

Evaluation Report Title:

Evaluation of DFID's Performance Management Funding of International Agriculture Research Centres

Response to Evaluation Report

This report contains the response to the evaluation of DFID's Performance Management Funding Mechanism (PMFM), which the Agriculture Research Team is using as a key part of its support towards four international agricultural research centres (IARC): AVRDC (World Vegetable Centre), CABI (Centre for Agriculture and Biosciences International), ICIMOD (International Centre for Integrated Mountain Development), and *icipe* (International Centre of Insect Physiology and Ecology).

The PMFM comprises 'core' multi-year unrestricted funding plus an additional performance-related payment to centres, a fixed amount of funds that DFID pays if the IARC represents good or very good value for money to DFID. This additional element is allocated based on performance against three to five high-level deliverables for each IARC and a set of organisational behaviours, including impact assessment, research quality, financial management and responsiveness to gender and environment issues.

Overall, DFID agrees with the main findings and recommendations made in the report. These are feeding directly into the design of a new phase of performance management funding with international agricultural research centres. The evaluation report makes important points on the importance of improved dialogue and clarity of communication between the centres and DFID. It highlights important findings on the performance related element, particularly ensuring that this is designed in a way that funds can be planned for by the centres. It highlights the importance of ensuring clarity on what good performance looks like, and appropriate measures of research quality. This has already led to changes in the way in which the performance management system operates, including in measurement of research quality. These should allow for more effective results-based incentives, budget predictability and thus improve value for money. The report itself is of much wider interest both to other donors and stakeholders involved in performance management funding in international agricultural research, as well as to others in DFID involved in different forms of results-based funding.

The findings and recommendations have been captured effectively in a succinct and accessible 2 page evaluation brief which has been well received and will be widely disseminated both in DFID and externally.

However, DFID also notes that much has changed since the data collection stage of the evaluation. At that time, only two of the four centres had received a performance related payment. Since then, both of the other two centres within the programme have also received a performance related payment. Whether or not a centre receives a performance related payment is likely to have a significant impact on the way they perceive the strengths and weaknesses of the PMFM. Consequently, these perceptions, which were the main source of data that the evaluators used, would likely be very different had data collection occurred a year later.

This problem of timing was further exacerbated by delays in the final publication of the report, resulting from its initial poor quality and subsequent multiple iterations. The extensive work required to pull the evaluation up to the require standard was a time-consuming process for both the evaluation team and DFID staff, and resulted in a delayed and less relevant final report.

In part, this was due to the nature of the evaluation and a range of methodological challenges that were beyond the evaluation team's control. These included: the small number of centres with diverse structures and aims made it difficult to attribute a change in organisational behaviour to a specific change in incentives caused by the PMFM; the PMFM itself was relatively new, with the first performance related payments only awarded in 2012, so it is too early to get a complete picture of their impact; the inherent complexity and uniqueness of research organisations made establishing an accurate counterfactual research centre very difficult.

However, there were several issues with the management of the evaluation. There were a number of personnel changes in the evaluation team. Some outputs required from this study were below the expected standard. It should be acknowledged that, while the final report received only an Amber-Red rating from SEQAS, the inception report itself was sufficiently robust. DFID felt that a high-quality evaluation could be achieved with the proposed evaluation design, reducing the degree to which external methodological challenges can be held accountable for the problems the team encountered.

Nonetheless, the evaluation did act as a useful triangulation tool, helping to both challenge and reinforce the Agriculture Research Team's own perceptions of what went well and what did not regarding the PMFM. Findings and recommendations are feeding directly into the design of a new phase of funding, enabling the original system to be adapted and made more effective. Landell Mills' staff and the final team leader deserve much credit for the commitment, persistence and constructive responses to feedback, which enabled considerable improvements to be made to the final report.

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Recommendations	Accepted or Rejected	If 'Accepted', Action Plan for Implementation or if 'Rejected', Reason for Rejection
1. Elaborate an explicit theory of change for Phase 2 in collaboration with the Centres.	Accepted	A theory of change has been drafted and finalised, in collaboration with the research centres themselves. It will be further refined as DFID develops the business case for a new phase of funding.
2. Learn from Centres about other donor initiatives, and communicate about PMFM effectively.	Accepted	DFID will continue to collaborate closely with donors, particularly those who provide core funding. The Evaluation Report and brief will be shared with other donors, and a presentation of the findings and new phase of funding made to interested donors.
3. Ensure joint understanding, negotiation and consensus on what is required in relation to PMFM indicators.	Accepted	An initial consultation meeting on a new phase of funding has already been held with centres in October. The theory of change has been developed. This acknowledges the importance of regular catch-up meetings and of both DFID and the Centres having clear and consistent understandings of key concepts related to the PMFM.
4. Continue provision of multi-year funding in Phase 2 and consider its use in DFID's support to other research centres.	Accepted	Multi-year funding will feature in the new business case. This is subject to funding availability and approval.
5. Continue provision of core funding in Phase 2 and consider its use in DFID's support to other research centres.	Accepted	Core funding will feature in the new business case. This is subject to funding availability and approval.
6. DFID to reconsider the performance component's purpose and options for operation.	Accepted	DFID has carefully reconsidered the PMFM and reviewed the options set out in Annex 6. These included: (a) no change to the performance related payment to the centres; (b) increased interaction and updates on performance of key deliverables; (c) adopt a graduated performance related payment system and; (d) make the graduated performance related payment to the centres a voluntary 'opt-in' option rather than a key part of every relationship with each centre.

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		<p>DFID is currently working on a version which draws on both option b and option d. Closer interaction and improved relationships between DFID and the Centres will set Phase 2 apart from Phase 1. The performance metrics will be reset annually, based on an assessment of where each individual centre is at, enabling DFID to take into account different starting points on specific issues while making the PMFM flexible and sensitive to Centres' changing circumstances and/or priorities.</p>
<p>7. Continue, and further refine the performance review process.</p>	<p>Accepted</p>	<p>Several actions are being considered for the next phase of funding to improve the operation of the performance related payment to the Centres:</p> <ul style="list-style-type: none"> • Improved communication between DFID and the Centres – visit centres every year to maintain and improve relationship • Clarity on DFID's requirements for the awarding of a performance related payment to the Centres • The differentiated rating of very good VFM, good VFM and VFM will be removed. All Centres must demonstrate a strong VFM argument for DFID, irrespective of performance against any specified performance related payment criteria • The performance metrics will be reset annually, based on an assessment of where each individual centre is at, enabling DFID to take into account different starting points on specific issues. This will enable the award to be tied closely to specific changes or outputs that DFID and the Centres agree will advance DFID research priorities and/or strengthen Centre research and operations.

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		<ul style="list-style-type: none"> • The award will be made in the December following the Annual Performance review in June/July, allowing time for Centres to plan for expenditures. • Centres will be required to submit a proposal for how they would spend the Performance Related Payment if awarded, in advance of the Annual Performance review. The purpose of this statement of intent, and the timing of the performance related payment (5 months after notification), is to incentivise Centres with respect to performance, and to improve predictability and planning of the additional funding • Improved metrics for success - while the Annual Performance review system is rigorous, transaction costs are higher than intended, and there is a need to return to the original initial intention of fewer milestones and lighter reporting.
8. Consider ways in which to build expertise in measuring value for money in the context of agricultural research centres.	Accepted	Accepted, although it was intended that the evaluation would make specific suggestions on value for money metrics

