

Towards a Political Economy of Incentives in Managing for Development Results.

Matthew John Ford

A thesis submitted to the faculty of the University of North Carolina at Chapel Hill in partial fulfilment of the requirements for the degree of Master of Arts in the Department of Political Science.

Chapel Hill
2007

Approved by:

Advisor: Thomas Oatley

Reader: Phyllis Pomerantz

Reader: Terry Sullivan

© 2007
Matthew John Ford
ALL RIGHTS RESERVED

ABSTRACT

Matthew John Ford: Towards a Political Economy of Incentives in Managing for
Development Results.
(Under the Direction of Thomas Oatley)

What are the incentives and disincentives for poor-country governments to improve information systems to Manage for Development Results (MfDR)? This paper argues that the main incentive is the recognition of long-term benefits of MfDR approaches and tools for social welfare. MfDR can increase the inclusiveness of government interests, improve decision making for policy and implementation, and help address information asymmetry problems. Disincentives arise especially out of weak governance capacity and narrow interests. Narrow interests may seek to maintain the status quo creating low demand and possibly opposition. A poor country is more likely to move towards results-based management approaches if political leaders are convinced to take a long-run perspective, and bureaucrats given appropriate incentives to address short-term costs and provide security. This paper considers a range of material and non-material incentives that may either support or hinder implementation of MfDR, as influenced by local and international actors.

ACKNOWLEDGEMENTS

I would like to thank especially Thomas Oatley for his significant guidance and assistance during the course of this writing. I would also like to acknowledge the assistance and support of Phyllis Pomerantz, Dennis Rondinelli, Thomas Cooke, Francis Lethem, Jerry van Sant, Natalia Mirovitskaya, Terry Barnett, and Jürg Steiner at the University of North Carolina Chapel Hill's Political Science Department and Duke University's Program for International Development Policy. At the World Bank I would especially like to thank Onno Ruhl for his helpful comments on an early draft. I would also like to thank colleagues in the World Bank Africa Region's Results and Learning Unit for their general support and encouragement. Thanks also to Larry Cooley for comments on an early draft. Finally, I would especially like to thank Rotary International and the Duke-UNC Rotary Center for the opportunity to be a part of the Rotary World Peace Fellowship program, and their support throughout. I hope that this paper can help to promote further thinking about these important issues. Any errors are entirely my own.

CONTENTS

INTRODUCTION	1
Background	1
What the paper is about	3
Approach and structure of the paper	4
What is Managing for Development Results?	6
Description of the problem, and why it is important	8
 PART I: Political Institutions, Information, and the Quality of Governance ...	13
A. Political institutions and incentives to enhance social welfare	14
B. Information asymmetries and the principal-agent problem	18
 PART II: Incentivising Managing for Development Results	24
A. Expanding societal interests – the importance of inclusiveness	24
B. Overcoming hidden action problems- the importance of transparency ...	32
 CONCLUSIONS	39
REFERENCES	43

ABBREVIATIONS

GDP	Gross Domestic Product
IFI	International Financial Institution
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MfDR	Managing for Development Results
RBM	Results Based Management
WTO	World Trade Organization

INTRODUCTION

Background

Despite hundreds of billions¹ of dollars in aid² having been channelled to Africa over the last fifty years, extreme poverty persists. While the causes of this poverty are basically known, the relative attribution of factors is contested, and the way to remedy them difficult. The causes include historical, geographical, economic-structural and conflict-related factors, health issues, and many others.³ Poverty is also both a cause and effect of poor governance. Aid to Africa is significant in that it accounts for a significant proportion of government revenues, with the average, excluding South Africa and Nigeria, receiving the equivalent of 12.3 percent of its GDP in overseas development assistance (ODA) in 1996.⁴ Yet, it is only recently that serious efforts have been made to determine the actual outcomes and impacts of aid spending. This is evidenced by the comparatively small amounts of money on spent on

¹ Pomerantz (2004), Easterly (2006), p4.

² Defined as: *a voluntary transfer of public resources, from a government to another independent organization (such as the World Bank or the UN Development Program) with at least a 25 percent grant element, one goal of which is to better the human condition in the country receiving the aid.* (Lancaster (2007) p.9). This definition is very close to that of the OECD's Overseas Development Assistance (ODA) definition.

³ Commission for Africa (2005).

⁴ van de Walle (2001), p8.

Monitoring and Evaluation of program outcomes compared to the amounts given to loans and grants.

Aid is a relatively new phenomenon, having begun with the end of Second World War, and was intended for four main purposes: diplomatic, developmental, humanitarian relief, and commercial, with cultural purposes present but less prominent.⁵ While in the past aid was guided by relatively strong political and economic interests, with the end of the cold war, space has been opened up for that other main aim of international aid: to better the human condition.⁶ International institutions, governments, and social scientists have come to see ‘the persistence of mass poverty not only as a major ethical and political problem but also as a serious threat to macroeconomic stability’⁷ and some as ‘a brake on long term [global] growth’.⁸ In response to the persistent evidence of poverty, and international civil society voicing concern and pressure, a number of international and bilateral initiatives have been launched, the most prominent among them being the United Nations Millennium Development Goals (MDGs).⁹ The MDGs set out an ambitious program aimed at tackling the world’s most pressing basic needs. In response, other multilateral and bilateral agencies have rallied around the goals in an attempt to align their programs. However, while progress has been made, most of the MDGs look beyond reach, especially in Sub Saharan Africa, with results being disappointing despite the resources and efforts.

⁵ Lancaster (2007).

⁶ *Ibid.*

⁷ Cornia (2005).

⁸ *Ibid.*

⁹ See: <http://www.un.org/millenniumgoals/>

Given conditions where the sources of economic opportunities are few, and capacities are low, aid features as a dominant potential source of economic rents. This places a particular burden on recipient governments to develop systems and individual capacities sufficiently competent and motivated to manage large resource flows and program tasks for the general welfare of citizens, amidst potentially strong internal and external pressures to favour narrow interests, including to engage or be complicit in corrupt activities. Availability and transparency of information is very important in this effort to have resources used for activities that are productive for poor people, providing the basis for improved decision making, and accountability of government actions.

What the paper is about

This paper outlines a framework for understanding the role of information in government effectiveness. It outlines theoretically how certain kinds of information can significantly impact quality of decisions for public welfare and increase accountability for actions, thereby leading to the potential for improved development outcomes over time. It frames the attainment of results as an institutional problem within which information is important. In considering the effects of improved information systems, it also specifically explores the incentives and disincentives that governments may face to develop MfDR systems in the first place, since reform processes are difficult precisely because they will impact the status quo, thereby threatening established interests. The overall aim is to contribute to the growing political economy literature that considers the role of information to be important and places incentives at the centre of practical efforts to improve development outcomes.

Approach and structure of the paper

Two complementary models are used to consider the incentives for governments to implement information systems to Managing for Development Results (MfDR). The ideas developed in these models are then applied to consider how the incentives of politicians and bureaucrats may be influenced over time by the presence of improved information, and what influence external actors may have both on incentives to have governments implement such systems and in their use over time.

First we will consider what *is* MfDR, the context from which it came, and what it seeks to achieve. Second, In Part I, government elite motivations to provide for the general welfare are formally modelled using the interests-based model of McGuire & Olson (1996). From McGuire & Olson we learn that it is in the interests of government elites to provide public goods that add to public welfare to the extent that they hold what McGuire and Olson term an ‘*encompassing interest*’ in society, such that the elite interests also benefit, through their take in taxes. In this model the key to societal improvement is in providing incentives,¹⁰ and in choosing or encouraging government elites that are more inclusive of a greater section of interests within society. This interest-based view is placed within a more generalized and nuanced picture in which the actions of politicians and other stakeholders are seen to be

¹⁰ An ‘incentive’ is defined as a stimuli for action. A positive incentive is as a stimuli that encourages a person to do something, while a negative incentive (a disincentive) is an incentive to not do something/avoid something. A lack of incentive would result in inaction, inertia. Incentives are distinguished from ‘motivations’, that being defined as an individual person’s response to a given incentive. A given incentive (stimuli) may have a different effect upon a person depending upon their values, frame of mind, social position, degree of hunger, greed *etcetera*. That is, an incentive may motivate a person to act, but they need a motive/will to want to do so (agency), which also relies on *normative values*- what a person actively believes to be right and wrong.

impacted by a *range* of incentives (not just ‘self-interest’ narrowly defined). The role of information is shown to be central in influencing those incentives.

The effect of asymmetric information problems on the motivations of politicians and bureaucrats are then modelled using the agency framework of Besley (2006). According to the agency view, at the centre of effective government lies the solution to the principle-agent problem between citizens and government.¹¹ Whereas the presence of perfect information creates both knowledge and mutual accountability between actors interacting through formal and informal institutions, and creates incentives towards accountable behaviour, problems arise under imperfect conditions. The main problems include selecting *competent* and appropriately *motivated* politicians and bureaucrats (‘hidden knowledge’), and ensuring that they are *accountable* for doing what they’re supposed to be doing (‘hidden action’).

These models help us to show how information can be a *powerful source of incentives* for politicians and bureaucrats to choose and implement better policies, and that the key to these incentives is in creating conditions where information is *available* to those with the power to use that information effectively within formal and informal accountability structures. Politicians must, however, first be convinced to implement those systems. Part II B therefore considers the broader influences that internal and external actors can have in encouraging governments to implement improved information (MfDR) systems and use them. Overall, this paper seeks to contribute by showing with interest-based and principal-agent theory how improved information systems can help overcome barriers to government effectiveness over time.

¹¹ Besley (2006), p96.

What is Managing for Development Results?

In its broader meaning Managing for Development Results refers to the implementation of reforms to the way that donors and recipients approach the issue of Aid Effectiveness, and is a follow-up to the Monterrey Conference for Financing Development in 2002 and the Paris Declaration of 2005.¹² These focused on strengthening the quality of the partnership between donor and recipient countries, including in areas of: (i) country leadership and ownership of development policies; (ii) alignment of donors with partners' strategies; (iii) donors' harmonisation of procedures and practices to reduce the burden on recipients; (iv) improving country's capacities and systems for managing for results; and (v) increasing mutual accountability.¹³ Managing for Results comprises one specific part of the Paris Declaration, and also refers more narrowly to a *specific* set of approaches and tools, originally developed for private sector business, but progressively brought into development work.¹⁴ This more specific MfDR is a set of constructive tools with which MfDR aims to link strategic goals, monitoring of progress towards those goals, and assessment of outcomes. By integrating the different stages of project/policy planning, implementation, and assessment, the approach aims to improve the quality of transparency, accountability and performance of individuals and systems within the public service provision process, and thereby development outcomes.

