

## DEfR Methodology Review: Concept Note

### A. Introduction

1. The Development Effectiveness Review (DEfR) is a monitoring instrument that brings together annually the components of the CAREC Program for assessing performance. The first DEfR was launched in 2010, drawing on the CAREC Results Framework endorsed at the 8th Ministerial Conference, and based upon the Comprehensive Action Plan (CAP) and existing sector strategies and implementation action plans. The latest 2012 DEfR marks the fourth edition of this monitoring exercise.

2. The CAREC Program has recognized the need for the DEfR to be pragmatic to remain useful. Since its inception, the DEfR has undergone minor adjustments responding to evolving priorities and direction of the CAREC Program, and building on lessons arising from its regular use as a monitoring tool. The adoption of several new or revised strategies and action plans since 2011 suggests this is a good opportunity for a more substantive and systematic review of the DEfR methodology to align it better with the new developments in the CAREC Program. The new strategic initiatives are both at the program level (CAREC 2020) and at the sector level (Transport and Trade Facilitation, Trade Policy, Energy).

### B. Issues with the Existing DEfR Methodology

3. The DEfR monitors the CAREC Program at three levels, namely, development outcomes (Level 1), sector outputs (Level 2), and operational and organizational effectiveness (Level 3). There is a need to further tighten the logical links and causal relationships from Inputs (resources) and Activities (actions) to Outputs (products or services produced), to Outcomes (intermediate benefits from Outputs), to Impacts (long term changes). This will improve identification of indicators that would measure performance more meaningfully. Another benefit of the tightening would be to make the DEfR more streamlined and succinct, rendering it friendlier to users.

4. For example, the current Level 1 outcomes are logically and conceptually too distant from the CAREC Program inputs. It is difficult to identify and justify the causal links, and more importantly attribution, of CAREC Program inputs to the various macroeconomic Level 1 outcome indicators. Some Level 1 indicators, such as economic growth and poverty reduction, are more accurately restated as the CAREC Program's long-term vision, since gestation is long and many factors other than CAREC outputs or outcomes come into play, making attribution difficult. For other Level 1 indicators like labor force participation rate and women employed in non-agriculture sector, it is difficult to see any link at all with the CAREC program. While macroeconomic overview of the CAREC economies and associated macro-level data can be useful in providing the broader context of the CAREC Program's operating environment, it should not be included in the performance rating. The macroeconomic indicators can be an appendix to the DEfR.

5. It is important then to consider what would be appropriate Level 1 indicators instead of some or all of the current ones. The guiding principle of the CAREC Program is development through cooperation, and Trade Expansion and Improving Competitiveness are 2 strategic objectives of CAREC 2020. The Program thus needs to be evaluated in terms of the ease with which goods, people, and other resources are able to move within and across borders, and in

turn the economic activity resulting from such mobility. Integration and economic interconnectedness are thus more relevant as Outcomes. The underlying assumption is that the absence of physical connectivity, institutional links and policy coordination is a binding constraint to development in the region.

6. Level 2 outputs may be reviewed in terms of both the logical chain by which the CAREC Program has a direct effect as well as the extent to which the CAREC Program is actually undertaking activities linked to the envisaged logical chain. This will help refine indicators used for Level 2 outputs. The mid-term review of the Transport and Trade Facilitation Strategy and Action Plan has revised sector outputs. The TPCC in June 2013 discussed reviewing the sector indicators to improve utility for policy making. The September 2013 ESCC also endorsed additional indicators, for which baseline data will be collected in 2013.

7. Similarly Level 3 outputs and associated indicators can be reviewed for their continued alignment with the new strategies. Development of CAREC portfolio database requires greater refinement with an objective of reporting on the Operations Growth so that cumulative investment figures are complemented with meaningful analyses of trends. On Knowledge Management, the 11th Ministerial Conference endorsed the CAREC Institute Work Plan 2013–2014, whose Strategic Knowledge Framework will guide the refinement of indicators.

8. Current DEfR methodology uses (a) terminated data series, (b) weights that are equal when combining different indicators, (c) 3-year moving average, which obscures annual changes, (d) no adjustment for inflation, and (e) substituted data from previous years. Some indicators have also not been estimated. The current methodology is also characterized by (a) absence of numerical targets for some indicators, (b) varied periodic changes in target setting by sectors, (c) non-uniform application of rating system; (d) difficulty in assessing cumulative indicators. The SOM in June 2013 requested the need for DEfR to analyze the reasons for underperformance in some Level 2 indicators and to account for qualitative aspects in particular.

### **C. Steps ahead and Associated Timelines**

9. The proposed review of the DEfR methodology will require developing an approach to: (1) reviewing and exploring modifications to outcomes at the three levels; (2) review and determination of associated indicators as well as data availability and sources for the same; and (3) additional analysis of the issues noted in para. 8 above. In particular, the weighting scheme attached to indicators to derive the “traffic lights” could be reviewed, as well as other ways the diverse indicators are compiled into a cumulative picture. The current scheme implicitly assigns equal weights when aggregating indicators within and across sectors.

10. Two options are possible at this stage. A Minor Review would take the existing DEfR and seek to streamline it by essentially picking out the most relevant outcomes and indicators while dropping those whose logical/causal chains are too distant. The intra- and inter-sectoral weighting scheme – equal weights for all – can also be left untouched at the moment. The Minor Review can be completed speedily and reported to the CAREC SOM in October 2013, with implementation starting with DEfR 2013.

11. The second option would be an Expanded Review of the DEfR methodology that would cover the analysis proposed under the Minor Review, but also undertake an analysis of whether alternative outcomes and associated indicators may provide a better monitoring tool, along with a review of the weighting schema used to aggregate indicators within and across sectors. The

Expanded Review would also recognize the need for adequate consultations with member countries to ensure ownership of resulting revisions.

12. As noted above, proposed timeline for Minor Review is October 2013. The timeline for Expanded Review may be longer as indicated below.

TASK	COMPLETION
A. Consultations and approval of refined Results Framework (RRF)	
1. Present Note and proposed RRF for discussion with NFPs	September 2013
2. Revise RRF, incorporating comments and suggestions of NFPs, and specifying data sources and collection method	October 2013–January 2014
3. Circulate revised RRF among Sector committees and MIs	January 2014
4. Revise RRF, incorporating comments and suggestions of Sector committees and MIs	February 14
5. Circulate revised RRF among NFPs, Sector committees and MIs	March 2014–May 2014
6. Finalize revised RRF, incorporating comments and suggestions from NFPs, Sector committees and MIs	June 2014
7. Present revised RRF to SOM	June 2014
B. Establish data collection mechanism with NFPs; complete data requirements for refined outcome and output indicators	January–June 2014
C. Collect data for unchanged indicators	January–May 2014
D. Analysis and write up of DEfR (assuming Jun2014 approval)	June–July 2014