Development Assistance Manual

DAC PRINCIPLES FOR EFFECTIVE AID

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DAC PRINCIPLES FOR EFFECTIVE AID

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Foreword

We are pleased to present this OECD publication of the DAC Development Assistance Manual. This volume brings together the essence of DAC work in recent years both on broad policy orientations for official development assistance and on specific operational guidance and standards for the whole process of the programming and implementation of aid from initial appraisal and policy dialogue with developing countries to procurement and finally evaluation of results.

It is one of the underlying themes of the DAC’s work that co-operation among aid agencies (bilateral and multilateral) and effective aid co-ordination are essential for the effective use of aid. The policy orientations and operational guidelines brought together here are the result of close co-operation and consultation among DAC Members’ agencies and the World Bank, IMF and UNDP. We see them as a manifestation of the determination of aid agencies to work together towards common high standards of effectiveness in their efforts to assist developing countries to achieve decent conditions of life for their citizens.

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Conceptual Underpinning and Salient Features of the DAC Aid Principles

I. Introduction

1. As part of the DAC’s basic mandate to contribute to improving the quantity, the quality, and the developmental effectiveness of aid, Members have devoted considerable effort in recent years to developing a series of principles in the key areas of aid management.

2. The principles set out in this report were developed in a long process of consultations among Member aid agencies, the World Bank, the IMF and the UNDP. They bring together the results of the work done under DAC auspices on essential aspects of the aid planning process.

3. These principles were endorsed by development co-operation ministers and heads of aid agencies at various DAC High-Level Meetings. DAC Members have undertaken to review and adapt their current practices against these standards, which may imply significant reorientations in current aid practices; they have requested the DAC to monitor, in a systematic manner, their implementation. The DAC’s main instrument for monitoring the implementation of agreed policy principles are the regular mutual reviews of each Member’s aid efforts and policies, the “Aid Reviews”, which are increasingly prepared on the basis of Secretariat field visits.

4. DAC Members see the principles incorporated in the manual not only as guidance for the orientation of their own aid policies, but also as a basis for dialogue and co-operation with developing countries in order to improve the effectiveness of the totality of resources devoted to the development effort.

II. Conceptual underpinning

Operational lessons from the 1985 “Review of Twenty-Five Years of Development Co-operation”

5. An important milestone in the DAC’s aid policy reflection was the “Review of Twenty-Five Years of Development Co-operation” conducted by the Committee in 1985 on the occasion of the twenty-fifth anniversary of its existence. Among the “operational lessons” emerging from this reflection were the following:

— One of the compelling lessons of experience is that aid can only be as effective as the policy, economic, and administrative environment in which it operates. The successful use of aid in many of the Asian countries and, indeed, a limited number of African countries, provides positive evidence of this lesson. However, in the countries that need aid most, from the point of view of poverty and level of development, results often have been disappointing. The operational lesson is that aid has to be more concerned with creating the fundamental conditions for its effectiveness.

— One of the most important general findings of extensive evaluation of aid is that many of the problems encountered during implementation can be avoided — and project survival and viability improved — through strengthened project appraisal, greater rigour in project selection, clearer and more realistic setting of objectives, greater flexibility in design, and quicker adjustment when shortcomings are identified.
Greater emphasis should be given to ensuring the commitment of recipients' executing agencies and the motivation of local target groups through their active involvement in selection, design and implementation.

In view of the stated aim of bringing women of developing countries more fully into the development process, special attention should be paid to involving women and existing women's groups in the process of preparation, implementation and evaluation of development programmes.

Technical co-operation is an area where improvements could lead to substantial pay-offs. Shortcomings occur in its design, in the selection of technical personnel, and in implementation. Training is an aspect of technical co-operation which requires strengthening. In general, technical co-operation has been evaluated less extensively and less rigorously than financial aid.

If aid is to make a broad and sustained contribution to the economic and social well-being of developing countries, it must be concerned not only with the proper selection, design, and implementation of individual projects, but also with the support of broader sectoral and national efforts and policies. This underlines the need for the aid relationship to address or at least take full account of macro-economic and sectoral policies and national and sectoral investment and expenditure programmes, as well as particular aid projects.

For donor advice in the policy and programming dialogue to be credible, it must be competent, reflect full understanding of the variety of economic and other constraints facing the developing country, and must be backed, or at least accepted, by all significant donors. A profusion of conflicting advice from a multiplicity of donors is counter-productive.

International aid co-ordination arrangements with recipient governments should be further strengthened and lead to specific, operationally relevant conclusions, based on genuine consensus. Once consensus on priorities has been reached, it is essential that these priorities be respected by all participants.

Donor competition for attractive projects remains a problem. Full and frank exchanges of relevant information on on-going and planned activities among donors, and between donors and recipients, are essential to the success of co-ordination efforts and more effective use of aid. In some cases deficiencies remain in information exchange due to both administrative constraints and donor inhibitions resulting from political or commercial considerations.

Efficiency and flexibility in procurement can yield substantial benefits to recipients in terms of project price and subsequent operation and maintenance. Competitive bidding has major advantages especially for large projects. Where procurement is tied, it should be flexibly administered; this implies careful choice of supplies in which the donor is competent and competitive, effective price and quality controls, and liberal use of waivers, especially in situations where local-cost financing or third-country procurement is essential.

**DAC policy orientations for development co-operation in the 1990s**

6. The DAC took the occasion of the approaching new decade to pursue its basic conceptual thinking on orientations of aid programmes. At the DAC High-Level Meeting in December 1989, development co-operation ministers and heads of aid agencies adopted a Policy Statement on Development Co-operation in the 1990s.

7. They stated their conviction that the vicious circle of underdevelopment that links high population growth, poverty, malnutrition, illiteracy and environmental degradation can be broken only through economic and developmental strategies and policies which integrate the objectives and requirements of:

- promoting sustainable economic growth;
— enabling broader participation of all the people in the productive processes and a more equitable sharing of their benefits;

— ensuring environmental sustainability and slowing population growth in those many countries where it is too high to permit sustainable development.

8. Participatory development and environmental sustainability were two major new notions introduced in DAC policy orientations and priorities for the 1990s.

9. The participatory development notion addresses both economic and political aspects of broad popular participation in the development process. Members expressed their determination to seek opportunities to work with developing countries towards promoting conditions for a dynamic productive sector, strengthening the role of individual initiative, private enterprise and the market system, and more generally, drawing the whole population into the active life of their countries. The transition from an economy which is stifled by over-regulation, and by powerful state and private monopolies, to an economy where the productive energies of people are motivated and can find legitimate expression is a complex challenge.

— There is a vital connection, now more widely appreciated, between open, democratic and accountable political systems, individual rights and the effective and equitable operation of economic systems.

— Participatory development implies more democracy, a greater role for local organisations and self-government, respect of human rights including effective and accessible legal systems, competitive markets and dynamic private enterprise.

— More open competitive systems will improve effective resource use, growth and employment, and will create more favourable conditions for a more equitable income distribution.

10. In subsequent discussion DAC Members have reaffirmed the importance of good governance, including democratisation and respect of human rights as basic conditions for broad-based sustainable economic and social development. There is now an awareness that effective strategies for sustainable development need to address development issues at all levels: projects, programmes, policies, institutions and, indeed, political systems.

11. At the 1991 DAC High-Level Meeting DAC Members warmly welcomed the trend towards democratisation in many developing countries throughout the world. They undertook to further encourage this process through appropriate development assistance activities and the policy dialogue, and particularly respect for human rights, representative government accountable to its citizens, and good governance within a framework of law. They recognise that there can be a wide variation of institutional arrangements and practices which manifest these democratic values, based on the specificity of each country’s political, economic, social and cultural conditions. They intend to continue their exchange of views and experience in this regard in the DAC, and to build on and strengthen their common efforts in encouraging respect for human rights.

12. Reduction in excessive military expenditures is now also increasingly emphasized as a key element in sound economic policy and good governance and frees scarce resources for sustainable economic and social development. DAC Members welcome the growing attention paid by the multilateral institutions, such as the World Bank, IMI and UNDP, in monitoring public expenditure programmes for opportunities to reduce unproductive expenditures, especially excessive military expenditures. They note that several DAC Members take the size and trends in military expenditures increasingly into account in their aid allocation decisions. They will also exchange views and experience in this regard in the DAC.

13. Economic, financial, trade, and structural adjustment policies by OECD countries which contribute to a propitious world economic environment are of critical importance for developing countries. Major international efforts are underway to improve global policy coherence, most fundamentally the Uruguay Round, but also other efforts, in OECD and elsewhere, to improve policy co-ordination and structural adjustment in OECD countries, with significant potential for improving economic opportunities for
developing countries. Greater efforts are nevertheless required. DAC Members agree to strengthen their efforts, in their governments and the OECD, to pay full regard to the potential impact on developing countries in the formulation of the range of relevant government policies, notably in such areas as trade, environment, private investment and migration, and to work towards the largest possible consistency in development and other policy objectives. Aid efforts at basic developing-country capacity-building remain of fundamental importance, since competent human resources and institutions and adequate infrastructure determine the extent to which a developing country can cope with, and benefit from, participation in the international economy.

III. Salient features

14. The basic conceptual work and policy orientations sketched out above were translated into specific operational management guidance in a series of agreed management principles, as follows:

— Guiding Principles for Aid Co-ordination with Developing Countries (1986) [Part II of “Aid for Improved Development Policies and Programmes and Implications for Aid Co-ordination”];

— Principles for Project Appraisal (1988);

— Principles for New Orientations in Technical Co-operation (1991);

— Principles for Programme Assistance (1991);

— Guiding Principles on Women in Development (1989);

— Good Practices for Environmental Impact Assessment of Development Projects (1991);

— Good Procurement Practices for Official Development Assistance (1986);

— New Measures in the Field of Tied Aid (1992);


15. The following gives brief summaries of the essential elements of the ten principles listed above.

Aid co-ordination

16. The effective co-ordination of aid coming from a large number of different sources and subject to different donor regulations, requirements and policies, is essential for the effective use of aid. This has been a central concern of the DAC since its inception. Among the main recommendations of the Principles for Aid Co-ordination adopted by the DAC High-Level Meeting in 1986 are the following:

— Central responsibility for aid co-ordination lies with each recipient government.

— Developing countries need well designed policies and carefully appraised investment and expenditure programmes for effective and coordinated use of both their national and external resources.

— There is a need for aid agencies to help developing countries strengthen their analytical and management capacity to design and implement effective policies and programmes.

— There is a need for continuing discipline by both recipients and donors in adhering to carefully appraised and productive investment programmes. Such programmes will provide a particularly useful basis for aid allocations if they have been the subject of careful review and discussion with donors with the help and advice of the international financial institutions. They are a good basis for aid co-ordination.

— There is a need for close co-operation between recipient governments and the multilateral lead agencies but the processes of consultation and co-ordination should provide an opportunity for bilateral donors to express their views during the formative stages of policy and programme consultations between recipients and the international agencies.

— Full and frank exchanges of pertinent information on on-going and planned activities among donors, and between donors and recipients, are essential to
the successful co-ordination and effective use of aid.

There is a need to strengthen aid co-ordination at the local (i.e. recipient country capital) level, and to establish stronger links between central and local co-ordination arrangements. Central co-ordination arrangements should give the lead to local and sectoral co-ordination, inter alia, by identifying issues to be addressed at the local/sectoral level. Policy dialogue should be an intrinsic element of aid co-ordination at the local/sectoral level. Recipient governments should be at the centre of the process.

Effective participation both in the policy dialogue and in aid programming at the local level will be facilitated by the presence of policy-oriented staff stationed in recipient countries in which individual Members have major aid interest.

**Principles for project appraisal**

17. The Principles adopted by the DAC High-Level Meeting in 1988 incorporate the following essential elements.

Better investment management and resource use in developing countries are essential for more satisfactory economic and social development. Project survival and viability can be improved through greater rigour in project selection, clearer and more realistic setting of objectives, greater care in design and preparation, fuller involvement of target groups in design and implementation and quicker adjustment when problems are identified. Donors are ready to work together with recipients to ensure acceptable standards of rigour and developmental effectiveness in project selection and preparation.

The initial selection of projects should be consistent with well conceived sectoral programmes and strategies of the recipient countries. The broader policy framework in which projects operate must be such as to facilitate their success.

Close consultation between donor, recipient government and affected communities in the formulation of objectives and the appraisal of projects is necessary to ensure that the project responds to the recipient community’s needs and that relevant managerial, social and environmental requirements are taken into account in project design.

The sustainability of projects is determined by a range of factors — including economic soundness, project design corresponding to the managerial, technical and financial capacity of recipients, compatibility with socio-cultural conditions and, last but not least, environmental sustainability — all of which must be considered at the appraisal and design stage to ensure project success. It is not in the recipient’s interest to proceed with projects which are likely to produce minimal benefits in the short run and to be non-sustainable or non-replicable in the long run.

**Principles for new orientations in technical co-operation**

18. These Principles, which were adopted by the DAC High-Level Meeting in 1991,

set as strategic objectives of technical co-operation long-term capacity building in developing countries rather than immediate short-term performance improvement;

put great emphasis on the central role of developing countries in the planning, design and management of technical co-operation;

stress the essential importance for effective technical co-operation of improved planning in the context of co-ordinated support for sectoral objectives and policies and, in particular, use of a programme rather than a project-by-project approach;
— encourage “ownership” i.e. responsibility and control of technical co-operation programmes and projects at all stages by the intended beneficiaries through participatory approaches, including local NGO participation;

— emphasize the key importance for sustainable development and self-reliance of long-term institution-building, especially in the areas of policy analysis and development management;

— take into account the new recognition of private sector needs for technical co-operation;

— encourage greater use of local expertise and existing structures;

— define objectives in terms of outcomes to be achieved rather than inputs to be provided;

— stress the need to pay greater attention to the costs and cost effectiveness of technical co-operation activities.

Principles for programme assistance

19. The principles for programme assistance adopted by the DAC High-Level Meeting in 1991 incorporate the following essential elements.

— There is a continuing major role for programme assistance, incorporating the evolving lessons of experience and effectively linking broader social, political and economic policy concerns.

— Programme assistance and other aid instruments, such as technical co-operation and project financing for long-term investment, are complementary. All of these instruments have their specific contribution to make. It is essential that they are adapted to specific country situations and needs and are used in a co-ordinated, mutually reinforcing way.

— Developing countries themselves are ultimately responsible for determining and implementing their development programmes and policies and for the impact on their economies and people.

— Capacity-building for policy formulation and planning and implementation and the extension of substantial programme assistance must go hand-in-hand.

— Adequate safeguards and monitoring arrangements to ensure effective use of programme assistance, including, in the case of policy-related programme assistance, adherence to agreed policies, are essential for improved economic performance and are in the interests of recipients and donors alike.

— Programme assistance requires strongly co-ordinated approaches among the recipient country, bilateral donors and the relevant multilateral institutions.

— Policy dialogues on essential aspects of policy reform and structural adjustment must have a strong multilateral dimension. Bilateral policy dialogues need to be consistent with the orientations of the national policy frameworks and priorities as they have been reviewed in the international aid co-ordination arrangements. The core elements of economic policy reform and structural adjustment programmes include:

- promoting market-oriented policies and a productive private sector;
- liberalising and rationalising trade and exchange rate regimes and policies;
- following sound fiscal, monetary and financial policies and improving fiscal management and taxation systems;
- improving decision-making on public investment and the operation of key public services including health and education.

— Programme assistance, especially sector assistance, can contribute to the advancement of strategic policy concerns and objectives such as:

- promoting participatory development in all its economic, social and political dimensions;
• improving the social impact of development assistance;

• strengthening human resources development through education;

• strengthening the role of women in development;

• contributing to environmental sustainability;

• encouraging the development of dynamic private sectors;

• assisting regional co-operation and economic integration.

— A basic long-run objective of aid is to strengthen developing countries' administrative and eventually economic and financial self-reliance. As developing countries make progress in their basic policy environment and in strengthening their administrative capacity, it should be possible to reduce close donor involvement in implementation and to rely increasingly on national institutions and market mechanisms to allocate the resources made available through aid.

— Past experience shows that it is undesirable to provide programme assistance on a sustained basis in situations where policy and administrative environments are inadequate. While emergency assistance may sometimes be indispensable even in such situations, it should then be available only on a short-term basis and priority must be given to policy reform and institution-building efforts.

— Developing countries' own development efforts, including progress towards good governance and democratisation, mobilisation and improved use of resources including efforts to reduce excessive military expenditures should be an important consideration in the allocation of programme assistance among developing countries.

— Programme assistance, as other government-to-government aid, is inappropriate in situations of gross violations of internationally recognised human rights.

**Women in development**

20. The overall objective of sustainable development is only attainable when needs and interests of both women and men are fully recognised in the planning and implementation of projects and programmes. Minimum requirements to achieve this are equal access to resources, services, education and training. This basic principle is now universally accepted. The Guiding Principles adopted by the DAC in 1989 offer guidance on how they can be translated into operational practice. Major recommendations are the following:

— Guidelines and procedures relating to WID should be developed in agencies where they do not yet exist. Existing guidelines and procedures should be applied more vigorously and consistently and be regularly adapted to changes occurring in the economic and social environments.

— Working methods and mechanisms should be defined and their application ensured with the support of instruments such as special WID units, focal points or advisory groups. It is essential to ensure that WID responsibilities are taken up by operational staff throughout the agency, and that staff competence is developed.

— DAC Members should be encouraged to develop internal monitoring systems to make certain that project and programme procedures on WID are followed and that appropriate measures are instituted to bring about compliance with overall policy guidelines.

— When appointing staff at resident missions in recipient countries it should be ensured that WID expertise is available in order to monitor activities at all stages of each project, facilitate the dialogue with local authorities and feed back specific information leading to "fine tuning" of policies and project objectives.
— The equitable participation of the women of the target group should be reflected in the project design and in the monitoring system, with the objective of assessing how different groups of women are affected by project activities as compared to other groups of the target population.

Good practices for environmental impact assessment of development projects

21. Contributing to environmentally sound and sustainable development was identified by the DAC as a central task for development cooperation in the 1990s: without major action, irreparable damage could be done to the resource base and natural environment in developing countries. The problems could become increasingly intractable and expensive, compromising current and future development prospects. In developing countries, poverty is both a cause and result of environmental degradation. The imperative of protecting the environmental resource base for the benefit of today's and future generations is thus in itself a compelling reason for economic and social development. Without broad-based development, policies and practices securing sustainable use of natural resources will be difficult to attain.

22. In 1991 the DAC also adopted guidelines for aid for environment as follows:

— Good Practices for Country Environmental Surveys and Strategies;

— Good Practices for Environmental Impact Assessment of Development Projects;

— Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects;

— Guidelines for Aid Agencies on Global Environmental Problems.

These were also endorsed by the Meeting of OECD Ministers of Environment and of Development in December 1991.

23. It is essential that environment becomes a concern that is fully integrated in the aid and development planning process. The Good Practices for Environmental Impact Assessment (EIA) of Development Projects are therefore included in this Development Assistance Manual. The following main elements have been identified.

— Environmental aspects must be fully integrated in project selection, design and implementation and the administrative responsibilities for the environmental aspects of assisted projects should be clearly determined.

— The EIA must be conducted, together with screening and scoping, at least for the projects identified by the 1985 OECD Council Recommendation.

— The EIA should address all the expected effects on human health, the natural environment and property as well as social effects, particularly gender specific and special group needs, resettlement and impacts on indigenous people resulting from environmental changes.

— The EIA should consider alternative project designs (including the “non-action” alternative) as well as required mitigation and monitoring measures.

— In conducting EIA of projects, donors should use the standards that will achieve the minimum level of “acceptable”, non-mitigable negative effects and maximise the positive effects.

— The utility and relevance of the EIA depend critically on the availability of Country Environmental Surveys and Strategies (on which the DAC has established a companion set of “good practices”).

— Active arrangements including access to information should be made whenever possible to obtain the views of the affected indigenous population on projects which could have significant environmental effects.

— The EIA should enable a clear statement of significant beneficial and adverse environmental and related social effects and risks of the project to be made.
— Off-site effects, including trans-boundary, delayed and cumulative effects, should be assessed.

— The governments of developing countries bear the ultimate responsibility for the state of the environment in their respective countries and for the design of the development projects. However, when transboundary and international issues affect the environment situation in developing countries, the governments causing these problems should bear the responsibility for solving these environmental problems in the respective developing countries.

**Good procurement practices for official development assistance**

24. Procurement is an important aspect of aid management with significant effects on the efficiency of the use of aid resources. Major advantages can be gained if procurement of aid financed goods and services is permitted from sources that are internationally competitive. However, since most Member countries feel obliged to tie large parts of their bilateral aid to procurement from the donor country or permit only partial untying, it is useful to develop and apply procurement practices that promote the efficient use of tied aid funds.

25. The Good Procurement Practices which were approved by the DAC in 1986:

— stress transparency in rules of procurement and in information of individual supply contracts;

— encourage use of international competitive bidding and spell out (in an annex) minimum conditions for effective ICB;

— describe practices and conditions for other procurement methods;

— urge the application of minimum procurement standards by recipients and offer assistance in strengthening recipients’ administrative capacity in this regard.

**New measures in the field of tied aid**

26. Limiting trade and aid distortions from tied aid has been a shared concern of both the DAC and the Export Credit bodies of the Organisation. Special disciplines have been agreed for tied aid credits (unless they are of very high concessionality) for commercially viable projects in better-off developing countries. The DAC agreement reproduced below incorporates the aid-relevant aspects of the agreement of the Participants to the Arrangement on Officially Supported Export Credits and has some additional development assistance-oriented provisions. Essentially they:

— limit the use of tied aid to countries and projects with little or no access to market finance;

— provide a checklist of considerations against which the development priority of projects or programmes should be assessed;

— set forth special provisions for mutual project appraisal and the use of international competitive bidding for large projects;

— define procedural arrangements concerning notification, transparency, consultation and review of Member countries’ practices.

**Principles for aid evaluation**

27. Aid evaluation plays an essential role in the efforts to enhance the quality of development co-operation. Essential DAC evaluation principles which were approved by the DAC High-Level Meeting in 1991 are the following.

— Aid agencies should have an evaluation policy with clearly established guidelines and methods and with a clear definition of its role and responsibilities and its place in institutional aid structure.

— The evaluation process should be impartial and independent from the process concerned with policy-making, and the delivery and management of development assistance.
The evaluation process must be as open as possible with the results made widely available.

For evaluations to be useful, they must be put into practice. Feedback to both policy-makers and operational staff is essential.

Partnership with recipients and donor co-operation in aid evaluation are both essential; they are an important aspect of recipient institution-building and of aid co-ordination and may reduce administrative burdens on recipients.

Aid evaluation and its requirements must be an integral part of aid planning from the start. Clear identification of the objectives which an aid activity is to achieve is an essential prerequisite for objective evaluation.

IV. DAC work in other central areas of aid policy

Alongside its work on the aid principles described above and reproduced in this volume, the DAC has treated a number of other central areas of aid policy in the course of the last several years, producing conclusions and orientations of continuing significance. Among these topics, three stand out as being of basic systemic importance — population and development, private sector development and the management of technological change. They are of fundamental importance to the emergence of self-reliant, sustainable development processes. The essence of this work is summarised below.

Population and development — DAC conclusions

When Development Co-operation Ministers and Heads of Aid Agencies met in December 1989 to discuss priorities and orientations for their aid policies in the 1990s, they concluded that "there is an imperative need to slow population growth in those many countries where it is too high to permit sustainable development. Offering people in developing countries the opportunity to plan the size of their families, now taken for granted in the industrialised countries, is essential to avoid an aggravation of already difficult social, economic and environmental problems. DAC Members are ready to help developing countries to establish, fund and implement effective population strategies and programmes as a matter of priority".

DAC Members met on 19-20 April 1990, together with the World Bank, the International Monetary Fund, the United Nations Population Fund, the International Planned Parenthood Federation and the Population Council, to follow-up on these conclusions, and in particular to:

- Review demographic trends and population programme performance;
- Establish arrangements for coordinating strategies of support for population programmes;
- Consider the need for strengthened aid priorities for population programmes.

The main conclusions were:

Need for new initiatives to slow down population growth

DAC Members reaffirm the conclusions of the 1989 DAC High-Level Meeting stated above.

Current and projected rates of population growth in developing countries present serious problems. The most recent UN estimates indicate that, on present trends, population growth in many developing countries is threatening to overtake their hopes of achieving sustainable development and alleviating the poverty which already afflicts some one billion people. DAC Members also recognise that because population, environment, food and energy are issues that have assumed global significance, the implications of these problems will be felt in terms of worldwide environmental damage and increasing pressures for migration.

On the positive side, where high-quality family planning has been available, it has been successful in reducing fertility at relatively low cost. Since the 1960s, family planning programmes have averted several hundred millions of unwanted births. This has led to considerable improvements in individual and family well-being as well as made an important contribution towards the achievement of development goals. Invaluable experience has been
gained. Still, the existing demand for family planning continues to be far ahead of services, and an estimated 300 million men and women who want to plan their families lack the means to do so.