These are essentially a set of results-based management (RBM) approaches and tools¹⁵ applied to development, though RBM tools can be applied to achieve any kind of results.

¹² See Paris Declaration: Available at: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

¹³ 'About Managing for Development Results' at: <http://www.mfdr.org>

¹⁴ See: Cooley (2007).

¹⁵ See, for an example: Baldrige National Quality Program (2007).

These approaches particularly focus on the collection and use of quality information (data) to base decisions. MfDR also refers to a more participatory and inclusive approach than ordinary RBM, focusing recipient country governments and donors on ‘results’ for beneficiaries, in particular to alleviate poverty.¹⁶ These tools include improving results frameworks,¹⁷ information systems including Monitoring & Evaluation, statistics, and performance budgeting.¹⁸ Monitoring and Evaluation tools and approaches include both quantitative and qualitative tools. These tools can range from the use of very simple questionnaires about the perceived service received by beneficiaries, through to complex scientific measurements. A distinctive feature of MfDR is not only the creation of quality data for use in policy-making and implementation decision-making, but an emphasis on the efficacy of its wide disbursement to relevant stakeholders. This second function, that of information flow, increases the possibility of accountability of actors for results, depending on 'who has access to what information. As in the relatively successful MfDR cases of China, Vietnam, and Rwanda,¹⁹ ‘development results’ has not necessarily meant increased transparency to citizens in the short-term, even if needed information has gone to government

¹⁶ See www.mfdr.org for detailed overview and resources.

¹⁷ A results framework links inputs, processes, and outputs to outcomes for a given planned intervention. See, for a detailed explanation: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTOED/EXTANNREPOPEEVA/0,,contentMDK:21115876~menuPK:3136548~pagePK:64168445~piPK:64168309~theSitePK:3073310,00.html>

¹⁸ Performance budgeting aims to link program outcomes with budget allocations by requiring ministers to justify changes in expenditure on the basis of evidence of need or performance.

¹⁹ See: *Managing for Development Results Principles in Action: Sourcebook on Emerging Good* (March 2007). Available at: <http://www.mfdr.org/sourcebook/MfDRSourcebook-Feb-16-2006.pdf>, case studies.

officials well enough to make effective decisions. This suggests that whatever the tools and approaches encouraged by the push to encourage and support MfDR, recipient country governments will still use what they find appropriate to their own agendas.

It is being increasingly recognized that incentives play a key role in the success of implementation and institutionalisation of results-based approaches,²⁰ as well as the roles of leadership including idea ‘championing’.²¹ However, while much work has now been done on identifying feature of good practices,²² the specific literature that examines the incentives to implement those practices is not yet well developed, and is evolving. The present paper hopes to further that evolution. In this section we have considered what is MfDR and how it relates to the broader agenda of Aid Effectiveness as well as more general results-based management approaches. It thereby sets a foundation for considering the role of information and MfDR in government. We now move to consider how the availability and use of quality information impacts the quality of governance.

Description of the Problem and Why it is Important

A core problem of development is that poor countries often have poor governance. Poor governance is exacerbated by three main things: diverging interests, lack of capacity (in systems and individuals), and information problems (ignorance and lack of accountability). Though difficult and time-consuming to develop, lack of capacity can be addressed through investment in systems and sustained education and training of individuals, as well as

²⁰ Concluding Memorandum, 3rd International Roundtable on Managing for Development Results, Hanoi, Vietnam, February 8th, 2007. Available at: www.mfdr.org , and Mackay (2006).

²¹ Mackay (2006).

²² See *op cit.* *MfDR Principles in Action* (2007).

appropriate incentives to retain them. Problems of diverging interests and information are perhaps less easily addressed. This paper focuses on describing the importance of information for improved decision-making in government, and shows the crucial role information can play in creating incentives to influence divergent interests within society towards more inclusive government. This section of the paper outlines the problem and why it is important, in order to provide a guide for what follows.

The problem of information is important for two main types of reason. First, poor information makes decision-making difficult because of *ignorance*, potentially leading to mistakes and sub-optimal policies.²³ Ignorance caused by a lack of quality information also contributes to other government failures. Second, poor availability (transparency) of information to citizens and other authorities makes it difficult for them to hold political and bureaucratic actors *accountable* and removes possible disincentives to poor performance and possible corrupt activities. This lack of accountability exacerbates the problem of divergent interests, can lead to individuals taking advantage of poor information to further their own private ends.

In an ideal world, government provides public goods including stability and security, regulates externalities of private actions, provides a facilitative environment for a market system- including establishing property rights and a functioning judiciary- regulates abuses and failures of market power, and distributes resources towards socially needy groups. Good government has tended to be associated with good *policies*, which tend to be defined in terms

²³ Such as over taxation and under-provision of public goods.

of both efficiency and distribution²⁴ measured in relation to social welfare. Good policies in turn refer to policies that are feasible according to constraints such as budget, technology, institutional capacity, incentive constraints, informational constraints, and so on. As a rule, the benchmark for good policy is ‘second-best Pareto efficiency’, which means taking into account restrictions on policy instruments when formulating strategies. This approach formalises the notion that there is an inevitable trade-off between efficiency and other values such as equity,²⁵ and also that, given constraints, a theoretically optimal policy may not in practice be best once taking feasibility constraints into consideration.²⁶ Considerations of optimal policies to further social welfare are information-dependent. Without quality information, it is difficult to know what policies may be most effective and target them appropriately.²⁷

²⁴ Besley (2006), p23.

²⁵ This is often referred to as the Pigouvian model (noted in Besley (2006), p24).

²⁶ MfDR is significant for the notion of social welfare and good policies both because of its focus on improving information to improve results as well as the potential to inform policy-makers knowledge about what is needed, and therefore form a better approximation of what a social welfare function might look like, and also what may be feasible.

²⁷ Kaufmann and Kraay (2002) have devised six indicators of governance that are now being used widely as proxies for governance quality: Voice and Accountability, Political Stability/No Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. These indicators are difficult to measure, have very large error margins, and are all highly correlated, making them of limited usefulness. Gradually, as the value of such indicators is recognised, more accurate ways to assess these kinds of indicators are however being developed. World Bank is now measuring and using these indicators as part of their governance ratings systems that forms a part of the allocations of funding to country governments. See:

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20933600~menuPK:2626968~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

Low quality governments typically are characterized by poor policies and practices. These are of two kinds.²⁸ First, at a broad level, low quality governments may adopt ‘ignorant’ *policies* because of a lack of *competence* of policy makers, because of malfeasance, or from a lack of accurate *information*. These policies could include overly burdensome regulations, excessive taxation, unfair allocation of benefits, poor planning, as well as those that create conditions such as high inflation, high black market premiums, negative real interest rates, high budget deficits, restrictions on free trade, and poor public services.²⁹ Second, a lack of information about government actors’ actions makes them *unaccountable* to the citizens they are entrusted to serve, leading to incentives to take advantage of this lack of transparency through rent extraction or distributing benefits to narrow or special interests.³⁰

The worst of this second problem is the case of corruption. Corruption occurs in two basic forms: centralized ‘grand corruption’ (higher level officials) and decentralized ‘petty corruption’ that occurs within the bureaucracy.³¹ We would expect that the sources of corruption will differ according to the *opportunities* available to actors, their *abilities* to extract rents, and their *will* to do so (based on normative values/intrinsic motivations). A core

²⁸ This literature having been founded by Tullock (1967) and Krueger (1973).

²⁹ Easterly (2001), p117. Sources of government failure include (i) ignorance, (ii) the use of influence, and (iii) quality of leadership. Some forms of ignorance can lead to policy mistakes being made, especially compared to the case of full information. Such decisions are likely to be Pareto inefficient, and also fail specific welfare criteria when compared with those made with perfect or improved knowledge. These policies may also not Pareto dominate the status quo; that is, their implementation may even reduce overall welfare. The use of private influence can be problematic when powerful organized groups change the policy preferences of leadership in a way that does not promote overall social welfare.

³⁰ This problem is described formally below in Part I B in describing the principal-agent problem.

³¹ Lambsdorff (2006).

causal feature of corruption is described well by Samuel Huntington's observation that: "where political opportunities are scarce, corruption occurs as people use wealth to buy power, and where economic opportunities are few, corruption occurs when political power is used to pursue wealth."³² Factors that may encourage corruption include low transparency and accountability, elite rule, neo-patrimonial networks, and weak competition for resources between elite actors. Certain government policies, because of the opportunities they create, have been found to be particularly correlated with corruption, while other policies are correlated with lower corruption. In the absence of good monitoring (information) and enforcement of anti-corruption, one way to decrease corruption is thought to be the adoption of policies that allow less discretion to agents, thereby decreasing opportunities.

Development requires governance that falls closer to the ideal than to the perverse. MfDR is about improving the quality of information in support of this goal. The problem, however, is that societies characterized by 'bad governance' are also those in which corruption is high. If corruption is high within government policy-maker ranks (grand corruption) and/or bureaucrats (petty corruption), those officials fostering narrow interests by being involved in the corrupt activities will have little incentive to implement information-revealing systems that will expose them and reduce their benefits by their' adopting MfDR practices. It is important to find ways to encourage leaders to improve information collection and utilization and institutionalise this use in a way that gradually reinforces improved policy-making, implementation, and accountability structures. What are the incentives and disincentives to doing this? Having considered the problem in more detail, the following section considers the dynamics of government decision-making in more formal terms.

³² Cited in Andvig *et al.* (2000).

PART I. Political Institutions, Information, and the Quality of Governance

Encouraging governments to adopt MfDR is a step in the direction of higher quality governance can be thought of as finding solutions to two problems: an *information* problem and an *incentive* problem. The information problem involves two aspects: collecting and using quality information for *improved decision-making*, and creating transparent governance structures so that those who hold policymakers *accountable* have the information they need to do so effectively. The incentive problem involves creating a political institutional environment in which policymakers are rewarded for adopting and implementing good policies, by linking policymaker activity to mechanisms of *accountability*. Just as information on the behaviour of actors is crucial for accountability, accountability structures are crucial to ensure the use of information for public welfare. In the absence of good information systems, neither condition is likely to be met.

