

From More Effective Aid to More Effective Institutions

Strengthening state institutions for sustainable development

Room Document for meeting 5 October 2011

***Common findings from a series of recent international
evaluations of Aid Effectiveness and Governance***

Part 1. Summary of findings

Prepared by Julia Betts and Helen Wedgwood on behalf of the
DAC Network on Development Evaluation. Find out more: <http://oe.cd/goveval>

PART 1: SUMMARY OF FINDINGS

1. Introduction

Background

The deteriorating global environment for development, increasingly apparent during the latter part of the past decade, has raised the stakes for Paris Declaration signatories and the international community in their efforts to meet both cooperation commitments and the MDGs. Increasing concern over the progress, pace and sustainability of development trends is matched by growing demand for stronger international and domestic accountability and transparency on the results achieved by the rising aid volumes set in train by Monterrey.

At the same time strongly supported by the Paris and Accra commitments, there is increasing recognition of the role of effective states – including stronger public institutions - as a prerequisite for sustainable development results. Yet frustration is apparent over the pace of change, along with uncertainty around effective approaches to reform and strengthening of public institutions in different contexts, and the most useful role that external partners can play.

This paper presents the common evidence from a set of recently or nearly completed international evaluations¹ examining key aspects of public sector governance and aid effectiveness. The issues - including country ownership and leadership, centre of government capacity for planning, financial management and delivery, accountability and incentives for reform, and the appropriate channelling and management of development assistance - lie at the heart of the development co-operation agreement under discussion today.

Often, these concerns are interwoven into the fabric of the country development partnership under the broad framework of the Paris Declaration. For instance, the use of budget support and programmatic approaches has broadened and deepened development agencies' engagement with national planning and delivery systems. This includes public financial management, oversight and accountability, and broader public sector governance and management systems. Performance assessment frameworks, commonly associated with budget support operations, attempt to strengthen tracking of progress against national development priorities. They also provide a unifying high-level framework for mutual accountability dialogue on the aid partnership.

This paper summarises the findings of these wide-ranging, joint international studies concerning progress in building effective and accountable states and the role of development cooperation under three main themes relevant for today's consideration of priorities for governance and effective states at the Busan High Level:

- What has been achieved over the decade from the combined effort to make states more effective and accountable:
- The contribution and quality of development cooperation partnerships;
- The quality and use of results measurement, monitoring and evaluation in strategy and programming decisions.

¹ Including: the Paris Declaration, Public Sector Governance Reform, Budget Support, and Donor Support to Anti-Corruption. In due course the findings of the on-going evaluation of Public Financial Management Reform will be included. See Annex 1 for details of evaluation key questions and geographic coverage.

Method

Full details of the analytical method are available on request. In summary, under the steer of DAC Evaluation Network members² involved with the full set of evaluations, the findings and conclusions from four evaluations were analysed against a set of themes arising from the first draft Busan outcome document and dialogue with GOVNET and others. Following checks for data quality, the detailed evidence base was grouped into thematic areas relevant for Busan dialogue. The findings were then validated by evaluation team leaders. Priority was given to those country studies covered by more than one evaluation (since the aim was to identify common findings across the evaluations). Table 1 summarises the scope and coverage of the studies. The full set of evaluation questions and their geographic coverage is available in Annex 1.

Limitations include:

- Several reports were still at draft stage - so the composite evidence base is not yet finalised. (however, advanced draft reports were used to reduce the likelihood of significant changes arising).
- Draft reports from Public Financial Management Reform (PFM) study are not included (they were available too late for inclusion at this stage). However, several of the evaluations include important findings on PFM and these are reported on here.
- A gap in evaluation coverage concerning aid effectiveness and public sector governance in highly fragile and conflict-affected situations was observed in most evaluations; (though as discussed in the Public Sector Governance Reform Synthesis Report, many of the findings and conclusions reported are considered relevant to the aid partnership in these contexts, and fit quite well with themes discussed in WDR11).

Next steps

Following this seminar, the analysis will be updated against final reports where appropriate, and published by the DAC Evaluation Network as part of its Evaluation Insights series.