35. Thus, there is general agreement that strong new initiatives are now called for, both nationally and internationally, to slow population growth. Comprehensive, integrated population policies, based on careful assessments of population and development conditions and needs, are called for. It is for the developing countries to decide their own population strategies and programmes. Their efforts and inputs, already in many cases substantial, need to be expanded. Where family planning users can afford to, they should increasingly pay for the services. The indigenous private sector should be given a more prominent role. All of this will need to be supported by a large-scale sustained and concerted effort of population assistance.

36. The determinants of fertility are varied and complex. Direct action to reduce birth rates by means of family planning information and services must be allied to efforts to improve social and economic conditions. DAC Members are addressing the indirect determinants through their overall development assistance, in particular in the fields of primary health care, women in development (WID) and education. The demographic aspects of these programmes should be taken more fully into account. Beyond these activities, the main thrust of the new intensified efforts to moderate population growth must be through voluntary family planning, which has effectively demonstrated its potential for reducing the birth rate in many developing countries.

New action to assist developing countries strengthen population analysis and policies

37. Developing-country governments must have the necessary administrative and managerial capacity to plan effective population policies and programmes and to put them into effect. International assistance in this area should have high priority. Donors can help prepare an analytical framework for each country which will demonstrate the effects of unabated population growth on socio-economic development and on the environment, and indicate the policy options available, so that all governments will fully appreciate that investment in population and family planning programmes is not only cost-effective, but indispensable to sustainable development.

38. Far more should be done to stress the implications of population growth for development prospects through the policy dialogue which aid agencies hold with their developing-country partners. Members request the World Bank and the UNDP to stress the population issue in Consultative Groups and Round Tables, and will, themselves, actively participate in population discussions within these frameworks. More generally, Members will work towards adequate and coherent attention being given to population issues in all relevant international fora.

39. DAC Members stress the need to involve local people and institutions closely with the design and implementation of aid-financed projects and programmes. Donors and recipients should work together to make full use of competent expertise available locally for both the design and implementation of aid-financed programmes, taking account of the diversity of country situations, including social and cultural factors. Greater emphasis should be given to ensuring the commitment of recipients' executing agencies through their active involvement in selection, design and implementation. Active involvement of end-users and beneficiaries, e.g. through communities and other local organisations, to ensure that the programmes meet actual needs and circumstances, is essential for programme success and mobilising local support so that programmes will in time be sustainable with the country's own resources.

40. Women must be fully involved in the planning and implementation of population programmes. Development activities have too often been designed in a way which takes insufficient account of women in their reproductive role and as decision-makers, producers and beneficiaries. Consideration should be given to gender issues already at the stage of programme preparation.

41. To increase the effectiveness of population policies and programmes and to help raise political commitment to these programmes, an improved understanding is needed on a range of population issues. High priority areas include research on cultural and social factors which determine reproductive behaviour, alternative approaches to service delivery, the socio-
economic and environmental consequences of rapid population growth, the population impact of other development activities, the role and status of women and contraceptive technology. Strengthening research capacity in developing countries and enhancing interaction with the international research community will greatly benefit the process of in-country policy development and programme implementation. Special attention should be given to facilitating the operational use of research findings and to promoting co-operation between developing countries.

42. The poorest countries, notably in Africa, where population is increasing very rapidly and where governments have recently demonstrated greater willingness to promote family planning programmes, will require a special emphasis, involving a broadly-based population strategy including health care and family planning, education and other social programmes. Special attention should be given to building up infrastructure and strengthening human resources and institutional capacity.

**Better co-ordination of international support for population programmes**

43. Special efforts must be made to achieve a more coherent aid effort in the population field by co-operating closely with developing countries, the competent international institutions, and NGOs. This aim, strongly re-affirmed by the DAC regarding international assistance generally, is crucial to the effectiveness of the new population initiatives envisaged. Really effective mechanisms and working practices of regular co-ordination need to be established in order to make optimum use of resources, draw on collective experience, and improve the quality and implementation of population programmes.

44. There is general acceptance of the desirability of making new efforts to establish good working arrangements for co-ordinating population assistance at the country level. The recipient government should play the central role in such arrangements. It should be assisted and supported by donor agencies, as appropriate. In countries where no effective arrangements currently exist, the local representative of the UNFPA, the World Bank or other agency with experienced field representation should offer its services to the government for this purpose. Non-governmental organisations and the private sector have been, and are likely to be, important sources of productive experimentation and innovation in this field. Their representatives should be encouraged to participate and contribute their special experience and skills.

45. In order to economise resources, avoid duplication, and ease the burden on developing-country governments, donors will exchange available analytical country reports such as the UNFPA Programme Review and Strategy Development Reports, and will use them within national frameworks as a basis for their own planning.

46. One of the major functions of local co-ordination is to enable the government and donor agencies together to keep the implementation of the national population programme under close review and to monitor the progress achieved. The agenda of the national co-ordination meetings should cover, in addition, issues relevant to improving the design, the implementation and the quality of the national population programme. An important condition, therefore, is that there should be a full and frank exchange of information between interested parties on their respective experience, so as to avoid their repeating each other’s mistakes. The need to give more adequate emphasis to population and population assistance issues in aid Consultative Groups and Round Tables has already been stressed above.

47. In order to improve the efficiency and effectiveness of international support for population programmes, greater co-operation is also needed at the international level. As a first step, interested parties will seek practical ways of improving exchanges of information. The UNFPA will initiate this process and provide secretariat support. The UNFPA Governing Council will be kept fully informed.

48. Possible subjects for discussion include: contraceptive supplies, training, operational research, census and survey programmes and, more generally, review of progress in the implementation of population programmes and their funding.
Increased priority for population assistance

49. In view of the vast unmet demand for family planning and the manifest need for population policies and programmes, DAC Members are ready to help developing countries to establish, fund and implement effective population strategies and programmes as a matter of priority and to make every effort to raise substantially the low level of population assistance. There are at present considerable differences in the extent to which individual DAC Members participate in the international population assistance effort.

50. Given the special importance of population policies and programmes and the very tight budget situation in many developing countries, Members further agreed to treat requests for local recurrent cost funding with flexibility, bearing in mind the eventual goal of self-sufficiency of programmes.

51. Most agencies' in-house population capacity is presently modest and clearly far below what would be required to provide effectively the strengthened and improved population assistance support, the enhanced policy dialogue and the co-ordination effort now envisaged. Members agree there is a need to increase population expertise in recipient and donor countries. They agree to examine ways of developing specialist expertise both in-house and externally. There is, further, agreement that non-population specialist agency staff need population training. This will be necessary, not only to improve the planning and implementation of programmes, but also to ensure that population issues are given due importance in the policy dialogue.

52. The DAC is convinced that money to help developing countries implement effective population programmes is a sound — indeed a vital — investment for sustained development. It reaffirms its intention to convince key policy-makers of the force of this equation. DAC Members invite the participating international institutions to help developing countries put forward population programme proposals in line with actual needs.

Follow-up

53. The DAC will keep a watching brief on the progress of implementation of the above population initiatives through Aid Reviews, improved statistical reporting and other relevant activities.

54. A meeting of the DAC will be held in 1993 to review progress made and to prepare for the proposed 1994 International Population Conference.

Promoting the private sector in developing countries

55. Promoting private sector development has become a major focus of DAC work and aid support. In their Policy Statement on Development Co-operation in the 1990s, development co-operation ministers and heads of aid agencies have pledged to seek opportunities to work with developing countries towards promoting conditions for a dynamic productive sector, strengthening the role of individual initiative, private enterprise and the market system, and more generally, drawing the whole population into the active life of their countries. The transition from an economy which is stifled by over-regulation, and by powerful state and private monopolies, to an economy where the productive energies of people are motivated and can find legitimate expression is a complex challenge.

56. Very determined efforts are required to change the inevitable inherent bias of intergovernmental co-operation towards support for governmental and public sector financial and technical assistance needs into positive approaches for private sector development. Competent governments, effective policies, adequate economic and social infrastructure and trained manpower are basic requirements for private sector development and must be continuing priorities for official development assistance. However, there are specific private sector policy, financing and technical assistance needs which must also be addressed.

57. Against this background, DAC Members are actively reviewing and developing their assistance policies in these areas. A first set of results is contained in "Enhanced International Co-operation in Private Sector Development and Foreign Investment in Developing Countries: Recommended Policies and Actions" (Chapter I of "Promoting Private Enterprise in Developing Countries", OECD, 1990). Further work is summed up in Chapter V of the 1991 DAC

58. The following common elements are seen to be of fundamental importance in the on-going policy review and development process:

- improving the enabling environment for private sector development in developing countries;
- developing the role of domestic capital markets;
- rethinking the role of development finance institutions in channelling external aid to the private sector as against direct lending by donors;
- stimulating awareness and co-ordination within donor agencies;
- promoting an integrated approach and effective donor co-ordination.

59. These elements imply development co-operation approaches which incorporate significant components from the Principles for Aid Co-ordination, Project Appraisal, Programmatic Assistance and Technical Assistance. In particular:

- All aid to a given country should be planned and executed in the context of a host country strategy for private sector development, with donors, multilateral institutions and the recipient country engaging in a continuing dialogue aimed at the adoption of appropriate policies. The policy dialogue — broadly conceived to include the issues of economic and political pluralism — must assume a more central role in relations with recipient countries: policies and programmes that will encourage domestic resource mobilisation and the repatriation of domestic capital as a basis for developing the domestic financial systems are critical. Support should be directed at underpinning policy reforms and the development of institutional “systems”, rather than at individual projects or institutions. The provision of technical assistance and institution-building support continues to be a very important adjunct to donor assistance, but should be part of a broader strategic programme approach.
- Financial inputs should be injected at the “wholesale” level in a way which helps to develop efficient and effective domestic intermediation systems rather than at the “retail level” (i.e., directly to individual institutions, projects or firms).
- Concessional finance for on-lending to the private enterprise sector should be intermediated through a two-step process that requires or permits application of local market interest rates to the on-lending of funds to local enterprise. Subsidised lending to enterprises should only be done on the basis of very careful appraisal, in line with the relevant provisions in the Project Appraisal Principles. In general, subsidised lending, including to micro-enterprises, has been found to be ineffective and harmful to the evolution of appropriate financial institutions and critical linkages between national, regional and local financial markets.
- Donor agencies’ efforts to stimulate and strengthen the private sector should be integrated across the full range of aid agency activities. It will be essential to promote agency-wide awareness of how private sector and domestic financial-sector development objectives can be incorporated within existing and future programmes and projects.

The role of science and technology in development co-operation with the less-advanced developing countries in the 1990s (Orientation emerging from an experts’ meeting of the Development Assistance Committee, 18-19 May 1990)

60. The less-advanced developing countries in the developing world face particularly critical challenges and opportunities arising from the intensifying importance of science and technology to sustainable development progress. While the opportunities for applying science
and technology to transform the life prospects of masses of poor people have never been so great, what increasingly defines the less-advanced countries is the weakness or even complete absence of a capacity to manage technological change.

Orientations for developing countries

61. It is not building up science and technology per se that is the core issue, but rather strengthening — across the whole of society — the capacity to manage technological change; that is, to develop the capacity to identify needs and opportunities, to select technologies that are suited to a country’s individual situation and to adapt or develop these technologies in each particular national context and implement them on a broad scale. It involves in the developing countries:

— linking policy-making, administration, education and investment decision-taking to bring about a better exploitation of existing and new technological approaches;

— a free and open political and intellectual climate;

— fostering the emergence of a national science and technology community able to identify and respond to national challenges and opportunities and to interface with international and regional science and technology;

— a sound economic policy environment in which the rational pricing of resources (including proper accounting for environmental costs and benefits) provides the basis and the incentive for optimal technological choices, adopting technological improvements, and attracting foreign direct investment.

62. Developing countries should thus construct a close partnership between the science and technology community, economic and social policy makers and the people at large, in order to define orientations and processes which direct science and technology resources to advancing broad-based economic development. This partnership should result in the identification of a set of key science and technology “missions” related to solving basic development problems and opening up new development options. The “missions” should be used as the principal instrument for specifying and co-ordinating domestic and external science and technology resources.

Orientations for donors

63. Donor countries should make it their primary objective to assist the less-advanced developing countries to build a national capacity to manage technological change. Donors have to recognise that the entire character and content of their aid programmes is involved. There is a strong tendency in the whole aid system to supply a wide range of capital equipment on a highly-subsidised basis while at the same time failing to ensure that the recurrent expenditure on human resource capacities needed to sustain the effective use of this capital are available. This propensity has a major negative impact on less-advanced developing countries’ capacity to manage technological change.

64. Donor agencies should thus increasingly shift from a project-by-project approach to a more strategic capacity-building thrust, with longer-term commitments to help accomplish well-defined technology development missions. A key requirement will be to create a synergy within aid agencies between economic analysts, programme planners and science and technology specialists so that the building of national capacities to manage technological change becomes a central, early issue in programme design.

DAC sector and regional work

65. On the sectoral level, three areas of basic consequence have been the subject of major DAC meetings with the strong participation of the relevant multilateral organisations — energy, primary health care and urban development. The DAC has also held “regional meetings”, dealing with South Asia, Latin America and the South Pacific, which have examined donor approaches in specific geographical settings.
Part Two

THE PRINCIPLES
Guiding Principles for Aid Co-ordination with Developing Countries

I. Donor co-operation to help developing countries establish and implement improved policies and programmes

II. Further steps to improve arrangements for aid co-ordination
   - Co-operation among donors, recipients and international agencies
   - Consultative groups and round tables
   - Local, sectoral and regional dimensions
   - Institutional and staffing dimensions
   - Implementation and follow-up
Guiding Principles for Aid Co-ordination with Developing Countries

66. These principles must be used flexibly to meet the diversity of specific situations; they apply mainly to developing countries which depend heavily on external assistance and need the support of international aid co-ordination arrangements to ensure effective use of resources. DAC Members recognise that developing countries themselves are responsible for setting their policies and priorities and that central responsibility for aid co-ordination lies with each recipient government.

I. Donor co-operation to help developing countries establish and implement improved policies and carefully appraised investment and expenditure programmes

67. Developing countries need well designed policies and carefully appraised investment and expenditure programmes for effective and co-ordinated use of both their national and external resources.

68. DAC Members recognise the importance of the World Bank/IMF-led process of working with developing countries in the articulation of structural adjustment programmes. They welcome the recent shift in the orientation of structural adjustment programmes toward growth. They agree that structural adjustment programmes should take fully into account equity and income distribution issues and would like to see more explicit addressing of budget and strategy issues in human resources questions such as education, health and population, as well as environment. They note that structural adjustment programmes can make a contribution to creating the conditions which in the medium term may encourage a resumption of private flows to developing countries.

69. DAC Members underline the need for aid agencies to help developing countries strengthen their analytical and management capacity to design and implement effective policies and programmes. DAC Members also recognise the need for greater participation by bilateral aid agencies in assisting developing countries in their efforts to improve their policies and programmes and providing the often costly preparatory analytical work. While multilateral agencies are well placed to assist in this field, bilateral donors also have a role to play, especially at the level of sectors where they have special expertise to offer. DAC Members will review the need to strengthen their capacity to make contributions in this area.
70. DAC Members emphasize the need for continuing discipline by both recipients and donors in adhering to carefully appraised and productive investment programmes. Such programmes will provide a particularly useful basis for aid allocations if they have been the subject of careful review and discussion with donors with the help and advice of the international financial institutions. The regular review of these programmes offers an opportunity to examine progress and to consult on priorities. They are a good basis for aid co-ordination.

71. DAC Members acknowledge the desirability of providing adequate financing to developing countries undertaking effective policy reform efforts. This will often require making available quick-disbursing funds for the financing of urgent import requirements. Indications by donors of medium-term funding prospects will facilitate structural reform efforts and will, in turn, be facilitated by such efforts.

72. There is a need to put more emphasis, in the period immediately ahead, on rehabilitation and improved use of existing capacity. Programmes for these purposes will often have a higher priority than launching large new projects. DAC Members recognise the need to make realistic provision for recurrent cost and maintenance requirements but with agreement for step-by-step advance towards self-reliance.

73. DAC Members recognise the special merits of having several donors work together with a recipient government in the cofinancing of important projects and sector programmes. They will attempt to reduce administrative burdens by relying as much as possible for appraisal on a bilateral or multilateral lead agency.

74. Export credits may, in selected cases, be helpful also in the low income countries, but great care must be exercised to assure that development goals and the discipline of carefully appraised investment programmes are taken fully into account.

75. External debt servicing obligations have major financing implications for many countries. Debt relief exercises by the Paris Club should be based on full information of the nature and requirements of growth-oriented medium-term structural policy reform efforts.

II. Further steps to improve arrangements for aid co-ordination

Co-operation among donors, recipients and international agencies

76. DAC Members reaffirm their determination to co-operate closely with recipient countries, international institutions and other donors in international aid co-ordination arrangements working towards operationally relevant conclusions, based on genuine consensus.

77. DAC Members accept the need for close co-operation between recipient governments and the multilateral lead agencies, but feel that the processes of consultation and co-ordination should provide an opportunity for bilateral donors to express their views during the formative stages of policy and programme consultations between recipients and the international agencies.
78. Full and frank exchanges of pertinent information on on-going and planned activities among donors, and between donors and recipients, are essential to the successful co-ordination and effective use of aid.

79. DAC Members appreciate the recent improvements in the organisation of Consultative Groups and Round Tables and invite the lead agencies to pursue their efforts in the following directions:

- Encouraging greater participation by bilateral donors in the consultations preceding Consultative Group and Round Table meetings making use of local groups, where possible; such participation is essential to ensure the emergence of a genuine consensus on recipient-country development policies and programmes.

- Revising the format of Consultative Group meetings to facilitate more frank and substantive exchanges of views on key policy issues and problems; more careful review of recipient investment plans with a sharper focus on sectoral policies and investment programmes; fuller discussion of the aid implications of recipient structural adjustment programmes; and taking into account all elements determining recipients’ overall financial situations including trade prospects and debt service requirements.

- To be more concerned with the identification and programming of technical assistance needs and priorities which are often as important as financial needs; the UNDP has a special role to play in this regard and should participate fully in the Consultative Group processes.

- Recording of conclusions reached at Consultative Group and Round Table meetings, as summarised by the Chairman, in a detailed and action-oriented manner, and making them available promptly to interested parties including local co-ordination groups.

- Ensuring effective follow-up with respect to actions stemming from Consultative Group and Round Table meetings, specifically regarding donor statements of aid intentions and recipient statements of policy reform intentions through, inter alia, sectoral and other in-country meetings.

80. DAC Members are encouraged by the UNDP’s recent progress in strengthening the Round Table process and enhancing its capacity to perform its co-ordination role more effectively through, inter alia: encouraging developing countries to participate actively; emphasis on policy reforms; the strengthening of UNDP staff; a more selective approach to the choice of countries and participants; improved analysis and in-country follow-up; better preparation and organisation of the Round Table meetings through closer collaboration with the World Bank; encouraging adequate
representation by recipients and donors, and with UNDP chairmanship of the meetings. Round Tables can be further strengthened if, in the first phase of the process, UN specialised agencies can be represented by the UNDP and if DAC Members' representatives reflect this position in the appropriate bodies of the specialised agencies.

81. It was recognised that the second phase of the Round Table process, i.e. the larger and more open meeting at the country level, can be particularly useful in confirming the resolve of the government to push ahead with its adjustment policies by providing it with an opportunity to indicate its policy commitments in a broad setting. Donors in turn have an opportunity to announce their support for the programme.

Local, sectoral and regional dimensions

82. DAC Members underline the need to strengthen aid co-ordination at the local (i.e. recipient country capital) level, and to establish stronger links between central and local co-ordination arrangements. Central co-ordination arrangements should give the lead to local and sectoral co-ordination, inter alia, by identifying issues to be addressed at the local/sectoral level. Policy dialogue should be an intrinsic element of aid co-ordination at the local/sectoral level. Recipient governments should be at the centre of the process. The participation of appropriate officials from the recipient government's line agencies is essential, but for decisions reached on sector aid policies or programmes it is important for the government's central finance and planning authorities to be involved.

83. There has been considerable expansion of local co-ordination activities recently. Progress has been made at the level of exchange of information, avoiding project duplication and promoting joint activities; but more needs to be done, especially relating aid to carefully appraised and reviewed investment programmes, and developing and implementing sector policies and programmes. DAC Members welcome the establishment of recipient-led local mechanisms for the purpose of ensuring more effective monitoring and co-ordination. Such local mechanisms need clear mandates.

84. DAC Members stress the importance of improved sectoral approaches, involving the preparation of, and support for, carefully appraised investment and expenditure programmes, taking capital and recurrent cost financing prospects realistically into account. There is also the need to explore prospects for more sector grouping of assistance (both technical and capital) to improve its efficiency, thereby also reducing administrative burdens all around through improved work sharing and harmonization of procedures. An important tool to achieve this objective is the use of aid co-financing arrangements.

85. DAC Members acknowledge the need for greater involvement of the regional development banks in policy dialogue and reform, particularly at the sector level, when they are important donors. It is important that they work within the macro-economic policy frameworks and co-operate closely with the World Bank or the UNDP, as appropriate.
86. Regional approaches to co-ordination, as they have been evolved, particularly in Africa, within the framework of CILSS/Club du Sahel and SADCC, looking at aid needs in a regional context and encouraging regional co-operation, can be an essential complement to country-level co-ordination.

**Institutional and staffing dimensions**

87. DAC Members are fully aware of the need to avoid overburdening the administrative capacity of recipients. While effective action to streamline the administration of aid will not be easy, they will seek opportunities to harmonize and simplify the requirements they exact from recipient governments, especially by making greater use of studies and reports already prepared by others or worked out by an agreed lead agency. This may entail modifications to legislative and administrative requirements.

88. DAC Members recognise the staff implications of improved co-ordination, particularly the need to have staff of appropriate economic and policy expertise in support of this function. Effective participation, both in the policy dialogue and in aid programming at the local level, will be facilitated by the presence of policy-oriented staff stationed in recipient countries in which individual Members have major aid interest. This may require strengthening the staff in the field, including the redeploying of some staff, adjustments in personnel training and recruitment policies and effective use of private expertise.

89. DAC Members underline the essentiality of strengthening developing countries’ institutional capacity to design and implement effective policies and programmes and to manage their development processes. Competent central government institutions are essential to establish an effective policy framework, but broader institutional development efforts are required at all levels of government, including sectoral and local levels. These efforts should also take into account the capabilities and potential of the private sector and the requirements it has for institutional development in order to better enable it to make its full contribution.

**Implementation and follow-up**

90. DAC Members will take appropriate action within their own organisations to implement the principles set out above. They will from time to time take stock in the DAC of the progress being made.
DAC Principles for Project Appraisal

I. Introduction
II. Recipient-donor partnership
III. Project identification
IV. Appraisal: general considerations
V. Technical appraisal
VI. Financial appraisal
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IX. Provision for effective maintenance
X. Identification and involvement of target groups and social and distributional analysis
XI. Environmental assessment
XII. Provision for monitoring, evaluation and feedback from earlier experience
XIII. Special considerations in the case of associated financing and tied aid
XIV. Project approval
XV. Donor organisational aspects
XVI. Reducing the administrative burden on recipients and harmonization of donor requirements
## DAC Principles for Project Appraisal

### I. Introduction

**Importance of project selection and design**

91. Better investment management and resource use in developing countries are essential for more satisfactory economic and social development. Project survival and viability can be improved through greater rigour in project selection, clearer and more realistic setting of objectives, greater care in design and preparation, fuller involvement of target groups in design and implementation and quicker adjustment when problems are identified. Donors are ready to work together with recipients to ensure acceptable standards of rigour and developmental effectiveness in project selection and preparation.

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**Scope of the principles**

92. The principles set out below apply primarily to investment projects. Members will consider the applicability of relevant provisions to technical co-operation projects and aspects of sector assistance. It is important that all types of assistance are subject to consistent selection criteria and appraisal procedures of high standards. It is recognised also, however, that timeliness of aid is a particularly critical factor in meeting acute emergency needs.

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**Transparency**

93. The criteria and standards against which projects are assessed, as well as approval procedures and information requirements applied by donors, should be clearly articulated.

94. Agencies which have not yet done so are encouraged to publish the essential elements of their project appraisal and selection criteria and procedures and make them available to the recipients of their aid and to other DAC Members.

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### II. Recipient-donor partnership

**Strengthening recipients' appraisal and implementation capacity**

95. While project financing decisions are taken jointly by donors and recipients, responsibility for project identification, design and implementation rests with the recipient. Strengthening the capacity of recipient countries through training and institutional development for project appraisal, design and management including budgeting and auditing is an important objective for donor/recipient technical co-operation.
96. The contributions and tasks of donors and recipients respectively in project appraisal and implementation should be fully articulated and agreed. Differences between donors and recipients should be resolved before the project is launched rather than left to the implementation stage. Similarly it is important that essential external conditions and assumptions influencing the project's success should be realistic, fully articulated, and agreed with the recipient.

97. The donor and recipient should agree on the specific steps required, and the time needed for each, for all of the main activities, e.g. consultancy, training, recruitment, procurement, legislation, institutional changes, donor procedural requirements and so on. Timeframes for projects should be realistic. The use of critical path programming can be helpful for this purpose. Evaluations show that designers tend to underestimate the time required to achieve the objectives set.

