Fact Sheet | June 2008

Development Effectiveness at the Country Level: Effectiveness Summary

Summary

Robert Picciotto is the former head of the World Bank's Operations Evaluation Department (now called IEG). This paper was commissioned by the German Development Institute in Bonn and published in November 2007. Picciotto draws on a range of evaluations and research papers to answer a number of questions including: Does aid make a difference? Why do project and country level results differ? How do we know whether aid programmes are achieving their goals at the country level? How can aid be improved?

Does aid make a difference?

Picciotto argues that there is evidence that quality aid can make a difference. There are four aspects to aid quality that he identifies as important:

(i) consistency of ends and means within a project or program (in terms of relevance, effectiveness, efficiency and resilience to risk)
(ii) congruence of aid and non-aid policies within the donor community
(iii) degree of harmonisation and coordination of aid programs between donors and
(iv) alignment of aid goals and practices to a country's own.

Why do country and activity level results differ?

It is now broadly accepted that development results should be measured at the country level. This requires the measurement of direct and indirect impact of the portfolio of activities at the country level. The design and implementation of country strategies is therefore central to aid management and the measurement of effectiveness.

The focus on country strategies means that individual activities should fit within a coherent country strategy design. Most development agencies are equipped with evaluation systems that track the results of individual projects – whilst these differ in their reliability most confirm that 'aid works' as long as it is measured on the basis of individual operations.

Experience with World Bank evaluations of country strategies has shown that project results and country level results can diverge. In a third of cases there was a divergence between results at the country level and project level (the so-called micro-macro paradox). The situation where projects are achieving their objectives but the country strategy objectives are not being met was explained by projects having limited relevance due to poor governance, a deteriorating political situation, lack of progress in the government implementing reforms etc. In addition, Picciotto argues that the

actions of donors and other external factors can intervene and impact on effectiveness of the country program.

Picciotto argues that the micro-macro paradox highlights the need to reform the aid industry. In particular the need to:

(i) reduce the fragmentation of aid
(ii) rely on domestic processes of aid coordination centred on poverty reduction strategy papers.
(iii) pool aid in sector wide programs and offer budget support where country performance warrants it
(iv) avoid political interference in aid management.

The paradox also highlights some fundamental truths about aid: first, that it is less about money than about ideas and institutions. Second, that it requires sound aid policies and efficient administration and third, it calls for effective coordination and alignment with country needs and priorities.

How do we know whether aid programs are achieving their goals at the country level?

To fully answer the question of whether aid programs are achieving their goals at the country level would require us to be able to asses what would have been the situation without donor intervention. The methodology to do this in a meaningful way is not yet developed. Hence the only practical approach is to use a mix of program evaluation methods. This means judging country strategies against common criteria. These might include that strategies should be selective, meaning that priority areas should be identified so that projects and other development services relate to each other and other donors interventions. In addition, the right instruments for aid should be selected for the political, economic and administrative environment. Country assistance goals should also be judged on a case by case basis, not according to current development doctrines.

In evaluating country strategies it should also be noted that development results do not always equate with aid performance, particularly given that aid is often a small part of the government's budget and also because country level outcomes are ultimately shaped by a host of historical, political and policy factors.

A practical tool in evaluating country strategies involves triangulation, this should be based on:

(i) the quality of individual operations, country dialogue and coordination with partners and analytical/advisory services;

(ii) a development impact assessment where the main objectives and achievements against them are analysed in terms of their relevance, efficiency, resilience to risk and institutional impact and

(iii) Analysis of attribution (or contribution) where responsibility for program outcomes is assigned to various actors according to their accountabilities and reciprocal obligations.

As country strategies often have high level goals, (eg the MDGs), it is often intermediate goals that are examined and judged in the evaluation process. The task is to determine whether the intermediate objectives have produced (or are expected to produce) satisfactory net benefits and

whether the steps along the way to meeting the intermediate result are realistic. Evaluators must also assess the degree of client ownership of international development priorities. Factors such as efficacy of program implementation can be judged by the extent to which program objectives are expected to be met in ways that are consistent with corporate policies. Efficiency can be assessed by examining the transaction costs incurred by donors and the country in connection with the implementation of the country assistance program. Sustainability can be judged by looking at the resilience of achievements over time and institutional development impact refers to capacity building benefits of the country assistance strategy.

How can aid be improved?

Picciotto offers a range of recommendations on how aid might be improved. First, he notes that aid should not be viewed as the only tool in the development cooperation kit. A whole of government approach is needed to ensure policy coherence in relations with poor countries

Second, conflict prevention, management, post-conflict reconstruction and security sector reform should move centre stage in country strategies and poverty reduction strategies. There also needs to be attention to the downside risks of globalization. This requires a human security model of development that favours growth but with greater priority to economic equity, social inclusion and environmental sustainability.

Third, aid should no longer be seen as a resource transfer mechanism. It should be understood as a transmission belt for ideas, a device for training leaders, an instrument for building state capacity and a platform for policy experimentation and dissemination based on good analytical work and sensitive advisory service. We should not jettison the project instrument, as well designed and implemented through donor coalitions it can yield considerable benefits.

Fourth, country strategies should be tailored to the political economy. Human security concerns should feature strongly. Governance should be assessed and conflict analysis should ensure that aid does no harm. Where governments are not committed to development, non aid instruments should be used and aid should emphasize infrastructure, the private sector and local government and community level organisations. Budget support has its place but not everywhere.

Fifth, given limited aid resources selectivity is essential. However, the current aid allocation system short-changes fragile states. Whereas, research and evaluation suggests that the pay-offs to aid can be higher in these environments (see Collier's *The Bottom Billion* for examples).

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