Table 1: Summary of Evaluation Analysis

Evaluation & Broad Scope	Coverage	Reports analysed
The Evaluation of the Paris Declaration: its implementation and contribution of the Paris Declaration to development results.	22 countries; 18 donor agencies	Synthesis plus: Bangladesh, Ghana, Indonesia, Cambodia, Mali, Malawi, Mozambique, Uganda, Vietnam, Zambia
Anti-corruption: the relevance and effectiveness of donor approaches to addressing corruption.	5 countries	Synthesis plus Bangladesh, Vietnam, Tanzania, Nicaragua, Zambia
Public sector governance reform: the extent to which Public Sector Governance Reform programmes have enhanced state capacity and accountability, and lessons for future programming.	5 countries	Draft Synthesis plus Cambodia, Indonesia, Mozambique, Uganda
Budget support the extent to which Budget Support operations have provided the means to implement efficient and effective development strategies for sustainable impact on growth and development.	3 countries	Draft summary Synthesis plus Mali, Tunisia, Zambia

² Danida, DFID, Sida in collaboration with the Netherlands, Norway, European Commission, and African Development Bank

2. Summary of progress and implications for Busan

2a: Development aid and impact-level results

Connecting outcome or impact-level change to development assistance is especially difficult in the area of governance. Many other and often diffuse drivers of reform - such as integration into global and regional economies and networks – are significant influences on the direction, pace and sustainability of change. With the exception of the Budget Support studies, the four evaluations report **few results at impact level**. Rather, they identify interim changes and results such as greater national leadership and improved strategies, reforms in public sector management systems, better aid management and policy dialogue.

With one exception, none of the studies make **direct connections between development aid and impact-level development results** such as reductions in income poverty. Indeed, all caution against making such simple direct connections. However, they do all point to a number of pathways through which aid reforms or aid partnerships at country level can plausibly be shown to have contributed to improved development and governance outcomes. An example is the Anti-Corruption studies, which point to improved legal and policy frameworks, strengthened Anti-Corruption Commissions and similar institutions – but which does not find reduced levels of corruption as yet.

The exception is the **Budget Support evaluations**, which do find positive effects of budget support on development outcomes via increased public investment and the provision for governments of fungible financial resources. The specific areas of positive correlation are: health and education (Mali), tertiary and vocational training (Tunisia), and primary education and roads (Zambia).

2b: Implications for Busan

Table 2 presents a summary of the results of the cross-analysis under three major themes:

- Progress in making states more effective and accountable, focusing on the citizen – state relationship;
- Progress on better partnerships to strengthen and support more effective states;
- Progress on the measurement, monitoring and use of results information to drive future progress.

The table sets out:

- Areas for which the majority of studies report **positive progress**;
- Areas where reports are **divided between good and poor results**;
- Areas where the majority of reports cite **poor results**.

Overall the majority of findings fell into the ‘mixed progress’ category. This partly reflects the very different starting points for both countries and issues, but also draws attention to areas where progress can be built upon, and where a higher level of priority attached could consolidate success. Areas of consistently weak progress may well signal priorities to tackle at Busan.

One major consideration is that no consistently positive areas of progress were identified under Theme 3 – Measuring Results for More Effective States. Progress in this area remains problematic for complex public sector and governance reform. Efforts made have rarely been systematically translated into programming, and short donor time scales have been at odds with the long term horizons needed for change. Frustration and exit has occurred in several cases, both undermining and inconsistent with the overall agenda for reform.

The evidence suggests **action on results measurement and management**, together with the closely related and similarly poorly performing area of **risk acknowledgment and management** as priorities for the international development community at and beyond Busan. Applying these to the public institutions and effective states agenda is consistent with Busan’s emerging focus on ownership, results and accountability, and transparent and responsible cooperation. It supports the crucial shift from aid to development effectiveness, in which the role of effective states and institutions is central, and which will determine the shape and success of development co-operation partnerships going forward.

Table 2: Summary of Progress by Theme

THEME 1: MAKING STATES MORE EFFECTIVE AND ACCOUNTABLE: THE CITIZEN-STATE RELATIONSHIP	
CONSISTENTLY POSITIVE PROGRESS	Efforts at improving Public Financial Management systems – core to effective and accountable states - are showing results, though the pace of reform is slow and quality concerns persist. Budget support operations have been instrumental here, especially for aggregate fiscal discipline, macroeconomic management, prioritization of expenditure, transparency and external audit. PFM reform is associated with improving outcomes in several areas of public sector reform and anti corruption. There is greater country ownership of and commitment to reform , as reflected in development and other strategies though this does not extend fully across government and sub-national level, and concerns over diverging priorities and analysis by governments and donors remain barriers. There have been significant efforts by countries and donors to improve transparency , underscored by PFM reform and successful donor support to increased provision of public information, but more systematic effort from donors is needed.
MIXED OR INCONSISTENT PROGRESS	There has been mixed progress in improving accountability to citizens and parliaments e.g. through building up state accountability and oversight functions, where progress has moved slowly. Donor interventions have been largely technical (process) reforms. Despite a generally improved consultation base in terms of national development planning, an inconsistent approach to generating inclusive dialogue on reform is apparent, as is the improvement of accountability through civil society. Few tangible results as yet are evident in reducing corruption, but donor actions have contributed to combating corruption in terms of strengthening national architecture, policy and legal frameworks, information systems and some key institutions. There is no evidence that budget support has increased the risks of corruption and some evidence that it has strengthened the priority and coherence of action to combat it.
CONSISTENTLY WEAK / LIMITED PROGRESS	Reform efforts at the centre of government intended to build capacity to make and deliver policy, plan and maintain strategic oversight of service delivery have shown disappointing outcomes, with governance reforms affecting the core role and operations of the State such as civil service reform, proving especially challenging. Donor approaches to planning, committing and delivering assistance are ill-matched to the special demands of this type of reform and too often donors with high expectations, have invested ahead of necessary preconditions including shared vision and sequencing needs. National procurement systems continue to provide significant blockages to building fully effective states, and there is limited progress on their reform. Donor insistence on the use of their own systems is blocking programmatic progress and performance. Despite improvements in consultation, there has been insufficient attention to address the demand side of accountability , and consequently limited progress.