98. Donor and recipients should jointly prepare clear terms of reference for feasibility studies to ensure that issues considered important by both parties are covered. Terms of reference should cover the essential design and sustainability factors reflected in these principles. Feasibility studies should envisage alternative options to enable recipients and donors to make choices.

99. The initial project screening process is crucial. Experience shows that rejection of a project proposal is rare, once major project preparation has started. A thorough and independent scrutiny of the project and its definition must therefore be undertaken before a decision is made to go ahead with fuller project appraisal and preparation. The use of a project identification memorandum as a required preliminary to the decision to proceed with preparations can be helpful as a practical method to ensure that projects do not acquire a life of their own at an early stage. Implausible projects, in particular those which are inconsistent with reviewed investment programmes or for which there might be serious doubts on prospects of sustainability, should be eliminated at the start. The aim is to arrive at a short list of projects which should be subject to more detailed scrutiny.

100. A careful specification of the project's objectives is of critical importance for effective appraisal and the successful implementation of an activity. Careful specification of objectives is also essential for subsequent evaluation.

101. Experience shows the utility of sector programmes and strategies which establish the government's sector objectives, articulate sector level policies and priorities and identify areas for possible donor support. Greater emphasis could be given to exploring opportunities for a linked series of projects within a given sector, enabling the use of experience and gains in institution-building.
102. Co-ordination among donors and recipients, within the framework of the recipient government's sector strategy, is important to encourage sharing of information and experience, avoid project duplication, promote joint activities, and gain understanding of sector policies and programmes. Other donors' activities and plans in the sector related to the project should, to the extent possible, be noted in project documentation.

103. The initial selection of projects should be consistent with well conceived sector programmes and strategies and, in particular, with public investment programmes (PIPs), and public expenditure programmes (PEPs), which have been the subject of careful review through such aid co-ordination arrangements as may exist.

104. In the absence of such well conceived recipient sector strategies and investment/expenditure programmes, particular care is required in project selection and design. In such cases donors can assist recipients in doing analyses which will place the project within a sector framework, and address appropriate policy issues to the extent possible. In particular, project appraisal should take into account major price distortions which may result from such factors as excessive import protection, export taxes, administered prices (including interest rates) and inefficient governmental regulations. It is not in the recipient's interest to proceed with projects which are likely to produce minimal benefits in the short run and to be non-sustainable and/or non-replicable in the long run.

**Private sector projects**

105. Careful consideration needs to be given by donors and recipients to whether a particular project is best handled by the public or the private sector. In some areas the private sector can be more efficient than the public sector. Public sector projects in turn can be supportive of private sector activities. Where donors finance private sector projects, such projects should be consistent with the broader sectoral priorities and programmes of the recipient country.

**Projects with major impacts**

106. Particular care is required in the case of projects which are likely to have a major economic, financial, social and environmental impact on the economy of the recipient country or a particular region or sector, and where defective project selection or design may therefore have particularly serious consequences for the recipient. Such projects may give rise to special appraisal problems because they are likely to affect the basic economic data on which project analysis is based.

**Logical framework**

107. The logical framework is one possible method project designers can use in order to examine key elements of a project systematically. The logical framework is helpful primarily as a project planning device and for subsequent evaluations. One of the most important features of the method is the clarification and analysis of assumptions, which is useful for decision-making, design and evaluation of the project. The analysis of assumptions can be developed into an assessment of the risks involved in the
undertaking. The logical framework should be used from the earliest stages of the identification process and modified with changes in the objectives, if necessary, as preparation and appraisal proceed.

IV. Appraisal: general considerations

Importance of appraisal for selection and design

108. The purpose of appraisal is to enable decision-makers to make rational project choices and to contribute to good project design.

109. In view of this dual function the appraisal process cannot be clearly separated from project design. Technical experts will have a major role in project design, but the various forms of appraisal, discussed below, are an integral part of project design. The consideration of options during project design is an example of the interaction between design and appraisal. At the decision stage, appraisal will also enable those concerned to ensure the soundness of a project, the superiority of its design to alternative means of meeting its objectives and its readiness for implementation. The main types of appraisal are discussed in the sections which follow:

- Technical;
- Financial;
- Economic;
- Institutional;
- Social/distributional;
- Environmental.

Their comparative importance will vary from project to project and the order in which they are covered in these principles is not meant to reflect the weight to be given to the various types of analysis. The principles set out below recognise the differences in the problems encountered in the appraisal and design of investment projects with quantifiable economic benefits which produce marketable output and programmes addressing the needs of specific social target groups.

The central notion of sustainability

110. Project sustainability needs to be considered in all forms of appraisal. It has proved to be a useful general test in judging a project. A project can be said to be sustainable when it is able to deliver benefits for an extended period of time, after the main assistance from a donor has been terminated. The following sustainability requirements and tests are essential (they are further developed elsewhere in these principles).

- A conducive policy environment. Necessary policy changes should be agreed upon before implementation starts.
- Clear and realistic goals.
- Project design corresponding to the managerial and technical capacity of recipients.
- Economic soundness and sustainability.
— Affordability in terms of initial costs and of operations and maintenance.
— Active involvement of local authorities and target groups including women.
— Choice of technologies appropriate to the economic and social conditions of the recipient.
— Realistic timeframes.
— Adequate maintenance and support systems, as well as the capacity to manage them, once external assistance has been terminated.
— Compatibility with domestic socio-cultural environments.
— Environmental sustainability.

111. Due consideration should be paid in the application of the above sustainability criteria to the specifics of the project and the project environment, and the need for flexibility in design and implementation, as well as to expected improvements over time in managerial, technical and maintenance capacity brought about by a continuing development process.

V. Technical appraisal

112. The technical feasibility study is the basis for other forms of appraisal. Technical experts will need to show that the project can meet its objectives using a technology and standards which are appropriate to the circumstances of the country in which the project will be located. The technical appraisal and specifications will need to take account of the availability of local production capacities, trained personnel, raw materials and other inputs; the suitability of the output to the markets for which it is intended; and the capacity of local agencies to implement the project. Many of the other sustainability tests listed in these Principles should be considered at the technical appraisal stage.

VI. Financial appraisal

Financial analysis

113. Careful financial analysis and planning are required, including schedules of expected income and expenditure on capital and current outlays to ensure financial soundness.

114. Financial analysis will be concerned primarily with the financial viability of the project and the entity operating it. But it is also important to take into account the repercussions of the project on public finances generally, including the financial implications of planned project replication.

Appropriate terms

115. The principal rationale for concessional terms of financial assistance is the recipient country’s economic situation and especially limitations on its capacity to mobilise adequate foreign exchange resources for development, rather than the nature of project financed. In setting terms for end-users, care is required to avoid distorting effects on resource use allocations and income distribution. Two-step financing procedures are a useful device to avoid such distortions; i.e. the project would be expected to carry
domestic market interest rates while the concessionary element would accrue to the central government. This is important in the case of revenue-producing projects and particularly projects producing for competitive markets. Project appraisal would make it possible to decide whether it may be justified to pass on all or part of the concessionality in terms to end-users on social or infant industry grounds. But such practices should be consistent with the recipient’s broader or sectoral policies; and financial sustainability and equity considerations must also be kept in mind.

**Financial sustainability**

116. User charges ensuring cost-recovery are the best safeguard of the financial viability of a project and consequently of its sustained ability to provide continuing benefits to recipients. Where cost-recovery through user charges is not feasible or socially acceptable, it is essential that realistic provisions for financing be made. User charges and public price policies, giving appropriate weight to overall financial viability and repercussions on vulnerable groups, are an important subject for aid co-ordination between recipients and donors.

117. Where a project is not financially self-supporting, special care must be taken to make certain that the subsidies required to maintain operations are ensured and that this represents a priority use of the recipient’s public resources. The ability of recipients to provide adequate public financing for (non-remunerative) projects is often overestimated, with harmful consequences for maintenance and viability. This latter aspect can be reviewed adequately only in the context of the totality of projects having an impact on public sector finances and the recipient country’s overall public finance capacity (including the likely availability of external assistance) and will therefore normally require a co-ordinated approach with the financial authorities of the recipient and other donors.

**Assistance for local-cost and recurrent financing**

118. In some cases the recipient government may not be able to finance all or part of the local and/or recurring costs out of its own budget. In such cases, donors may wish to consider assistance for such costs in order to ensure the project’s completion or continuing operation. Timing and modalities of assistance should be firmly agreed before the launching of the project, combined with realistic phase-out agreements for recurrent-cost financing.

119. Donor flexibility in financing local costs has the additional advantage of ensuring that project design is not biased toward import-intensive techniques because of local-cost financing constraints.

**VII. Economic appraisal**

120. Whereas financial analysis is essentially concerned with the financial soundness of the project or of the enterprise or agency carrying out the project, economic analysis is concerned with the larger impact of the project on the sector and the national economy, including production, factor incomes, consumption, public finances and the balance of payments.
121. With respect to projects where economic benefits and costs can be quantified, a systematic quantitative cost/benefit analysis should be undertaken. This includes projects which produce marketable outputs (such as in industrial, agricultural, and power production, transport and communications). But there are some other types of projects (for instance in the area of road-building, water supply, hospitals, tertiary educational institutions) for which quantitative estimates of economic costs and benefits should be attempted, at least for projects with a major potential impact on recipients.

122. There are basically two different types of approach to economic appraisal, which should, however, lead to similar results if the same assumptions are used. One is to apply shadow prices which are estimated to reflect true underlying opportunity costs (which are often significantly different from actual prices and costs). The other method, known as the Effects Method, measures, within a national accounting framework, the changes in the incomes of all the economic agents concerned, including the government, brought about, directly or indirectly, by the project.

123. The economic return of a project constitutes one of the fundamental appraisal criteria. A minimum economic return is not a sufficient test of a project’s utility but it is a necessary test for those projects which have returns which can be measured in monetary terms. It is therefore an important element in making choices between alternative opportunities for the use of scarce resources in the interest of the recipient country. Benchmarks for minimum economic returns will vary, of course, depending on the circumstances of the recipient country and final decisions will have to give proper weight to the other elements of project appraisal including social/distributional and environmental considerations (as referred to below).

124. When a project is accepted because economic analysis indicates acceptable economic returns, even though adequate financial returns on the basis of actual factor and product prices are not ensured, it is essential to give special attention to the financial/budgetary implications of the project (see Financial Analysis above).

125. Members will work with the central planning authorities of recipients and other donors, in the international aid co-ordination arrangements, towards greater transparency in the basic assumptions and standards applied in project appraisal and will seek to achieve improved consistency.

126. Sensitivity analysis is a valuable tool for testing the viability of a project under different assumptions about individual project parameters. Applied at an early stage in the analysis it assists one to identify those aspects of a project which will require particular attention or, on the other hand, those where expensive data collection and analysis may not be so essential. Its useful-
ness is not confined to economic analysis. It is an important component of technical and other analyses required to assess the soundness of a project.

127. Risk analysis is an extension of sensitivity analysis insofar as it examines the probability of variations of parameters which are important to a project’s success. “Scenario testing” may be useful involving different combinations of possible conjunctions of variables. This is of considerable importance for projects where the prices of inputs and outputs are subject to wide fluctuations or where there may be major environmental impacts. Greater emphasis should be given to designing “robust” projects that can weather uncertainties in the international trade environment.

Cost effectiveness analysis for projects for which economic benefits cannot be quantified

128. For activities for which it is not possible to calculate a meaningful rate of economic return, it is necessary to ensure that all relevant factors on the cost and benefit side, are taken into account through a systematic analysis, even if particular benefits cannot be expressed in monetary terms. It is important to ensure a reasonable relationship between expected benefits and costs in order to be sure that the scarce resources available to the recipient country are used in the most beneficial way also for these kinds of project. In assessing the costs and benefits, important tests are: the number of people reached by the activity ensuring a reasonable spread of resources; the comparative cost per beneficiary; the unit costs of the services rendered; as well as the standard and quality of the services and benefits rendered.

129. The principles set out elsewhere in this document relating to such aspects as clear specification of objectives and target groups, logical framework, financial sustainability, institutional assessment and maintenance, and social/distributional impacts, apply with particular force to these types of project.

VIII. Institutional assessment

130. Agencies should carefully consider management implications when appraising a project. This involves an assessment of the implementing or operating agency’s capacity to execute the project in question effectively as well as an assessment of the institutional environment in which the project will operate.

131. The institutional assessment constitutes a basis for determining the nature and types of skill, organisational capacity and incentives which will be required of the recipient’s implementing or operating agency. Gaps should be identified and a strategy for strengthening implementation capabilities should be drawn up. The assessment must be made at an early stage in order to allow consideration of options in the design of the project.

132. The institutional assessment should include an examination of the financial management capabilities of the organisation related to its budgeting, accountability, and control of funds and the degree to which its planning process takes into account this information. Particular emphasis should be placed on ensuring that a funds-control capability is in place at the time the project is
initiated. The project design should provide for monitoring by the institution of financial management during the execution or implementation phase, and maintaining auditing and financial management capability after a project has been completed. The institutional assessment should seek to assess the capabilities of the institution and as necessary propose measures to improve its financial management and auditing capabilities.

133. It is important to assess the duration of the technical assistance required by the implementing agency and other linked organisations and the extent to which local institutions/consultants could provide it. If new staff have to be recruited and trained, new systems and practices have to be introduced into the organisation, or an entirely new agency has to be created, assistance over a long period will often be required. In some of these cases, twinning with another well run institution may be a proper way to strengthen the new implementing agency. To the extent possible, technical support and assistance should be provided through local institutions and consultants. They have a better understanding of local conditions and constraints. If foreign technical assistance needs to be provided, it should be so planned that, on the one hand, it is efficiently used and comes to an end when no longer needed but, on the other hand, continues as long as required to achieve the institution-building objectives.

134. Agencies should carefully consider different options to reduce the management load put on the recipient’s institutions, particularly by simplifying project design and appropriate phasing of project activities, conducting joint institutional assessments, and by using available competent intermediaries in the planning and implementation, including community groups and non-governmental organisations (See also Section XVI below.)

IX. Provision for effective maintenance

135. Project design should be oriented towards practicable maintenance. The provision of staff and current operation funds dedicated to maintenance should be assured over the long term and ensure that project management is fully aware of the importance and means of maintenance. Training of all employees in maintenance should be a continuing function of project management. In particular, projects should include an information component dealing with preventive maintenance for maintenance technicians and project beneficiaries. Such training should be planned well in advance and be continued as long as is necessary to establish the capacity of locally employed staff to carry out maintenance. The training should be appropriate to operative goals of the project as well as to the level of technology chosen for it.

136. Project selection and design should provide at the outset for the clear definition of maintenance responsibility, taking into account the project owners’ capacity to provide maintenance and operating resources. There should be adequate agreements with recipient governments, not only at local project authority level but also at central level, in order to ensure the availability of both financial means and technical capacities in operating the facilities
and services after completion of the project. The duration of the project execution phase may need to be extended to allow for a more realistic period for the completion of the investment phase.

X. Identification and involvement of target groups and social and distributional analysis

Identification of target groups

Distribution of costs and benefits

137. The target groups intended to benefit from the project and the main agents in its implementation should be carefully specified at the outset whenever possible and appropriate.

138. The early specification of intended target groups should be followed by an analysis of the distributional effects of the project. To the extent possible, the distributional analysis would attempt to assess the project impact on various relevant groups. This serves to ensure that projects are truly compatible with the needs and capacities of the intended beneficiaries and participants. The analysis should clarify the groups and individuals who benefit and those who may be harmed by the project, including positive and negative employment effects. In certain cases there may be adverse social effects on some groups even when objectives for the target groups are fully met. The appraisal should assess these adverse effects and consider means for alleviating them.

139. The notion of target groups has limited applicability in the case of projects producing marketable outputs or servicing the needs of the economy or large areas as a whole. In such cases some analysis of distributional effects is nevertheless desirable to ensure that they are not palpably unfair to the weaker or vulnerable groups.

Socio-cultural analysis

140. Socio-cultural conditions, structures and traditions need to be analysed in order to identify possible constraints to successful project implementation. This may involve such issues as land and water tenure arrangements, resettlement issues and local organisational arrangements which require sociological and/or anthropological expertise. The socio-cultural analysis should not only consist of an assessment and impact analysis but should also lead to a strategy for enhancing the commitment and sustained participation of the people directly involved.

Role of women in development

141. Full attention should be paid to involving women in the planning and implementation of development projects. Development activities have too often been designed in a way which takes insufficient account of women as decision-makers, as producers and as beneficiaries, and of the fact that the income of women is crucial to raising the standard of living of the family. Consideration should be given to gender issues at the initial screening stage as well as at the preparation and appraisal stages, including assessments of the costs and benefits. Particular attention should be given to gender composition when considering the division of labour, access to and utilisation of resources, decision-making
processes, distribution of income and benefits, time allocation and legal status of women, and the impact that these factors will have on project success.

**Demographic analysis**

142. For many types of project, appraisal requires adequate data on demographic patterns including growth of different population strata and migration flows. Where a project affects a large number of people, it may be useful to assess its impact on population patterns, including spatial distribution.

**Involvement and motivation of local institutions and target groups**

143. Donors and recipients should work together to make full use of competent expertise available locally for both the design and implementation of aid-financed projects, taking account of the diversity of country situations.

144. Greater emphasis should be given to ensuring the commitment of recipients’ executing agencies through their active involvement in selection, design and implementation. For many types of project, active involvement of end-users and beneficiaries, e.g. through communities and other local organisations, ensuring that the project meets actual needs and circumstances, is essential for project success and mobilising local energies.

**XI. Environmental assessment**

145. Environmental aspects should be taken into account in the selection and design of projects. Activities which could significantly affect the environment should be subject to an environmental assessment. Particularly sensitive projects and fragile areas have been defined in the annex to the 1985 OECD Council recommendations on environmental assessment of development assistance projects and programmes. (See the 1986 DAC Chairman’s Report.) An initial screening of the project should be undertaken in order to determine whether or not an environmental assessment is required and, if required, to define its terms and methodology. The assessment must be initiated at an early stage in order to have an influence on decision-making and on the design of the project. Changes in design due to environmental considerations can sometimes increase the cost of the project or alternatively, as with energy savings, actually increase the stream of benefits. Experience has shown that environmental assessments can be made more efficient if conducted in close recipient/donor collaboration. The public affected by the proposal and other interested parties should be consulted in determining the scope of assessment.

146. The assessment should make a clear statement of the significant beneficial and adverse environmental effects of the project. Attention must be paid to off-site effects (upstream and downstream effects) and to possible time-lags. The assessment should suggest mitigating measures or alternative designs for limiting negative environmental impacts. The environmental assessment process should not stop when implementation starts, but continue throughout the project cycle as a monitoring process. To this end,
it should be clarified at the assessment stage how and by whom the environmental impact and mitigation measures should be monitored during and after implementation of the project. Furthermore, due consideration should be paid to the need for strengthening developing-country institutions to implement the environmental measures agreed.

147. Whenever feasible, the positive and negative environmental impacts of projects should be quantified in monetary terms, and incorporated into the economic analysis. There is growing recognition of the importance, for longer-run environmental sustainability, of the polluter-pays and user-pays principle, according to which the environmental costs/benefits should be reflected in product prices.

XII. Provision for monitoring, evaluation and feedback from earlier experience

Monitoring

148. Provision for effective monitoring to spot and address implementation problems should be made at the project design stage. This will normally involve:

- Establishing a practical information system in the project to track implementation performance and impact to guide project managers in their decisions on the efficiency, effectiveness, impact and sustainability of the project and, in general, introduce course corrections necessary for the achievement of project objectives;

- The setting of quantitative indicators of project progress and performance for subsequent monitoring and impact evaluation;

- Including in the project design designation of responsibility and provision of funding for the information system and monitoring activities;

- Establishing baseline data where they are essential for judging subsequent performance.

Inspections and audits

149. Provision should be made for establishing and maintaining books and records relating to the project in accordance with generally accepted accounting principles and practices and for ensuring that such books and records are audited regularly.

Evaluation

150. An evaluation plan, including a definition of the broad scope of the evaluation, timing, designation of responsibility and provision of necessary funding, should be built into the project design. It should be clearly determined from the outset against which objectives and standards the evaluation should take place. Baseline data designed for evaluation purposes should be collected and regularly updated during project implementation. The nature and importance of the project provides a guideline for the extent and detail of data collection and a justification for the expense involved.
151. It is essential to build into the project appraisal and design process the experience learned from past activities, including in particular the results of systematic evaluations ("feedback"). The following mechanisms for effective feedback have been recommended:

- Evaluation findings from past projects are more likely to be acted upon if they are fed into the "working up" of new projects at the earliest possible stage, i.e. at project selection or design.

- Evaluation findings from on-going projects are more likely to have an impact on those projects the more speedily the findings are fed to the project management.

- Evaluation findings are less likely to be overlooked if formal assurance is given, when new projects are being prepared for funding, that relevant findings have been taken into account. (Formal procedures in themselves may not be enough: evaluation findings must be genuinely applied to project planning.)

- A demonstrated commitment to the use of evaluation resources by senior management is central to the institutionalisation of the feedback process.

- A system for distributing the lessons from experience to development practitioners needs to be designed. Resource support for dissemination, both human and financial, is essential and needs to operate in tandem with substantive efforts to distil lessons learned.

- To be effective, findings must be available to decision-makers in time to affect decision-making, and in a form and quality that makes them relevant to current issues.

- Full use should be made of the available relevant experience and evaluation findings of other donors and the recipient.

152. Members have undertaken, in guiding principles adopted by the DAC in 1987, to pay particular attention, when examining the developmental priority of a project to be financed with associated financing or tied and partially untied official development assistance with a grant element of less than 50 per cent, to the following considerations:

i) it is part of investment and public expenditure programmes already approved by the central financial and planning authorities of the recipient country;

ii) it has been the subject of review and general endorsement in such international aid co-ordination arrangements as may exist;

iii) it is being co-financed with an international development finance institution;
iv) particular care will be applied in the examination of projects where evidence exists that they had been considered and rejected by an international development finance institution or another DAC Member on grounds of low developmental priority.

153. Efficient procurement can yield substantial benefits to recipients in terms of project price and subsequent operation and maintenance. Where procurement is tied, it should be flexibly administered, including careful choice of supplies in which the donor is competent and competitive. There must be effective price and quality controls, and waivers especially for situations where local-cost financing or third-country procurement is essential.

**XIV. Project approval**

154. While final decisions on project selection and design will be a matter of judgement at policy-making level, it is important that the decision-makers are provided with the best possible objective assessment of the expected costs and benefits and other implications of a project under consideration. Final approval should be given only after all relevant aspects have been gone into.

155. Agencies have adopted different procedures for project approval, providing for different degrees of decentralisation of decision-making authority. A clear administrative distinction must be made between responsibilities for technical aspects of project preparation and appraisal on the one hand and responsibilities for political decisions on project selection on the other. This distinction must be clearly made in both the centralised and decentralised context. The same conditions apply to the initial screening process.

**XV. Donor organisational aspects**

156. Aid agencies need adequate “in-house” professional staff capable of project appraisal. Agency staff should be able to supervise appraisal work which is contracted out to consultants. The tasks to be performed by consultants should be carefully specified in the terms of reference and the appraisal criteria clearly defined.

157. Operational staff will be urged to apply agency appraisal manuals and standards to the fullest extent possible and should have access to appropriate training as required. Aid agencies may cite relevant DAC principles in appraisal manuals as points of reference for use by operational staff.

158. Close contacts with the field are necessary for effective appraisal work. Adequate overseas representation is therefore desirable.
XVI. Reducing the administrative burden on recipients and harmonization of donor requirements

159. Overburdening the administrative capacity of recipients should be avoided. While effective action to streamline the administration of aid will not be easy, opportunities to harmonize and simplify the requirements exacted from recipient governments should be sought, especially by making greater use of studies and reports already prepared. Thoughtful consideration of the planning process can achieve both more adequate project planning and avoidance of unnecessary studies and data collection.

160. Information and reporting requirements in project selection, implementation, accounting and evaluation should be related as closely as possible to recipients' own administrative practices and requirements. When recipient systems are considered to require strengthening to ensure effective project preparation and implementation, joint efforts should be made (preferably in multilateral action) to improve standards and capacity for information-gathering in developing countries. Donors should be aware of the burden which requirements for special information place on recipients and should attempt to meet their own particular needs through their own administrative facilities.

161. One approach to simplification has been the adoption of streamlined procedures or the extension of sector aid and other mechanisms through which particular types of project, especially small- and medium-scale projects, can be grouped. Such procedures could be applied, inter alia, to the approval process, the frequency and detail of project reports and the method of procurement. Greater attention should be given to identifying from donor experience how aid cofinancing arrangements can be made more effective by harmonization and work-sharing.

