



# **ROOM DOCUMENT 2**

## **DAC Network on Development Evaluation**

### **ASSESSING THE CONTRIBUTION OF ODA TO NATIONAL DEVELOPMENT RESULTS**

**Proposal for a Joint Study**

#### **Item 2**

This note has been submitted by Denmark, the Netherlands and Sweden for discussion at the meeting of the DAC Network on Development Evaluation on 9-10 November, 2004.



**2nd meeting  
9 – 10 November 2004**

## ASSESSING THE CONTRIBUTION OF ODA TO NATIONAL DEVELOPMENT RESULTS

### Background<sup>1</sup>

In his Development Co-operation Report for 2003 the DAC Chairman outlines a fourfold hierarchy of evaluations of aid effectiveness<sup>2</sup>:

1. Evaluation of the impact of the combined support from donors to a particular country. The main question in an evaluation of this kind is how the total aid effort contributes - positively and negatively - to the achievement of desired development outcomes at country level.
2. Evaluation of the effectiveness the development co-operation system itself. In this case the evaluation focuses on questions concerning partnership, the alignment of external support with partner country development strategies and the harmonisation of donor practices.
3. Evaluation of the contribution of an individual donor to the effectiveness of the larger development co-operation effort. The question here is whether and to what extent the individual agency operates in a manner that is supportive of the development co-operation effort as a whole and makes a significant contribution to development results.
4. Evaluation of the internal effectiveness of a particular donor agency. In this case questions concern the institutional effectiveness of an agency rather than its contribution to development impact.

The present brief paper provides a preliminary sketch of what a study focusing on the uppermost level of this hierarchy might look like. At a time when the programme objectives of donor agencies increasingly tend to become identical with the goals that the governments of developing countries set for themselves, evaluations are still mainly concerned with the doings of individual donor agencies at project and programme levels. This is clearly not a satisfactory state of affairs. Evaluations that are limited to the perspective of a single donor agency leave out important aspects of the interaction or incoherence of the contributions of different actors to the same process. Furthermore, since the effectiveness of ODA in most instances depends on the efforts of a wide variety of actors, it has become impossible, and often even irrelevant, to try and attribute specific outcomes to the contributions of individual agencies. In order to establish to what extent ODA has contributed to the achievement of national development goals it is necessary to review the performance of all development actors - donors and partner country agencies - collectively in a given country context.

Evaluations focusing on the effectiveness of ODA at an aggregate level should be useful to all actors in development co-operation. All too often we are so preoccupied with individual projects and programmes that we lose sight of the larger development picture. An evaluation of the kind envisaged here helps us put development co-operation efforts in a proper country development perspective. Identifying strengths and weaknesses in the overall development co-operation system it may also provide valuable inputs to ongoing

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1 . This document was prepared by Gus Edgren.

2 . DAC, *2003 Development Co-operation Report*, Section 1.15-16, OECD 2004

efforts to increase the effectiveness of ODA The present paper suggests the first steps towards launching a series of pilot studies in interested partner countries. It lays down some principles that should guide the country studies, both regarding the analytical framework and the process of collaboration in carrying them out. Which countries should be studied is a matter to be explored once the framework has been agreed. The following aspects will be covered:

1. Assessment of development outcomes
2. Assessment of the combined ODA contribution
3. Contributions of individual agencies
4. Proposal for pilot studies

### **Assessment of development outcomes**

As a first step the development changes that have occurred in the country over the period of time covered by the evaluation are identified and assessed. In line with well-established views on national ownership, the policies and priorities of the Government provide the principal benchmarks against which change (including zero change) should be analysed.

The assessment should be based on policy statements directed by the Government to its own electorate and political bodies. Donors often prefer to measure and assess change with reference to goals that have been formulated in documents that are in various ways connected with attracting ODA, such as the PRSP or the 'localised' MDGs. Although most Governments are indeed committed to the goals laid down in those documents, their emphasis and priorities are mostly different when the development goals are seen in relation to the Government's political survival. For instance, physical security is almost always a concern that overrides other development targets, and in many cases the feasibility of those targets is determined by whether people can feel secure or not. Governments may value political stability higher than the introduction of institutions that are supposedly more democratic, and in setting distributional goals or targets for poverty reduction, certain groups or regions are more important than others. This does not always come out clearly in policy statements that are related to the ODA process.