Improving information systems is also important for another reason; in the effort to link top-down planning with bottom-up, demand-driven initiatives. If information systems are good, it may be increasingly possible to respond to grass roots success with top-down support, rather than top-down imposition. This is neatly described by Easterly's distinction³³ between a 'planner' approach (top-down & prescriptive), and a 'seeker' approach (bottom-up and scale-up based on local experience). If sufficiently well aligned, Managing for Results

³³ Easterly (2006).

tools can be used to combine the plan making of politicians with the learning and scaling-up of successful local actor interventions.

Here I present two broad theoretical models that succinctly illustrate the underlying problems and highlight where and how changes must occur in order to promote higher quality governance. I look first at a basic model that argues that the incentive to pursue welfare-enhancing policies is a function of the encompassing-ness of the ruling coalition. I then turn to principal-agent model to discuss why transparency and information revelation is necessary for accountability mechanisms to function effectively.

A. Political Institutions and Incentives to Enhance Social Welfare

McGuire and Olson (1996) present a formal model of government decision-making that contrasts the incentives faced by dictatorial and democratic governments. In this they include how these forms affect tax rates, income distribution, and public goods provision. Overall it is shown that an optimising majority in control of a society necessarily redistributes less income to itself than a rational self-interested autocrat would to himself, and that there is a symmetry along a continuum from autocratic regimes, to redistributive majorities, to ‘super-encompassing’ ruling interests, to consensual societies.³⁴ Assuming taxation to be the sole means of gaining resources, they arrive at a surprising finding: in cases of both dictator and democracy, taxation will be limited, and the provision of public goods will benefit the self-interested actor in power. If an optimising entity with coercive power has a sufficiently encompassing interest in the returns derived from taxing a productive population, it will serve that entity to provide public goods up to an optimal point. They also note that when a

³⁴ McGuire & Olson (1996), p73.

rational self-interested actor with coercive power has an encompassing and stable interest over the domain, power is exercised in a way that is consistent with the interests of society.

In a anarchic environment where there is little incentive to invest or produce because it will be stolen, it will benefit a bandit leader to become a settled ruler with a given rate of tax theft, leaving his victims with an incentive to produce. By providing a peaceful order and other public goods, he encourages his subjects to be more productive. From limiting his rate of theft, he obtains more resources than from roving banditry, and the subjects are better off because they obtain public goods and the increase not taken in taxes. Because the bandit leader has an “encompassing interest”, he bears the social loss of the distortions caused by his taxation, which limits the rate of taxation.³⁵

Deadweight losses occur from taxation because the income is not used for reinvestment. The autocrat will decrease collections at the point where the deadweight loss from his taxation reduces the income of society enough that it decreases his collections. The rational autocrat spends some of the collected taxes on public goods so as to increase productivity and thereby net tax collections over time. They must choose both the tax rate and the level [and type] of public good expenditure, in the attempt to obtain an optimum. The larger the share of output the autocrat takes in taxes, the larger his encompassing interest, and the greater his incentive to take full account of the gains to society from the public good. A difficulty in the analysis is simultaneously accounting for both the deadweight losses from taxation and the productivity of provided public goods.

³⁵ The linear tax rate determines his share of the society’s benefits from the public good, as well as the society’s losses from redistributive taxation. Analysis demonstrates that were lump-sum taxation possible, taxes would be higher and more of the public good would be provided, though is not possible in reality.

The same basic incentives face democratic societies. An optimising majority in control of a society will limit taxes taken from a minority for itself and provide public goods, on self interested grounds, taking less than a self-interested autocrat. In an idealized consensual democracy, a situation where the distribution of initial endowments hold unanimous support, public good expenditures do not exceed tax revenues, since the income distortions from excessive taxation would incur deadweight losses not warranted by a demand for income redistribution. Whereas the autocrat thinks only of his own benefit, the consensual society necessarily considers *all* of the benefits of the public good. The consensual democracy chooses a tax rate where the marginal social benefit of the tax just equals its cost as perceived by that society.³⁶

Democratic societies share three fundamental principles. First, there is competition for votes to determine who controls the government. Second, government can redistribute income as well as provide public goods. Third, behaviour depends upon the share of the economy that office-holders include in their decision calculus. Rather than enjoying unanimous support, most governments represent a ruling interest, such as a majority, or an oligarchy also encompassing business interests. Some people are necessarily excluded. Other things being equal, policies that increase the aggregate income and welfare also make the ruling interests better off. This provides a strong incentive for democratic governments to take account of citizen interests. Even better for the ruling interest is if, in addition to increased aggregate income, there is a redistribution of income to it from the minority or non-ruling interest. In

³⁶ *Note:* The marginal cost of the public good for the non-redistributional society is necessarily greater than the direct cost of the public good because of the deadweight loss of taxes.

this case the ruling interest optimises their material interests though using their control over government to redistribute to themselves.

In the model the ruling interest earns income from (1) the market, and (2) redistributing funds, after taking out costs incurred in providing public good. McGuire & Olson note that the larger is the ruling interests' income interest in the market, the lower will be its optimal tax rate. This agrees with the general observation that a stronger private sector will prefer less taxes. Similar to in the autocrat situation, the larger is the ruling interests' encompassing interest, the larger also is its share of the deadweight losses associated with taxation. It also, therefore, wants to tax less and spend more of the taxes that it raises on the provision of public goods. The same point is reached as for a non-distributive democracy, and as for a consensual democracy. The implication of this model is that both the majority and minority pay for their share of the tax burden.³⁷

This model is significant to us for three reasons. First, it demonstrates how even purely self-interested government actors have strong incentives to invest in public goods so as to increase the productivity of society over time. Second, it demonstrates the need of government for *good information* with which to decide public policy problems, including how much to tax the people, and what level of public goods (and perhaps what kind of public goods) to provide. If governments are ignorant of the tax burden citizens are willing to bear relative to satisfactory public goods provision, instability and even conflict may ensue. Third, by implication, it *demonstrates the central importance of investing in information systems*

³⁷ McGuire and Olson (1996), p80. Two problems not comprehensively dealt with in the paper are the issues of when coercive power to tax is disbursed amongst different individuals or groups, each with a narrow interest in society. If such interests exist in democracies, these democracies will do far worse than described in the models here. Special interest groups have no interest in limiting the deadweight losses they impose on society.

like MfDR for even self-interested governments. The only stable equilibrium for a government in the long term is that it is aware of its citizens and able to address their basic needs *at least* enough to keep them appeased. Information is crucial for this. An encompassing interest will therefore consider investing in MfDR a public good with a long-term return. As a public good with the long-term potential to yield improvements in societal outputs (and thereby future tax revenues) the model therefore implies a strong incentive for government elites to invest in MfDR, *if* they take a long-term view. If a short-term view is taken, perhaps because of the threat of regime change, the short-term costs of investing in MfDR systems may not be attractive even to self-interested actors. These incentives may be affected if international donors are willing to bear the costs of implementing improved information systems, even in unstable political environments.

This model has demonstrated how information is important for government-elites to pursue their own interests, and in so doing can also advance social welfare if elite interests are sufficiently encompassing. The following section examines information not as a positive planning and implementation tool, but as a knowledge and action revealer. Whereas the interest-based model discussed tells us about instrumental uses of information for positive policy formation, the following agency model demonstrates how information can also be used as both a tool to gain prior knowledge of actors' competencies and motivations, and provide accountability where incentives would otherwise be weak.

B. Information asymmetries and the principal-agent problem

Whereas the interest-based model tells us a lot about the actions of the government elite in pursuing their broad interests, it does not tell us much about the relationships between different actors in the system. The different roles of different actors are important because

people specialize according to their function, and because these different roles impose different limitations on their ability to hold and act upon information. A basic problem in politics is where there is an asymmetric relationship in which authority is held on one side and an informational advantage on the other.³⁸ Information asymmetry is to be expected and unproblematic so long as information is shared. However, it may become a problem when the interests of the two actors diverge, and one actor has an incentive to withhold information from the other. One approach developed to address this issue is principal-agent theory.³⁹ Whereas in the McGuire & Olsen model information is treated as a public good that is treated as endogenous, the principal-agent approach demonstrates how difficulties in uncovering information between different levels of authority can create significant government failures that can in turn have a huge impact upon the incentives faced by individuals, and on their accountability to those they're employed to serve.

The principal-agent problem is particularly important in considering the relationship between government officials and their constituencies.⁴⁰ Government earns its legitimacy through being of the people for the people,⁴¹ and as such in the basic model citizens of a country are considered the principal and government the agent. Ideally, government interests and those of the people should align. A principal-agent problem arises however, where the

³⁸ This was first theorized by Weber (1958).

³⁹ First developed in economics, for a review of the literature as applied to problems of politics see Miller (2005).

⁴⁰ The concept can be applied to many other levels also.

⁴¹ As articulated by Rousseau in the classic social contract.

interests of an agent (government)⁴² and principal (people) are different. By manipulating the agent's incentives, the principal wishes to leverage the agent to act in its interests and minimize shirking.⁴³ While aggregate effects can often be observed *ex post*, there is an informational disadvantage to the principal (information asymmetry) that makes it difficult for them to know about the *motivations*, *competence*, and *actions* of agents. This information is necessary for choosing appropriate agents, and holding them accountable.⁴⁴ We therefore have both a problem of *hidden knowledge* about agents, and a problem of *hidden action* (not knowing what they do). Because of information asymmetry there is an incentive created for the agent to take greater risks, and generally engage in practices not in the interests of the principal.⁴⁵ These risks can be reduced if informational quality is improved, which further motivates the need to improve systems for MfDR.

Given the prohibitively large costs of comprehensive monitoring of individual actors' behaviours, it is in the interests of the principal to create incentives to *substitute* for a coercive system of rules and supervision of the agent. Best is that the principal choose *outcomes-based incentives* to overcome in part the problems of moral hazard, despite operating at an information disadvantage to the agent. This transfers risk to the risk-averse agent. Second, moral hazard limits the benefits to the principal and the efficiency of the overall transaction because of the need to mitigate risk. An efficiency trade-off arises

⁴² Or more specifically, the elites that make up its political and bureaucratic representatives.