162. While thoroughness in project preparation including data collection is generally justified by the subsequent speed and effectiveness of implementation, restraint may need to be exercised in the amount of documentation requested from recipients and in the elaborateness of targets and cost projections. Furthermore, to reduce duplication of work at the appraisal stage, consideration should be given to the use of feasibility studies commissioned by other donors.
Principles for New Orientations in Technical Co-operation

I. The need for change

II. Technical co-operation principles
   - The central role of the recipient country and the partnership concept
   - Participatory development
   - Institutional development
   - Improved functioning of governments and civil services
   - Comprehensive programme approaches
   - Greater attention to costs and cost effectiveness
   - Recognition of private sector needs
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   - Priority for improved training
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   - Use of national and third country expertise
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IV. Monitoring and Evaluation
Principles for New Orientations in Technical Co-operation

I. The need for change

163. Technical Co-operation (TC) encompasses the whole range of assistance activities designed to develop human resources through improvement in the level of skills, knowledge, technical know-how and productive aptitudes of the population in a developing country. A particularly important objective of Technical Co-operation is institutional development based on human resources development, i.e. to contribute to the strengthening and improved functioning of the many institutions essential for sustainable development through the effective management and operation of an economy and of society more generally, from government ministries, local administrative structures, over hospitals and schools to private enterprises. Human resources development is a prerequisite for institution-building. Capacity building for improved policy analysis and development management by the core government institutions is of special importance.

164. The main instruments of Technical Co-operation are: providing access to training, the provision of expatriate and national experts, policy and technical advice, assistance in the preparation of surveys and studies, and contributions to science, research and technological development.

165. The mechanism of Technical Co-operation has been employed for more than thirty years as one of the key tools of official development assistance. It has had major beneficial impacts, such as the training of large numbers of recipient country nationals and the strengthening of many institutions throughout the developing world. The cross-cultural exchanges resulting from TC activities have increased understanding of different viewpoints while enriching the societies involved.

166. At the same time, however, the tool so long used as the solution to many problems has tended to become a problem in itself. Some of the failures are due to the extremely difficult conditions in which Technical Co-operation takes place. Technical Co-operation can only be as effective as the policies and receiving structures of the recipient, and it is the very function of Technical Co-operation to strengthen them. Beyond these intrinsic difficulties, there are still too many cases of inadequate planning and management, lack of careful and realistic definitions of objectives, over-emphasis on project implementation requirements, over-reliance on expatriate experts and under-use of local expertise, and duplication and competition among donors.
167. Furthermore, the scale of expenditures and the number of expatriates involved puts serious pressures on the economic and social systems of a number of recipient countries. In several African countries, the total salaries paid to expatriates by assistance agencies exceed the budgets for the national civil service. This heavy emphasis on the use of expatriates has also created a development “industry” with vested interests. The result is Technical Co-operation which has become increasingly supply-driven with the recipient countries often playing a passive role.

168. Nevertheless, the needs for Technical Co-operation remain very large in many developing countries where there is still a serious lack of competent human resources and effective institutions. Development Co-operation Ministers and Heads of Aid Agencies recognised the problems associated with present-day Technical Co-operation in the Policy Statement on Development Co-operation in the 1990s by stating that: “the nature and quality of technical assistance will often have to be significantly rethought and upgraded to contribute better to longer-run institution-building requirements.”

169. The Principles set out below seek to chart out new directions for donors in order to find more effective ways of assisting recipient countries to develop their own long-term solutions to development problems. These Principles:

- set as strategic objectives of Technical Co-operation long-term capacity building in developing countries rather than immediate short-term performance improvement;

- put great emphasis on the central role of developing countries in the planning, design and management of Technical Co-operation;

- stress the essential importance for effective Technical Co-operation of improved planning in the context of co-ordinated support for sectoral objectives and policies and, in particular, use of a programme rather than a project-by-project approach;

- encourage “ownership” i.e. responsibility and control of Technical Co-operation programmes and projects at all stages by the intended beneficiaries through participatory approaches, including local NGO participation;

- emphasize the key importance for sustainable development and self-reliance of long-term institution-building, especially in the areas of policy analysis and development management;

- take into account the new recognition of private sector needs for Technical Co-operation;

- encourage greater use of local expertise and existing structures;
— define objectives in terms of outcomes to be achieved rather than inputs to be provided;
— stress the need to pay greater attention to the costs and cost effectiveness of Technical Co-operation activities.

170. These Principles apply to Technical Co-operation in all developing countries, but especially to those which rely heavily on external assistance and continue to have major requirements for institution-building based on human resources development. It is recognised that in institutionally more advanced developing countries there also remain important needs for human resources development and for transferring skills and technical capacities in special areas.

II. Technical co-operation principles

The central role of the recipient country and the partnership concept

171. Recipient countries must be involved throughout the Technical Co-operation process. They must determine their needs and articulate their requests, rather than simply respond to offers from donors, even though they might wish to seek outside help in formulating their needs. The full and active involvement in TC projects by recipient countries and beneficiary groups and institutions is basic to promoting sustainability and self-reliance and should be encouraged by donors.

172. Technical Co-operation should follow the "least intervention principle", i.e. recourse to foreign expertise only after local alternatives have been thoroughly explored.

173. Every effort should be made, at both the institutional and inter-personal levels, to eliminate any relation of inferiority which the traditional TC approach may engender and achieve a true partnership. The distinction between "donors" and "recipients" needs to be attenuated in favour of a collaborative exercise in which all parties concerned contribute to the expertise, management and financing according to their potential. This is particularly true of those countries which have an ample supply of trained and skilled talent.

174. Technical Co-operation must be based on a thorough understanding of the specific environment of the developing country in which it is to take place. TC designers should thus assess the relevant socio-cultural, economic, political and institutional environments. The selection of competent and sensitive experts and appropriate technology is critical for TC effectiveness. More research is needed to identify appropriate methodologies for assessing political, cultural and social environments.

Participatory development

175. Participation of beneficiaries in the identification, planning, implementation and evaluation of all kinds of development assistance projects, in particular Technical Co-operation, is essential to ensure that they take on the full control and responsibility of activities and pursue them after the donor's departure, a key element of sustainability.
176. Those designing TC projects must foster as wide participation as possible. This is essential both for the effectiveness and for equitable access to benefits. Donor agencies should encourage management styles which are conducive to this. Wherever possible and relevant, specific provisions should be made in the planning of TC programmes for consultation with user and beneficiary groups.

177. Technical Co-operation should be carefully adapted, in full co-operation with local governments, to support democratisation processes in developing countries. Efforts to promote good, open and accountable government, strengthen the judiciary and legal systems, combat corruption through strengthening institutions exercising financial accountability and enforce the rule of law will rely largely on expanded counselling and training, partly outside conventional fields of TC expertise. Human rights organisations, pillars of a democratic society, should be fostered. TC programmes and personnel should not be involved in activities inconsistent with human rights.

178. The full involvement of women as planners, implementers and beneficiaries of TC activities is critical to achieve sustainable participatory development and must be taken into account at all stages.

179. High priority must be given to TC activities which are likely to have broad-based impacts, especially on the poor, improving their access to basic services such as education and training, primary health care and, for small farmers and entrepreneurs, credit and advice. Greater participation in cost-sharing for instance through users’ fees will enhance the involvement of the beneficiaries and facilitate sustainability.

180. Moves towards greater decentralisation will imply a renewed role for Technical Co-operation to assist in the strengthening of local governments, municipalities and private institutions such as local development banks, professional associations and trade unions.

**Institutional development**

181. Progress towards sustained, more equitable and self-reliant development depends critically on the strength and quality of a country’s institutional and organisational capacity. Contributing to this objective must therefore be an essential purpose of development co-operation in general and Technical Co-operation in particular. Human resources development is a prerequisite for institution-building. An aid activity cannot be regarded as successful unless it has contributed to strengthening on a permanent basis the local institutions through which and for which it works.

182. Effective institution-building requires long-term commitments by both donors and recipients. It should be planned in a sectoral context related to sector objectives and requirements. Preference should be given to building up national capacities over the long term rather than to mere filling of gaps of competence, often leading to the self-perpetuation of the same TC activities.
183. Technical Co-operation should build on existing institutions and capacity, public as well as private, and avoid the promotion of parallel structures established for the operation of aid-supported activities.

184. The choice of institutions to be strengthened through Technical Co-operation has to be determined on a sector basis according to the diverse needs and priorities of the country concerned. The whole range of institutions have to be considered: public sector agencies, financial institutions, legal and educational systems, business, local communities and voluntary institutions. They all form part of the social fabric through which ideas, skills and new technologies, as well as individual energies, are deployed. Enhancing the policy-making and resource management capacities at central, local and sectoral levels should be given primary emphasis. The effective design and implementation of structural adjustment programmes will often depend on effective institutions. They will therefore also often call for an important TC component. Regional institutions should also be strengthened where they present a comparative advantage in achieving the above goals.

**Improved functioning of governments and civil services**

185. Competent civil services and public management are essential for development. They constitute central institution-building, planning and training tasks for Technical Co-operation.

186. Insufficient remuneration for qualified national personnel is a key problem contributing to civil service inefficiency in developing countries. Rather than topping-up salaries, donors should encourage recipient governments to articulate a strategy to address civil service reform. Donor assistance can only be effective when governments themselves are seriously committed.

187. Civil service reform and remuneration issues have been made more difficult by the need for developing countries to drastically restrain public expenditure as part of indispensable stabilization and structural adjustment efforts. These strengthen the need for careful priority setting in public service reform. In supporting structural adjustment programmes donors should take these problems into account. There is, in any case, a general desirability to replace individual donor action by co-ordinated multi-donor approaches based on effective developing-country strategies, policies and programmes.

188. As a matter of principle, the practice of salary supplements should be avoided. It exacerbates wage distortions and intensifies donor competition for scarce recipient administrative skills. In exceptional cases where the recipient government and donors explicitly agree that they are essential, salary supplements or fringe benefits provided for similar purposes should only be considered provided that they are clearly time-bound, that they follow explicit rules, are fully transparent, and that donor practices are harmonized, possibly through a comprehensive and centrally administered mechanism to which both the government and the donor community agree. Reform measures should be made part of mutual commitments that could be monitored regularly. Exceptions should be seen as temporary measures pending completion of a civil service reform process.
189. Increased emphasis should be given in the planning, selection and design of TC activities to a programme rather than a project-by-project approach. The programme approach should be based on thematic, sector-wide, multi-disciplinary and often multi-donor actions. In programming Technical Co-operation, close attention should also be paid to regional needs.

190. In their Policy Statement on Development Co-operation in the 1990s, DAC Aid Ministers and Heads of Aid Agencies adopted the important principle that they “will plan and manage our aid increasingly in the context of co-ordinated support for larger sectoral programmes, objectives and policies.” This principle should apply with particular force to Technical Co-operation. The effectiveness of Technical Co-operation has suffered from a piecemeal approach.

191. TC needs should be closely related to macro-level, sectoral and sub-sectoral strategies and programmes of developing countries. They should be included in recipients’ plans and budgets in order to maximise efficiency, avoid isolated supply-driven Technical Co-operation and make appropriate allowance for local costs.

192. Donors and international agencies should exercise restraint in offering their own isolated TC proposals. They should apply to Technical Co-operation the principle accepted for investment projects of financing only those activities which are part of the recipient’s national investment programme.

193. Working from national sector and sub-sector strategies and programmes, donors and recipients should specify TC objectives which can be used as a basis for effective appraisal, implementation, monitoring and evaluation of specific individual activities. Objectives should be clearly defined and articulated in terms of institutional capacities to be developed and what would constitute successful project completion rather than in terms of inputs to be provided.

194. Processes such as the NaTCAPs (National Technical Co-operation Assessments and Programmes) not only provide a methodology for systematically assessing the effectiveness of Technical Co-operation from all sources and for programming priority TC needs but also facilitate the “ownership” of TC programmes by recipient countries. They should therefore be reinforced and supported. While UNDP’s role was that of a catalyst in introducing a methodology, this is intended to be a framework for a government to systematically analyse and define its needs and objectives for Technical Co-operation, and to consult with donors, so as to reach consensus. The establishment of central information systems in all Technical Co-operation, and indeed all aid activities generally by recipient authorities, can contribute to this objective. All donors should thus respond to government request to participate in the process of formulation of the policy framework, and to abide by the principles contained therein once the framework is adopted. Efforts should also be made however to enable local governments to take on this task themselves.
195. Because institutional and organisational development takes many years, it must be based on comprehensive and well-defined visions of the future, with long-term objectives taking priority over short-term project goals. Donors should be prepared to stay involved until objectives are achieved. Such comprehensive visions will require integrated planning of Technical Co-operation and capital assistance.

196. Effectiveness and sustainability of Technical Co-operation will be improved if the provision of necessary equipment and spare parts, back-up services and logistical arrangements are fully integrated into the planning.

Greater attention to costs and cost-effectiveness

197. Donors and recipients need to be fully aware of the costs of all possible options in order to use available resources in the most cost-effective and efficient manner. Full transparency of costs is essential to this process.

198. Although Technical Co-operation is usually extended in grant form, it is not “free”. In fact, the costs may be substantial, including immediate associated local services as well as the follow-up costs to support an activity. The sustainability of any development activity is virtually doomed unless the initial planning is accompanied by an assessment of the capacity of the recipient to meet recurrent costs, followed by clear agreements on respective recipient/donor obligations and the inclusion of associated costs in the recipient’s budgets. Financial authorities must also be specifically aware of on-going cost implications, including those for operations and maintenance, and agree that these will be given priority in future budgets.

199. Co-ordinated approaches are required to ensure that the costs attributable to a given recipient country from all planned and committed TC projects fall within the capacity of the national budget to absorb, as well as within the budgets of the institutions involved. Ideally all TC activities, as indeed all aid activities, should be included in the budget of recipient countries with respect to both receipts and expenditures.

200. Greater attention needs to be given to cost effectiveness. It is difficult to establish quantitative cost-benefit ratios for Technical Co-operation. They can be very high. But in many cases, Technical Co-operation, especially heavy use of expensive expatriates at grassroots level, is very high in relation to numbers of beneficiaries.

201. The DAC Principles for Project Appraisal contain recommendations on cost effectiveness analysis which are useful for Technical Co-operation. These Principles stipulate that for activities for which it is not possible to calculate a meaningful rate of economic return, it is necessary to ensure that all relevant factors on the cost and benefit side are taken into account through a systematic analysis, even if particular benefits cannot be expressed in monetary terms. It is important to ensure a reasonable relationship between expected benefits and costs in order to be sure that the
scarce resources available to the recipient country are used in the most beneficial way also for these kinds of project. In assessing the costs and benefits, important tests are: the number of people reached by the activity ensuring a reasonable spread of resources; the comparative cost per beneficiary; the unit costs of the services rendered; and, the standard and quality of the services and benefits rendered.

Recognition of private sector needs

202. There is a new awareness of the central importance of a dynamic private sector for more satisfactory economic growth and broad-based economic and social development. This change in basic attitudes must be given greater recognition in the priority setting and planning of Technical Co-operation. Some re-orientation may be required to end public/private sector imbalances in TC allocations, keeping in mind, however, that the private sector cannot be fully effective without an efficient public service. Support to the public sector should also take into account relevance for private sector needs. Education and training play a crucial role for the development of the private sector.

203. TC activities aimed at strengthening private sector enterprises encompass, inter alia, institutional development and policy advice for economic policy reforms, both at the macro and sectoral levels, including deregulation of the financial sector and of foreign trade, advice for rehabilitation of public enterprises including privatisation, training of managers and accountants as well as of engineers and technicians, and vocational training. In addition, consideration should be given to transmitting the experience of the private sectors of donor countries in establishing corporate structures (such as Chambers of Commerce) as mechanisms for fruitful dialogue between the private sector and the government. Priority should also be given to establishing adequate credit services and the legal framework required to support them. Direct linkages between donor-country private sector entities and their developing-country counterparts can serve to strengthen the private sector. Such linkages may include visits by private sector experts and joint ventures.

204. Where substantial Technical Co-operation is given directly to private enterprises, care should be taken to avoid competitive distortions. The DAC Principles for Project Appraisal provide guidance on appropriate terms (see Section IV paragraphs 108-110 above).

Improved co-ordination

205. In Development Co-operation in the 1990s, DAC Members reconfirmed their support for improved aid co-ordination, with particular emphasis on the role of operational staffs in local aid co-ordination, on support for larger sectoral programmes, objectives and policies, and on assisting recipient countries to strengthen their own capacities in this area.

206. Recipient governments should be encouraged to empower a central ministry or unit with sufficient authority to establish the policies and procedures for Technical Co-operation. The national
policies and sectoral programmes of individual developing countries should be the basis of co-ordination. Local co-ordination efforts should be led by relevant ministries or, at the very least, benefit from the regular participation of those authorities. Encouraging developing countries to take on this role and assisting them to do so must be a priority.

207. Co-ordination should involve more than bilateral donors. Ways should be sought to encourage non-governmental organisations (NGOs) and private sector representatives to become associated with efforts to co-ordinate Technical Co-operation.

208. UNDP and the World Bank, making full use of the experience of the other donors with major TC programmes in the country, have a special role to play in ensuring co-ordination and harmonization of donor TC practices at the field level. The World Bank Consultative Group and UNDP Round Table meetings should include issues related to Technical Co-operation as a normal part of their agendas.

209. TC commitments by donors should be based on full information about what other donors are providing and about available national expertise shared. Donors and recipients should share information on TC policies and procedures as well as on TC programmes and projects. Inventories of available local expertise should be established and kept readily accessible. Improved inter-donor co-ordination may also include sharing evaluation and other reports at both headquarters and local levels, and undertaking joint programming, design, evaluation and feedback.

210. Donors should give special attention to the difficulties faced by recipient countries in co-ordinating the growing flow of missions and advice from external agencies and institutions. Donors should consult amongst themselves in order to limit the number of missions and explore the possibilities for more joint undertakings. Improved co-ordination will contribute to enhance donors’ discipline and reduce supply-driven Technical Co-operation.

III. Technical co-operation instruments and modalities

Priority for improved training

211. Training is the key to the development of human resources and institutional development. It must be given more priority in resource allocation.

212. There is a need for education and training at all levels. Primary focus and resource allocation should be given to basic education and vocational upgrading. Training should focus on improving the educational system, policy analysis, economic management, and development of the private sector. The private sector can itself meet special training needs.

213. Donors should support the development of national training strategies and programmes under which training and education activities are closely related to sectoral needs and economic realities. Government, the private sector and non-governmental agencies should work together to set explicit and reachable national human resources goals. Existing training facilities and their
capacities in donor and recipient countries at various levels must be carefully assessed in relation to these needs.

214. Human resources development is a broad objective and should not be defined too narrowly and technocratically. However, in determining priorities and strategies for training, priority must be given to the needs of the developing country as a whole, rather than to the interests of individuals. Every effort should be made to ensure that individuals who have benefitted from training utilise this experience when returning home, and remain in the field for which they were trained during a reasonable time.

215. From the point of view of sustainability, self-reliance and cost effectiveness, Technical Cooperation should, whenever possible, give priority to the development of the training capacity of developing countries and to the training of trainers rather than to direct training. Strengthening existing recipient-country institutions should be given priority over the creation of new ones. The quality of the learning can often be improved through the provision of qualified instructors and didactic materials. Institutions should be encouraged to design long-term financial plans with clearly defined budgets for meeting local and recurrent costs on an agreed basis.

216. Recipients and donors should give special emphasis to local and regional training. Training in developing countries is often more relevant to local needs and less costly than in donor countries. Furthermore, it does not encourage the emigration of qualified personnel. For local or regional training to be an acceptable alternative to programmes in developed countries, the institutions chosen must have credibility in terms of performance and cost effectiveness.

217. There are cases, however, when training in donor institutions will be necessary and can be the most effective way for meeting specific training needs such as highly specialised technical skills and special training at university graduate levels not available in local or regional institutions to strengthen the technological capacity of the recipient. Furthermore, training abroad can contribute to enhancing international understanding and co-operation and exposes decision-makers and potential leaders to different development perspectives. Creation of alumni networks or associations can help sustain and even increase the effect of training.

218. Attention should be given to encouraging greater participation by women in all kinds of training programmes, including the development of professional and entrepreneurial skills. Donors should identify barriers to women's participation, and develop strategies to overcome them. Given the long-term goal of equal access and participation, women should be given equal access to training awards.

219. Non-formal training approaches such as the use of local professional associations, consulting firms, industrial and commercial enterprises, distance training through correspondence courses, and on-the-job training offer considerable potential.
Interactive radio, television and computer programmes may also be useful vehicles for distance teaching to reach the target group. In-service training should be expanded in order to ensure the maintenance and upgrading of skills of existing personnel and to enable them to keep abreast of new developments.

220. Scholarships and fellowships should be more carefully targeted to meeting development needs. Studies in the home country or another developing country should be encouraged when appropriate training facilities are available. There should be a special justification for low-level training abroad.

The role of expatriate personnel and a new counterpart/expert relationship

221. The provision of expatriate personnel (experts, consultants and volunteers) is an essential instrument of Technical Co-operation. The success of Technical Co-operation depends largely on the expert's competence and ability to transmit knowledge and experience and help create effective institutions. However, massive and protracted use of expatriate experts, especially with involvement in operational tasks and at grassroots level, works against the objective of achieving self-reliance and entails risks of aid intrusiveness and distortions of consumption styles.

222. Re-examination of the "counterpart/expert" arrangement should aim at establishing a true partnership, where partners are considered to be equal and where each has clearly defined functions and responsibilities. True partnership between advisers and host-country counterparts should provide mutual training opportunities, whereby expatriate advisers share technical knowledge and at the same time learn from their counterparts about the cultural, political and social context of their work. The role, tasks and length of assignment of expatriate experts should be adjusted to the needs of the recipient country as defined by its authorities. Training of counterparts should be given necessary emphasis so that they may take over full responsibility within the shortest possible timespan.

223. Given the TC objective of indigenous institution-building, the use of expatriate professionals solely for project construction and operations should be exceptional. Such use, but only for a limited period of time before local personnel is ready to take over, may be justified, and is in the interest of developing countries themselves, if this is indispensable for the effective operation and maintenance of expensive and complex installations.

224. Although experts on long-term assignments in advisory rather than operational roles may be needed and thus still requested by recipients, more emphasis should be given to short-term experts including more frequent follow-up visits. The advantage of this practice is that "ownership" of a particular programme rests with local staff, with expatriates providing technical support. This approach also solves many of the logistical problems faced by long-term expatriates and their families.

225. The performance of TC experts can be improved through more careful recruitment, better briefing on the socio-cultural,
economic, political and institutional environment of the recipient country, stronger technical back-stopping and, above all, clearer terms of reference. Donors should select experts not only for their professional competence but also for their ability to exchange and transfer experience. The desire for quick results in material terms must no longer be allowed to squeeze out the process of skills development.

226. In certain cases, there may be an opportunity to consider joint in-country training for donor experts and personnel. Such selected joint training programmes to which counterparts could be associated could also improve the harmonization of aid procedures and aid co-ordination.

227. Formulated jointly with recipient authorities, terms of reference should specify the objectives, roles and responsibilities of collaborating parties and establish a timetable for implementation. In the case of long-term assignments, donors and recipients should periodically review the terms of reference. Problems related to the re-integration of expatriates at the end of their contract must be given careful consideration by contracting agencies.

228. It is important that donors make a concerted effort to recruit more women TC personnel. In spite of the large pool of qualified women in the various fields of Technical Co-operation, they remain largely under-represented. Increased assignments of women experts can be critical in fostering the participation of women and women's groups in project activities.

229. Reservations have been expressed about the “large team” approach still widely used by some DAC Members. Unless carefully planned, large teams (10-20 experts) may substitute for, rather than encourage, the urgent development of local expertise.

Use of national and third-country expertise

230. Donors are invited to consider, where appropriate and feasible, further use of national experts, institutions and consultants, especially when a deep understanding of national and local environments is required. Their costs are generally much lower than those of expatriate experts. Larger use of national experts could be fostered by improved information on available local expertise, flexibility in recruitment of experts, increased donor untying of TC services, and donor decentralisation of authority to field staff. Fuller use of national experts may also require more flexible donor attitudes to local cost financing or other appropriate support.

231. The use of developing-country consultants by donor consulting firms, including joint-ventures, should be encouraged and efforts made to enable developing-country consulting firms to compete with donor-country firms. Donors could: i) support training programmes for recipient-country consultants; ii) encourage twinning arrangements between donor- and recipient-country consulting firms; iii) help recipient governments assemble information on local expertise; and iv) assist newly established recipient-country firms to become known to the international market.
232. Donors should be ready to recruit nationals from other developing countries for Technical Co-operation and may consider extending financing to recipients for this purpose. Technical co-operation among developing countries (TCDC) should be encouraged provided it does not foster brain-drain. This danger could be minimised by having enhanced regional co-operation.

233. Donors should also join with recipients in endeavouring to attract the return of their qualified nationals from abroad, and help developing countries in creating an enabling working environment including respect of basic human rights.

Twinning of organisations

234. Twinning arrangements have proved useful for institutional development and for skill transfer. Donors and recipients must consider developing such arrangements among national and municipal bodies, commercial and non-governmental organisations and institutions. Their effectiveness depends upon an appropriate match of goals and tasks, mutual trust, realistic programming and timing of operations, shared long-term commitments, a willingness by donor-country institutions to adjust to recipient-country circumstances, and availability of personnel and funding. Proper attention should be given to monitoring these arrangements.

