CASE STUDY: INTRODUCING STANDARD INDICATORS IN EUROPEAN COMMISSION FUNDED PROJECTS FOR AGGREGATION OF AID EFFECTS

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ABSTRACT

The purpose of this paper is to present a pilot phase project which aims to gradually introduce a selective list of standard indicators to improve the accountability of European Commission (EC) financed external development cooperation operations. This aims to illustrate how the use of indicators can be promoted and how the risk of misuse can be avoided.

The paper presents the objective of the initiative, the chosen approach, the selection criteria for the indicators, the method of introducing the indicators in the project cycle and the evaluation that will follow after one year.

The potential risks linked to the approach are highlighted and possible mitigating actions are suggested. Finally lessons learnt from the exercise are presented.

1. OBJECTIVE

The objective of this paper is threefold:

1) To give an example of the process of promoting more systematic use of indicators for external aid projects and programmes financed by the EC. This is necessary in order to allow the assessment of the quantifiable effects of the EC's operations in order to improve accountability and visibility of external aid operations.

2) To highlight the risk of the misuse of these indicators and to report on the discussions that have taken place internally in the EC as well as with the Member States and other donors.

3) Provide some lessons learnt for others that have embarked on a similar process.

2. THE NEED OF STANDARD INDICATORS FOR ACCOUNTABILITY

The EC is accountable to European citizens for its operations of external aid. The EC does this (like other donors) by providing detailed annual financial accounts of commitments and payments, representing inputs, in the field of external aid. However, for years the EC has had difficulties in providing, in an easy and systematic way, quantified data on the results of interventions (such as, for instance: the number of newborn babies vaccinated, the percentage decrease in the repetition rate in schools in a region).

This difficulty in establishing global assessments of results is essentially due to the fact that each project or programme keeps only project specific data in a non-standardised way. For each project or programme supported by the European Commission, there exists a large
variety of indicators. These indicators are used to ensure follow-up and evaluation and are aligned to the reform process in the partner country. They do not, however, allow for the consolidation of results across countries or regions because they are not easily comparable and they rarely allow for the aggregation of data.

In order to improve accountability for EC financed aid operations, we are preparing to gradually introduce a mechanism envisaging the systematic use of a selective set of standard indicators for all project/programmes in a particular sector. These would allow for the aggregation of data from different programmes or projects in order to obtain a quantified general overview of the effects of aid in a given sector, country or region, and to appraise trends over a given period of time. It should be underlined that this aim is separate from the aim of assessing progress at individual country level or the individual project level.

3. GENERAL CONTEXT

The concept for accountability reporting has been developed in a general context characterised by:

- The increase of European Union (EU) & EC development aid funds
- The commitment under the Paris Declaration to enhance donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance\(^1\)
- Under the European Consensus on Development: the importance of progress indicators and regular evaluation of assistance to better focus EU assistance\(^2\)
- Under Development Cooperation Instrument (DCI) regulation: the requirement of annual reports detailing the implementation and results and, as far as possible, the main outcomes and impacts of the assistance\(^3\)
- The new possibilities of co-financing between Member States and the Commission under the revised Financial Regulation\(^4\)


The EC will now have the possibility to manage funds from the Member States, third countries and International Organisations.
4. OUR APPROACH

Our aim was to go beyond mere input (financial data: commitments, payments) in the reporting on EC financed development cooperation action. To achieve this, we analysed a number of alternative options since the issue is complex and controversial:

1) Drop the idea of having this type of indicators because it is too complex
2) Wait until there is a donor consensus on the topic
3) Adopt a "Learning by doing" approach through a pilot phase that focuses on a limited number of sectors that are found to be most developed in this respect and, at the same time, launch a dialogue on the issue with the Member States and other donors.

The last pragmatic option was chosen and we have also decided to have an evaluation after one year in operation.

5. SELECTION CRITERIA

In order to minimise the creation of any additional burden on the partner countries, in line with the Paris Declaration, and to minimise the risk of delaying the preparation of programmes, the selective lists of standard indicators per sector were selected on the basis of the following criteria:

- limited number of indicators/sector
- relevance with respect to the development objective
- practices of the key donors in the concerned sectors
- consistency with the indicators used for programming and with the MDG indicators (Millennium Development Goals)
- allowing aggregation
- possibility of calculating the values of the indicators with and without the project
- mandatory consideration of the indicators for all projects in a given sector
- easily available data sources for calculating their values

6. A PILOT PHASE AND A PROGRESSIVE APPROACH

This system will be introduced progressively with a step-by-step approach. In the inception phase, it will only concern those sectors for which indicators meeting the criteria have been identified and defined:

- Human Development (Health, Education and Vocational training)
- Good governance (Civil Society, Decentralisation and Elections)
- Security (Fight against Organised Crime, Police Reform and Antipersonnel Mines)

Migration and Asylum including Trafficking in Human Beings
Food Security, Rural Development and Environment

Each selected indicator has one or more associated DAC code\(^6\). For all new projects with DAC codes that have an associated indicator, it is mandatory to take this indicator into account during project/programme preparation.

The introduction of indicators concerns the identification and formulation phases of the project cycle.

Starting from the envisaged launch date of the operation on 1st September 2007, the identification of an eligible project will have to include a list of the indicators to be taken into consideration for the subsequent formulation phase.

