**M&E Paper 1**

# Monitoring Flexible Funding: Navigating the challenges

Anne Garbutt, Brian Pratt and Katie Wright

## 1. Introduction

This paper examines the debate that has emerged around the problems encountered in funding flexibly whilst trying to meet the demands for more results-based grant management (often from governments). Several donors have moved to multi-year funding of NGOs around objectives which have been wide in scope (for example, the DFID Partnership Programme Arrangement (PPAs), Irish Aid Multi Annual Partnership Scheme (MAPS), framework funding in Sweden and the Netherlands). Meanwhile ministers are focused on demonstrating quantifiable and easily understood results to show good use of the taxpayer's money. This paper reviews some of these debates, providing examples of where attempts have been made to achieve both objectives.

## 2. Background

Current management paradigms reinforce a preoccupation with results-based management and using quantifiable economic indicators. Much use of economic indicators is growth driven but economic indicators are often favoured, based on assumptions of their objectivity and rigour. At the same time, practitioners working in international development are keen to experiment with mixed methods approaches but find it difficult to get qualitative data taken seriously by management, who often have a preference for quantifiable data. Yet, in a context of reduced scope for social impact assessment with a push for results-based approaches to fit the needs of government auditors, how far can the aid industry continue to be responsive to the needs of beneficiaries through flexible funding and using mixed methods protocols? Furthermore, in the move away from project-based funding to programme funding, how can agencies enhance their ability to monitor and conduct evaluations at programme level and feed into information needs at strategic policy levels?

## 3. Measuring flexible funding (or a programmatic approach)

Donors are increasingly interested in encouraging civil society organisations to move towards a more programmatic approach to their work. Yet, there is little consensus as to how this should be done. There is also confusion as to what "programmatic approach" actually means, with the terms "flexible funding", "multi annual programmes" and "programmatic approach" often being used interchangeably.

The term **'programmatic approach'** has also been interpreted differently:

'A programmatic approach is a cross-cutting strategy that can catalyse, support, and sustain a

process of regional development to build the capacity of individuals, communities, and institutions to put regional development projects into action.' (Kellogg Foundation, 2008)

'A Programme Based Approach is a way of engaging in development cooperation based on the principle of coordinated support for a locally owned programme of development, such as national poverty reduction strategy, a sector programme, a thematic programme or a programme of a specific organisation.' (Learning Network on Programme Based Approaches, definition adopted by DAC, 2007)

'A programme will have a range of strategies working towards defined outcomes. A programme can include a collection of inter-related projects and activities. For example, it may be a mixture of development, relief, advocacy, networking and capacity building.' (INTRAC, 2008)

If organisations do not fully understand what they mean by a programmatic approach then they will inevitably experience problems measuring anything beyond the levels of activities and specific outputs.
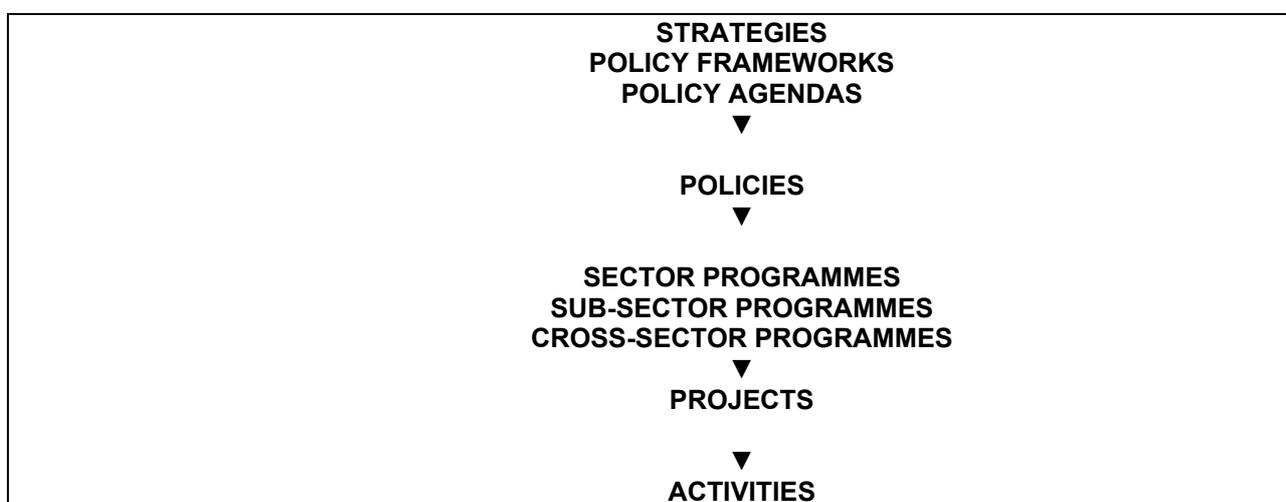
Specific difficulties this raises are common to many agencies, including:
- weaknesses in M&E systems in collecting data at the level of activities and outputs without articulating what value they add at the level of programme outcomes and impact
- a lack of routine practice of gathering information from marginalised/excluded groups on the social impact or performance of programmes
- difficulty in establishing appropriate indicators including process indicators to identify or track change over a multi-annual programme period
- a lack of systematic information from partners that would feed into the monitoring needs of official and other agencies
- cross-cutting programmatic issues raised in the context of working with and through partners.

