of the project. A results framework can also be used to guide corrective adjustments to activities, reallocation of resources and reevaluation of assumptions made.

A results framework is also **an important tool for monitoring and independent evaluation**. The results in a results framework should be formulated in such a manner that it will be possible to monitor and verify whether the results have been achieved or not. This will require the setting of targets and agreeing on indicators, baselines and sources of verification for all results levels.

A project should therefore include a monitoring system that produces information on progress towards results targets and on the final results. Evaluations provide periodically independent information on the achievement of results.

5.3. What is required to design a Results Framework – The importance of a Theory of Change

Development interventions take place in complex economic, social-cultural, political and institutional environments. Achieving development results is therefore crucially dependent on knowledge and interpretation of complex realities and development needs in particular contexts.

When designing a results framework it is therefore important to build a strong contextual understanding of the development problem and the theory of change that the project should be built on. **A theory of change** refers to reasons why the project's planned outputs are likely to lead to the intended outcomes and how those outcomes are assessed to be linked with longer-term impacts. Important elements of building a theory of change is therefore to carefully identify and analyze the contextual assumptions, and related risk issues, (see risk management, following chapter) which the results framework, and its causal linkages from inputs to impacts should be based on.

This design process therefore needs to utilize available evidence and knowledge as much as possible. One should try to avoid causal assumptions that are weakly supported by evidence.

6. Risk Management

6.1. What is a risk?

A risk is **an uncertainty about a development result, that is, outputs, outcomes and impacts**. Risks correspond to a potential future event, fully or partially, beyond control that may negatively affect the achievement of results.

Risk management is therefore an integral part of RBM. The core of risk management is to identify, analyze and react to various categories of risks in all stages of aid interventions.

Development cooperation, which often takes place in fragile contexts including a wide range of elements beyond the control of Finland, implies therefore by necessity an acceptance of a certain level of uncertainty and risks. Due to this it is of utmost importance that project design and implementation focuses not only on identifying the risks, but also on assessing the likelihood of them to occur and their impact if realized, as well as taking the necessary actions to reduce the probability of the risk and its impacts already in advance.

This type of systematic risk analysis is a necessity for Finland to be able to identify those high risk situations, for example in fragile countries, that Finland is not willing to take. The level of risk tolerance is therefore an issue that has to be assessed in the context of defining results targets for projects and programs.

6.2. Risk categories

Finland uses the following categories of risks in its programming: Contextual, Programmatic and Institutional.[8]

CONTEXTUAL RISK

Risk of state failure, return to conflict, development failure, humanitarian crisis. Factors over which external actors have limited control.

PROGRAMMATIC RISK

Risk of failure to achieve aims and objectives. Risk of causing harm through engagements.

INSTITUTIONAL RISK

Risk to the donor agency, security, fiduciary failure, reputational loss, domestic political damage etc.

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[8] Utilization of the Copenhagen Risk Circles was a part of the June 2014 KEPO steering group decisions. A comprehensive list of risk issues in the three categories in Annex 1. See also Guideline to Risk Management, Danida, August 2013.

Contextual Risks cover the range of overall **potential adverse consequences that may arise in a particular context** and hence could impact a broader range of risks at the programmatic and institutional level. The context will usually be a country or region but could for certain programs also be a global thematic or political frame. External actors usually have very limited control over contextual risk.

Programmatic risk includes two kinds of risks: (1) **the potential for a development program to fail to achieve its objectives and results targets**; and (2) **the potential for the program to cause harm in the external environment**.

With regard to (1), the risk factors for program failure include many of the contextual risks. But there are many other reasons for potential program failure. These include inadequate understanding of the context or flawed assessment of what needs to be done; management and operational failures; and failures of planning and co-ordination. One common reason for failure to achieve program objectives is that the objectives themselves are simply too ambitious, either in their nature or time frames. With regard to (2), program interventions may do damage to the economy or to the government of the country in question, or to exacerbate conflict and social divisions.

Risks concerning fiduciary accountability are one of the main programmatic risks. In order to achieve the outcome and impact targets, funds have to be used effectively for their intended purpose. The chain of mobilizing development cooperation funds from the MFA to the end-users (administration, management and implementation of funds) is a long and challenging process. Risks of misuse of funds and corruption are high because there are many actors contributing to the process and development cooperation takes place in countries in which corruption is a serious problem.

Institutional risk is sometimes also called **political risk and includes "internal" risk from the perspective of the donor or its implementing partners**. It includes the range of ways in which an organization and its staff or stakeholders may be adversely affected by planned interventions. Institutional risk will often be related to operational security or reputational risk issues.

6.3. Risk management – Key steps

Finland's risk management in development cooperation is built on the following generic steps, which will be integrated into all relevant manuals.

- **Determine the contextual risks**, which are same for all interventions in a given context.
- **Identify potential programmatic and institutional risks** to be taken into consideration in the design and implementation of interventions.

- **Estimate the level of the likelihood and impact** (see definitions in the below table) of each identified risk.

- **Identify main risks** according to the estimated level for the likelihood and impact of the risks.

- **Identify risk response measures** to be applied. The response can be: (1) Acceptance of the risks identified, based on a balancing assessment of the likelihood or opportunities for achieving important results, and identify mitigation[9] measures, which collectively form the mitigation strategy for the intervention. (2) Avoidance of the risks, which means not going through with the intervention or some part of it, i.e. reformulate the project to a less risky one.

- **Active risk mitigation strategy during the implementation of interventions.** This means the monitoring of risk issues and implementation of mitigation measures identified.