For these projects, the formulation phase will have to systematically provide the values with and without the project.

The collected data will therefore initially cover only the expected effects of projects (*ex-ante* level, at the time of the decision). The introduction, collection and use of the data measuring the real effects actually obtained after implementation of the projects (*ex-post* level) will have to be subject to further analysis.

The action will be reviewed annually on the basis of the acquired experience and the exchanges of information with other donors - in particular interested Member States. Such an evaluation will particularly look into the following issues:

- additional sectors to include
- the list and the definition of the indicators (corrections, removals, additions)
- the procedures of introduction, data collection and of analysis of the results

The EC attaches great importance to the transparency of this operation for the Member States and other donors. In this respect, the EC is ready to play a catalyst role as it is clear that it is important to have the maximum number of summary indicators common to bilateral and multilateral agencies, which would help us all to cope with the demand for information regarding results of aid provided. As a consequence, we have had a number of discussions with e.g. the World Bank, United Nations, the Member States and their development agencies.

7. **Some examples of indicators**

Here are some examples of the indicators envisaged for the pilot phase. Where relevant, the indicators will be disaggregated by gender:

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\(^6\) Explanation and list of DAC codes: [http://www.oecd.org/document/21/0,2340,en_2649_33721_1914325_1_1_1_1,00.html](http://www.oecd.org/document/21/0,2340,en_2649_33721_1914325_1_1_1_1,00.html)
Road Transport

- Rural access
- % of road network in good or fair condition
- Number of Km maintained, rehabilitated, constructed

Water and Sanitation

- % of Population with access to improved water source
- % of Population with access to improved sanitation

Health

- Proportion of 1-year-old-children immunised against measles
- Proportion of births attended by skilled health personnel
- Tuberculosis case detection rate
- Tuberculosis cure rate

Education

- Net enrolment ratio in primary schools
- Gender parity index in primary, secondary and tertiary education

Elections

- Percentage of errors (omissions or incorrect information) in voter registry

8. RISKS OF MISUSE OF THESE INDICATORS

The initiative to introduce the use of standard indicators has been discussed internally and externally. There are a number of risks that have been highlighted in these discussions.

Firstly, the indicators are likely to give an incomplete picture of reality. In order to determine the effect of the assistance from the EC, only some standard indicators were retained: on average the list includes 4 indicators per sector. Thus, for certain topics or fields of intervention the selected indicators will obviously not cover all the facets of the various projects/programmes and will reflect only in a very partial manner the contribution of the EC. This limitation is inherent to any attempt aimed at establishing a global synthesis or general tendencies. In this context, it is recommended that each report of quantified data is accompanied by text clarifying the range of the results obtained.

In addition, it must be clear that this exercise, aimed at meeting the needs of EC reporting, is not intended to replace the strategies developed by the partner countries, with the support of the donor community. Nor is the exercise aimed at measuring in its totality, the result and the impact of the policies of reform which the partner countries carry out with the support of external financing on a program, sector or country scale.

It will also be important to take the country/regional context into account, especially for fragile states. Indicators will and should move in a different direction in different contexts. For example, in a post-conflict context, one might expect to see an increase in the role of the
police for internal security functions but once the situation stabilises this role could be
decreased. Hence, each indicator should be complemented by definitions and explanations
of their use, scope and ideal value.

The selected indicators are mainly at output and outcome level. Output indicators generally
are not able to show the effects of the interventions for the target groups while with
outcome indicators, it is difficult to attribute the effects of the assistance to the specific
projects or programmes. These limitations of the different types of indicators were often
presented as a main problem in the preparatory discussions. Therefore, when using the
indicators it is important to highlight these intrinsic risks.

Secondly, there is a potential risk of distorting the priorities of the government in the partner
country. One of the main concerns expressed by Members States is the risk that the
existence of the set of standard indicators would potentially distort country priorities and
encourage the development of programmes to fit the indicators. As indicated above, the
pilot phase includes only a limited number of sectors and an evaluation has been planned to
assess the impact of the indicator set with an examination of the benefits, costs and risks.
This is particularly important since the programming documents, Country Strategy Papers
and National Indicative Programmes are developed in line with the partner countries' strategies. The indicators should not in any way affect this process.

Thirdly, there is the risk of obliging the partner countries to set up new monitoring systems.
The EC believes the majority of selected indicators to be standard, even basic. It is planned
to introduce an evaluation in the identification phase of the compatibility of the standard
indicators with partner countries' monitoring system and statistical data collection.

9. LESSONS LEARNT

From the process of developing the standard indicators a number of lessons can be learnt:

- Even though people agree that there is a need for standard indicators, there still is
  resistance to change and scepticism because of the complexities of the subject and the
  inherent inability to find "perfect" solutions
- It is important to never underestimate the time it takes to convince people internally
  and externally of the benefits of introducing a new scheme
- Prior to the start of such an endeavour it is important to carry out a full analysis of the
  needs and implications and to ensure that the selection of indicators is the result of an
  open debate with all concerned
- Overlaps and complementarities with other data collection instruments need to be
  considered
- It is too complex to solve everything before the beginning of the pilot phase. As a
  result there is a need to have an evolving approach. The evaluation of the pilot phase
  will be able to highlight issues and any negative effects.

Donors, partner countries and others that would like to contribute or get more information on
this issue should send an email to: EuropeAid-E-INDICATORS@ec.europa.eu