⁴³ Also known as 'agency costs'.

⁴⁴ Miller (2005), p204.

⁴⁵ This risk is known as 'moral hazard.'

between efficiency in incentives and efficiency in risks.⁴⁶ The best trade-off involves paying the risk-averse agent an outcomes-based bonus.⁴⁷ While this may be the best option in theory, in government service there are limits to the ability to offer material bonuses. Non-material bonuses such as days-off work and intrinsic rewards may be substitutes for material bonuses.

The threat of *ex post* sanctions⁴⁸ can also create powerful incentives for agents to do what it takes to ‘get results.’ In the case of car insurance for which the model was first theorized,⁴⁹ having the agent (the driver) pay a deductible in the case of an accident makes them more risk-averse than they might otherwise be. This in turn reduces the risk bourn by the principal (insurer), who has no way of comprehensively monitoring the agent to know the competence⁵⁰ and risk-aversion (equivalent to temperament, motivation) of the agent. This situation is second-best when compared with the case of full information where the principal knew a lot about the agent beforehand, however because of moral hazard⁵¹ incentives can be only a *partial* correction for the problem of information asymmetry.⁵² Appropriate incentives

⁴⁶ Miller (2005), p205.

⁴⁷ Shavell (1979).

⁴⁸ As studied in Weingast & Moran (1983) and Weingast (1984), in connection with U.S. Congressional oversight of bureaucratic behaviour.

⁴⁹ Spence & Zeckhauser (1971).

⁵⁰ Competence can be considered a related issue of ‘adverse selection’.

⁵¹ *I.e.* The person’s tendency to be more risky than usual when not observed.

⁵² For the problem to be fully overcome, at some point individuals need to decide for themselves to internalise normative values of honesty and integrity in action. These norms and values may be influencable over time. In societies with significant physical, economic, and psychological insecurity, we cannot expect such values to become dominant in isolation from material concerns. This is fully consistent with psychological models such as Maslow’s Hierarchy of Needs theorem.

can however, reduce moral hazard and can partially overcome the problem of information asymmetry. This model is directly applicable to the case of voters electing politicians, as outlined in a Part II A.

The threat of sanctions may also arise from implicit bargains such as policy promises (of politicians) or workplace contracts (in the case of bureaucrats). Without monitoring, principals can shape agents behaviour by offering implicit contracts based on the observable effects of that behaviour.⁵³ Theoretically at least, this allows for the possibility of bargaining between principles and agents.⁵⁴ This creates a need for definable and somehow observable/measurable attribution between individual actions and *results*, though places a burden on monitoring that may be prohibitive. Where attribution of individual action to results is difficult, and the likelihood of shirking high, *process-oriented* criteria can be useful. In this approach, where there are specific tasks that need doing to ensure quality in implementation, the burden of proof for completion can be placed with the agent, such as requiring consultation with specific beneficiary stakeholder groups (up to a certain level of quality), providing complete financial records for disbursements, and so on. These kinds of mechanisms may be especially useful for public service positions. These kinds of incentive mechanisms place a particular emphasis on quality information.

Combining the broad political institutions with the more narrowly focused principal-agent literature depicts governance as a multi-layered interaction between voters, politicians, and

⁵³ For politicians elections theoretically perform this function.

⁵⁴ For example the case of election policy promises, in the case of politicians and the electorate; and individual workplace agreements, in the case of bureaucracy.

bureaucrats.⁵⁵ Good governance requires effective accountability; effective accountability depends upon access to information in a world characterized by pervasive information asymmetries. Demonstrating how information leads to better outcomes through better informed policy, in the next section we consider the motivations of different actors that may also influence the incentives of government.

⁵⁵ The inclusion of bureaucrats into a multi-layered agency problem is explored further in Alesina & Tabellini (2004).

PART II: Incentivising Managing for Development Results

Improving Managing for Development Results, in both the broad and narrow sense, is a matter of will and ability. While in some cases the maxim holds: ‘where there’s a [strong enough] will, there’s a way’, without will even great ability will not improve results. The positive political economy models highlight the central dilemma: how does one encourage people to adopt and use an information-revealing system when they have strong incentives to control and limit public access? This section considers the influence that external actors might have to increase politicians and civil servants’ will and ability to improve development results through implementing improved MfDR systems. Particularly, we shall consider actors’ influences on: (A) expanding the group of societal interests that have a stake in demanding high quality information, while weakening those with narrow interests; and (B) strengthening the use of information to overcome the hidden action problem (accountability), while weakening incentives to hide action.

A. Expanding Societal Interests – The Importance of Inclusiveness

The ability of external actors to influence the institutional structures of government is limited. At transition points following the cessation of conflict,⁵⁶ following or during certain kinds of economic or other shocks,⁵⁷ and at key points in the electoral cycle, key actors may

⁵⁶ World Bank (2006). *Fragile States*.

⁵⁷ For example, the many cases where high and rising inflation has led to governments requesting IMF assistance which has in turn been implemented with strict conditionality.

have influence in shaping institutions. The building of trust relationships over time⁵⁸ and the demonstrable success and transferability of specific policies, practices and arrangements may contribute to an increased willingness of government leaders to engage in reform. Reform of an existing structure is difficult, since once ‘the rules of the game’ are known, rational actors will seek to further their own interests by forming strategies that may in turn entrench interested parties’ patterns of behaviour, creating losers and especially winners who may be able to consolidate power over time. Given uncertainty, those who benefit from current systems are unlikely to be enthusiastic for structural change, and uncertainty creating the possible threat of loss will be avoided. Even those who are at a low equilibrium level of welfare may be unwilling to deliberately engage in change if they are already vulnerable and change is perceived to further endanger them. For these reasons, for the most part we can expect politicians to respond to local demands, according to local norms, and as based upon existing institutions.

International actors may encourage beneficial effects but may also have inhibitive or even negative impacts on ‘encompassing-ness’ and information asymmetry. In general, external entities are more likely to promote encompassing-ness if international actors’ perceived interests and motivations align with the general welfare of the people of the poor country (creating will), and if the processes that are in place increase systems’ and individual capacities (ability). Some ways that international actors can have influence on encompassing-ness are through promoting demand for information that leads to greater accountability, through helping to provide funds and technical expertise to set up MfDR systems, and through fostering good relationships with development partners. Businesses can have

⁵⁸ Pomerantz (2004).

positive influence through good practices, but also be potential sources of corruption. International organizations and bilateral donors can help to strengthen the *demand* for information by establishing and strengthening civil society groups and the media, and the private sector. If a country is very poor and the private sector weak, the positive role of private business and civil society organizations may be quite weak. This may be the case in most of the poorest countries that we are most concerned about.

International companies can also be potential sources of good practices, and can increase the encompassing-ness of government interests. If foreign firms invest, these international entities can encourage improved professional standards amongst those it deals with and employs in-country. International companies will also tend to import wholly their corporate governance systems. The possibility of improving both local and international business opportunities can provide strong incentives for governments to strengthen institutions and policies. The will to provide a facilitative environment for business can lead to substantive changes in government approaches, a focus on infrastructure, and transparency and accountability of government decision making - since these impact directly on country risk-ratings and contribute to firm decisions on whether to invest in countries.⁵⁹ Businesses rely on effective institutions to ensure property rights and facilitate business opportunities, such that a strengthening private sector will have a greater demand for predictability and transparency in government policy making especially, including long-term coherence in policy decisions, that can help facilitate business planning.

Improved information and more rational, transparent, predictable decision making is one criteria upon which business confidence is built, and generally more trust within society for

⁵⁹ Rondinelli & Cheema (2005).

government decisions. A long-term focus on the private sector can increase ‘the size of the pie’ for everyone. Strengthening the private sector will also in time allow those individuals who are predominantly ‘rent-seeker types’ to channel their ambitions there, perhaps in preference to seeking bureaucratic or political positions that may be valued and scrutinized upon different criteria.

Foreign-sponsored bribery is considered by many observers in developing countries to be the most significant factor to corruption⁶⁰, which is characteristic of a narrowing of interests. International bribery can provide a strong disincentive against accurate and high-quality accounting and financial reporting, and also distort policy decisions at the political level. Various forms of corrupt practices may be encouraged or condoned by bilaterals or companies. The self-interest of bilaterals may be interpreted in narrow terms and not be consistent with the broad social interests of the people of recipient countries.⁶¹ The greater that this is the case, the more likely it is that information will be (mis)used to support narrow interests, and encourage both corruptors and corruptees to hide information about both their actions and knowledge. A government that seeks stable influence in a particular country may be much more likely to want to deal with a corruptible ruling elite than a potentially changeable democratic government. Business and trade opportunities with that bilateral may be opened-up that provides opportunities for some segments of the society, and this can have positive overall benefits. Depending upon specific bilateral interests however, foreign country representatives may decrease the encompassing-ness of a governments’ interest in its

⁶⁰ Andvig *et al*, p13.

⁶¹ Especially, for example, the USAID mandate to further its interests overseas. See particularly, Lancaster (2007).

own people's general welfare, and encourage a culture of secrecy that works against using information for development results.

The influence of businesses on encompassing-ness and information asymmetry may depend on the kinds of business. Extractive industries, for example, may represent a narrow set of interests⁶² with large incentives to conceal information about what it pays, little bottom-up pressure from consumers,⁶³ and likely from shareholders, and high potential gains from offering bribes to gain licensing concessions. Licensing fees may result in large opportunities for grand corruption. We cannot expect that the presence of large capturable mineral deposits such as oil will encourage either increased encompassing-ness or more open information, especially when there are strong narrow interests at both the supply side (recipient government officials) and the demand side (*eg.* international oil company), though the extractive industries' Publish What You Pay initiative is one positive move in that direction. Recently instituted international anti-corruption conventions⁶⁴ may have an impact on the 'supply-side' of corruption, however enforcement is very difficult. A related issue is that without a strong budgetary allocation system which can redirect government revenues back down to the lowest levels of the economy, strong government accountability and/or strong intrinsic motivations of leaders and officials, the likelihood of benefits going to the community are decreased. This is shown in the experience of many African countries is of what has become known as 'resource curse,' whereby despite large mineral or oil reserves,

⁶² *I.e.* not 'encompassing.'

⁶³ Since commodities are not brand differentiated, and even oil and gas brand recognition is limited, compared with consumer goods.