## 4. Policy management hierarchy

The shift from project based funding to programme funding reflects the fact that a project-based approach to development policy management is not likely to be very successful in broader terms. Prior questions about strategies, policies and programmes are likely to be overlooked if the basic entry point for international aid interventions is at the level of the project.

**Figure 1:** Conceptual framework – A policy management hierarchy

| |
|---|
| **STRATEGIES**<br>**POLICY FRAMEWORKS**<br>**POLICY AGENDAS**<br>▼<br><br>**POLICIES**<br>▼<br><br>**SECTOR PROGRAMMES**<br>**SUB-SECTOR PROGRAMMES**<br>**CROSS-SECTOR PROGRAMMES**<br>▼<br>**PROJECTS**<br><br>▼<br>**ACTIVITIES** |

Source: Tribe et al (2008)

As suggested by these authors, an example from primary education might clarify the concept of the policy hierarchy in a practical developing country context. The Strategy is 'Poverty Reduction', the Policy is 'Educational Development' as a means of achieving poverty reduction, the Programme is 'Primary Education' as a major aspect of educational development (there are also sub-programmes such as primary teacher training development), the Project is the building of an individual school, and the Activity is something such as building the foundations of the school. Another example might be improvement of potable water supply. The Strategy is 'Improvement of Public Health', the Policy is 'Improvement of Public Water Supply', the Programme is 'Development of Piped Water Supply', the Project is the 'Extension of Water Purification Works', and the Activity is 'Enhancement of Water Pumping' (Tribe et al, 2008:137).

Crucially in this model, reporting easily cascades from bottom to top, avoiding the disjuncture's associated with on-lending through multiple agencies, assuming each agency agrees with the logic of the system.

**Challenge**

This method assumes that we know and can track **attribution** through the chain, thus it lends itself to infrastructural type programmes. It is difficult when there is not a shared understanding of action through to policy, and when real impacts are still contested. If it was clear that certain activities do indeed reduce gender based poverty the schema could work, but as this field is hotly contested it is likely that the logical chain will not hold together. The linear thinking behind this probably explains how things are 'supposed' to work but not how they actually work.

## 5. Assessing programmatic impact: What are the alternatives?

In order to reduce transaction costs many official agencies have for some time been moving towards programmatic funding, whereby agencies on-lend grants. The official agencies have also made considerable inroads into introducing programmatic approaches into their funding mechanisms. What has proved challenging is how these agencies can then measure outcomes and impact of these programmatic interventions.

Many NGOs funded from official sources have either moved towards a programmatic approach or are in the process of doing so (some such as Trocaire have produced booklets on how they managed the process). What is not so clear is how these agencies are going to link their current M&E systems to higher policy frameworks such as progress towards achieving the MDGs. It is also unclear how they aggregate data in any meaningful manner from the many small interventions loosely brought together under a programmatic theme.

It is also important to understand some of the structural issues within the official agencies that affect and to some extent complicate the ways in which programmatic impact can be tracked and used to feed information needs at policy level.

One key issue is the problem of dealing with cross-cutting programmatic approaches in the context of working with and through partners. One response to the need for official agencies to reduce their costs is for them to contract out various aspects of the management of funding schemes to private contractors, individual consultants or to umbrella/membership or framework agencies. Finland and Sweden are two countries that have adopted this approach (Adams et al, 2005).