To get a presentation of the national development goals and strategies from the horse's mouth so to speak, it is necessary for the country study to engage Government at the political level. If the study covers a period of ten or fifteen years, say, it is important to go back to policy statements and plans that were launched and discussed at the beginning of the period and to recall what were the risks and opportunities that could be seen at that time. Reconstructions done without sufficient sensitivity to the political process and to the historical contexts in which goals and strategies were formulated may misjudge the original hopes and intentions of important political actors and hence distort the picture of what was really achieved. Political elements are for instance peace and security, leadership and cohesion.

Some developments can be described with the use of quantitative statistical data, such as those regularly presented in economic reports from the Government and the IFIs. Such data are regularly reviewed by the partners at political level in Consultative Group meetings and in discussions about the PRSP. For the purpose of the country study, it is important that all these data are not automatically treated as development *outcomes*, but rather as *indicators* related to some of the development dimensions. It is necessary to relate the quantitative indicators to original plans to facilitate the next step of evaluating their significance to the intentions and aspirations of the political actors.

If the first step of the study is undertaken in this fashion, its version of development outcomes may look a bit different from the regular economic reports of the World Bank or major donors. (But in countries

where these elements are already an important part of the dialogue and the PRS process, the difference may on the other hand be negligible). The presentation of outcomes will place more emphasis on political factors than the usual reports, and it may also give a better picture of the interaction of economic and political factors in explaining the processes leading to the results identified. If the period of review is long enough, the achievements should include an assessment of increased capacity of national institutions to manage the country's development. If the Government feels free to express critical views of its development and trading partners, there may also be criticism of the ways the global system has supported the Government's efforts. Ideally, the presentation of development outcomes should be able to stand on its own as the Government's account of what has been accomplished in terms of development during the period under review.

Once development outcomes have been identified and assessed in this way, they should also be examined against the standards of existing partnerships. Most evaluations of country performance that have been done so far have been carried out by one agency or institution, whose value standards have been applied throughout the study, and the debate about the standards or their application has taken place once the study is published. In the present case, we are dealing with a number of donor and partner country agencies, possibly also NGOs, who all have views regarding the value standards as well as how they should be applied. The views may converge when it comes to broad formulation of objectives, but they may diverge when the discussion goes into judging the merits or demerits of specific outcomes, or the trade-off of one development goal against the other. A better knowledge about these differences will raise the quality of development dialogue among the partners.

### **Assessment of the combined ODA contribution**

A fairly deep-going assessment of development outcomes is necessary for the discussion of how much and in what way ODA has contributed to development during the period under review. If one donor has funded infrastructure investment and another has financed school building, this does not tell us much unless we have an idea about the role that these investments have played in enhancing the well-being of people or the economic resources of the nation. The next step in the study will therefore be to assess how effective ODA as a whole has been in contributing to these achievements, together with other sources of funding and innovation, national as well as external. What the evaluation will try to understand is the systemic impact of ODA, its contribution to sustainable development at country level, not just the sum of its project level benefits

As envisaged in this paper, the analysis of the contribution of ODA will begin with a review of the allocation of resource inputs from ODA between different sectors and lines of activity, along with an assessment of the role that the privileged sectors and activities have played in the achievements evaluated under (2) above. It is quite possible for instance, that the most important achievements have occurred in the private sector of the economy, whilst ODA has been directed mainly at the public sector and its enterprises.<sup>3</sup> The overall orientation of ODA investment in terms of sectors, regions and segments of the population is of course highly relevant for the discussion of development strategy.

There are, roughly speaking, three types of questions to be answered. The first concerns the value added by ODA, its positive contribution to recorded achievements. To answer a question of this type the evaluation must compare the recorded development outcomes with estimates of what would – with some likelihood - have been the development outcomes in the *absence* of resource inputs from ODA. What we want to know, essentially, is whether and to what extent the ODA contribution was *necessary* for the achievement of the outcomes in question. Depending on the case at hand, the answer could be that it was absolutely essential, quite insignificant, or something in between.

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3 . Edgren, G., *How Effective is ODA in Vietnam?*, UTV Working Paper 2001:1, Sida 2001.

For a counterfactual analysis of this kind to make economic sense, it must build on specific assumptions about the deployment of alternative funding, in particular domestic resources but in some cases also FDI. A major loss of ODA could spell disaster like in Cambodia and Cuba when Soviet aid disappeared in 1990, but it might also lead to structural reform and reduced aid dependency, as in the cases of Vietnam in 1990 and India in 1970. The counterfactual analysis cannot simply build on fixed input-output relationships but must take into account the political economy at the time.