⁶⁴ Especially the UN Convention Against Corruption (UNCAC) 2003, and the OECD anti-bribery Convention 2005.

conflict and poverty have resulted.⁶⁵ Recent empirical studies have noted that large foreign aid recipients also exhibit political dynamics characteristic of resource-abundant societies, and probably for similar reasons; among them that large potential rents exist in a concentrated place.⁶⁶

A multiple principal agent problem arises when donors make recipient governments accountable to them, rather than to their own citizens. By substituting themselves for the people as the principal, international donors exacerbate principal-agent problems. If government officials become primarily accountable to international agency representatives, donors become government official clients (donors become the principals). This is a conflict of interest for the government. So long as international donor representatives are arbiters of country performance, there will always be a conflict of interest to the extent that performance criteria may reflect the interests of donors and not those of recipient countries' people. This problem is exacerbated by the existence of multiple donors, each of whom have their own constituents at home.⁶⁷ The non-alignment of donor is an inhibitor to recipient countries' managing for results (in the general sense) in part because it reduces government focus on its legitimate real principal client (its own people) and thereby reduces encompassing-ness of its interest in them as being the source of governments' legitimacy and authority.

Also, if projects in especially core program areas are implemented in *parallel* to regular government functions, government decision-making processes may not internalise the

⁶⁵ See for example, Shankleman (2006).

⁶⁶ See for example, World Bank (2006).

⁶⁷ Acknowledging the strain that multiple donors places on recipient governments has motivated an increased focus on donor harmonization, as outline in the Paris 2005 Declaration.

importance of these functions and develop proficiency in them, possibly effectively *reducing* the everyday importance placed by regular government functionaries to those areas. Ironically, the greater the emphasis placed by international organizations on specific program areas- to the point where programs are implemented in parallel to government- the weaker may be core government focus on these areas. Unless capacity is developed and projects staged to gradually integrate donor-funded programs and projects into mainstream government functions, the long-term effect of aid programs may be to decrease encompassing-ness and exacerbate the principal-agent problems between donor and recipient government and their people.⁶⁸

These problems may be partially overcome if donors more actively considered poor citizens' voice and direct results by basing decisions on proxies or direct data for these. By using quantitative and qualitative data from ground-level beneficiaries and basing decisions on those, international donors would make recipient governments accountable to the *results* delivered to their own people rather than the largely *process*-based accountabilities to donors.⁶⁹ This approach would refocus attention to the role of citizens as principal,⁷⁰ and to some extent addresses the information asymmetry created by donors. However, *these kinds of proxies cannot be a long-term substitute for bottom-up accountability that is driven by local*

⁶⁸ Though generally considered a capacity issue, parallel implementation arrangements have recently been generally acknowledged to reduce long-term capacity-building and as such, the need to reduce reliance on them for project implementation is addressed specifically in the Paris Declaration (2005).

⁶⁹ Including, for example, beneficiary surveys that actually ask beneficiaries about the quality of services that they do and do not receive.

⁷⁰ For such an approach to be effective, organizational limitations need to be acknowledged, and the nature of the compromise understood. For example, as a bank, the World Bank has a necessary and legitimate responsibility to ensure the fiduciary feasibility of its loans, which implies certain limitations to what it can and cannot agree to.

demand. Inclusiveness must ultimately be home grown. This demand for accountability through information can come from civil society groups such as local think-tanks, university teachers, and especially media groups. International organizations can strengthen demand for accountability through helping to strengthen those groups and especially those that specialize in the gathering and disseminating information specific to the provision of public services. Other international actors including such organizations as Amnesty International, Transparency International, and many other internationally-oriented think-tanks, universities, and policy institutes can all provide positive support for increasing in-country focus on information to increase the policy-making competence and accountability of government actors.

B. Overcoming Hidden Action Problems – The Importance of Transparency

In low-information societies the problems of hidden action and hidden knowledge are not easily resolved. While the information asymmetry between government and the public is general too significant to be overcome only through better monitoring, this is especially the case in poor countries where the costs of information systems may be very high relative to other priorities. To reduce problems it is again important to strengthen the *ability* and *will* of agents to internalise the costs of information asymmetry. In general, there need to be systems in place, appropriate individuals selected, and incentives for their action. Particular incentives for both politician and bureaucrat are that there needs to be the possibility of consequence for failing in the responsibility of public office, and reward for results.

It is through greater accountability that politicians are more likely to be responsive to voter wishes.⁷¹ For the politician, the main sanction for poor performance is the threat of not being re-elected.⁷² The threat of being exposed and not being re-elected can thereby be a disincentive from rent extraction.⁷³ A useful distinction can be made between formal accountability, where a formal mechanism exists whereby action can be taken against a politician, and *real* accountability, which requires that those who hold politicians to account have sufficient information to make the system work. Whereas elections serve the twin roles of selecting candidates and establishing formal accountability, the lack of quality information about government activities and performance inhibits the operation of real accountability. The ability of citizens to hold political and bureaucratic actors accountable requires both formal/informal institutions *and* information about government behaviour.

Selecting good politicians is important because individuals may differ in policy-making and implementation competence (ability), and because individuals' motivations (will) may be different, including such concerns as integrity, honesty, altruism, and policy interests, and therefore be more or less willing to be responsive to citizen needs and wants.⁷⁴ Given the difficulty of knowing a person's inner motivations, information about past actions may be the best way of making informed decisions about candidates. This is another way of saying that one way to partially overcome the hidden knowledge problem is to focus on the hidden action problem. This can only be done through the gathering and dissemination of

⁷¹ Besley (2006), p101.

⁷² If the political system of the particular country allows for this.

⁷³ This approach was pioneered by Barro (1973) and Ferejohn (1986).

⁷⁴ *Op cit.* Besley (2006), p38.

information about individuals' actions over time to a wide audience. These observations are consistent with empirical findings in the corruption literature that note that corruption is found to decrease with a free press⁷⁵ and the number of newspapers per person.⁷⁶ The issue of integrity of electoral systems (institutions) and transparency of information about candidates are therefore very important, and make issues of electoral corruption particularly important in selection issues.⁷⁷

Bureaucratic accountability operates differently than political accountability, in that bureaucrats can be given more explicit incentives for project delivery and are more specifically focussed on a narrow set of tasks, may be more sensitive to market based incentives (though there are constraints in offering these), and may have different motivations than politicians. In this case, politicians are the principal and bureaucrats the agent, while the beneficiaries (and the legitimate indirect principals) are the citizens.⁷⁸

But what can one do from the outside to ensure that once in the civil service officers do not fall prey to the opportunities they have? In the case of the bureaucrat, the agent can internalise the costs of information asymmetry in part through the principal (the politician, or bureaucratic supervisor) monitoring and rewarding performance, and through seeking to influence the bureaucrat's motivations on the job, influencing their ability and will. Whereas

⁷⁵ Especially that not owned by the state. As based on Freedom House data, Brunetti & Weder (2003), Lederman, Loayza, and Reis Soares (2001), Sung (2002), cited in Lambsdorff (2005), p19.

⁷⁶ As a proxy indicator for the degree to which general population is informed, suggesting that a successful media may make it difficult for elites to perpetuate corrupt behaviour. Adsera, Boix, and Payne (2000), cited in Lambsdorff (2005).

⁷⁷ See, for example, Walecki, Martin. (2002). "Political Money and Corruption." In Transparency International. *Global Corruption Report*. p20.

⁷⁸ There arise also, therefore, a principal-agent problem at the bureaucratic level.

in the private sector there are ‘hard bottom-lines’ and tend to be clear sales and other targets, making agents accountable for performance through evaluation is more difficult in the public sector. This is because officials often have more information than the monitorers, there are likely to be more criteria for satisfactory than are found in the private sector, including equity of distribution and considering all stakeholders,⁷⁹ there is a smaller set of possible material rewards,⁸⁰ and possible limitations on sanctions because of job-security issues,⁸¹ as well as possible political protection.⁸²

As for the politicians, the main sanction for not adhering to civil service standards⁸³ or some criteria of performance is the loss of one’s job. However, if information and incentive structures are such that civil servants are too internally focussed on the institutional environment and how their decisions may affect them and their career, this could have an adverse affect on/impede managing for good results. If an employee is insecure, they will not focus on the beneficiary so much as feel the need to protect themselves. Especially in a country with a high rate of unemployment, people with jobs may be fearful of losing them. If incentives are such that people fear systems change as a result of managing by results, then this may cause a disincentive for those with civil service jobs to want to MfDR. If an actors’ wages are dependent upon a system that threatens to punish them for certain kinds of information, they will be reluctant to reveal that information. We can expect incentives will

⁷⁹ Where performance is usually somehow linked to profit, plus perhaps customer satisfaction.

⁸⁰ Since the financial leeway is not there to pay big bonuses.

⁸¹ Including possibly civil service regulations.

⁸² *Op cit.* Besley (2006).

⁸³ In particular, breaking the law.

strengthen in line with the extent to which the information will be used to increase or decrease their rewards or to punish them, whether those are material or intrinsic rewards/punishments. In the poor-country civil service environment, if there is a real threat of being punished by losing one's job for corruption, this may be a disincentive to behaviour that is not in the principal's interests.

For a results-based culture to strengthen, there should be a strong focus on rewarding results in a way that acknowledges a person's overall contribution, to processes as well as measurable and attributable end goals. For civil servants there needs to be a balance between results goals and process goals. Attribution is important. A person should only be judged on things that they have control over. Therefore, to judge a person according to only 'results' may be unfair. Accurate, timely measurement of results is difficult compared to assessing process measures. These rewards should be predominantly non-material rewards,⁸⁴ to help strengthen a sense of the intrinsic worth of the work, while noting the absolutely necessity of being paid good wages,⁸⁵ without which there is little hope of bureaucrats' not supplementing their wages through accepting bribes or taking from the common pool. Having an agent be responsible to provide evidence of process compliance may be a way to ensure that some 'work' is done, and also perhaps that resources are accounted-for, but we need to be careful that these processes are well linked to achieving actual results. Are the measures intended as

⁸⁴ Specific rewards for good work that are not strictly material include such things as: (i) recognition in the form of professional awards; (ii) increased responsibilities with performance ('career'); (iii) training opportunities; (iv) participation in conferences, regionally and internationally; (v) *seeing* results on the ground; and (vi) being shown aggregated information and comparative information in an easily-understood form (from those in positions higher up the information chain), among others. There are, therefore, a range on incentives that can help civil servants focus on results through being rewarded for performance.