**SIDA** is a case in point. As shown in the diagram below, SIDA has several agreements with framework agencies which on-lend to their members. One of these is with Forum Syd, an umbrella organisation that manages and on-lends programmatic funds to Swedish NGOs who in turn on-lend to local NGOs directly. As is common with this model, in terms of assessing programmatic impact a disconnect occurs as SIDA becomes divorced from the impacts of its funding at local level. This means programmatic impact is diluted when they reach (or sometimes fail to reach) field level. The potential for this disjuncture is depicted by the arrows below.

**Figure 2:** SIDA's approach to managing funds through Forum Syd
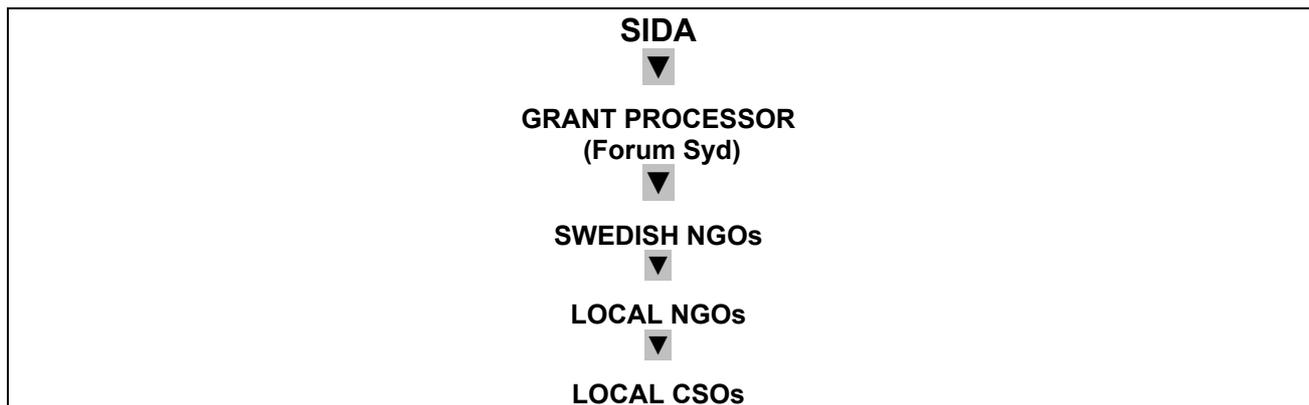


This issue is one faced not only by SIDA but other agencies that have adopted this model: 'Several existing schemes seem to have sacrificed quality, monitoring and evaluation (which of course are inter-related) in the face of the need to reduce transaction costs as well as to ensure a certain political profile for funding.' (Adams et al, 2005:24)

Some agencies have attempted to assess programmatic impact by setting targets (in the case of DFID's Partnership Programme Arrangements (PPAs) using the MDGs described below) and using reporting systems designed to aggregate upwards to report against these targets.

## 5a. DFID example: Performance management framework

Public Service Agreements (PSAs) introduced in 1998 have led DFID's drive to measuring public service delivery and delivering improvements in outcomes. More recently DFID have been sharing their methods with frontline professionals, the public and external experts in order to introduce their performance management framework for the next decade.

The Secretary of State is accountable for the delivery of the PSA 2008 targets. These targets are explicitly linked to the MDGs. For MDG-1, on poverty, the indicator chosen is the dollar a day measure of poverty. If a reporting indicator is in the PSA it cascades down into Director's Delivery Plans (DDPs) and through to country level planning. Measurement of these targets is also accompanied by traffic light ratings.

**Figure 4**

---

**'Traffic light' assessment**

**GREEN**
Means we judge we are on course to meet the target/sub-target.
**AMBER**
Means we cannot make a judgement on progress against this target/sub-target. This may be because performance has not changed in either direction or because progress may have been made in some countries but not others.
**RED**
Means there has been slippage in progress against this target/sub-target.
**GREY**
Means that progress against this target/sub-target cannot be assessed due to a lack of available data.

---

**Challenges**

- A particular challenge of this approach is **how to extract the data from recipient/partner M&E systems** (whether government or civil society PPA agreements) that will accurately report against the DFID traffic light system in such a way that can be fed back into strategy at policy level.

- There is also the added complication of **attribution** as to the changes measured and the specific inputs from DFID. Some changes could inevitably be due to local government investments or lack of it, or other aid programmes, or economic growth due to commodity price rises.

- Similarly, with **civil society programmes attribution is also complex**. For example how far can agencies disaggregate their influence in pushing for changes in legal frameworks on freedom of association, from a range of other factors that may have lead to such a change.