It is particularly important to study the relationship between ODA and government revenue. There are cases where it is obvious that easy access to ODA has discouraged domestic resource mobilisation,<sup>4</sup> but there are also cases where increasing ODA has led to rising allocations to the sector from domestic resources.<sup>5</sup> Domestic resource mobilisation in ODA-funded sectors is vital for the financial sustainability of the donor-funded activities and should be carefully examined.

The role of non-material resources like management, expertise and technology should also be analysed. Some quantitative data could support this study, like manpower supply (and brain drain), higher education and the staffing of key institutions. But most of this analysis will be based on qualitative information regarding the capability of government, the research community and the private sector in guiding and managing national development efforts.

A second type of questions concerns the downside of ODA, its possible negative impact on the ability of the partner country to achieve its development goals. For example, in a discussion of donor contributions at macro level we cannot ignore the question of ODA's transaction costs, although these are difficult to estimate in quantitative terms. Most forms of foreign aid are supported by very time-consuming and management-intensive procedures of identification, negotiation, review and reporting, which impose a heavy burden on the partner country administration,<sup>6</sup> in particular when a large number of donor channel their support through a large number of projects. Donor behaviour that runs counter to the overall objectives and DAC principles should be identified, as has been done by the Independent Monitoring Group in Tanzania.<sup>7</sup> Corrupt practices are another important factor, whether by directing resources to less effective uses or by necessitating elaborate controls to contain them.

The third type of questions is about factors that may enhance or, alternatively, stand in the way of greater ODA effectiveness. In a narrowly summative study such questions could perhaps be ignored, but in an evaluation intended to support ongoing efforts to enhance the effectiveness of ODA they are essential. Among the factors explaining ODA effectiveness we should consider those that are external to the development co-operation system narrowly understood, as well as those that are part of it. In countries with a large share of export revenue coming from minerals or agricultural products, for example, terms-of-trade changes often have more important consequences for development finance than ODA flows. It is obviously important to consider to what extent terms of trade or FDI flows are consistent with donor development co-operation policies. Other questions about donor country policy coherence would also be highly relevant.

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4 . See Dollar, D. and Pritchett, L. about the 'Zairean Disease' in *Assessing Aid: What Works, What Doesn't, and Why*, OUP New York 1998.

5 . Agbonyitor, A.D.K, *Development Expenditures and the Local Financing Constraint*, World Bank, 1998, <http://econ.worldbank.org/docs/787.pdf>

6 . Brown et al, *Aid Transaction Costs in Vietnam*, ODI, London, December 2000; Hauge, A., *The Role of Monitoring and Evaluation Capacity Development in Improving Government Performance: Lessons Learned from the Uganda Poverty Reduction Support Process*, WB-OED, August 2003.

7 . ESRF, *Enhancing Aid Relationships in Tanzania: Report of the Independent Monitoring Group*, Report submitted to the Consultative Group for Tanzania, Dar es Salaam December 2002

## Contributions of individual agencies

The macro approach to studying the effects of ODA in the national economy could give valuable indications of where ODA has been effective in a strategic sense, and it would also give an idea of the financial sustainability of ODA-supported developments. It will provide insights that could be useful for public investment planning and for the PRS process. If one is to descend in the evaluation hierarchy suggested by the DAC Chair to the level of the contribution to development impact of individual donor agencies (the 'third level' above), the selection of projects and programmes for deeper analysis will have to be guided by the findings of the macro study rather than by individual agency interests. Unless they can be related to the macro analysis, individual projects will be of little interest to this particular study. Only in the most aid-dependent economies will this requirement be met by more than a handful of projects and programmes.

One way to satisfy the interest of individual donors in third level analysis would be to try and find linkages between donors' own effectiveness studies and the macro analysis discussed in sections 2-3. For instance, if the macro-level analysis suggests that too little emphasis has been given to regional disparities, or that donors have used too many external consultants when local expertise is available, the same questions could be raised in effectiveness studies of individual donors.

The macro-level analysis would also offer an opportunity for in-depth studies of certain sectors where donors have been particularly engaged. While it is difficult to attribute specific *outcomes* to a given resource input, the *process* of achieving these outcomes could be subject to an interesting evaluation of individual donor contributions. This evaluation could be undertaken as a separate exercise following the macro-level analysis, and it could be undertaken by individual agencies or by several donors jointly.

The experience from previous attempts to evaluate the contributions of different donors to a given country shows that partner country governments are rarely prepared to criticise one donor in front of the others. Partner country participation at the level of individual agencies would either be less articulate than at macro level, or it would have to consist of independent academics like in Tanzania's Independent Monitoring Group.