Non-governmental organisations and volunteer programmes

235. Non-governmental organisations (NGOs) have proved to be effective at the grassroots level where they have special experience working with the poor and constitute a channel for local initiative and participatory development.

236. Recipient governments should be encouraged to collaborate with local NGOs in project identification, preparation and implementation. Donors can respond positively to requests for institutional strengthening and improved management of these groups not only by encouraging their use but also by helping to enhance their professional skills and training. Donors can also facilitate mutual understanding between NGOs and host governments and provide support to consultative in-country structures and international networks.

237. Bilateral volunteer programmes and the United Nations volunteers have an important role to play in development. As for all other TC personnel, adequate arrangements should be in place to ensure recruitment of qualified persons. Today's volunteers are usually experienced and motivated professionals. They have proved particularly useful in working directly with the recipients. On their return home, they contribute to better North-South understanding.

238. Volunteers should never be substituted for competent nationals. Individual post descriptions should specify functions which respond to real local needs and to the particular competence and profile of volunteers including the dialogue with co-workers, promotion of local initiative and self-reliance, and adaptation or transfer of skills. Donors and recipients will find it to their mutual
advantage to strengthen the programming and utilisation of volunteers in response to TC requirements of national plans.

239. Programmes which assign senior experts, whether retired or not, for voluntary TC tasks at modest cost should be further developed, especially in the private sector.

IV. Monitoring and evaluation

240. Technical Co-operation requires systematic monitoring and evaluation to give managers and policy-makers full information for decision-making, effective implementation and public accountability. Developing countries themselves must play the central role in monitoring and evaluation. Donors should provide the necessary support to strengthen their institutional capacity in this respect. Further efforts must be made to improve TC data, to design an appropriate evaluation methodology and to build a monitoring mechanism into all TC activities. The costs to recipients must be carefully calculated.

241. DAC Members have developed Principles for Evaluation of Development Assistance which also apply to Technical Co-operation. DAC Members and international aid agencies are working to complement these general Principles with an appropriate evaluation methodology for Technical Co-operation. They have agreed to test a practical set of questions for judging the effectiveness of Technical Co-operation including an assessment on whether the appropriate skills have been transferred in accordance with the individual needs in developing countries, the extent to which transferred skills have been disseminated and taken root, and the sustainability of TC results in institution-building based on human resources development. They are also looking for a method to calculate the cost-effectiveness of Technical Co-operation in general and institution-building projects in particular. The best measure of success in Technical Co-operation, for the moment, may be the extent to which effective institutional arrangements and legal frameworks can be developed and dependence on expatriate assistance eventually reduced.
Principles for Programme Assistance

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Principles for Programme Assistance

I. Introduction and summary

242. The DAC has drawn up a series of policy principles addressing key areas of aid programming and management. The following principles deal with programme assistance which has become an increasingly important instrument of economic co-operation with developing countries, particularly in the context of the major new efforts to support policy reform and structural adjustment. These principles focus on the basic matters to which both donors and recipients should pay attention in the provision of programme assistance.

Types and objectives of programme assistance

243. Programme assistance consists of all contributions made available to a recipient country for general development purposes, i.e. balance-of-payments support, general budget support and commodity assistance, not linked to specific project activities.

244. Broader approaches to programme assistance encompass, in addition, the use of all other instruments of assistance which contribute to the support of well defined policy objectives and programmes at the macroeconomic and/or sector levels of a developing country. For a number of donors sector assistance, including packages of interrelated project assistance, technical assistance, sector investment assistance as well as programme assistance, is an increasingly important mode of aid-giving and Members have agreed that they will plan and manage their aid increasingly in the context of co-ordinated support for larger sectoral programmes, objectives and policies.

245. Programme assistance is increasingly used by donors to promote policy reform and structural adjustment which are essential for improved development in relation to both macroeconomic requirements and those in specific economic and social sectors (policy-related programme assistance). Programme assistance is also a useful instrument for extending general economic support to developing countries in appropriate circumstances. It is important to take particular care to establish to the maximum extent possible clear links between the provision of programme assistance and its effects, to ensure appropriate accountability in its use, to maintain incentives for self-help and self-reliance and to avoid support for inappropriate policies.
246. While all types of aid must be concerned with policy improvement, policy-related programme assistance is a particularly effective instrument for fostering policy change. All programme assistance has, explicitly or de facto, a relation to economic and development policies, but the extent to which programme assistance is directly linked to specific policy reform and structural adjustment programmes varies. This ranges from programme assistance whose provision is explicitly linked to a World Bank and/or IMF co-ordinated structural adjustment programme to various types of general economic support, which do not aim specifically at policy reform or structural adjustment programmes, even though in extending this assistance donors should take careful account of the quality of the policy environment and may be guided by the existence of IMF/World Bank programmes. (For a more systematic definition of programme assistance and its sub-categories see the annex to this chapter.)

Basic principles

247. The Principles for Programme Assistance set out below incorporate the following essential elements:

a) There is a continuing major role for programme assistance, incorporating the evolving lessons of experience and effectively linking broader social, political and economic policy concerns.

b) Programme assistance and other aid instruments, such as technical co-operation and project financing for long-term investment, are complementary. All of these instruments have their specific contribution to make. It is essential that they are adapted to specific country situations and needs and are used in a co-ordinated, mutually reinforcing way.

d) Developing countries themselves are ultimately responsible for determining and implementing their development programmes and policies and for the impact on their economies and people.

e) Capacity-building for policy formulation and planning and implementation and the extension of substantial programme assistance must go hand-in-hand.

f) Adequate safeguards and monitoring arrangements to ensure effective use of programme assistance, including, in the case of policy-related programme assistance, adherence to agreed policies, are essential for improved economic performance and are in the interests of recipients and donors alike.

g) Programme assistance requires strongly co-ordinated approaches among the recipient country, bilateral donors and the relevant multilateral institutions.

h) Policy dialogues on essential aspects of policy reform and structural adjustment must have a strong multilateral dimension. Bilateral policy dialogues need to be consistent with the orientations of the national policy frameworks and priorities as they have been reviewed in
the international aid co-ordination arrangements. The core elements of economic policy reform and structural adjustment programmes include:

- promoting market-oriented policies and a productive private sector;
- liberalising and rationalising trade and exchange rate regimes and policies;
- following sound fiscal, monetary and financial policies and improving fiscal management and taxation systems;
- improving decision-making on public investment and the operation of key public services including health and education.

h) Programme assistance, especially sector assistance, can contribute to the advancement of strategic policy concerns and objectives such as

- promoting participatory development in all its economic, social and political dimensions;
- improving the social impact of development assistance;
- strengthening human resources development through education;
- strengthening the role of women in development;
- contributing to environmental sustainability;
- encouraging the development of dynamic private sectors;
- assisting regional co-operation and economic integration.

i) A basic long-run objective of aid is to strengthen developing countries’ administrative and eventually economic and financial self-reliance. As developing countries make progress in their basic policy environment and in strengthening their administrative capacity, it should be possible to reduce close donor involvement in implementation and to rely increasingly on national institutions and market mechanisms to allocate the resources made available through aid.

j) Past experience shows that it is undesirable to provide programme assistance on a sustained basis in situations where policy and administrative environments are inadequate. While emergency assistance may sometimes be indispensable even in such situations, it should then be available only on a short-term basis and priority must be given to policy reform and institution-building efforts.

k) Developing countries’ own development efforts, including progress towards good governance and democratisation, mobilisation and improved use of
resources, including efforts to reduce excessive military expenditures, should be an important consideration in the allocation of programme assistance among developing countries.

I) programme assistance, as other government-to-government aid, is inappropriate in situations of gross violations of internationally recognised human rights.

II. The central role of developing countries

Developing-country responsibility for programme design and implementation

248. Developing countries themselves are responsible for determining and implementing their programmes and policies. This principle applies with particular force to programme assistance, which is often related to important policy reform measures and has broad-based impacts on the economy. In particular, developing countries must “own” their structural adjustment programmes. This implies that the basis for co-ordinated international action must be the policy and programme statements and actions of the developing country itself, which must also, to the largest extent possible, be in charge of international aid co-ordination arrangements.

The crucial role of capacity-building

249. Much more determined efforts are required to enable developing countries to play this role. Capacity-building for policy and programme planning and implementation and the extension of substantial programme assistance must go hand-in-hand. This calls for intensified technical assistance and advisory work by the competent international organisations and also by bilateral donors. DAC Members have adopted Principles for New Orientations in Technical Co-operation which designate capacity-building in developing countries, including in the area of the core economic authorities, as a central priority.

III. The central importance of support for effective policies

250. Effective policies are essential for sustainable economic and social development. Many developing countries are engaged in a process of policy reform and structural adjustment including major reorientations in expenditure priorities. This process is far from complete and is, in any case, of a continuing nature. Programme assistance, especially policy-related programme assistance, is an important instrument for encouraging good policies and easing the economic, financial and social burdens which may, during a transitional period, arise from the changes required.

251. Structural adjustment programmes embrace not only short-term stabilization efforts aimed at correcting external and internal payments imbalances. They should also address basic structural policy reforms at macro and sectoral levels aimed at improving the flexibility and productivity of the economy as well as social conditions and employment prospects. There is thus no dichotomy between structural adjustment and policies and efforts for economic and social development or between the short term and the long term. Rather, the objective of structural adjustment programmes is to achieve the economic conditions and policy
environment in which sustainable economic and social development, including major new investments in infrastructure and productive capacities, can take place and bear fruit.

252. Since programme assistance, especially large-scale macroeconomic programme assistance, is a particularly fungible form of assistance, donors need to assure themselves that the recipient country’s overall resource and budget allocation priorities are consistent with development aims, paying attention also to expensive prestige projects and large military expenditures. Carefully appraised and prioritised public expenditure programmes are fundamental in this respect. They also provide a link between planning for programme assistance and project assistance.

253. The objective of the donor/recipient programme assistance policy dialogue and negotiations is to seek agreement on programme objectives and required implementation with clearly identified structural measures and policies by recipients and financial contributions by donors. To help the monitoring of programme progress and problems, indicators and benchmarks of essential policy steps should be agreed upon. It is also important to keep in mind the need, stressed in Section V below, for flexibility and selectivity in the preparation of policy-related programme assistance.

254. The specification of effective policies must be related to individual country situations — economic, social and political. Core elements of policy reform programmes, which are consistent with longer-term development objectives, may be identified as follows:

- Policies and incentive systems, including market-based pricing, which contribute to the fuller and more productive use of national resources.

- Creating the conditions for a larger role for a productive private sector as an essential element of a strategy for broad-based economic growth.

- Policies and institutions which encourage domestic savings (and the return of flight capital) and their use for productive investment in physical and human capital as the indispensable basis of growth and development.

- Liberalisation of trade regimes and exchange rate policies to improve the efficiency of resource allocations under the spur of external competition.

- Economic and financial policies which avoid unsustainable fiscal and external imbalances and resulting price, cost and income distortion through inflation.

- Improved fiscal management, with a focus on improving mechanisms for the selection and monitoring of public investments, including in key social investment sectors such as health and education, rationalisation of
budget systems and the management and monitoring and/or privatisation of the public enterprise sector.

- Improving the efficiency, accessibility and sustainability of public services, including notably education and health services.

- Systems of taxation which strike the difficult balance between preserving effective incentives to work, save and invest while at the same time producing the revenue required to maintain adequate systems of education, basic health and other essential services and social safety nets, commensurate with the sustainable resource mobilisation capacity of the country.

255. Appropriate financing for private enterprise development is a central issue for aid, which operates primarily on a government-to-government basis. Programme assistance can be used to encourage the development of viable, competitive and efficient financial markets capable of mobilising and allocating domestic savings to financially and economically sound investment projects in the private sector. Banking and financial sector reforms (including strengthened supervisory and regulatory regimes) and continuing efforts to strengthen the institutional capacity of financial intermediaries are fundamental in this regard.

256. For a number of highly fragmented developing-country regions stronger economic integration is an important factor in achieving improved development. Structural adjustment programmes, and programme assistance generally, should take the problems of regional fragmentation into account and, whenever appropriate, should provide positive inducements for regional co-operation. Thus programme assistance should include an assessment of regional economic impacts and look for positive opportunities to support the development of regional co-operation and regional infrastructure creating a positive regional economic environment. This should assist the role of structural adjustment programmes in opening the way towards sustainable long-term development, based on liberal multilateral trade policies, by helping to create stronger, more rational economic structures, capable of participating competitively and with benefit in an open world economy.

IV. The role of programme assistance in promoting participatory development

257. Programme assistance provides general support for recipient countries and relies largely on host governments for implementation. Considerations of participatory development, especially good governance and financial accountability, are of special relevance for this type of assistance and they should be taken into account in its design and the related policy dialogues.

258. DAC Members have agreed to work with their developing-country partners to achieve more participatory development in particular in the following areas:

- Priority for programmes providing affordable, effective and sustainable services, such as for education, training,
health and family planning, for the masses of the people, including the poor, and broad participation in selection, administration and financing of these services.

- Assisting developing countries in strengthening institutions, policies and practices leading to democratisation and good governance at central and local levels, and also reducing the scope and incentives for corruption.

- Strengthening the role of individual and community-based initiatives, private enterprise and the market system, and facilitating widespread access to productive assets.

- Associating users through appropriate organisations with the design and implementation of aid-financed programmes.

- Enabling active participation of women in the processes of development as decision-makers, producers and providers of basic care.

- Promoting respect of human rights, including effective and accessible legal systems, areas where bilateral agencies have a particular role to play.

V. The need for careful preparation of programme assistance

259. Programme assistance requires careful preparation. In the absence of such careful preparation there are risks of supporting unsustainable public and private consumption and inappropriate policies with harmful effects on longer-term development and self-reliance. Since the available resources for programme assistance are limited and donors are accountable for the effective use of the resources to their people, it is necessary to construct an effective policy framework based on the dialogue among the recipient, each donor and relevant multilateral development institutions from an early stage. While approaches and requirements differ, there should in principle be no difference between programme assistance and project assistance in the care with which they are prepared. Programme assistance is as management demanding as project assistance. However, different analytical and, indeed, diplomatic skills are required. Aid agencies which have in the past emphasised project financing need to develop adequate expertise for the design of programme assistance.

Clear specification of objectives and responsibilities

260. Clear specification of objectives to be achieved with programme assistance is essential for successful implementation and subsequent evaluation. Policy reforms and reallocations in expenditure also need to be carefully articulated. Identification of a set of key objectives carefully related to the specific situation of the developing country concerned is more likely to lead to successful implementation than large numbers of less specific objectives. Objectives for policy-related programme assistance should mainly be set multilaterally. Additional bilateral objectives should be complementary and consistent.
261. The contributions and tasks of donors and recipients respectively in programme appraisal and implementation should be fully articulated and agreed. Differences between donors and recipients should be resolved before the programme is launched rather than left to the implementation stage. Similarly, it is important that essential external conditions and assumptions influencing the programme's success should be realistic, fully articulated and agreed with the recipient.

Concern with social and gender impacts

262. Social and political risks must be taken into account in programme design and special efforts must be made to counter them. This does not provide a justification for delaying essential economic reforms, but does mean that structural adjustment efforts and related policy reform efforts must take distributional factors adequately into account. An important instrument for doing this is the public expenditure review, which needs to ensure that public expenditure gives adequate priority to social objectives, eschewing urban bias, and minimising military and other unproductive expenditures. Both the IMF and the World Bank are paying increased attention to these problems and have been strongly encouraged by DAC Members to do so. While the re-targeting of social programmes is a long and politically difficult process, evidence shows that in a range of developing countries such efforts are indeed beginning to reduce biases against the poor in the education sector and the health sector, and can redeploy displaced workers through special employment programmes. Even greater emphasis on such programmes, including social safety nets in conformity with adjustment and reform efforts and focused on those who need protection, is required by both recipient countries and donors.

263. Social impact analysis of programme assistance should include consideration of the effects of such assistance on both men and women. This is necessary because men and women in developing countries face significantly different baseline situations in terms of constraints and opportunities. To promote an equitable distribution of programme benefits, the membership and decision-making structure of relevant local groups and institutions should be identified. Gender-based constraints and opportunities can then be addressed.

Concern with environmental impacts

264. Specific arrangements should be made for analysing and monitoring environmental impacts of programme assistance, using as a basis “Good Practices for Country Environmental Surveys and Strategies” and insofar as applicable drawing upon the procedures outlined in the “Good Practices for Environmental Impact Assessments of Development Projects”.

265. Programme assistance can be a useful instrument in promoting “environment-friendly” policies. Examples of “environment-friendly” policy reforms include cost-recovery user charges (e.g. for water), the elimination or at least reduction in price
subsidies for electricity, petroleum products, fertilisers and pesticides, provision of secure property rights and land tenure systems which encourage the rational use of natural resources, especially forests.

**Institutional assessment**

266. When designing programme assistance donors should carefully consider management implications with the recipient government, including the governance dimension. This involves an assessment of the capacity of the implementing authorities to carry out the programme. The institutional assessment should also include an examination of the financial management capabilities of the implementing agency related to its budgeting, accountability and control of funds.

267. Where the institutional assessment identifies gaps, concrete technical assistance action should be launched to strengthen implementation capabilities.

**Preparation of policy-related programme assistance**

268. The design, negotiation and implementation of policy-related programme assistance is especially demanding:

- Effective support of major reforms requires thorough understanding of the structure and evolution of the economy and/or sector and of the country’s policies and institutions. While the final responsibility for the preparatory analytical work must be that of the developing country, multilateral and bilateral donors can help in the analysis and often expensive basic survey work.

- Time phasing must balance urgency of policy action with realism in the time required to prepare, negotiate and implement programmes.

- Developing countries should also be encouraged and helped to explain the purposes and nature of the reform effort required and the costs and benefits to the public and especially the populations affected.

- Every effort to press in these directions should be taken even at a considerable cost in time, resources and effort.

**Tranching**

269. “Tranching” of policy-related programme assistance, making effective disbursements conditional on implementation of the agreed policy reforms, is an effective instrument for ensuring effective programme implementation. However, flexibility is necessary because of unanticipated developments. The credibility of conditionality suffers when frequent waivers have to be given. This points to the desirability of combining realism with a focus on key policy reform efforts, especially during the early stages, rather than the attainment of too many specific targets. Decisions on tranche releases should be multilaterally co-ordinated especially where donors support a World Bank and/or IMF co-ordinated Structural Adjustment Programme.
270. Provision for effective monitoring of programmes to spot and address implementation problems should be made at the programme design stage, including the establishment of relevant information and control systems. Assistance for strengthening the monitoring and evaluating capacity of developing countries is an important aspect of institution-building.

271. One of the most sensitive issues in policy-related programme assistance is the appropriate response to programme deficiencies, weakening policy performance and/or non-compliance with policy agreements. Effective monitoring and continuous policy dialogue are essential to prevent programme failures and to take corrective action. Close collaboration among donors and the international agencies is important to ensure coherent responses.

272. The effective use of programme assistance in support of policy reform and structural adjustment and the related policy dialogues require consistency and concertation. Policy-related programme assistance, whether of a macroeconomic or a sectoral character, therefore requires strongly co-ordinated approaches based on continued dialogue among the tripartite partners — recipient country, the relevant multilateral institutions, especially the World Bank and the IMF, and the bilateral donors and the EEC.

273. While each developing country is responsible for its policies and programmes, at the same time a basic consensus between the developing country, the multilateral lead institutions, and donors, on what constitutes effective policies and policy reform efforts is essential for the effective and consistent use of programme assistance at both country and sectoral level.

274. Policy dialogues on essential aspects and assumptions of policy reform and structural adjustment must have a strong multilateral dimension. Bilateral policy dialogues need to be consistent with the orientations of policy frameworks and priorities as they have been reviewed in the international aid co-ordination arrangements.

275. Consultations between the World Bank/IMF and donors on economic assessments and on required policy and programme design should be further improved. There is continuing need for early donor involvement in the programme design process and for continuing dialogue. The World Bank and the IMF look to bilateral donors for input into programme design and implementation and a range of opportunities and mechanisms exist for this co-ordination. To participate effectively in this process, donors must put in place appropriate expertise and adequate co-ordination arrangements within their own administrations. Use of local consultation and co-ordination arrangements would contribute to effective assistance and facilitate participation by the recipient authorities and should be started at an early stage.
VI. Evolution of aid relationships with developing countries with strengthened policy quality and administrative capacity

276. A basic long-run objective of aid is to strengthen developing countries' administrative and eventually economic and financial self-reliance. As developing countries make progress in their basic policy environment and in strengthening their administrative capacity, it should be possible to reduce close donor involvement in implementation and to rely increasingly on national institutions and market mechanisms to allocate the resources made available through aid. Programme assistance is particularly relevant in these terms. Some donors are giving increasing attention to sector assistance approaches in support of specific sector objectives, programmes and policies agreed with recipients and with broad monitoring arrangements.

277. The appropriate combination of technical assistance, project assistance, policy related programme and sector assistance, including sector investment assistance, and general economic support, must depend on specific country situations. Developing countries which have attained strong administrative capacity and an effective basic policy environment are well equipped to use both project assistance and programme assistance, including sector investment assistance, effectively. The essential characteristic of the evolving aid relationship is not so much the balance between project and programme assistance as such, as a greater reliance on the developing country's own institutions and mechanisms for resource allocation and for detailed design and implementation.

VII. Programme assistance for economic emergencies

278. Substantial amounts of programme assistance have been extended in situations of acute economic crisis to maintain essential import requirements and minimum public services. Three different types of emergency situations can be distinguished which call for different aid responses: i) natural or manmade disasters, such as floods, drought, earthquakes, wars; ii) problems arising from unpredictable external factors, such as sharp falls in terms of trade; and iii) continued balance-of-payments deficits and fiscal imbalances arising from policy weaknesses.

279. Disaster assistance to address the situations of the kind indicated in paragraph 278(i) and similar humanitarian assistance given to prevent acute human suffering, fall outside the scope of these Principles. While economic emergency assistance may be indispensable for short periods, especially when unforeseen external factors disrupt policy reform efforts, great care must be exercised to ensure that it will not be prolonged and does not delay or undermine indispensable structural adjustment and policy reform efforts.

280. Experience shows that it is undesirable to provide programme assistance on a prolonged basis in situations where the policy and administrative environment in the recipient country is inadequate to permit reasonably effective use of the resources. In such situations prolonged programme assistance would discourage rather than encourage policy reform, contribute to maintaining public and private consumption at levels which are unsustainable.
in the long run and exacerbate structural adjustment problems. In such cases priority must be given to institution-building and policy reform efforts.

281. Programme assistance to address economic emergencies should be internationally co-ordinated whenever circumstances permit.

VIII. Programme food aid

282. Programme food aid helps to fill the gap between domestic demand and the supply of food from domestic production and commercial imports. When this type of food aid replaces commercial imports, it provides balance-of-payments support as the foreign exchange that would have been used to pay for those imports is saved. When it is sold in the recipient country, which is usually the case, it generates additional local currency for development activities. Programme food aid thus defined has the character of programme assistance and the criteria and modalities set out in these Principles should apply, bearing in mind that as with other forms of programme aid, the degree to which programme food aid is linked to structural adjustment and policy reform varies.

283. Programme food aid also, however, has some special characteristics, particularly in relation to the possible impact on domestic production incentives, consumption patterns and income distribution which need to be carefully taken into account. It should be designed and implemented in a way which is consistent with international agreements on food aid, in particular the Food Aid Convention, and its availability should not be based on sustained over-production of food in supplier countries. Donors should promote the use of developing-country food exports in food aid programmes wherever feasible and appropriate. (It is recalled that disaster assistance falls outside the scope of these Principles.)

IX. Debt relief

284. Debt relief is an important means of support for policy reform and structural adjustment programmes, both through helping to fill financing gaps and through improving the debt profiles of heavily indebted countries. In this context, debt and debt service reduction operations have received the support of a wide range of donors as well as the World Bank and the IMF. Official debt relief should normally be granted on a case-by-case basis as part of multilateral arrangements (notably through the offices of the Paris Club) and related to structural adjustment and policy reform efforts, and the criteria and modalities set out in these Principles should be taken into account in its provision.

X. Counterpart funds

285. Local currency proceeds generated by programme assistance (through the sale of commodities or foreign exchange) are frequently subject to special agreement on their use between the individual donor and the recipient government, involving the application of particular management arrangements, including the
creation of special accounts. These counterpart funds differ from local currencies bought to finance local costs, in that in the latter case, the donor retains ownership and control of the local currency up to the point of disbursement, normally in the framework of a project.

286. In programme assistance, the real resource transfer is represented by the commodity or financial aid inflow, not the counterpart funds which are generated from such programme assistance. Counterpart funds thus do not constitute further additional resources for the recipient country. Their existence on any significant scale therefore raises important issues both for macroeconomic management (the inflationary potential) and for public expenditure management (transparency, consolidation of public budgets, and conformity with overall expenditure priorities).

287. Effective programming of public expenditure and its implementation according to budgeted priorities within a developing country’s overall budget is a key objective. It is closely related with the concern to foster good governance and increased self-reliance in recipient countries. To be consistent with this objective, donors should make efforts to adapt their mechanisms and practices for delivering aid, including the use of counterpart funds, to facilitate the consolidated, rational and effective management of public expenditures, including overall allocation of expenditures which reflect established development priorities emerging from the policy dialogue. Counterpart funds should therefore be integrated into the national budget of the recipient government under well-functioning budget formulation, accounting and evaluation procedures.