Table: Definitions on the likelihood and impact of risks.

Likelihood of Risk	Definition	Impact of risk to the results targets if realized	Definition	Risk mitigation strategy
low	may happen	low	Insignificant or Minimal damage or disruption to results targets.	
medium	likely to happen	medium	Serious damage or disruption.	
high	very likely to happen	high	Massive damage or disruption.	

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9   Mitigation means actions to be taken to reduce the likelihood or impact of the risk.

Annex 1 – Examples of risk issues

Source:

DANIDA, http://amg.um.dk/en/technical-guidelines/guidelines-for-risk-management/

1. Contextual		
Parameters	**Risk Outcomes (examples)**	**Sources**
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Generally risks increase on all parameters in and around affected area	• UNOCHA sitrep's • Official travel advice • Global Peace Index (www.economicsandpeace.org)
Political & Social - Government - Government policies - Poverty reduction strategy - Partnership - Institutions - Administration - Rule of law - Stakeholders - Gender issues - Rights issues	• All planning and economic activity hampered by unstable political situation • No Poverty Reduction Strategy available • Widespread corruption • Restrictions on civil and political rights	• Failed State Index (www.fundforpeace.org) • Worldwide Governance Indicators (www.info.worldbank.org/governance/wgi) • Human Development Index (www.hdr.undp.org) • Joint Assessment of National Strategies

Parameters	Risk Outcomes (examples)	Sources
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Poor budget discipline as result of lacking independence of a Supreme Audit Institution • Non-existence of internal audit increases general risk of misuse of funds	• World Bank PEFA Assessments (www.bit.ly/wbpefa) • Transparency International (www.transparency.org)
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Some ethnic groups are denied political influence • Two out of four borders closed due to decade-long conflict with neighboring countries	• Global Peace Index (www.economicsandpeace.org)
Resources - Natural - Human - Financial	• 'Brain drain' undermines development efforts • Draught reoccurs more often and for longer time • Falling commodity prices increase budget deficit	

2. Programmatic		
Parameters	**Risk Outcomes (examples)**	**Sources**
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Limitations in access to intervention area • Life and well-being of staff threatened • Major increase in target group • Displacement to or from intervention area • Damage to infrastructure and operational capacity • Lack of disaster or epidemic management planning	• UNOCHA sitrep's • Official travel advice • Global Peace Index (www.economicsandpeace.org)
Political & Social - Government - Government policies - Poverty reduction strategy - Partnership - Institutions - Administration - Rule of law - Stakeholders - Gender issues - Rights issues	• Sector strategy and investment plan do not materialize • Agreed objectives cannot be reached due to general bias against girls' enrolment for secondary education • Limited capacity of local partners hampers implementation • Lack of political commitment and leadership	• Failed State Index (www.fundforpeace.org) • Worldwide Governance Indicators (www.info.world bank.org/governance/wgi) • Human Development Index (www.hdr.undp.org)
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Procurement rules accord with international standards but compliance is weak • Sector receives insufficient and falling share of state budget • Annual targets not met due to late transfers from Ministry of Finance	• World Bank PEFA Assessments (www.bit.ly/wbpefa) • Transparency International (www.transparency.org)

Parameters	Risk Outcomes (examples)	Sources
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Conflicts on water rights shortcuts irrigation project • One ethnic group is systematically denied access to services	• Global Peace Index (www.economicsandpeace.org)
Resources - Natural - Human - Financial	• Intervention causes damage to the environment • Partner unable to hire or retain qualified staff • Partner or third party do not deliver on financial commitment	

3. Institutional		
Parameters	**Risk Outcomes (examples)**	**Sources**
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Public support to intervention negatively affected after serious injury of staff member	• UNOCHA sitrep's • Official travel advice • Global Peace Index (www.economicsandpeace.org)
Political & Social - Government - Government policies - Poverty reduction strategy - Partnership - Institutions - Administration - Rule of law - Stakeholders - Gender issues - Rights issues	• Elections in y-land is presented by media as far from free and fair – campaign demands that institution draws out immediately • Governments lead discrimination against homosexuals in x-land results in widespread demand for sanctions	• Failed State Index (www.fundforpeace.org) • Worldwide Governance Indicators (www.info.worldbank.org/governance/wgi) • Human Development Index (www.hdr.undp.org)
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Public support to institution damaged after massive loss of tax payers' money due to apparently unchecked corruption	• World Bank PEFA Assessments (www.bit.ly/wbpefa) • Transparency International (www.transparency.org)

Parameters	Risk Outcomes (examples)	Sources
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Repeated attacks on religious minority lead to call for withdrawal from z-country	• Global Peace Index (www.economicsandpeace.org)
Resources - Natural - Human - Financial	• Decision to tolerate potential risk to the environment by inter-vention is broadly considered unacceptable in constituency	

Annex 2 – Glossary

assumption	oletus
accountability	vastuullisuus, tilivelvollisuus
activity	toiminto
baseline	lähtötilanne
contextual risk	kontekstuaalinen riski
impact	pitkän aikavälin vaikutus
indicator	indikaattori
input	panos
institutional risk	institutionaalinen riski
generic	yleinen
human rights based approach	ihmisoikeusperustainen lähestymistapa
outcome	välitön vaikutus (ml. keskipitkä aikaväli)
output	tuotos, suorite
performance	suoritus, saavutus
programmatic risk	ohjelmallinen riski
result	tulos
results based management	tulosohjaus
results chain	tulosketju
results framework	tuloskehikko
risk management	riskien hallinta

theory of change   muutosteoria

target   tavoite

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