⁸⁵ Lambsdorff (2005).

accountability measures, to prevent bad behaviour,⁸⁶ or to achieving the positive result? If we reward ‘good’ behaviour, people learn to *show* good behaviour to get rewards. If we punish ‘bad’ behaviour, people do not necessarily learn to not do those things but may simply learn to hide them better! The latter case will also worsen the asymmetric information problem. The choice of measures is extremely important, since ‘what is measured gets done.’ That is, people do what they are rewarded and held accountable for. Depending upon just what is measured, “accountability can crowd-out learning”,⁸⁷ possibly leading to less good results in the long term.

Bureaucratic selection may be as important an issue as in politics. This is a clear instance of the hidden knowledge problem—how to screen for unqualified applicants intent on using public office for private gain? The issue of selection in bureaucratic service is in trying to develop a civil service whose motivations are less towards extrinsic material rewards than intrinsic. This problem may be partially solved for competence (ability) by encouraging a competitive selection process wherein applicants’ experiences are considered alongside testing, and selection into the civil service based on their performance on such tests.⁸⁸ However, a person’s motivations may be highly contingent upon circumstance, and there is no easy test for such things. A person’s previous record and the recommendations of other people are one source. In a world in which the inner workings of a person’s mind is difficult

⁸⁶ *I.e.* Creating a negative incentive to bad behaviour.

⁸⁷ Cooley (2007). Available at: <http://www.mfdr.org/RT3/Glance/Day2/index.html>

⁸⁸ A related empirical study finds that merit-based recruitment, as based on proportion of University graduates hired, is correlated with a decrease in corruption. Based on a survey of 35 developing countries. Evans & Rauch (2001).

to know, the hidden knowledge problem can be partially overcome through knowing the results of a person's past actions.

While MfDR reforms may increase aggregate social welfare over time, we might expect a corrupt person to thwart attempts to improve accountability structures if they are able, to protect their rents. However, the incentives to MfDR are asymmetric with the disincentives away from corruption. That is, while encouraging managing for results will not of itself decrease the incentives towards corruption, though it will decrease opportunities (ability) over time. Also, measures to strengthen information gathering, flows, and use, and thereby transparency and accountability, may have general as well as specific effects that may be difficult to thwart. However, while MfDR can improve information transparency and give more actors a greater stake in general welfare results, specific institutions to sanction and enforce anti-corruption will be necessary, decreasing the ability of actors to engage in socially destructive action without negative consequence to themselves, thereby decreasing incentives to do so. Where there are simultaneously strong positive and negative incentives to engage in corruption,⁸⁹ the effect of positive civil service rewards may be weakened, since they compete with the gains from corruption. In a sense, the only long-term resolution to corruption and governance issues seems to be improving the opportunities of the private sector relative to the rents available in the public sector, strengthening sanctions in line with what is possible and sensible, thereby reducing incentives to hide information that can in turn be used to improve development results.

⁸⁹ That is, both significant rewards in taking bribes or otherwise engaging in corrupt practices, while also being significant personal negative consequences to oneself or family if one refuses to do so.

CONCLUSIONS

This paper has sought to outline the role of information in government effectiveness, describing some of the ways that government actors may be influenced to want to implement MfDR tools and approaches. The main incentive for governments is in their recognising the long-term value for improving social welfare outcomes, operating through improved decision making, and the partial overcoming of asymmetric information problems including hidden knowledge and hidden action. The main factor in governments' being able to improve information systems is in their allocating and/or receiving specific resources to meet the short-term costs of building systems and individual capacity-building. As a specific and costly public good, information will tend to be under-valued and underprovided.

We can expect that a government will be more enthusiastic to provide public goods to its citizens, the greater is the encompassing interest in the general welfare. Even if a narrow elite governs a country it will be still be in the interests of that elite to provide public goods, including to strengthen results-based management, to the extent that taxation and other benefits are accrued by that elite as a result of the general welfare effects of providing those public goods. Governments are also more likely to recognise the value of MfDR systems if they have been proven in other places under varying conditions. The agency model identifies information as an important part of providing effective incentives for government actors especially through encouraging accountability. These interests can be expanded through greater participation in government by a wider cross-section of society, and through the strengthening of media, concerned civil society groups, and broad business interests within

the country. Over time, improved information is likely to increase the encompassing interest of government elites in a generalised social welfare, especially if information is extended to a wide range of interested constituents.

While the ability of external actors to influence the incentives of politicians and bureaucrats to want to MfDR may be limited, those influences can range between the strongly positive to the strongly negative. International organizations can have a strongly positive effect in providing resources and expertise to facilitate the building of institutional capacities and information systems that can help address information asymmetry problems (supply side), while encouraging the development of local demand through funding the strengthening of broad-based civil society groups and encouraging private sector development (local demand side). International actors can also severely inhibit the gains of technical and financial assistance because of problems caused by being made responsible to donors as the principal (rather than the beneficiaries) and through parallel implementation processes, which may impact on both the will and ability of government actors to focus on MfDR. As the legitimate beneficiary is the people of the recipient-country, these people should also therefore be considered the client and the ultimate arbiter of success, and measures of success should therefore focus on citizens' voice and results on-the-ground. The most invasive aspect of international influence is (the supply of) corruption, which undermines the basis for government for the people, encouraging instead narrow interests that undermine development goals. This situation can be addressed in part through local and international focus on building institutional capacities – including improved information – for detecting and prosecuting of corrupt acts.

The problem of using information to improve development results is ultimately one of will and ability. The selection and retention of talented and leaders and civil servants is crucial to providing improved policy decisions over time that will enhance overall welfare. However, there is limited ability to overcome hidden knowledge problems about individuals' motivations and intentions. It is therefore through strengthening institutions that promote accountability through the use of high quality information to overcome the hidden action problem that individuals are more likely to become disciplined to do the socially good. It is hoped that through creating better systems of information gathering, dissemination, and use, that abilities and incentives to govern for a broader set of constituents will improve, while opportunities and incentives to govern for narrow interests will weaken. The analysis leads us to a broad affirmation of the value of democratic inclusiveness and transparency in governance.

While understanding successful cases is important in being able to adapt them to different countries, we also very much need to understand inhibiting factors in implementing the systems that will influence results over time. To extend the theoretical work done in this paper, specific applied case studies could be very useful. Given pervasive conditions of poverty in Africa and other parts of the world, the current international focus on MfDR is an extremely important push that holds great promise to improve decision-making and address problems of transparency and accountability in governance. It is hoped that improving incentives to strengthen MfDR systems and capacities will lead to strongly improved results over time. It is therefore also an important area for further applied research.

REFERENCES⁹⁰

- Adsera, A., C. Boix, and M. Payne. (2000). 'Are You Being Served? Political Accountability and Quality of Government', *Inter-American Development Bank Research Department Working Paper* 438. Washington D.C.
- Aidt, Toke S. (2003) "Economic Analysis of Corruption: A Survey." *The Economic Journal*. 113 (November): 632-652.
- Alesina, A. & Tabellini, G. (2004) "Bureaucrats or Politicians?" *CEPR Discussion Papers* No. 4252.
- Anderson, Mary. (2004). *Do No Harm Handbook*. CDA Collaborative Learning Projects, Cambridge, MA.
Available at: <http://www.cdainc.com/dnh/docs/DoNoHarmHandbook.pdf>
- Andvig, Jens Chr., Fjeldstad, Odd-Helge Inge Amundsen, Tone Sissener, & Tina Sereide. (2000). *Research on Corruption; A Policy Oriented Survey*. Chr. Michelsen Institute (CMI) & Norwegian Institute of International Affairs (Commissioned for NORAD).
- Ascher, William. (1998). "Strategic planning of Institutional Reform: Improving Policy Outcomes through More Accountable Structures." *Iberoamericana; Nordic Journal of Latin American and Caribbean Studies*, Vol. 27, pp315-331.
- Atkinson, A.B. and Stiglitz, J.E. (1980). *Lectures on Public Economics*. New York: McGraw Hill.
- Ballentine, Karen & Nitzschke, Heiko (eds). (2005). *Profiting from Peace: Managing the Resource Dimensions of Civil War*. Lynne Rienner; Boulder.
- Ballentine, Karen & Sherman, Jake (eds). (2003) *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder; Lynne Rienner.
- Baldrige National Quality Program. (2007). *Criteria for Performance Excellence*.
Available at:
http://www.quality.nist.gov/PDF_files/2007_Business_Nonprofit_Criteria.pdf
- Bardhan, Panab. (1997). *The Role of Governance in Economic Development: A Political Economy Approach*, OECD Development Center, Paris.
- Bardhan, Panab. (1997). "Corruption and Development: A Review of Issues." *Journal of Economic Literature*, Vol. 35 (September), pp1320-1346.
- Barro, R. (1973). 'The Control of Politicians: An Economic Model', *Public Choice*, Vol. 14, pp19-42.
- Bedi, Tara, Aline Coudouel, Marcus Cox, Markus Goldstein, & Nigel Thornton. (2006). *Beyond the Numbers: Understanding the Institutions for Monitoring Poverty Reduction Strategies*. World Bank; Washington.

⁹⁰ All online references are current as at March, 2007.