288. Donor and recipient practices concerning the creation and use of counterpart funds have a considerable history, including a legislative dimension in some cases. Some donors impose controls based on their own legal requirements. Other donors, including multilateral institutions, do not impose controls. The objective set out in the preceding paragraph and the guidance in the next five paragraphs may therefore have to be approached in an evolutionary manner. In the transitional phase, the recipient country should make continued efforts to improve budgetary priorities and control, and public expenditure allocation and accountability; and donors should work to make the best use of counterpart funds in a way which, collectively, minimises the administrative burdens for both donors and recipients and supports effectively the recipient country’s macroeconomic and development objectives and rational financial management.

289. In this transitional phase, counterpart funds should be managed in a way which minimises the distortions they cause and advances the objectives set out in paragraph 287. Accordingly, in operational terms they should progressively be:

a) planned in advance, preferably in the context of a rolling, multi-year agreement, covering all types of aid that generate counterpart funds, linked to other types of aid, and provided subject to adequate policy performance;
b) credited promptly within an agreed time, if possible, to a
single government-controlled, interest-bearing account;
c) disbursed as soon as practicable from the counterpart
currency account(s), without endangering
macroeconomic stability, and in particular, in accordance
with a time frame that would avoid the inflationary
impact of spending from excessively large past accumu-
lations of counterpart funds;
d) used to finance on-budget expenditures, avoiding insofar
as possible earmarking to individual outlays.

290. Commodity and food aid should be valued on the basis of
import parity prices or on the basis of a pricing policy agreed under
an existing policy reform programme.

291. Bilateral donor-recipient agreements on counterpart fund
management must be consistent with the objectives of external
adjustment, non-inflationary growth and the priority public
expenditure programme agreed between the recipient country and
the World Bank/IMF, taking into account the views of the donor
community in accordance with paragraph 275 above. Donors
should give priority to supporting reform policies, including
budgetary policy and effective and accountable management of
public funds generally, when seeking agreement on counterpart
fund management.

292. The effectiveness of adjustment assistance depends on the
policies and institutional reforms implemented, including those
related to public expenditures. The recipient country, with the
assistance of the donor community and the World Bank/IMF,
should closely monitor use of counterpart funds to ensure that they
are consistent with public expenditure programmes, both invest-
ment and recurrent, to ensure that public sector resources are
channelled in accordance with the priorities defined in the budget.
Effective procedures for monitoring budget implementation should
be ensured through provision, where appropriate, of technical
assistance.

293. Where counterpart funds have accumulated over past years, it
is important to ensure that their subsequent use is compatible with
macroeconomic stabilization objectives and developing countries’
brander budgetary expenditure priorities. The appropriate
treatment of any outstanding balance in counterpart fund accounts
at the end of a fiscal year and new counterpart fund creation
projected for the following fiscal year will need to be considered
when formulating each year’s budget and priority expenditure
programme. To be consistent with the objectives of noninflationary
growth and external adjustment under terms agreed with the
World Bank/IMF, as appropriate, it may be necessary to sterilise
the past accumulations of counterpart funds or the creation of new
counterpart funds.
XI. Procurement

294. In a context of market-oriented adjustment and policy reform, programme assistance in the form of freely-available foreign exchange helps to promote the development of commercial and financial markets and institutions. Restrictive procurement requirements are not consistent with the longer-run objective of liberalising, and making more market-oriented, the foreign exchange and trade regimes that are essential for achieving private sector-led growth and efficiency, with resource allocation through market mechanisms rather than through administrative processes. Without an increase in the supply of freely available foreign exchange, it is difficult for competitive market processes and institutions to develop. Therefore, programme assistance to support structural adjustment and policy reform, or to provide general economic support within an effective policy framework should not, in principle, be linked to specific import purchases. While there may be a case for linking sectoral programme assistance to particular import purchases, here also the longer-run objective of relying on market mechanisms rather than administrative processes, should be kept clearly in view.

295. There is a basic problem for donors, however, when competitive market processes and policies and institutions have not evolved to the point where they can be relied upon to allocate foreign exchange resources efficiently and effectively, including as between consumption and investment, and when other institutional weaknesses on the recipient side also present risks of diversion of foreign exchange to unproductive and inappropriate uses. Thus donor agencies do operate with rules, sometimes of a legally binding character, which link disbursement of programme assistance to procurement requirements, reflecting a concern with value for money and accountability and the need to sustain public faith in the integrity of aid. The establishment of these rules and requirements often predates the priority now being given to the fostering of market processes, the private sector and good governance. The fundamental dilemma is that the maintenance of detailed procurement requirements based on government controls can in itself undermine the implementation of liberalisation policies and the emergence of competitive market processes.

296. The following guidelines will help in confronting this dilemma and in adapting donor practices in a direction which supports the fundamental objective of promoting market-oriented economic systems:

- Programme assistance should be untied to the maximum extent possible.
- Procurement procedures should be consistent with recipient countries’ trade and exchange reform programmes and efforts to eliminate import licensing and should foster the development of competitive and reliable commercial and financial markets and institutions in the recipient country.
- Lists of eligible goods should allow for the expression of market-determined import demands. Where aid in kind
is given it should be well adapted to sectoral requirements.

— Standard international competitive bidding procedures should be simplified and streamlined to the extent practicable.

— Institutional capacity for public sector procurement and accountability should be strengthened.

XII. Evaluation

297. Evaluation and monitoring of programme assistance presents special difficulties. Fungibility of the resource transfer is usually high and it is difficult to establish cause-and-effect relationships between programme assistance and its macroeconomic or sectoral impacts. Changes in policies, global and domestic market conditions, other external factors, action by other donors, etc. are almost invariably paramount in determining results.

298. It is nevertheless important, both for learning from experience and for demonstrating to political and financial authorities that programme assistance can be an effective aid instrument, to make systematic evaluations on an objective basis as possible.

299. An evaluation plan should be included at the time of programme design. It should be clearly determined from the outset against which objectives, standards and benchmarks the evaluation should take place. The need for baseline studies should be considered. Whenever possible, both donors and recipients should be involved in the evaluation process.

300. It is useful to distinguish in the evaluation process i) the immediate implementation or delivery objectives, ii) experience, in the case of policy-related programme assistance, with the implementation of policy reforms and iii) the actual achievements in terms of macroeconomic or sectoral impacts, institutional development and policy reforms. The good practices and standards set out in these principles should be taken into account in evaluations.

301. The World Bank and the IMF regularly evaluate the structural adjustment and policy reform activities supported and co-ordinated by them and this includes the substantial amounts of bilateral programme assistance provided in cofinancing with these institutions.

302. Where, for other types of programme assistance, a number of donors is involved, a joint evaluation should be considered, preferably with World Bank participation.

303. Programme assistance operations are often large in relation to a donor’s total aid for a given recipient. In planning and carrying out programme assistance evaluations, therefore, it is appropriate for a development assistance agency to consider, in addition to the specific objectives of the programme assistance, how effectively it contributed to the donor’s general programme objectives for the recipient.
XIII. Application of the principles and follow-up

304. DAC Members agree to:

— review against the above principles their programme assistance policies and procedures and to adjust them where necessary;

— review programme assistance policies and procedures, including in particular the experience with collaboration between bilateral donors and multilateral lending institutions, as part of the DAC aid reviews and other relevant DAC work;

— revise and update the programme assistance principles, as necessary, in the light of the indications emerging from these reviews.
Annex

Definition of Programme Assistance

305. Considerable efforts have been made by the DAC to clarify the concept of programme assistance and its various categories. The general characteristic of programme assistance is that it is not linked to specific project activities. Four major sub-categories of programme assistance have been identified:

1. General Programme Assistance. Programme assistance made available to a developing country, without specific sector allocation, for general development purposes, i.e. balance-of-payments financing, general budget support and commodity assistance.

   of which: Structural Adjustment Assistance with World Bank/IMF. Programme assistance whose provision is explicitly linked to a World Bank and/or IMF co-ordinated Structural Adjustment Programme. Examples are contributions under the World Bank Special Programme for Africa (SPA).

2. Sector Programme Assistance. Programme assistance directed to a specific economic or social sector, such as agriculture, education, community development and transportation.

   of which: Sectoral Adjustment Assistance with the World Bank. This is programme assistance explicitly linked to World Bank Sectoral Adjustment Loans (SECALs) or sectoral assistance linked to World Bank Structural Adjustment Loans.

3. Programme Food Aid.

4. Debt Relief.

Disaster relief, although it often has programme aid characteristics, is of a special nature and should not be reported as programme assistance.

306. The conceptual framework set out above will form the basis for a revision of the more specific statistical reporting directives currently in process.
307. There is an important conceptual and policy distinction between policy-related programme assistance (i.e. programme assistance designed primarily to encourage policy reforms in a recipient country) and various types of general economic support, which do not aim specifically at policy reform or structural adjustment programmes, even though in extending this assistance Members may be guided by the existence of IMF/World Bank programmes. Experience has shown, however, that it is not feasible to obtain reasonably comparable statistical reporting of various types of bilateral policy-related programme assistance which is not explicitly linked to World Bank and/or IMF co-ordinated Structural Adjustment Programmes. For statistical purposes therefore only "Structural Adjustment Assistance with World Bank/IMF" as defined above, will be shown as policy-related in DAC reporting.

308. As pointed out in the Principles, a broader definition of programme assistance would include all assistance given in support of a given well-defined programme of a developing country, especially a sector programme, including a package of interrelated project assistance and technical assistance as well as programme assistance. However, this concept has been considered too broad and open for statistical reporting purposes and the sector assistance concept as defined above is being retained for the time being for statistical reporting purposes. Grants or loans which combine a package of technical assistance and/or investment project financing and programme assistance in a single transaction should be recorded as "Sector Programme Assistance".
Guiding Principles for Women in Development

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Guiding Principles for Women in Development

I. Introduction and objectives

309. The overall objective of sustainable development is only attainable when needs and interests of both women and men are fully recognised in the planning and implementation of projects and programmes. Minimum requirements to achieve this are equal access to resources, services, education and training.

310. This was acknowledged by DAC Members when they adopted the Guiding Principles to Aid Agencies for Supporting the Role of Women in Development in November 1983. Members also acknowledged that all aspects of development—social, economic, political, cultural and religious—must be taken into account in the planning and implementation of projects and programmes and that special attention must be given to the situation of women in their respective societies as well as the role they play in their communities.

311. At the World Conference to Review and Appraise the Achievements of the United Nations Decade for Women in 1985, “The Nairobi Forward Looking Strategies for the Advancement of Women” (FLS) were adopted with the consensus of 157 governments. The consequences for DAC Members of their commitment to the FLS document were set forth in the report “From Nairobi to the Year 2000—Actions Proposed for DAC Member Countries to Fulfil their Commitment to the Nairobi Forward Looking Strategies”, adopted by the DAC Expert Group on Women in Development in 1986.

312. These Revised Guiding Principles are based on the original Guiding Principles, but their scope is expanded to take into account:

- new priorities established in the FLS document;
- conclusions of two monitoring reports issued in 1985 and 1987 on the implementation by DAC Members of the DAC Guiding Principles underscoring progress achieved by Member Countries since 1983 but also revealing the need for intensified efforts;
- results of evaluations carried out by some Members since 1986 incorporating women in development as a cross-cutting issue.
313. DAC Members will endeavour to implement these Revised Guiding Principles in their development co-operation programmes.

314. In implementing the Revised Guiding Principles, due attention must be paid to the priorities of individual recipient countries, many of which have, themselves, made commitments to the rights of women as participants in the process of development in accordance with the Convention on the Elimination of all Forms of Discrimination against Women. Donor countries are encouraged to raise the issue of the role of women in development in their policy dialogue with recipient countries.

II. Mandate, policy guidelines and plans of action

315. All DAC Members now acknowledge the importance of involving women fully in the development process and have stated this in official aid policy documents concerning women in development.

316. These policies or mandates should now be strengthened with more precisely defined objectives. They must be action-oriented, showing recognition of women as a development resource and especially as active participants with full access to benefits, and they should pervade all the agencies’ operations at the bilateral and multilateral levels. In some sectors of development assistance, women’s major role is now understood. For other sectors and types of aid, DAC Members should further explore the gender implications of their assistance, for example in large-scale infrastructure projects, programme aid and structural adjustment lending.

317. Guidelines and procedures relating to WID should be developed in agencies where they do not yet exist. Existing guidelines and procedures should be applied more vigorously and consistently and be regularly adapted to changes occurring in the economic and social environments.

318. It is recommended that specific guidelines should be used for work in each sector, especially those in which women play a major role.

319. Donor countries should make sure that their policies on women in development are taken into account in the development activities of multilateral organisations. Financial and technical support and multi-bilateral projects can be useful modalities.

320. DAC Members should encourage and strengthen the capacity of non-governmental organisations at all levels to reach women and women’s groups.

III. Administrative measures

321. To ensure systematic implementation, monitoring and evaluation of donor policies related to women in development in the full range of agencies’ programmes and activities, it is essential that a specific management system be put in place.

322. Most DAC Members have begun making adjustments within their administrations to facilitate this process. More comprehensive measures, however, should now be applied, since translating
WID policies into practice is the responsibility both of the agency as a whole and of each individual staff member. Strong and visible commitment to integrate women in the development process should be demonstrated by the senior level management of donor agencies.

323. Working methods and mechanisms should be defined and their application ensured with the support of instruments such as special WID units, focal points or advisory groups. It is essential to ensure that WID responsibilities are taken up by operational staff throughout the agency, and that staff competence is developed.

324. DAC Members should be encouraged to develop internal monitoring systems to make certain that project and programme procedures on WID are followed and that appropriate measures are instituted to bring about compliance with overall policy guidelines. In conformity with the DAC Principles for Project Appraisal, full attention should be paid to the preparation and implementation of projects — from initial identification state through approval, calls for tender, contracting, plan of operation and through monitoring and evaluation — to include the issue of women’s benefits and participation, identifying obstacles and developing strategies to overcome them.

325. Sufficient resources should be allocated to carry out these administrative measures until such time as the individual agency is able to demonstrate that its programmes and activities routinely involve women on an equal basis with men.

326. When appointing staff at resident missions in recipient countries, it should be ensured that WID expertise is available in order to monitor activities at all stages of each project, facilitate the dialogue with local authorities and feed back specific information leading to “fine tuning” of policies and project objectives.

327. Basic understanding of the importance of socio-cultural and gender relations is one of the prerequisite qualifications for agency staff members, especially decision-makers, in order to implement WID policies. DAC Members, therefore, should make sure that training programmes on WID issues and activities, at both bilateral and multilateral levels, are available to all staff members, including senior officers and those responsible for sectoral/technical details of projects. These should be introduced routinely for personnel, especially those appointed as WID-responsible in aid missions. The quality of these training programmes should reach the highest possible level.

328. Special attention should be given to make staff members capable of understanding the importance of analysing gender implications of macro-economic adjustment policies and their effects on the micro-economy including the household level. If sufficient expertise on WID issues is not available among the permanent staff, external consultants should be contacted.

329. Members should encourage the DAC Secretariat to strengthen its own capacity to understand and incorporate gender issues in the routine work of the Secretariat and to play an active part in ensuring that these issues are included inter alia in the preparation
of terms of reference for consultants to the DAC. The Secretariat
should organise a training programme to enable its staff and
permanent delegations to understand the WID policies of the
DAC Members.

330. Of great importance for the understanding of WID issues is
the development of gender-differentiated data, which are still
strikingly deficient. The suggested methodology for statistical
reporting as established by the DAC Expert Group on WID may,
after appropriate testing, be instrumental in this respect.

IV. Implementation

331. Long-term impact of WID policies depends on the efficiency
of the means used to implement them. (Areas of special concern
are described in the annex.) The measures and procedures that
have so far proved effective should, therefore, be applied more
systematically and consistently. Positive results should be
disseminated to DAC countries and recipient countries. Innova-
tive procedures are still needed and pilot projects which can serve
to test appropriate methodologies for training and application of
new technologies are recommended as preparation for project
WID components.

Relevant procedures for
projects/programmes

332. If WID objectives are to be achieved, it is essential that both
women and men of the target population are involved and that
consultations take into account their constraints and ability to
participate in development activities and to derive equitable
benefits from such activities.

333. The equitable participation of the women of the target group
should be reflected in the project design and in the monitoring
system, with the objective of assessing how different groups of
women are affected by project activities as compared to other
groups of the target population.

334. Whenever necessary, every effort should be made to upgrade
the skills and educational level of women to ensure their full
participation throughout the project cycle. Barriers and opportuni-
ties for women to participate in, and benefit from, the project
should be identified, and steps to reduce constraint and to
maximise opportunities should be taken.

Appraisal and
implementation

335. The constraints and opportunities facing different groups of
women must be carefully analysed at the appraisal stage of projects
and programmes in order to assess their probable influence on the
designated objectives.

336. Throughout the programming cycle DAC Members should
take fully into account the gender composition of the project
population as related to their financial, economic, political and
socio-cultural situation. Central issues would be the different
sub-groups' access to, and use of, productive resources and the
distribution of rights and responsibilities. Professional
cross-cutting competence should be included in project plans and
budgets in order to collect and analyse data on inter- and intra-household activities relevant to these issues.

337. Agencies should ensure that their technical/sectoral experts have a basic understanding that socio-cultural, political and economic factors can influence positively or negatively women's participation in, and benefits from, projects. Programme officers should be responsible for assigning WID-competence to their projects, as required.

Monitoring

338. Every phase of the project implementation should be systematically monitored through on-site procedures built into the project in order that changes in the social, political, economic and value systems can be continuously assessed. Such monitoring, combined with flexibility in project implementation, can support expected or unexpected positive consequences and avoid negative consequences before these could become irreversible.

339. Suitable indicators of progress and impact should be established in order to make such monitoring possible.

Evaluation

340. All evaluations concerned with effects on target groups should describe and analyse possible gender differences. This will require WID-competence on the teams.

Research

341. More emphasis must be placed on analyses of the relationships between the genders. Past research on women in society has tended to analyse women as a homogeneous group and has been fairly descriptive. Future research should focus on the dynamic aspects of gender relations in the socio-economic context. This would provide valuable insight to the applied aspects of development assistance.

342. Joint research initiatives should be undertaken by DAC Members and recipient countries in order to provide information that would facilitate the integration of women in the development process.

343. With the objective of avoiding research duplication and promoting increased exchange of information, Members are encouraged to provide the DAC Secretariat with annual bibliographies of major research activities on WID issues for distribution to all Members. They are also encouraged to share with other donors, NGOs and the host government, relevant research material on WID in countries of sub-regions that would be of specific interest to them.
V. Co-ordination, consultation and development education

Co-ordination and consultation

344. As expressed in the FLS document, “Regular consultations should be institutionalised in order to exchange information on programme activities and co-ordinate future planning and programming with a view to ensuring adequate resource allocation that would facilitate action and limit the unnecessary duplication of activities”.

345. Information on WID policies, guidelines, checklists, evaluations and training efforts should be regularly exchanged between the following parties to development assistance: multilateral organisations, bilateral organisations, ministries and governments in recipient countries, NGOs in recipient and donor countries, and project personnel active in different recipient countries. Resources to facilitate this and the establishment of new women’s NGOs should be made available. DAC Members are encouraged to make available to the Secretariat new sectoral guidelines and check-lists on WID for distribution to all Members.

Development education

347. DAC Members should, in their own countries, promote increasing knowledge and understanding of the socio-cultural systems and gender relations in the various countries of the Third World. Women should not only be portrayed as passive recipients, but also as active agents in development.

348. Members are encouraged to be attentive to the image of women as portrayed in the development information material of each Member country.

VI. Review and monitoring of revised guiding principles

349. DAC Members undertake to facilitate review of the application of these Revised Guiding Principles in the country memoranda to the DAC and by emphasizing this item in the Aid Review process for regular examination. Members also agree to monitor the application of the Revised Guiding Principles no later than the first half of 1990, as well as periodically thereafter.
Annex

Areas of Concern

Agricultural production

350. Women represent the primary resource for agricultural production, especially food crops in the rural areas of developing countries. DAC Members are urged to focus on efforts that will enable farmers of either gender to gain access to resources such as knowledge, technology, natural resources including land, and credit and markets.

351. Extension and agricultural services should be directed towards women as well as men, and the approach and content should be adapted in order to make the services useful for women.

352. When cash-crop production is promoted, special analyses and monitoring are necessary in order to reduce possible negative consequences for women’s access to fertile land and in order to avoid a possible increase in their workload without increasing their benefits.

353. DAC Members should be aware of, and discuss with, recipient governments the negative consequences that land reform and land registration might have on women’s access to fertile land.

354. DAC Members are urged to allocate financial resources to research institutes engaged in the long-term improvement of land productivity and to support the efforts of multilateral organisations specialising in the agricultural sector, especially with a view to improving the situation of female small landholders.

Income and employment

355. Projects should plan and support inclusion of women in other than low-level and traditionally female occupations. In the service and trade sectors, for example, there are expanding opportunities for employment and self-employment of women, and in these and other non-traditional sectors, donors should co-operate with recipient governments to improve women’s conditions of work and enhance their access to managerial positions.

The informal sector

356. In most recipient countries the formal economic sector is dominated by men, whereas women are more active in the small-scale, informal economic sector, which is characterised by a lack of services and legal protection. DAC Members should urge recipient governments to resolve these differences between the
sectors and the genders, and to establish procedures that give women equal chances to benefit from both sector activities.

**Time allocation**

357. Extensive research has documented that in most developing societies women's participation in development activities is seriously hampered by their daily tasks which pose excessive demands on their time and energy. Project planning should reflect these constraints and provide concrete ways and means to overcome or reduce them. Under no circumstances should projects entail increasing demands on women without increasing their measurable net benefits correspondingly.

**Training and education**

358. In many recipient countries women's education level is inferior to men's. The causes for this are partly socio-cultural and partly due to material constraints. DAC Members should be instrumental in:

- increasing awareness, in donor and recipient countries, of the need to improve primary, secondary and vocational education and training of girls and women in order to upgrade their position in society.
- promoting revisions of curricula and textbooks so that they portray the multiple roles of women and men.
- providing training modules for women in skills needed to implement, maintain and manage relevant sector projects.
- promoting and supporting, when necessary, the institutional structures that are essential to protect and advise on women's interests.
- sustaining long-term support and monitoring of the above interventions.

359. DAC Members should increase the number of fellowships awarded to women from developing countries with the long-term goal of equal access and participation. Where appropriate, training should take place in the students' own countries or in the region. Agencies should undertake a process in all scholarship and training programmes to identify barriers to women's increasing participation and to develop strategies to overcome these barriers.

**Access to credit and banking facilities**

360. Women generally lack collateral to obtain bank loans and credit to start, maintain or expand income-generating activities. DAC Members should promote changes in the legal or social systems that constitute hindrances to women's economic activities. They should increase their co-operation with support to agencies or institutions that aim at making women economically independent through WID-specific or WID-integrated projects.
**Environment**

361. Women are primary users of natural resources and managers of the environment, with a holistic and long-term perspective. Sustainability will only be achieved with the knowledge and contribution of women. Their participation must, therefore, be recognised in the formulation of policies, programmes and projects. These should be designed to enable women to enhance their own capabilities, their access to resources and their contribution to environmental sustainability. Environmental concerns are cross-sectoral and also cross-spatial. Projects in the rural and urban contexts must be designed, therefore, with a focus on women's concerns and needs as key factors in environmental protection.

**Health**

362. Research on the situation of women in developing countries has demonstrated a clear relationship between:

- women's educational level, number of children and children's school performances;
- women's educational level and family health;
- women's workload and the household and the family's nutritional status;
- women's health and the number and spacing of children, and their age at the first and last pregnancies;
- the roles and attitudes of men's and women's access to services and their ability to apply the health knowledge.

363. Primary health care should include family planning — a human right — given the high rate of maternal deaths during pregnancies and at birth and in order to give women reproductive choice. Family planning programmes should be developed in co-operation with the target group men and women and should take into account socio-cultural opportunities and constraints.

364. DAC Members should promote and support initiatives to improve general and institutional knowledge and practices regarding nutrition, hygiene and family planning. It should be noted that these initiatives concern both women and men.

365. Insofar as governments in developing countries take steps to introduce non-public financing of health services, special attention must be given to ensure women's continued use of the services in spite of their lack of access to a cash economy. Research specially focused on women's needs should, therefore, be undertaken before devising new financing methods such as community financing, users' fees or mutual funds. Existing programmes should be carefully monitored and evaluated.

366. DAC Members should support the efforts of NGOs and international organisations with specific mandates in the health field and urge them to place more emphasis on the role of women as recipients of health care and as agents for improving the health of their families.

367. DAC Members should support efforts to prevent and combat gender-specific violence and traditional practices which constitute health hazards to women.
Good Practices for Environmental Impact Assessment of Development Projects

I. Introduction

II. Basic purpose of environmental impact assessment
   Integration into the decision-making and implementation process
   Projects most in need of environmental impact assessment
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I. Introduction

368. OECD Members have agreed to ensure that "development assistance projects and programmes which, because of their nature, size and/or location, could significantly affect the environment, should be assessed at as early a stage as possible and to an appropriate degree from an environmental standpoint" (OECD Council Recommendation on Environmental Assessment of Development Assistance Projects and Programmes of 1985).