## Proposal for a Pilot Study

A pilot study could be undertaken to test the technical feasibility of the concept, as well as to attract the interest of partners who may not yet see the usefulness of deeper study in this field. The below proposal tries to make the evaluation practicable by commissioning it to independent expertise, while at the same time keeping it open for all partners to take part.

**Country coverage.** Only two or three countries should be chosen in the first round, and it is extremely important that the study engages a high-level Government counterpart who is genuinely interested in this line of study. Since the role of ODA in the economy differs between countries with different degrees of dependence on aid, it may be useful to let the choice include a country that is highly dependent on aid (e.g. Tanzania, Uganda) and one which is not (e.g. Vietnam, South Africa). It is best at this stage to avoid countries that have not made any quantifiable economic progress during the time under review (e.g. Ethiopia), since the causal analysis becomes very complex.

**Donor coverage.** Since this is a pilot exercise, the number of donors does not matter so much. It would help if the donors directly involved in the study together represented a sizeable share of ODA to the partner country, but it is not absolutely necessary. More important is that all the partnerships are based on mutual trust.

**Period of review.** In order for development outcomes to be clearly identifiable, both in the field of economic resources and in capacity development and political institutions, it is preferable to choose a relatively long period like ten or fifteen years. During such a long period, aid flows may have varied significantly, which may call for using sub-periods in the second-level analysis.

**Terms of reference.** Detailed terms of reference along the general lines suggested in this paper should be agreed by all the partners engaged in the study. The focus should be on assessing the country's development results in relation to national priorities and on establishing what role to be attributed to the external partners in achieving them. The study should suggest and discuss alternative strategies towards the same goals, for donors as well as for the Government.

**Commissioning of the study.** The study should be commissioned to a group of independent experts, chosen by the partner country and the external donors together. The group could include expertise from the partner country as well as from some of the donor countries. It could also be drawn from institutions that are independent of either side.

**Building on existing studies.** An evaluation like the one envisaged here must make full use of existing research work including evaluations produced by donor agencies. Although evaluations of the combined effectiveness of total ODA are rare, there are evaluations of the country-level programmes of individual donors that might provide useful inputs to the study. It goes without saying that the work of academics must be carefully reviewed. The desk synthesis of existing research work will provide valuable guidance for any subsequent fieldwork. For the evaluation community a synthesis of evaluations would be valuable in itself.

**Evaluability assessment.** A study like this raises difficult questions about evaluability and causal attribution. It is important that such questions are put on the table as early in the process as possible. As problems of evaluability may vary considerably from one country study to another, however, a fuller discussion of such problems will have to await the selection countries for case study. What can be said with certainty at this stage is only that in many cases conclusions about cause and effect will be tentative rather than absolutely certain.

**Stakeholder consultations during the research phase.** Since one important purpose of the evaluation is to advance the scope of the development partnership, the evaluation research should be undertaken in full collaboration with as many partner agencies as possible. Interim reports should be discussed with national and international stakeholders in workshops and seminars. The aim of the stakeholder discussions would not be to produce a common value standard, not even a shared view of what has been accomplished, but rather to exchange views on the reported outcomes and to help the research team get a deeper understanding of the development processes.

**Joint assessment of results:** When the expert group has completed the final report, it should be assessed by the sponsoring partners together. If requested by some of the partners, the first discussion could be held *in camera*, but the partners should agree at the outset on the eventual purpose to discuss the findings in some form at a more inclusive forum of Government and donor agencies as well as NGOs. The usefulness of further deepening or widening the study should also be discussed in this forum.

**Guiding principles.** No matter which approaches to stakeholder participation are chosen, the evaluation will have to be based on a set of agreed standards and premises. The following three premises are suggested for a start:

- The purpose of the evaluation is for the partners to share useful experiences and learn from each other. The emphasis should be on advancing knowledge and understanding of the development process rather than on holding specific actors responsible for a given outcome.
- The focus should be on process and strategy rather than on 'success indicators'. The study should evaluate the choice of development paths and discuss whether different outcomes could have

been achieved along alternative paths, and not just summarise the end results of each process. In some cases, it may be more important to address cross-cutting themes related to broad development objectives than to study each sector separately.

- Where the evaluation leads to differing views among the participating agencies as to the value of registered outcomes, such as for instance in weighing growth against distribution, or stability against innovation, the views of each agency should be noted.

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