- Besley, Timothy. (2006). *Principles Agents? The Political Economy of Good Government*. New York: Oxford University Press.
- Brunetti, A. & B. Weder . (2003). "A Free Press is Bad News for Corruption", *Journal of Public Economics*, Vol. 87 (7-8), pp1801-1824.
- Burall, Simon & Simon Maxwell, with Alina Rocha Menocal. (2006) "Reforming the International Aid Architecture: Options and Ways forward". London: Overseas Development Institute Working Paper 278 (October).
- Collier, Paul and David Dollar. (2004). "Development Effectiveness: What Have We Learnt?", *The Economic Journal*, 114 (June), pp. 244-271.
- Commission for Africa. (2005). *Our Common Interest*. London: Oxford, pp. 101-120.
- Cooley, Larry. (2007). "Key Elements, Emerging Trends, and Promising Practices in Monitoring and Evaluation of Development Results." Presentation to the Third International Roundtable on Managing for Development Results. Hanoi. (February) available at: <http://www.mfdr.org/RT3/Glance/Day2/index.html>
- Cornia, Giovanni Andrea. (2005). "Inequality, Growth, and Poverty: An Overview of Changes over the Last Two Decades." In *Inequality, Growth, and Poverty in an Era of Liberalization and Globalization*. New York: Oxford University Press.
- Corruption Perceptions Index and Corruption Barometer: www.transparency.org
- Downs, A. (1957). *An Economic Theory of Democracy*. New York: Harper and Brothers.
- Dunning, Thad. "Conditioning the Effects of Aid: Cold War Politics, Donor Credibility, and Democracy in Africa." *International Organization* 58(2), April 2004, pp. 409-423.
- Easterly, William. "Can Foreign Aid Buy Growth?", *Journal of Economic Perspectives*, Vol.17, No. 3, Summer 2003, pp. 23-41.
- Easterly, William. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge, MA: MIT Press, 2002.
- Easterly, William. *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. New York: Penguin, 2006.
- Evans, P.B. and J.E. Rauch. (2000). "Bureaucratic Structures and Economic Performance in Less Developed Countries", *Journal of Public Economics*, Vol. 75: 49-71.
- Fehr, E. & A. Falk. (2002). "Psychological Foundations of Incentives", *European Economic Review*, 46(4-5), pp.687-724.
- Ferejohn, J. (1986). 'Incumbent Performance and Electoral Control', *Public Choice*, Vol. 50, pp5-25.
- Gerring, John and Thacker, Strom. (2005). "Do Neo-liberal Policies Deter Political Corruption?" *International Organization*, 59 (Winter): 233-254.
- Goldsmith, Arthur A. "Foreign Aid and Statehood in Africa." *International Organization* 55(1), March 2001, pp. 123-48.

- Groenendijk, Nico. (1997) "A Principal-Agent Model of Corruption." *Crime, Law, and Social Change*, 27 (September), pp.207-229.
- Harris, Lawrence E. & Huntington, Samuel P. (2000) *Culture Matters: How Values Shape Human Progress*. New York: Basic.
- Holmstrom, B. (1999). "Managerial Incentive Problems: A Dynamic Perspective", *Review of Economic Studies*, 66(1), pp.169-82.
- International Country Risk Guide (data): <http://www.prsgroup.com/icrg/icrg.html>
- Ishikawa, Shigeru. (2002). "Pro-Growth or Poverty Reduction?: World Bank rethinking of Aid Policy and Implication for Developing Countries." English Translation. *Transactions of the Japan Society (Nihon Gakushin Kiyo)*, Vol. 56, No.2, (January).
- Jain, Arvind K. (2001) "Corruption: A Review." *Journal of Economic Surveys*, 15 (February): 71-121.
- Junne, Gerd & Verkoren, Willemijn (Eds). (2005). *Postconflict Development: Meeting New Development Challenges*. Lynne Rienner; Boulder.
- Kanbur, Ravi. (2003). "Economics of International Aid." in Serge Christophe-Kolm.(2006). *The Economics of Giving, Reciprocity, and Altruism*. North- Holland: Paris.
- Kaufmann, Daniel & Kraay, Aart. (2002). "Growth Without Governance", *Economica*. (Fall).
- Kaufmann, Daniel, Kraay, Aart & Massimo Mastruzzi. (2005). *Governance Matters IV: Government Indicators for 1994-2004*. World Bank Policy Research Paper 3630 (June). Washington D.C. : World Bank.
- Knack, Stephen. (2004). "Does Foreign Aid Promote Democracy?" *International Studies Quarterly* 48, pp. 251-266.
- Kunicova, Jana & Rose-Ackerman, Susan. (2005) "Electoral Rules and Constitutional Structures as Constraints on Corruption." *British Journal of Political Science*, 35: 573-606.
- Kusek, Jody & Rist, Ray C. (2004). *Ten Steps to a Results-Based Monitoring and Evaluation System*. World Bank; Washington D.C.
- Lambsdorff, Johann Graf. (2006). "Consequences and Causes of Corruption – What Do We Know from a Cross-Section of Countries?" Forthcoming in Susan Rose-Ackerman (Ed.). *International Handbook of Economic Corruption*, Edward Elgar.
Available at: http://typo3.wiwi.uni-passau.de/fileadmin/dokumente/lehrstuehle/lambsdorff/downloads/Corr_Review.pdf
- Lancaster, Carol. *Aid to Africa: So Much to Do, So Little Done*. Chicago: University of Chicago Press, 1999.
- Lancaster, Carol. (2007) *Foreign Aid: Diplomacy, Development, Domestic Politics*. Chicago, IL: University of Chicago Press.

- Lancaster, Thomas D. & Gabriella R Montinola. (1997). "Toward a Methodology for the Comparative Study of Political Corruption." *Crime, Law and Social Change*, 27 (September): 185-206.
- Lederman, Daniel, Norman V.Loayza and Rodrigo R Soares. (2005) "Accountability and Corruption: Political Institutions Matter." *Economics and Politics*, 17 (March): 1-35.
- Lewis, Arthur. (1965). *Politics in West Africa*. New York; Oxford University Press.
- Lijphart, Arend. (2002). "The Evolution of Consociational Theory and Consociational Practices, 1965-2000". *Acta Politica* 37: pp.11-22.
- Mackay, Keith. (2006). "Institutionalization of Monitoring and Evaluation Systems to Improve Public Sector Management." *ECD Working Paper Series*, No.15 (January), Washington DC; World Bank.
- Mauro, Paulo. (1995) "Corruption and Growth." *Quarterly Journal of Economics*, 110: 681-712.
- Mauro, Paulo. (1996). "The Effects of Corruption on Growth, Investment and Government Expenditure", *IMF Working Paper* 96/98. Available at: www.imf.org
- Mauro, Paolo. (1997). 'Why Worry About Corruption? International Monetary Fund Washington D.C. February.
- Maxwell, Simon. (2005). "Exhilarating, Exhausting, Intriguing: The Report of the Africa Commission". *Development Policy Review* 23(4), (July). pp. 483-498.
- McGuire, Martin C. and Olson Jr., Mancur. (1996). "The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force." *Journal of Economic Literature*, Vol. 34, No. 1 (March), pp72-96.
- Meager, Patrick & Thomas, Melissa A. (2004) "A Corruption Primer: An Overview of Concepts in the Corruption Literature." Paper No. 04/03 in *The Corruption Nexus and the People's Republic of China: Current Thinking on Causes and Consequences*, College Park, MD: IRIS.
- Miller, Gary J. (2005). "The Political Evolution of Principal-Agent Models" *Annual Review of Political Science* (March), pp203-225.
- Ndulu, Benno J., & O'Connell, Stephen A. (1999). "Governance and Growth in Sub-Saharan Africa." *Journal of Economic Perspectives*. (Summer), pp41-66.
- OECD Anti-Bribery Convention Website:
http://www.oecd.org/departement/0,2688,en_2649_34859_1_1_1_1_1,00.html
- OECD Corruption Statistics: www.oecd.org
- Olson, Mancur. (1993). "Dictatorship, Democracy, and Development." *American Political Science Review*. Vol.87, No.3 (September), pp.567-76.
- Paris Agreement on Aid Effectiveness. (2005) Available at:
<http://www.oecd.org/dataoecd/11/41/34428351.pdf>

- Pomerantz, Phyllis R. (2004). *Aid Effectiveness in Africa: Developing Trust Between Donors and Governments*. Lanham, MD: Lexington Books;
- Responsibility to Protect: www.responsibilitytoprotect.org
- Rondinelli, Dennis & Cheema, G. Shabbir (eds). (2003). *Reinventing Governance for the Twenty-First Century: State Capacity in a Globalizing Society*. Bloomfield: Kumarian Press.
- Sappington, D.E. (1991). Incentives in Principal-Agent Relationships. *Journal of Economic Perspectives*, Vol. 5, pp.45-66.
- Sen, Amartya. "The Man Without a Plan." *Foreign Affairs*, 85(2), March/April 2006, p. 171 (review of Easterly's *The White Man's Burden*).
- Shankleman, Jill. (2006) "Managing Natural Resource Wealth." Stabilization and Reconstruction Series, 4 (August). Washington, D.C. United States Institute of Peace. www.usip.org Available at: <http://www.usip.org/pubs/specialreports/srs/srs4.pdf>
- Shavell, S. (1979). "Risk Sharing and Incentives in the Principal and Agent Relationship." *Bell Journal of Economics*. Vol. 10, pp.55-73.
- Shiells, Clinton & Sarosh Sattar (Eds.) (2004). *The Low-Income Countries of the Commonwealth of Independent States: Progress and Challenges in Transition*. Washington D.C., IMF: World Bank 2004.
- Smith, Adam. (1976). *The theory of moral sentiments*. (1759) Oxford England : Clarendon Press.
- Smith, Adam. (1976). *An Enquiry into the nature and Causes of the Wealth of Nations*. (1776). Oxford England: Clarendon Press.
- Spence, M., Zeckhauser R. (1971). Insurance, information, and Individual Action." *American Economic Review*. Vol. 61, pp.380-87.
- Spector, I. Bertram. (2005). *Fighting Corruption in Developing Countries*. Bloomfield: Kumarian Press.
- Stiglitz, Joseph. (2002). *Globalization and its Discontents*. W.W.Norton : New York.
- Sung, H.E. (2002). 'A Convergence Approach to the Analysis of Political Corruption: A Cross-National Comparison', *Crime, Law, and Social Change*, Vol. 38 (2), pp137-160.
- Transparency International. 2006. 2005. 2004. 2003. 2002. *Global Corruption Report(s)*. Available at: www.globalcorruptionreport.org
- UNDP. (2002). *Capacity for Development: New Solutions to Old Problems*. Edited by Sakiko Fukuda-Parr, Carlos Lopez, and Khalid Malik. London & Sterling, Virginia: Earthscan Publications Ltd.
- UNDP. (2005). *Institutional Arrangements to Combat Corruption: a Comparative Study*. New York: United Nations Development Program.
- UN Convention Against Corruption. (2003). Doc. A/58/422 Available at: http://www.unodc.org/unodc/en/crime_signatures_corruption.html

UN Convention Against Corruption source site: <http://www.u4.no/themes/uncac/main.cfm>

USAID. 2005. *USAID Anti-corruption Strategy*. Washington D.C. January. Available at: http://www.usaid.gov/our_work/democracy_and_governance/publications/pdfs/ac_strategy_final.pdf

van de Walle, Nicolas. *African Economies and the Politics of Permanent Crisis, 1979-1999*. Cambridge: Cambridge University Press, 2001.

van Rijckeghem, C and B. Weder. (2001). "Bureaucratic Corruption and the Rate of Temptation: Do Wages in the Civil Service affect Corruption, and by How Much?", *Journal of Development Economics*, Vol. 65 (2), pp.307-331.