369. OECD Members have also been called upon to actively support the formal adoption of an environmental assessment policy for their development assistance; to develop effective procedures establishing responsibilities at the planning, implementation and supervisory levels; and to ensure that adequate human and financial resources are provided in a timely and cost-effective way. (OECD Council Recommendation on Measures Required to Facilitate the Environmental Assessment of Development Assistance Projects and Programmes of 1986.)

370. To ensure that environmental aspects are taken into account — for both bilateral and multilateral development assistance — in the identification, planning, implementation and evaluation of projects and programmes, and noting that the DAC had developed a set of “Principles for Project Appraisal” (OECD, Paris 1988), the OECD Council adopted in 1989 a Recommendation concerning an Environmental Checklist for Possible Use by High-Level Decision-Makers in Bilateral and Multilateral Development Assistance Institutions. The essence of the three Council Recommendations is incorporated in this chapter.

371. DAC Members have established the following “Good Practices for Environmental Impact Assessment (EIA) of Development Projects”. The following main elements have been identified:

- Environmental aspects must be fully integrated in project selection, design and implementation and the administrative responsibilities for the environmental aspects of assisted projects should be clearly determined.

- The EIA must be conducted, together with screening and scoping, at least for the projects identified by the 1985 OECD Council Recommendation.

- The EIA should address all the expected effects on human health, the natural environment and property as
well as social effects, particularly gender specific and
special group needs, resettlement and impacts on
indigenous people resulting from environmental
changes.

- The EIA should consider alternative project designs
  (including the "non-action" alternative) as well as
  required mitigation and monitoring measures.

- In conducting EIA of projects, donors should use the
  standards that will achieve the minimum level of
  "acceptable", non-mitigable negative effects and
  maximise the positive effects.

- The utility and relevance of the EIA depend critically on
  the availability of Country Environmental Surveys and
  Strategies (on which the DAC has established a
  companion set of "good practices"). They should be
  taken into account wherever available.

- Active arrangements including access to information
  should be made wherever possible to obtain the views of
  the affected indigenous population on projects which
  could have significant environmental effects.

- The EIA should enable a clear statement of significant
  beneficial and adverse environmental and related social
  effects and risks of the project to be made.

- Off-site effects, including transboundary, delayed and
  cumulative effects, should be assessed.

- The governments of developing countries bear the
  ultimate responsibility for the state of the environment
  in their respective countries and for the design of the
  development projects. However, when transboundary
  and international issues affect the environment situation
  in developing countries, the governments causing these
  problems should bear the responsibility for solving these
  environmental problems in the respective developing
countries.

II. Basic purpose of environmental impact assessment

372. Environmental Impact Assessment is a procedure used to
examine the environmental consequences, both beneficial and
adverse, of a proposed development project and to ensure that
these consequences are taken into account in project design. The
EIA evaluates the expected effects on human health, the natural
environment and on property; it may also include social effects
including gender-specific and special group needs, resettlement
and impacts on indigenous people. The EIA should consider
alternative project designs (including the "no-action" alternative),
as well as mitigation measures or environmental safeguards that
should be incorporated into the project design to offset adverse
impacts. The assessment will be most useful if it is initiated at the
earliest stage of project design to ensure from the outset that aid
projects are environmentally sound and sustainable.
Integration into the decision-making and implementation process

373. Formal EIA processes and regulations by Member governments are intended to ensure that environmental aspects are integrated into the decision-making process of the host country, the aid agency and other institutions involved in project design and implementation. It is essential that environmental assessment is an integral part of the process of project selection, design and implementation. This should be clearly established in the project selection procedures and the administrative responsibilities for the environmental aspects of assisted projects should be specifically determined.

Projects most in need of environmental impact assessment

374. Projects generally requiring an EIA are listed in the 1985 Council Recommendation under the following headings:
   a) those which cause a substantial change in renewable resource use;
   b) those which substantially change farming and fishing practices;
   c) the exploitation of hydrological resources;
   d) infrastructure;
   e) industrial activities;
   f) extractive industries;
   g) waste management and disposal.

375. In-depth environmental assessments should be conducted not only for development assistance projects which may affect human health due to air and water pollution, but also for projects which may have adverse impacts on endangered plant and animal species or their critical habitats, protected areas, or on biological diversity. Special consideration should be given to the need for assessments of projects in very fragile environments, such as tropical forests, wetlands, mangrove swamps, coral reefs and semi-arid areas.

Coverage of environmental impacts

376. The term environmental impact is understood to include:
   - effects on human health and well-being, the environmental media, eco-systems (including flora and fauna), agriculture and buildings (classified as protected);
   - effects on climate and atmosphere;
   - use of natural resources (both regenerative resources and mineral resources);
   - utilisation and disposal of residues and wastes;
   - related aspects such as resettlement, archeological sites, landscape, monuments and social consequences as well as relevant upstream, downstream and transboundary effects.
Time required for initial environmental impact assessment during project planning

377. Initial EIA procedures that occur before submission of the EIA report (see below) do not necessarily lead to delays in project planning, as is often believed. Experience shows that delays in the planning of projects and costly conflicts in the implementation stage can be avoided by a thorough and timely EIA and thus actually result in savings of time and costs.

378. The time needed for an initial EIA during the planning phase is difficult to determine as it is linked to the planning procedure, the type of project and the circumstances in the host country, while it also depends on the availability of baseline data. The average amount of time needed from scoping to the completion of the EIA ranges from three months to two years depending on the scale and nature of the project. It is recommended that an EIA be integrated and thus carried out simultaneously with other planning activities (e.g., engineering, feasibility or cost-benefit analyses). This is important not only to avoid delays but also to make the EIA process more efficient by a common use of data.

Costs of environmental impact assessment

379. The costs of an EIA are commensurate with the complexity and significance of the problem and the level of detail required. They normally amount to a relatively small percentage of total investment, varying between 0.1 and 2.0 per cent. The avoidance of harmful environmental impacts and the maximisation of beneficial impacts may well outweigh the cost of an EIA process and higher investment outlays in the long term. Although initially an EIA may be relatively more expensive to implement in areas where little is known about environmental and social conditions, its costs will decline once the procedures and techniques become established and assessment personnel become accustomed to their tasks. Exchange of information among DAC Members, especially baseline data and EIA techniques for particular types of projects, would contribute to a further reduction of the costs of EIAs.

Members' experience

380. Since most DAC Members are still in the process of establishing ways to carry out environmental impact assessments of their development activities, they have not yet acquired sufficient experience with implementation. Some Members have adopted formal, legally binding procedures for development assistance, while others opt for a more informal ad hoc approach to environmental impact assessment.

III. Good practices for environmental impact assessment

Common practices

381. Ideally, the EIA procedures for development projects should be based on good common practices among donors to the effect that:

- the recipient countries are aware that all DAC donors and multilateral agencies postulate certain requirements of EIA for development projects;
- consultants, technical, environmental and social, are informed about the consensus among donors in regard to the requirements of EIA;
EIAs are sufficiently comparable so that they can be shared and used by other donors;
similar standards are used for the analysis, based on generally accepted notions of the extent to which disturbances of eco-systems are “acceptable”.

Basic requirements

382. Although EIA will differ in detail depending on the type of project, its technicalities and the particular circumstances in the recipient country, a body of “good practices” can be established to harmonize the approach of DAC Members in this field. The good practices for EIA set out below have been synthesised from various sources, in particular from the three above-mentioned OECD Council Recommendations, recent technical literature, and the experience of those aid agencies which have been applying EIA for some time.

383. EIA should be viewed as an integral part of the project planning process. It should begin with an early identification of project alternatives and the potentially significant environmental impacts associated with each of them. The assessment should continue through the planning cycle with public participation in the developing country wherever possible. Ideally, it should be followed up by monitoring and post-audit evaluation.

Responsibility for environmental impact assessment

384. The governments of the developing countries bear the ultimate responsibility for the state of the environment in their respective countries and for the design of the development projects. However, donors need to ensure that an EIA of the aid-assisted project takes into account the environmental laws and regulations of recipient governments and also the donor’s development co-operation standards. Only in cases where the recipient country has not yet adopted a legal framework for environmental protection will the project sponsor be solely responsible for the EIA. The technical competence of the sponsor and of the local authorities should be supported to the greatest possible extent. Developing-country counterparts should be involved in the process to ensure that the perspectives of their agencies are taken into account, that they understand the value of the process, and that the recommendations of the environmental assessment are implemented. Insofar as possible, local environmental consultants should be included on assessment teams. The EIA should be approved by the host-country government with an indication of the required changes and amendments.

Procedural principles

385. It is recommended to carry out the EIA for at least those projects which belong to a category listed above.
386. The EIA should start as early as possible and be conducted together with the first examination of the project.
387. The subject area of the EIA should be determined especially if it has to go beyond the scope of the usual project appraisal.
388. The initial EIA — preferably integrated — should start not later than the feasibility study and be completed before the detailed planning of the project.

389. The EIA should take into account the findings of Country Environmental Surveys and Strategies — if available in the recipient country — in view, inter alia, of the intersectoral aspects of the project. In case a large number of small-scale projects are expected to have a cumulative environmental impact, flow diagrams may be useful.

390. All feasibility studies should have at least a separate chapter on the environmental and related social impacts, while for projects with major environmental problems a non-technical summary of the environmental aspects should be prepared.

**Screening**

391. It is recommended that the EIA procedure starts with a screening session to determine whether or not a thorough environmental impact assessment is required, as outlined above. The screening process allows environmental reviews to be focused on those projects which are most likely to have significant impacts on the natural or physical environment. Certain kinds of assistance activities may be thereby automatically excluded from an environmental review. Examples of such activities include education or training programmes and programmes involving nutrition and family-planning services. It may not be warranted to exclude research activities altogether, since some may have or lead to considerable positive and/or negative environmental effects.

392. It is also recommended to identify projects with considerable positive environmental impacts because some governments need this classification for statistical purposes or apply preferential treatment to these kinds of projects.

393. Where potentially hazardous installations are being considered, the possible risks to health and safety should be considered in the screening process. Bilateral and multilateral aid agencies should ensure that an assessment of accident potential is carried out prior to providing financial assistance to support new or expanded installations. (For further explanation on the elements of this assessment, see the “Guiding Principles on Accident Prevention, Preparedness and Response” OECD, Paris 1991.) The following fundamental questions should be posed:

a) which alternative projects could provide comparable benefits?

b) what is the appropriate level of public safety in relation to hazardous technologies?

c) what degree of environmental protection should be guaranteed for areas of significant environmental value?

394. The screening enables authorities to reject at the earliest stage those projects that are environmentally unacceptable or whose negative impacts are expected to outweigh the benefits.
395. In order to improve the quality of an EIA and to limit costs, it is recommended to classify projects at an early stage according to the kind of EIA required. For instance, the carrying-out of an EIA and the judgement on the necessity of mitigating measures and monitoring are different for environmental effects emanating from pollution than for those resulting from physical disturbances of the environment.

Scoping

396. Once the decision has been made to proceed with an EIA, the scoping process should begin immediately after the screening of a project. This process results in the identification of the most significant environmental issues (often including social issues) raised by the project, the timing and extent of analysis required, the sources of relevant expertise and suggestions for mitigating measures. At this point, the responsibilities and schedules for the EIA can be identified. For projects which require a thorough EIA, scoping involves a comprehensive gathering of data, concerns and expertise from appropriate national, regional and local agencies in the recipient country, from the affected population groups and representatives of non-governmental organisations as well as from the specialists responsible for the EIA.

397. Careful screening and scoping can benefit the EIA process by identifying the “significant” environmental issues and the most important consequences at the outset in order to avoid delay and additional costs at a later stage of project implementation. Screening and scoping could be a single exercise.

Involvement and motivation of local institutions and target groups

398. Donors and recipients should work together to make full use of competent expertise available locally for both the design and implementation of aid-financed projects, taking account of the diversity of country situations.

399. The environmental institutions of the developing country should be involved to the greatest extent possible. Ideally, the competent institutions and relevant regulations should be mentioned in the project proposal or identified in the first examination of the project. The terms of reference for the environmental part of the feasibility study or the separate environmental assessment should be worked out, if possible, with the advice and consent of environmental authorities of the recipient country. Since the project-related EIA should also aim at strengthening the capabilities of the developing country in the environmental field, particular weaknesses should be identified at that stage.

400. The participation of both women and men in the population affected (target groups as well as other affected groups) should be sought. As a result, changes may need to be introduced in priorities for aid policies and programmes, in the design of aid projects and in the selection of less bureaucratised channels and new partners for development.
401. The participation of non-governmental organisations in the recipient country should be encouraged, especially if they have expertise not available from official sources. In this regard, due consideration needs to be given to the values and political procedures of the recipient country.

402. Greater emphasis should be given to ensuring the commitment of recipients’ executing agencies through their active involvement in selection, design and implementation. For many types of projects, active involvement of end-users and beneficiaries, e.g. through communities and other local organisations, is essential to ensure that the project mobilises local energies and meets actual needs and circumstances.

**The environmental impact assessment report**

403. The specific issues to be addressed in the EIA document should be identified in the scoping process described above. In general the terms of reference for a thorough EIA should include the responses to the following questions:

a) a description of the surroundings of the project and the baseline conditions of the environment (e.g. existing pollution or specially sensitive areas) against which the future impacts can be assessed;

b) an evaluation of the environmental effects of supplying the project with water, energy, raw materials, etc.;

c) an analysis of the impact of the project on the local population, including attention to gender issues;

d) an evaluation of the disposal of waste water, solid wastes and emissions (regardless of whether this is the responsibility of the project sponsor);

e) the identification of positive and negative environmental impacts with an indication of their magnitude, if possible in monetary terms;

f) an analysis of opportunities for environmental enhancement;

g) a presentation of the legal and policy framework, including the relevant environmental standards of the host country and the necessary licensing procedures together with a discussion of these standards;

h) an evaluation of the effects of environmentally relevant pricing policies, taxes and subsidies;

i) an evaluation of the resulting impacts, specifying the standards used as the basis of judgement;

j) a consideration of basic alternatives and an estimation of the consequences of discarding the project altogether;

k) proposals for adequate mitigation measures or alternative designs to limit negative environmental impacts, including proposals for operation and monitoring;

l) a comparison of project alternatives and mitigation measures in terms of their potential for eliminating
adverse impacts, the associated capital and recurrent costs, suitability under local conditions, and the institutional, training and monitoring requirements;

m) a statement of measures for the protection and/or resettlement of affected population groups, indicating their reactions to proposals on these issues (for details see the DAC “Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects”);

n) a statement on where and how related matters not necessarily included in the EIA are treated;

o) a non-technical summary including the major recommendations.

**External review**

404. If at all practicable an outside and independent review of the environmental assessment might contribute to the success of the procedure, in particular in the case of large projects. The purpose of the review is to obtain an impartial judgement of the particular, and often conflicting, interests of various parties involved and to avoid unnecessary costs and delays. It is therefore urged that the review be held before the final EIA report is submitted for consideration by the aid agency and the counterpart agency. To arrive at an “impartial” judgement, the review should not be done exclusively by ecologically oriented persons or institutions but by a competent licensing authority (if such an independent authority exists in the recipient country) and/or by competent authorities in the donor country. The decision to proceed with an external review should be left to the recipient country’s discretion.

**Internal review**

405. Donor agencies should establish a central authority responsible for providing general guidance on environmental assessment procedures and for assuring the adequacy and quality of the final EIA documents. Whenever major EIAs are undertaken, the authority should have qualified staff at its disposal, including expert consultants from a wide range of sciences (ecology, biology, agriculture, forestry, biochemistry, health care, etc.). These experts need not be part of the permanent staff of the donor agency.

**Decision-making process**

406. The results of the EIAs should be fully and adequately taken into account when deciding whether or not to approve development assistance projects. The central authority mentioned above should ensure that due consideration is being given to the EIA results in every case.

**Monitoring and auditing**

407. It may turn out that the EIA will be discontinued after the project implementation when the participating donors have relinquished their co-responsibility and influence. The EIA should, therefore, contain recommendations for monitoring and auditing during operations to ensure conformity with requirements as well as to test the accuracy of evaluations and provide a
basis for future adjustments. These recommendations ought to designate the responsible persons and sources of finance. Monitoring of environmental impacts and environmental accounting can provide useful information for possible project modifications and for the implementation of similar projects in the future.

408. Environmental monitoring is the task of special authorities who usually deal with a wide variety of projects. The quality of monitoring and auditing work does not depend so much on the EIA but rather on the competence of these authorities and the environmental administration in developing countries. Hence it is not necessary for an EIA to provide precise long-term planning for environmental inspections as donors would otherwise not be able to transfer responsibility for the project wholly to the recipient country. Rather, donor and recipient countries should arrive at an understanding that:

- the project plan should specify the necessary measures, facilities and equipment for inspection and monitoring;
- the organisational units for monitoring activities should be designated;
- the required surveillance should be outlined, indicating the respective responsibilities of the project sponsor and the competent authorities;
- special attention should be paid to the reliability of the monitoring equipment;
- inspection and monitoring should be included in the training of the operating personnel; and
- outside inspection and monitoring should preferably be implemented by the local authorities.
Good Procurement Practices for Official Development Assistance

I. Transparency
   Transparency in rules of procurement
   Transparency in information on individual supply contracts

II. International competitive bidding

III. National competitive bidding

IV. Other procurement methods
    Informal competition
    Direct negotiations

V. Inspection of goods

VI. Flexible application of national content rules and of rules of origin under tied and partially untied aid

VII. Improving procurement capacity and practices of recipients
     Application of minimum procurement standards
     Strengthening administrative capacity

Annex: Minimum Conditions for Effective International Competitive Bidding
Good Procurement Practices for Official Development Assistance

I. Transparency

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<th>Transparency in rules of procurement</th>
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409. Principle: Members will make accessible, in appropriate detail, general procurement rules for their official development assistance to the recipients of their aid, to eligible suppliers and to other DAC Members.

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<th>Transparency in information on individual supply contracts</th>
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410. Principle: Members will inform the recipients of their aid, at the time of the aid offer, of the procurement rules to be applied and of the eligible sources of procurement. With respect to individual contracts, interested and eligible national and foreign suppliers shall have equal and timely access to information on the nature of the goods and services to be procured and on applicable procurement rules.

II. International competitive bidding (ICB)

411. Principle: Members will consider the scope for enlarged use of international competitive procurement to the extent compatible with their procurement policies. In particular, they will encourage recipient countries, other donors and International Financial Institutions to develop proposals for co-financing and other co-operative financing arrangements providing for international competitive procurement and will consider such proposals positively.

III. National competitive bidding (NCB)

412. Principle: As a general rule (and unless ICB or other forms of international competition can be applied), Members will encourage the use of National Competitive Bidding as the main procedure for procurement under tied aid conditions. They will make explicit under which conditions they require the application of NCB and under which conditions they impose more stringent procurement procedures or permit more liberal procurement procedures. The bidding procedures under NCB should follow internationally recognised minimum standards (concerning information and pre-qualification of potential suppliers, content and publication of bidding documents, appraisal of bids and contract award). Procurement specifications should be stated in a non-restrictive manner to encourage the widest possible participation. There should be participation of at least three potential suppliers but if fewer than three responsive bids are received, award may be made to the lowest bidder if the price is reasonable.
IV. Other procurement methods

Informal competition

413. Principle: If formal competitive bidding cannot be supplied — such as in the case of small order, repeat or high urgency procurement — informal competition may be achieved through price quotations from several national suppliers provided that price, quality, time of delivery, after-sales-service, and other relevant features of the contract are competitive at least by national standards. To maximise competition under these conditions, Members undertake: to ensure value for money by ascertaining that prices are reasonable taking fully into account all the other factors mentioned above; to award or finance contracts on the basis of good commercial practice and without discriminating against potential competent suppliers; and to give wide publicity to the opportunity of supply with the time limits for preparing quotations or offers long enough to allow meaningful competition by a sufficient number of suppliers.

Direct negotiations

414. Principle: Members recognise that direct negotiation of contracts by donors or recipient countries with several suppliers or only one single supplier should be confined to exceptional cases. These may include procurement by a commercial importer of commodities with a registered brand name or by an authorised distributor of the supplier; repetition of supply of goods originally procured under competitive bidding, provided the complementary amount is small compared to the original supply and that the repetition takes place during or only shortly after the original supplies; standardization of equipment or spare parts; proprietary equipment obtainable only from one source. Good commercial practice will be followed and, to the extent possible, arrangements will be made to ensure that prices are reasonable, taking fully into account all the other relevant factors of the contract, such as quality, time of delivery and after-sales-service.

V. Inspection of goods

415. Principle: Members will take appropriate arrangements, whatever the procedure of procurement, to ensure that the quality of goods supplied and the timeliness of delivery are checked and payment to the contractor is made dependent on the results of the inspection. Appropriate contractual arrangements for such inspections will be made in the frame of the original supply contract.

VI. Flexible application of national content rules and of rules of origin under tied and partially untied aid

416. Principle: Members which have rules of origin or minimum national content rules will apply them flexibly, considering waivers if essential for the effective utilisation of aid. Waivers may be granted for example if the required goods are not available from the donor country, or only at prices exceeding considerably the price level for comparable goods procured elsewhere, and in cases of emergency. Members will make available to the recipients of their aid, to eligible suppliers and to other DAC Members, their
rules of origin and minimum national content rules as well as their criteria for granting waivers from these requirements. Members also undertake to apply flexibly their requirements that the suppliers meet certain national eligibility criteria.

VII. Improving procurement capacity and practices of recipients

Application of minimum procurement standards

417. Principle: Members will ascertain that aid recipients apply minimum standards of competitive procurement procedures and will reserve the right to review procedures before a supply contract is awarded. For the administration of the procurement procedures, Members will, as appropriate, request that the purchaser engage an independent qualified consultant or procurement agent whose tasks include the preparation of the bidding documents, the evaluation of the bids, assistance to the purchaser in the contract award as well as in the drafting of, and negotiations on, the contracts.

Strengthening administrative capacity

418. Principle: Members will explore with interested developing countries the scope for improving their procurement practices and institutions and will try to respond positively to requests by developing countries to train staff of their purchasing agencies.
Annex

Minimum Conditions for Effective International Competitive Bidding

419. The main purpose of International Competitive Bidding (ICB) is to ensure that recipient countries obtain value for money and to give all potential exporters an equal chance to enter bids in such a way that the importer can compare them objectively and is thus able to determine the optimal offer. In order for a procurement procedure to qualify as “effective international competitive bidding”, the following minimum conditions must be fulfilled.

Advertising

420. Invitations to bid shall be advertised as timely and widely as possible. As a minimum, the official representatives from eligible source countries shall be given a description of the proposed procurement and a list of eligible source countries, together with information where the bidding documents can be obtained. This information shall be provided in one or more of the languages customarily used in international trade and shall also be advertised in at least one publication of general circulation in the recipient country.

Size of contracts

421. In order to foster widespread competition, individual contracts for which bids are invited should be of a size large enough to attract bids on an international basis. On the other hand, if it is possible to divide a project into contracts of a specialised character and such division is likely to be advantageous to the recipient and to allow broader international competitive bidding, the project should be so divided. However, procurement should not be deliberately broken down into small parts to avoid ICB. Single contracts for engineering, equipment and construction (“turnkey contracts”) may be desirable if they offer overall technical economic and administrative advantages to the recipient.

Pre-qualification of bidders

422. To ensure that invitations to bid are only sent to capable suppliers, the donor and the recipient may agree on a pre-qualification of bidders, if they feel that this is advisable for large or complex works or specialised equipment. Pre-qualification should be based entirely upon ability to perform satisfactorily, taking into account the experience and past performance of the firm.
with similar work, its capabilities with respect to personnel, equipment and plant, and its financial position and integrity. The provisions on “Advertising” (paragraph 420) apply also to invitations to pre-qualify.

**Bidding documents**

423. Bidding documents shall be prepared in one or more of the languages customarily used in international trade and should set forth clearly and precisely the work to be accomplished, the goods and services to be supplied, and the place of delivery or installation. The price to be paid to obtain the bidding documents should not exceed the cost of their production. The bidding documents, including the technical specifications, should be prepared in a manner which permits and encourages free and full international competition. To achieve this purpose, the bidding documents shall:

a) Set out the proposed text of contract;

b) Specify which national or international standards governing manufactured equipment and materials are acceptable and state that equipment and materials meeting other standards which ensure equivalent or higher quality than the standard specified will also be accepted;

c) Include a statement that the purchaser reserves the right to reject all bids when none of them is responsive to the specifications, when there is evidence of insufficient competition, or when the lowest bid received exceeds the estimated value by an amount sufficient to justify such action;

d) Set out the factors to be taken into account in evaluating and comparing bids. In addition to the price, they may include such factors as the time of delivery or construction, the efficiency of the equipment, the availability of service and spare parts, and the experience and reliability of the bidder. Such factors should be stated in the bidding documents and should be expressed in monetary terms, or given a relative weight in the evaluation provisions of the bidding documents;

e) State the currencies in which bids may be expressed; they may include the donor’s and recipient’s currencies and others which are internationally traded; state the procedures for conversion to a common base for comparison;

f) Include specifications based on performance capability; brand names may be used as part of the technical specification only to illustrate performance or design characteristics; if so used, the notation “or equal” must be used;

g) Indicate the eligible source countries;

h) State the source of finance;
i) State the date, hour and place for latest receipt of bids and for the bid opening.