- Using this method of assessing programmatic impact can be extremely **subjective**. Who decides if the attainment of each MDG is red, amber, grey or green? (A DFID staff member would measure success differently to a poor women in India who could be the final person involved in monitoring the programme.)

## 5b. Irish Aid example: Participatory benchmarking

An alternative is Irish Aid's multi-annual programme scheme (MAPS). This programme offers multi-annual funding to a small group of Irish NGOs. The funding is flexible and Irish Aid work closely with the partners to develop what they (Irish Aid and the partners) consider to be realistic targets or benchmarks. Each partner organisation measures their outcomes and impact against the agreed benchmarks. This has taken the form of the following matrix:

**Figure 5:** MAPS II benchmarks

| Policy level objectives | Outcome indicator | Means of verification | Impact indicator | Risks and assumptions |
|---|---|---|---|---|
| e.g. To address the multi-dimensional aspects of poverty and vulnerability in the context of preventing and responding effectively to chronic crises. | Disaster/vulnerability risk reduction becomes central, strategies developed and operational:<br>• Vulnerability analysis/ targeting strategy<br>• Disaster risk reduction<br>• Innovative approaches to social protection<br>• Responding to gender-based violence | Policy/strategy papers<br><br>Partner Annual Reports<br><br>Field monitoring visit reports<br><br>Partner case studies/ documentation | Evidence that communities' (especially women's) vulnerability is reduced at practical and strategic levels.<br><br>Evidence that communities' (especially women's) livelihoods are improved at practical and strategic levels. | Risk – that use of humanitarian funding from Irish Aid and other donors will take an overtly short-term view and may undermine broader linkages to development challenges. |

Source: Development Cooperation Ireland, Multi-Annual Programme Scheme, (MAPS)

This alternative approach means that rather than trying to aggregate upwards – with staff reporting against the same targets (in this case the PSAs) which might be seen to be very linear – broader-based benchmarks can be developed in liaison with partners.

**Challenges**

- The success of this process depends on the **robustness of the partner M&E systems**. In order to attribute any changes that contribute to the benchmarks the partner agency will need a robust M&E system that can accurately measure outputs and outcomes at all levels of the programme. They will need to report on them accurately and be able to show a chain of achievements that contribute to the much higher benchmarks set in conjunction with Irish Aid.

- The second challenge is how to ensure that **not too much information** is being collected. This would be an easy trap to fall into whilst trying to prove a contribution to the benchmarks. A simple data collection of a few quantitative indicators would need to be enriched by a series of case studies or significant change stories that would provide the qualitative data needed to indicate impact or change in people's lives.

**'Taking the lid off the box'**

Programmatic impact can then be evaluated drawing on a sample frame using a selection of themes and/or countries. Such a process gives donors the chance to 'take the lid off the box', whereby slavish reporting to set indicators is replaced with confidence in the M&E systems of the organisations that are being funded. This process does not require (and may even be undermined by) setting programmatic impact indicators.

# 6. Strategic civil society funding

Several larger European donor NGOs have traditionally followed a form of strategic funding at country level. The process was based on the identification of key local civil society groups who would affect change over a longer period. Certain donors would try to assess the overall nature of development and differing roles of civil society in a given country. In an ideal world they would have a diverse range of strategic institutional partners who in turn cover key areas of concern. Thus funding might be focussed on a couple of major economic development agencies delivering microfinance, in addition to a think tank looking at higher level economic policy, a group working with indigenous groups and so on. The relationships were on the basis on longer term strategies, thus the individual activities of the partners were less important than their overall impact over the longer term.

Strategic partnerships were seen as a response to the risk of funding becoming isolated in unrelated micro projects or the creation of islands of excellence in a sea of under development. The tools then required for assessing partners had more to do with overall organisational assessments in the context of assessing national level institutional and related development needs.

**Challenges**

Firstly, the assessment of strategic needs and partnerships require sophisticated and longer term knowledge on the part of the donors. Secondly, the recent move to 'thematic' rather than geographic priorities makes it difficult to work with strategic partners who may not prioritise the themes in the same way.

# 7. Implications: Challenges and opportunities

The main challenges to all civil society organisations and donor organisations is how to monitor flexible funding in a meaningful way that will allow for flexibility at the same time ensure the funds are being used effectively to make changes in people's lives.