Weber, Max (1958). *From Max Weber: Essays in Sociology*. New York: Oxford University Press.

Weimer, David L. & Vining, Aiden R. (2005). *Policy Analysis: Concepts and Practice*, 4th Edition. Pearson; Upper Saddle River, New Jersey.

Weingast, B.R. (1984). The Congressional-Bureaucratic System: A Principal-Agent Perspective (with Applications to the SEC)" *Public Choice*, Vol. 44, pp.147-88.

Weingast, B.R., & Moran, M.J. (1983). "Bureaucratic Discretion or Congressional Control? Regulatory Policymaking by the Federal Trade Commission." *Journal of Political Economy*. Vol. 91, pp.765-800.

Woods, Ngaire. (2005). "The Shifting Politics of Aid", *International Affairs* 81(2), pp393-409.

World Bank. (1998). *Assessing Aid: What Works, What Doesn't and Why?* New York: Oxford University Press.

World Bank; Independent Evaluation Group. (2006). *Engaging With Fragile States: An IEG Review of World Bank Support to Low-Income Countries Under Stress*. World Bank, Washington D.C.

World Bank. (2007). Strengthening World Bank Group Engagement on Governance and Anticorruption (March 21) Available at:

<http://www.worldbank.org/html/extdr/comments/governancefeedback/gacpaper-03212007.pdf>

Information on Results Frameworks:

Collier, Paul & Dollar, David. (January 2001). "Development Effectiveness: What have we learnt?" *Development Research Group, World Bank*, Washington D.C. Available at: <http://www.oecd.org/dataoecd/16/2/2664872.pdf>

Farquhar, Carolyn. (November 2000). "Governments Get Focussed on Results: Integrating Performance Measurement into Management Decision Making." *Conference Board of Canada*, Ottawa, Ontario, Canada. Available at:

[http://lnweb18.worldbank.org/MIP/BMMMDR.nsf/0/BFD74CAC2B4850CF85256C0000766F19/\\$File/MMM+Website+Results+Based+Management.pdf?OpenElement](http://lnweb18.worldbank.org/MIP/BMMMDR.nsf/0/BFD74CAC2B4850CF85256C0000766F19/$File/MMM+Website+Results+Based+Management.pdf?OpenElement)

- GDI (2002). "The Monterey Consensus: The Conference on Financing for Development." Briefing Paper, Bonn, Germany. OECD. Available at: <http://www.eldis.org/static/DOC1942.htm>
- Kusek, Jody Zall, Rist Ray C., & White, Elizabeth M. (2004). "How will we know Millenium Development Results when we see them? Building a Results-based Monitoring and Evaluation System to Give us the Answer." Africa Region Working Paper Series No.66, Washington D.C.: World Bank.
- Mayne, John. (2004). *Reporting on Outcomes: Setting Performance Expectations and Telling Performance Stories*, Canadian Journal of Program Evaluation, 19(1):31-60.
- Meier Werner. (2003). "Results Based Management: Towards a Common Understanding Among Development Cooperation Agencies." Discussion Paper prepared for the Canadian International Development Agency (CIDA), Performance Review Branch, for consideration by the DAC Working Party on Aid Effectiveness and Harmonization, Ottawa, Canada. Available at: <http://www.managingfordevelopmentresults.org/documents/Results-BasedManagementDiscussionPaper.pdf>
- Monterrey Consensus. (2002). *Statement of Heads of Multilateral Development Banks: Better Measuring Monitoring and Managing for Development Results*. Monterrey, Mexico. Available at: [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/90015418/DC2002-0019\(E\)-Results.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/90015418/DC2002-0019(E)-Results.pdf)
- OECD/DAC. (2003). *Harmonizing Donor Practices for Effective Aid Delivery: Good Practice Paper*. Paris, France. Available at: <http://www.oecd.org/dataoecd/0/48/20896122.pdf>
- OECD/DAC. (2002). *Evaluation and Aid Effectiveness; Glossary of Key Terms in Evaluation and Results-Based Management*. Paris, France. Available at: <http://www.oecd.org/dataoecd/29/21/2754804.pdf>
- OECD/DAC. (1996). *Shaping the 21st Century: The Contribution of Development Cooperation*. Paris, France. Available at : http://www.oecd.org/document/10/0,2340,en_2649_33721_1916746_1_1_1_1,00.html
- United Nations. (2004). Millennium Development Compact. Washington D.C. Available at: http://www.undp.org/hdr2003/pdf/hdr033_MDC.pdf
<http://www.unmilleniumproject.org/html/docs%20and%20reports.shtm>
- UNFPA. (2000). Results-Based Management at UNFPA. Office for Results-Based Management (ORM), New York, NY. Available at: <http://www.unfpa.org/results>
<http://www.unfpa.org/monitoring/toolkit/tool4a.doc>
- USAID. (April 2003). The Performance Management Toolkit: A Guide to Developing and Implementing Performance Management Plans. Policy and Program Coordination Bureau, Washington D.C. Available at: http://www.dec.org/pdf_docs/PNACT871.pdf

- World Bank. (2004a). Partnerships in Development: Progress in the Fight Against Poverty. Washington D.C. Available at:
http://poverty.worldbank.org/files/15028_wb_partners.pdf
- World Bank. (2004b). Implementation of the Agenda on Managing for results: Progress Report and Annexes (CODE2004-0017). World Bank, Washington D.C. Available at:
<http://www.mfdr.org/3KeyDocuments.html>
- World Bank. (2003a). IDA Results Measurement System: Progress and Proposals. World Bank, Washington D.C. Available at:
<http://siteresources.worldbank.org/IDA/Resources/ResultsProgressProposals.pdf>
<http://siteresources.worldbank.org/IDA/Resources/MTRresults1.pdf>
- World Bank. (2003c). Getting Serious About Meeting the Millennium Development Goals. CDF Secretariat, World Bank, Washington D.C. Available at:
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/CDF/O,,contentMDK:20120919~menuPK:60745~pagePK:139301~piPK:261885~theSitePK:140576,00.html>
- World Bank. (2002a). Monitoring and Evaluation: Some Tools, Methods and Approaches. Operations Evaluation Department, World Bank, Washington D.C. Available at:
http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2002/09/06/000094946_020829045451
- World Bank. (2002b). *Better Measuring, Monitoring, and Managing for Development Results* (DC2002-0019). Prepared for the Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries), World Bank, Washington D.C. Available at: <http://www.mfdr.org/3KeyDocuments.html>

On the Design and Monitoring Framework (Logframe)

- Asian Development Bank. (March 2006). *Project Performance Management System: Guidelines for Preparing a Design and Monitoring Framework*. Manila, Philippines. Available at: <http://www.adb.org/publications>
- AusAid - Australian Government. (2000). *AusGUIDELines 1: The Logical Framework Approach*. Canberra, Australia. Available at:
<http://www.ausaid.gov.au/ausguide/ausguidelines-1.pdf>
- Canadian International Development Agency (CIDA). (1997). *The Logical Framework: Making it Results Oriented*. Gatineau, Quebec. Available at http://www.acdi-cida.gc.ca/cida_ind.nsf/vall/B66743932204C0AB85256C330060DE1D?OpenDocument
- Government of the United Kingdom, Department for International Development (DFID). (2002). *Tools for Development – A Handbook for Those Involved in Development Activities*. London, England.

- Foundation for Advanced Studies on International Development. (2004). *Project Cycle Management (PCM) – Management Tool for Development Assistance*. Tokyo, Japan.
- Food and Agriculture Organization of the United Nations (FAO). (1990). A Commodity Systems Assessment Methodology for Problem Identification. Annex 13. The Logical Framework. Rome. Available at”
<http://www.fao.org/WAIRdocs/x5405e/x5405e0p.htm>
- Inter-American Development Bank. Online Courses: The Logical Framework for Project Design. Washington D.C. Available at:
<http://www.iadb.org/int/rtc/ecourses/logicalframework.htm>
- World Bank. *The LogFrame Handbook: The Logical Framework Approach to Project Cycle Management*. Washington D.C. Available at:
<http://www1.worldbank.org/education/adultoutreach/designing.logframe.asp>

Results-based Management

- African Development Bank. (2000). *Toward an Integrated System for Evaluation of Development Effectiveness – Results Based Management*. ADB/BD/WP/2000/89 Available at:
http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/EVALUATIONREPORTS/EN_TOWARDS%20INTEGRATED%20SYSTEM%20FOR%20EVALUATION%20OF%20DE_RBM.PDF
- Canadian International Development Agency (CIDA). (1999). *Results-based Management in CIDA: An Introductory Guide to the Concepts and Principles*. Gatineau, Quebec.
http://www.acdi-cida.gc.ca/cida_ind.nsf/vLUallDocByIDEnB83025BCF2DA296785256C6B001A1B36
- Canadian International Development Agency (CIDA). (2000). Introduction to *Results-based Management*. Available at [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/Performancereview6/\\$file/Training.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/Performancereview6/$file/Training.pdf)
- Friedman, Mark. (1997). A Guide to Developing and Using Performance Measures in Results-Based Budgeting; The Finance Project. Available at:
<http://www.financeprojectinfo.org/Publications/measures.html>
- United Nations Children’s Fund (UNICEF). (2003). Understanding Results-based Programme Planning and Management; Tools to Reinforce Good Programming Practice. New York, NY. Available at:
http://www.unicef.org/evaluation/files/RBM_Guide_20September2003.pdf
- United Nations Development Programme (UNDP). (1997). *Who are the Question-makers? A Participatory Evaluation Handbook*. New York, NY. Office of Evaluation and Strategic Planning. Available at: <http://www.undp.org/eo/documents/who.htm>
- United States Agency for International Development (USAID). (2004). ADS 200.3.1. *Performance- Informed and Results-Based Programming at USAID*. Washington, D.C. Available at <http://www.usaid.gov/policy/ads/200/200.pdf>