**Bids**

424. The time allowed for preparation of bids should be governed by the magnitude and complexity of the contract involved so as to ensure sufficient time to all suppliers to prepare and submit their bids.

425. All bids should be opened publicly at the time stipulated in the bidding documents. Bids received after this time should be returned unopened. The name of the bidder and total amount of each bid should be read aloud and recorded. No bidder shall be permitted to alter his bid after the bids have been opened. Only clarification not changing the substance or price of the bid may be requested or accepted by the recipient.

**Evaluation and comparison of bids**

426. The evaluation of bids shall be consistent with the terms and conditions set forth in the bidding documents. The evaluation should include a technical analysis to determine compliance with the technical specifications and to assign monetary values in accordance with any evaluation factors set out in the bidding documents and an analysis to determine compliance with the contractual terms set out in the bidding documents. Only bids from qualified bidders which are in compliance with technical and contractual terms of the bidding documents shall be considered responsive bids. Minor deviations which affect neither substance nor price, such as arithmetical or clerical errors, shall not make a bid unresponsive.

427. The prices quoted in the responsive bids shall be compared using the formula for the comparison of different currencies set out in the bidding documents. The comparison of bids to supply material and equipment shall be at prices free of duties, taxes and other import charges of like effect. A report on the evaluation and comparison of bids shall be prepared by the recipient or by its consultants and set forth the specific reasons on which the determination of the lowest evaluated bid is based and the reasons for disqualification of any bidder.

**Award of contract**

428. The award of a contract shall be made to the bidder whose bid has been determined to be the lowest evaluated bid, taking into account the factors mentioned in the preceding paragraphs; this need not necessarily be the lowest priced bid received. The successful bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or to modify his bid.

**Engagement of independent consultant**

429. For the administration of the procurement procedures, donors will generally request that the purchaser engage an independent qualified consultant whose tasks include the preparation of the bidding documents, the evaluation of the bids, assistance to the purchaser in the contract award as well as in the drafting of, and negotiations on, the contracts.
New Measures in the Field of Tied Aid

I. Large projects
   Mutual appraisal
   Appropriate financing terms
   International competitive bidding

II. Limitations on use of tied aid credits

III. Further work

Annex: Check-List of Developmental Quality of Aid-Financed Projects
New Measures in the Field of Tied Aid

_OECD Members are agreed on the following general principles_

430. Policies for export credit and aid credit should be complementary: those for export credits should be based on open competition and the free play of market forces and those for tied aid credits should provide needed external resources to countries, sectors or projects with little or no access to market financing, ensure best value for money and minimise trade distortion and contribute to developmentally effective use of these resources.

_Member countries of the Development Assistance Committee_

- reaffirming the DAC Revised Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance of 1987 as well as the DAC Principles for Project Appraisal of 1988;

- acknowledging the valuable role of untied aid for the development of recipient countries' economies and societies as well as for minimising trade distortions and thus encouraging each other to provide aid in this form wherever possible;

- recognising the importance of managing tied aid in a way that ensures obtaining best value for money and minimising trade distortion;

- emphasizing the advantages of international competitive bidding for obtaining best value for money and minimising trade distortion;

_Undertake to implement the following new measures:

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I. Large projects

431. In respect of large projects with a value of more than SDR 50 million, financed by tied aid credits, with the exception of credits which according to the rules and definitions of the Arrangement on Guidelines for Officially Supported Export Credits have a concessionality level of 80 per cent or above, and consistent with the rules of the Arrangement on mandatory consultations in case of projects larger than SDR 50 million, the DAC agreed to the following:
**Mutual appraisal**

432. The principles for mutual appraisal set out below constitute good practice for all large projects but they are particularly important for tied aid credits where there may be a risk of aid and trade distortion.

433. DAC Member countries recognise the value of the participation by the World Bank Group in the preparation and financing of large projects.

434. Where the World Bank Group does not participate, interested donors will seek to agree to co-ordinate with the World Bank, also using where appropriate contacts at local level, to ensure that the project is consistent with the objectives of the dialogue between it and the recipient government concerning policies and resource allocation in the sector concerned.

435. They also agree to co-ordinate with the recipient country and each other on project preparation and appraisal work, including a joint review of the project prior to finally committing aid funds, in keeping with the DAC Principles for Project Appraisal and the Checklist for Developmental Quality of Aid-Financed Projects which is based on these Principles (see Annex to this chapter).

436. DAC Member countries will develop procedures which will facilitate such collaboration, including at the field level, among themselves and between them, the World Bank Group and the recipient country. These procedures should ensure also co-ordination with financing from untied sources.

**Appropriate financing terms**

437. Interested donors will consult, together with the recipient authorities, with a view to agreeing appropriate financing terms for a large project consistent with the economic situation of the recipient country concerned. However, donors would not be expected to harden the terms at which they normally extend assistance to the country concerned.

**International competitive bidding**

438. Offers of aid for large projects should be subject to the recipient authorities undertaking arrangements for international competitive bidding (ICB) in accordance with internationally accepted practice.

439. Contracts financed by tied aid credits should be awarded to the lowest evaluated bidder, concerning both price and technical factors, before taking into account the financing terms. However, it is recognised that seriously resource-constrained poor countries, in awarding a contract, may need to take into account the availability of financial resources at concessional terms, provided the award goes to a supplier which ranked second or third in bid evaluation for price and quality or where the price margin is reasonable.
II. Limitation on use of tied aid credits

440. DAC Member countries recognise the importance for development of the productive sectors and economic infrastructure and of appropriate market oriented pricing policies. However, for projects in these areas market financing is often appropriate and available, especially in stronger developing countries. Official development assistance is therefore preferably used for other areas.

441. For these reasons, and consistent with the rules of the Arrangement, DAC Member countries will limit the extension of tied aid credits as follows, with the exception of credits with a value of less than SDR 2 million or which according to Arrangement rules and definitions have a concessionality level of 80 per cent or above or unless otherwise agreed under the provisions of the Arrangement.

a) Tied aid credits, except for credits to LLDCs, shall not be extended to public and private projects that normally should be commercially viable if financed on market or Arrangement terms.

The key tests for such aid eligibility are:

— is the project financially non-viable, i.e. does it lack capacity with appropriate pricing determined on market principles, to generate cash flow sufficient to cover the project’s operating costs and to service the capital employed; or

— is it reasonable to conclude, based on communications with other participants, that it is unlikely that the project can be financed on market or Arrangement terms?

The above tests are intended to describe how a project should be evaluated to test whether it should be financed with such aid or with export credits. Through the consultation process, a body of experience is expected to develop over time that will more precisely define, for both export credit and aid agencies, ex ante guidance as to the line between the two categories of projects.

b) There shall be no tied aid credits to countries whose per capita GNP would make them ineligible for 17 or 20 year loans from the World Bank4. If such credits which according to Arrangement rules and definitions have a concessionality level of 80 per cent or above are extended to these countries, they might be used mainly for exceptional balance-of-payments support and for financing of projects in such areas as the social field, environment, good governance and emergency aid.

442. The DAC recognises the importance of all the provisions in the Arrangement; in case of consultations, DAC Member countries will co-operate with Participants.
III. Further work

443. Member countries agree to pursue work in the following areas:

a) monitor Member countries’ compliance with the new measures above, as well as with the DAC Guiding Principles for Associated Financing and Tied and Partially Untied ODA;

b) work on a more precise definition of tied ODA and monitor Member countries’ practices in the use of tied ODA;

c) work on a more precise definition of untied and partially untied ODA and monitor Member countries’ practices, including procurement results, and work further towards greater use of untied ODA;

d) harmonize and improve further definitions and procedures contained in the Good Procurement Practices for Official Development Assistance;

e) monitor Member countries’ ODA terms performance, with particular emphasis on terms for tied aid, including associated financing;

f) the DAC will take stock of progress made in the above areas by the end of 1993.
Notes

1. Tied aid includes associated financing, tied ODA and partially untied ODA. For the purpose of this provision, technical co-operation, humanitarian and disaster relief action are excluded from tied aid. Untied ODA is defined as loans and grants which are freely and fully available to finance procurement from substantially all developing countries and from OECD countries. For transactions to qualify as untied or partially untied, respectively, the donor has to inform the recipient at the time of the aid offer, clearly and explicitly, of the countries which are eligible for procurement.

2. The Arrangement rules and definitions concerning the calculation of the concessionality level are used at the stage of notification of tied aid transactions. They do not affect the DAC ODA definition nor the reporting of ODA disbursements and commitments.

3. DAC Members agreed Good Procurement Practices for Official Development Assistance in 1986, which include “Minimum Conditions for Effective International Competitive Bidding”, and possible exceptions from ICB.

4. Currently GNP/capita over $2,465 in 1990. A country will only be moved to, or from, this income category after its World Bank income category has remained unchanged for two consecutive years. The list of countries in this category is subject to automatic, annual revision. Notwithstanding classifications of countries ineligible or eligible to receive tied aid, tied aid policy for Bulgaria, CSFR, Hungary, Poland and Romania is covered by the Participants’ agreement, as long as such agreement is in force, to try to avoid such credits other than outright grants, food aid and humanitarian aid. The OECD Ministers endorsed this policy in June 1991.
Annex

Check-List of Developmental Quality of Aid-Financed Projects

444. To ensure developmental quality of projects in developing countries financed totally or in part by official development assistance (ODA). number of criteria have been developed in recent years by the Development Assistance Committee of the OECD (DAC). They are essentially contained in the:

a) DAC Principles for Project Appraisal, 1988;

b) DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance, 1987;


I. Consistency of the project with the recipient country's overall investment priorities (project selection)

445. Is the project part of investment and public expenditure programmes already approved by the central financial and planning authorities of the recipient country? (Specify policy document mentioning the project, e.g. public investment programme of the recipient country.)

446. Is the project being cofinanced with an international development finance institution?

447. Does evidence exist that the project had been considered and rejected by an international development finance institution or another DAC Member on grounds of low developmental priority?

448. In case of a private sector project, has it been approved by the government of the recipient country?

449. Is the project covered by an intergovernmental agreement providing for a broader range of aid activities by the donor in the recipient country?
II. Project preparation and appraisal

450. Has the project been prepared, designed and appraised against a set of standards and criteria broadly consistent with the DAC Principles for Project Appraisal? Relevant principles concern project appraisal under:

a) Economic aspects (paragraphs 120 to 128).

b) Technical aspects (paragraph 112).

c) Financial aspects (paragraphs 113 to 119).

In case of a revenue producing project, particularly if it is producing for a competitive market, has the concessional element of the aid financing been passed on to the end-user of the funds? (paragraph 115.)

d) Institutional assessment (paragraphs 130 to 134).

e) Social and distributional analysis (paragraphs 137 to 147).

f) Environmental assessment (paragraphs 145 to 147).

III. Procurement procedures

451. What procurement mode will be used among the following? (For definitions, see principles listed in Good Procurement Practices for ODA from paragraph 409-429.)

a) International competitive bidding (paragraph 411 and 419-429: Minimum Conditions for Effective International Competitive Bidding).

b) National competitive bidding (paragraph 412).

c) Informal competition or direct negotiations (paragraphs 413-414).

452. Is it envisaged to check price and quality of supplies (paragraph 153)?
Principles for the Evaluation of Development Assistance

I. Introduction
   Donor/recipient partnership
   Central conclusions and complementarity
   to other aid management principles
   Definition

II. Purpose of evaluation

III. Impartiality and independence
   Institutional structure for managing evaluation

IV. Credibility

V. Usefulness

VI. Participation of donors and recipients

VII. Donor co-operation

VIII. Evaluation programming

IX. Design and implementation of evaluations

X. Reporting, dissemination and feedback

XI. Application of these principles and follow-up
Principles for Evaluation of Development Assistance

I. Introduction

Donor/recipient partnership

453. Development assistance is a co-operative partnership exercise between donors and recipients. The developing countries are responsible for their own development and development assistance can only be subsidiary and complementary to the efforts of the developing countries themselves. Aid supports activities for which developing countries have final responsibility and ownership. Project performance depends on both donor and recipient action. Both have an interest in, and responsibility for, the best use of scarce public funds. Both must therefore be interested in evaluation not only for improving resource use for development through learning from experience but also for accountability to political authorities and general publics.

454. The principles set out below have been prepared mainly for use by aid agencies for evaluating aid-financed activities. However, they should also be useful for developing-country authorities in making their own evaluations of aid financed activities and, indeed, other public programmes and projects.

Central conclusions and complementarity to other aid management principles

455. The principles focus on evaluation of both on-going and completed activities. They are complementary to previously agreed DAC principles on the management of development assistance, notably, the Principles for Project Appraisal adopted in 1988, and to the Principles for Programme Assistance and the Principles for New Orientations in Technical Co-operation. Each of these principles contain recommendations for the use of evaluation for the specific aid instruments to which they apply. The principles set out below provide general guidance on the role of aid evaluation in the aid management process, with the following central messages:

— Aid agencies should have an evaluation policy with clearly established guidelines and methods and with a clear definition of its role and responsibilities and its place in institutional aid structure.

— The evaluation process should be impartial and independent from the process concerned with policy-making, and the delivery and management of development assistance.

— The evaluation process must be as open as possible with the results made widely available.
For evaluations to be useful, they must be applied. Feedback to both policy-makers and operational staff is essential.

Partnership with recipients and donor co-operation in aid evaluation are both essential; they are an important aspect of recipient institution-building and of aid co-ordination and may reduce administrative burdens on recipients.

Aid evaluation and its requirements must be an integral part of aid planning from the start. Clear identification of the objectives which an aid activity is to achieve is an essential prerequisite for objective evaluation.

**Definition**

456. An evaluation is an assessment, as systematic and objective as possible, of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors.

**II. Purpose of evaluation**

457. The main purposes of evaluation are:

- to improve future aid policy, programmes and projects through feedback of lessons learned;
- to provide a basis for accountability, including the provision of information to the public.

458. Through the evaluation of failures as well as successes, valuable information is generated which, if properly fed back, can improve future aid programmes and projects. Funds for development purposes are scarce compared to needs, and stakeholders in donor and recipient countries should be enabled to draw to the fullest possible extent on experience to optimise resource use.

459. The accountability notion of evaluation referred to here relates to the developmental results and impact of development assistance. It is distinct from accountability for the use of public funds in an accounting and legal sense, responsibility for the latter usually being assigned to an audit institution. Information about the results of development assistance should be provided to the public and their leaders in both donor and recipient countries.

460. An important purpose of evaluation is to bring to the attention of policy-makers constraints on developmental aid success resulting from policy shortcomings or rigidities both on the donor and recipient side, inadequate co-ordination, and the effectiveness of other practices, such as procurement.

461. Evaluation promotes dialogue and improves co-operation between the participants in the development process through mutual sharing of experiences at all levels.
III. Impartiality and independence

462. The evaluation process should be impartial and independent in its function from the process concerned with the policy making, the delivery and the management of development assistance.

463. Impartiality contributes to the credibility of evaluation and the avoidance of bias in findings, analyses and conclusions. Independence provides legitimacy to evaluation and reduces the potential for conflict of interest which could arise if policy makers and managers were solely responsible for evaluating their own activities.

464. The requirement for impartiality and independence exists at all stages of the evaluation process, including the planning of the evaluation programme, the formulation of the terms of reference and the selection and approval of evaluation teams. Independence of evaluation can be further enhanced where reports are issued in the name of authors.

Institutional structure for managing evaluation

465. The institutional structure for managing evaluation is crucial to ensuring an effective evaluation process. The organisational aspects must address three requirements: developing a policy and a set of guidelines for evaluation; ensuring impartiality and independence; linking evaluation findings to future activities.

466. Often, certain types of organisation will tend to strengthen one of the above requirements at the expense of others; e.g., ensuring the independence of the process may weaken the potential for providing a strong linkage between the evaluation findings and decision-making. An optimal solution should be sought to balance all of these requirements.

467. Impartiality and independence will best be achieved by separating the evaluation function from the line management responsible for planning and managing development assistance. This could be accomplished by having a central unit responsible for evaluation reporting directly to the minister or the agency head responsible for development assistance, or to a board of directors or governors of the institution. To the extent that some evaluation functions are attached to line management they should report to a central unit or to a sufficiently high level of the management structure or to a management committee responsible for programme decisions. In this case, every effort should be made to avoid compromising the evaluation process and its results. Whatever approach is chosen, the organisational arrangements and procedures should facilitate the linking of evaluation findings to programming and policy making.

468. Aid agencies need a policy on evaluation which should address the above issues as well as the openness of the evaluation process, including the dissemination of results.
IV. Credibility

469. The credibility of evaluation depends on the expertise and independence of the evaluators and the degree of transparency of the evaluation process. Credibility requires that evaluation should report successes as well as failures. Recipient countries should, as a rule, fully participate in evaluation in order to promote credibility and commitment.

470. Aid agencies need a critical mass of professional evaluation staff in order to have sufficient expertise in their various fields of activity and to ensure credibility of the process.

471. Transparency of the evaluation process is crucial to its credibility and legitimacy. To ensure transparency:

- The evaluation process as a whole should be as open as possible with results made widely available.
- Evaluation reports must distinguish between findings and recommendations. Relevant information to support findings should be included in a way that does not compromise sources.

V. Usefulness

472. To have an impact on decision-making, evaluation findings must be perceived as relevant and useful and be presented in a clear and concise way. They should fully reflect the different interests and needs of the many parties involved in development co-operation. Easy accessibility is also crucial for usefulness. The evaluation process itself promotes a further clarification of objectives, improves communication, increases learning, and lays the groundwork for follow-up action.

473. Evaluations must be timely in the sense that they should be available at a time which is appropriate for the decision-making process. This suggests that evaluation has an important role to play at various stages during the execution of a project or programme and should not be conducted only as an ex post exercise. Monitoring of activities in progress is the responsibility of operational staff. Provisions for evaluation by independent evaluation staffs in the plan of operation constitute an important complement to regular monitoring.

VI. Participation of donors and recipients

474. Consistent with the partnership principle stressed above, whenever possible, both donors and recipients should be involved in the evaluation process. Since evaluation findings are relevant to both parties, evaluation terms of reference should address issues of concern to each partner, and the evaluation should reflect their views of the effectiveness and impact of the activities concerned. The principle of impartiality and independence during evaluation should apply equally to recipients and donors. Participation and impartiality enhance the quality of evaluation, which in turn has significant implications for long-term sustainability since recipients are solely responsible after the donor has left.
475. Whenever appropriate, the views and expertise of groups affected should form an integral part of the evaluation.

476. Involving all parties concerned gives an opportunity for learning by doing and will strengthen skills and capacities in the recipient countries, an important objective which should also be promoted through training and other support for institutional and management development.

VII. Donor co-operation

477. Collaboration between donors is essential in order to learn from each other and to avoid duplication of effort. Donor collaboration should be encouraged in order to develop evaluation methods, share reports and information, and improve access to evaluation findings. Joint donor evaluations should be promoted in order to improve understanding of each others’ procedures and approaches and to reduce the administrative burden on the recipient. In order to facilitate the planning of joint evaluations, donors should exchange evaluation plans systematically and well ahead of actual implementation.

VIII. Evaluation programming

478. An overall plan must be developed by the agency for the evaluation of development assistance activities. In elaborating such a plan, the various activities to be evaluated should be organised into appropriate categories. Priorities should then be set for the evaluation of the categories and a timetable drawn up.

479. These categories must represent the various areas of development assistance. The most frequent type of evaluation will probably be at the project or institutional level, but it is unlikely that such evaluations alone will meet all of the evaluation needs because of the specific nature of their findings. What is often needed is evaluation on a more comprehensive scale and an aggregation of evaluation results. Evaluation programming must take into account the special demands by senior management and policy-makers and synthesise studies of lessons learned.

480. Evaluation capability is needed to cover a broad spectrum of evaluations: policy, programme and project activities as well as sectors, themes, and cross-cutting issues. Evaluations further need to look at agency procedures and management issues.

481. Setting evaluation priorities will be necessary for managerial and financial reasons. A timetable must be included in the evaluation plan. The decisions on the organisation of evaluation activities and timetable should involve users of the evaluation outputs, so that their needs can be taken into account. The evaluation plan requires the support and endorsement of senior management.

482. Aid agencies which have not already done so should elaborate guidelines and/or standards for the evaluation process. These should give guidance and define the minimum requirements for the conduct of evaluations and for reporting.
IX. Design and implementation of evaluations

483. Each evaluation must be planned and terms of reference drawn up in order to:

- define the purpose and scope of the evaluation, including an identification of the recipients of the findings;
- describe the methods to be used during the evaluation;
- identify the standards against which project/programme performance are to be assessed;
- determine the resources and time required to complete the evaluation.

484. The purpose of the evaluation must be explained, e.g. to contribute to improving aid policies, procedures and techniques or to consider a continuation or discontinuation of specific current activities.

485. An evaluation must define the activity that is being evaluated, e.g. projects, institutions, sectors, or programmes and contain such information as background, objectives, activities, expenditures, expected impacts and effects.

486. It is essential to define the questions which will be addressed in the evaluation — these are often referred to as the “issues” of the evaluation. The issues will provide a manageable framework for the evaluation process and the basis for a clear set of conclusions and recommendations. The following are basic groups of evaluation issues:

- **Rationale.** Does the undertaking make sense? Are the objectives relevant and realisable? Should alternative objectives be considered?

- **Objectives Achievement.** Evaluation is very difficult unless the objectives which the evaluated project/programme were to achieve have been clearly defined and the project agreements and operational plans and arrangements for obtaining relevant baseline data had been made. To what extent were the original objectives achieved? Or are likely to be achieved? What were the major factors influencing the achievement or non-achievement of objectives? Should objectives not have been stated clearly enough to allow for an evaluation of goal achievement, an assessment of impact and effects of the activities undertaken should still be attempted.

- **Impacts and Effects.** What has happened as a result of the project/programme? This involves not only direct outputs but, very importantly, the basic impacts and effects on the social, economic, environmental and other development indicators resulting from the activity. The examination should be concerned with both intended and unintended results and must also explain the positive and negative impact of external factors, such as
changes in basic policy environments, general economic and financial conditions.

487. The aim of asking these questions is to ensure that the evaluator can assess the information and formulate conclusions and recommendations concerning:

— *The Overall Results.* How successful was the undertaking? Why? Do impacts and effects justify costs? Were the objectives achieved within time and within the budget? Were there any major shortcomings? Were there major achievements?

— *Sustainability.* The question of whether achievements are sustainable in the longer run is of critical importance.

— *Alternatives.* Are there better ways of achieving the results?

— *Lessons Learned.* What are the general lessons which can be drawn and which should be borne in mind when embarking on future programmes?

488. This stage must also define the methods and techniques to be used to address the identified issues. The nature of development assistance suggests that in most cases evaluation will involve a combination of quantitative and qualitative techniques. The methods used in the appraisal of an activity should, as a general rule, also be used in the ex-post evaluation.

489. In many cases, it is difficult to determine clearly the responsibility for the outcome, as external reasons may or may not be decisive and inseparable from a methodological viewpoint. Although the complexity of the evaluation process must be recognised, an attempt to establish causal relationships must be made.

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**X. Reporting, dissemination and feedback**

490. Evaluation reporting should be clear, as free as possible of technical language and include the following elements: an executive summary; a profile of the activity evaluated; a description of the evaluation methods used; the main findings; lessons learned; conclusions and recommendations (which may be separate from the report itself).

491. The findings and conclusions of the evaluation are the answers to the questions raised and selected for evaluation. The lessons learned and the recommendations provide the link between the results of the evaluation and future policy and programme development.

492. Systematic dissemination is essential for ensuring improved planning and implementation of development assistance activities. Evaluation results may be disseminated in several ways apart from the evaluation report itself e.g. annual reports providing a synthesis of findings; abstracts/summaries providing a synopsis of findings.

493. Feedback is an essential part of the evaluation process as it provides the link between past and future activities. To ensure that the results of evaluations are utilised in future policy and
programme development it is necessary to establish feedback mechanisms involving all parties concerned. These would include such measures as evaluation committees, seminars and workshops, automated systems, reporting and follow-up procedures. Informal means such as networking and internal communications would also allow for the dissemination of ideas and information. In order to be effective, the feedback process requires staff and budget resources as well as support by senior management and the other actors involved.

494. Dissemination and feedback must form a continuous and dynamic part of the evaluation process.

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<td>495. DAC Members agree to:</td>
</tr>
<tr>
<td>— review their evaluation policies and procedures against the above principles and to adjust them where necessary;</td>
</tr>
<tr>
<td>— review evaluation policies and procedures as part of the DAC aid reviews and other relevant DAC work;</td>
</tr>
<tr>
<td>— draw the principles to the attention of their developing country partners as a code of good evaluation practice to be followed whenever possible.</td>
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