Attempts to assess programmatic impact by aggregating upwards cannot always be done in a meaningful way. This can lead to situations whereby the higher objectives (the MDGs in the DFID case) are instrumentally applied, with impact all too often being falsified to appeal to the donor. This is often led by pressure from governments who need to show easily understood results to their electorate rather than revealing anything useful as to the actual impact (including unintended impacts) on the lives of the people the programme is aimed towards helping.

The Irish Aid Multi Annual Partnership Scheme is an example of a programme that offers flexible funding and asks partners to set what they consider to be realistic benchmarks that they are comfortable they are able to achieve. This allows the partners flexibility in how they monitor the programme, as long as they are able to indicate contribution to the agreed benchmarks. The main issue for the MAPS partners is having an M&E system that is robust enough to feed into the benchmarks and can be scrutinised for accuracy if Irish Aid wanted to assess the quality of the information provided in the annual reports.

Thus assessing real programmatic impact involves **'taking the lid off the box'** – having confidence in the M&E systems of donors and the M&E systems of the partner organisations. The relationship between the two should also be based on trust in order that the either partner could feel comfortable in being able to assess these periodically. But this does not require (and can be undermined by) the setting of indicators (such as the MDGs) against which all staff are expected to report.

## 8. Possible options for the future

### Option 1: Aggregation of standard indicators

A consistent set of indicators needs to be in every agreement signed between agencies at all levels, including with local NGOs. These indicators should be developed in a participatory way that allows for further development as they move up to policy and impact level. These could be developed in a way that allows both intermediary and local NGOs to propose their own set of indicators. Alternatively, the official agency might set nine of the ten indicators and could allow local NGOs to set one of their own. Unless there is input into deciding indicators from below, the process risks becoming a very top down way of working and could potentially lead to a very homogenous form of development. This might risk moving away from locally appropriate and relevant development interventions.

In the medium term official agencies could fund a set of regional forums and invite all recipients in the policy hierarchy to an externally facilitated workshop that sets ten indicators for civil society strengthening and indicators to assess their own accountability. In the interim the official agencies may need a transition strategy because they have already signed multi year contracts. All new contracts would have the new indicators, but it should be made clear that the medium term strategy is locally defined indicators.

### Option 2: Partner identified indicators

There is scope to embed particular principles into the thinking about M&E for programmes and development of benchmarks (with input from below) that can support organisations and their partners to work programmatically. Ways that these principles might underpin M&E of programmes might include:
**(1) Listening to programme users**
- How might users themselves be involved in developing robust M&E systems to feed into the development of benchmarks?
- What are the current levels of satisfaction with the programmes used?

- Which profiles of clients are benefitting and which are losing out from the programmes offered?
- Are there particular groups of clients whose opinions need to feed into the construction of benchmarks for programmes?

**(2) Understanding variations in impact across different sets of programme users**
- How might benchmarks be included to consider variations in impacts of programmes on differentiated groups of users?
- How and why are users' demand for the kinds of programmes being offered changing?
- It is important to draw on information from those who have left the programmes in order to adapt programmes to different sets of users.

## Option 3: To establish civil society strategic role at country level

To map and agree with key partners the most appropriate role and longer term goals for their organisation in the context of the needs of their country. This entails carrying out a country assessment of development needs followed by an assessment of the role and capacities of civil society. It then requires agreeing parameters for action and longer term interventions by civil society.

# References

DFID (2004). Autumn Performance Report: DFID Public Service Agreement: An outline of progress against the 2003-06 Public Service Agreement and final outturn against the 2001-2004 Public Service Agreement

Kellogg Foundation (2008). Overview: Programmatic approach. See www.wkkf.org

Nash, R, Hudson, A, Luttrell, C, (n.d.). Mapping Political Context: A toolkit for civil society organisations and their use. See www.odi.org.uk/rapid

Tribe, M, and Sumner, A, (2008). International Development Studies Theories and Methods in Research and Practice (Sage)

OECD (2007). OECD – Development Assistance Committee (DAC) terminology. See www.oecd.org/dac/evaluation

Bakewell, O, with Adams, J, and Pratt, B, (2003) Sharpening the Development Process: A Practical Guide to Monitoring and Evaluation. (INTRAC)

Garbutt, A, and Bakewell, O, (2005). The Use and Abuse of the Logical Framework Approach. (INTRAC)
www.intrac.org/docs/The%20Use%20and%20Abuse%20of%20the%20Logical%20Framework%20Approach.pdf