THEME 2: THE PARTNERSHIP TO STRENGTHEN AND SUPPORT MORE EFFECTIVE STATES

<p>CONSISTENTLY POSITIVE PROGRESS</p>	<p>Overall there is a trend towards improved quality of aid partnerships generally operating on a firmer basis, with stronger transparency and partner country ownership. However the only area of consistently positive progress is in the quality of dialogue on policy and institutional reform, where the major contributory factors are the more structured arrangements for high level dialogue and collaboration expressed by joint assistance and performance frameworks, and budget support. In several cases there are clear connections between budget support and policy dialogue for example on anti-corruption and governance , although this is by no means comprehensive. The majority of studies confirm budget support as most effective in financing and monitoring implementation of an agreed policy, rather than when intended to change policy.</p>
<p>MIXED OR INCONSISTENT PROGRESS</p>	<p>There are some moves towards the use of joint analysis, but the sort of complex political economy analysis needed to inform policy and programming in the public sector reform arena remains inadequate and insufficiently applied, not least to strategies to address barriers to reform, and to ensure positive poverty and gender impacts from reform processes. Progress on both alignment to national strategies and plans and donor co-ordination and harmonization is both slow and uneven, with programme based approaches, joint assistance frameworks, budget support and multi-donor trust funds making significant contributions. Predictability is gradually improving, with budget support as a main driver, but disbursement delays remain problematic. Efforts at capacity development are slow and un-coordinated, in part due to donor preferences, frequent personnel changes and the lack of clear national strategies around which donors can align. Experience with capacity development through peer to peer and regional approaches, and to specific institutions such as Supreme Audit, and Anti-Corruption agencies in particular, are showing results.</p>
<p>CONSISTENTLY WEAK / LIMITED PROGRESS</p>	<p>Mutual accountability is showing little progress, hindered by a lack of clear mechanisms for holding donors to account, and the continued asymmetrical relationships between donors and government. There is still limited use of country systems by donors even where successful efforts have been made to reform and strengthen. Donors remain risk averse, with fiduciary risk being paramount and there is increasing use of Fiduciary Risk, Governance Assessments and tools such as PEFA reviews. Highly variable attitudes to risk between donors within countries e.g. on budget support tranching, and by the same donor across different countries undermines effectiveness. Several studies urge a more balanced approach to risk management making the point that excessive fiduciary risk averseness may actually increase higher level strategic and performance risk, especially to long term change processes like public sector reform agendas. As well as calling for greater coherence between risk management across donors, countries and sectors, the majority of studies support the conclusion of the Paris Declaration evaluation that “to try and avoid all risks in development cooperation is to risk irrelevance.”</p>

THEME 3: MEASURING RESULTS FOR MORE EFFECTIVE STATES	
MIXED OR INCONSISTENT PROGRESS	<p>Momentum is slowly growing around performance management approaches, and their application to both programming and personnel management, though government processes are in some cases resistant to change. There has been some positive progress in terms of developing and applying performance assessment tools and monitoring processes in some areas, though considerable technical weaknesses remain in the content of these, e.g. process/output over results/outcome focus; inconsistent, unreliable and unmeasurable indicators and targets. Budget Support has been a major positive driver and the use of joint performance assessment frameworks has been a useful platform for dialogue on governance issues. Similarly, the development and use of international and common standards for public financial management, wider governance and commitment to human rights are positive contributory factors. While joint monitoring and review has improved in many countries studied, there is limited evidence of reduced burdens in aid management on both sides of the aid partnership.</p>
CONSISTENTLY WEAK / LIMITED PROGRESS	<p>There has been generally frustratingly weak progress overall in managing for results, with concepts, vision and destination on MfDR not clearly or commonly understood. With some exceptions in countries which had a relatively high starting point, progress in embedding results-based approaches into operational practice is very slow. While there are instances of piloting results management strategies, they are far from mainstreamed and progress is variable. Few donor programmes support results management and national monitoring and evaluation systems continue to be weak and poorly integrated into the policy process, insufficiently supported and poorly used by development partners. Monitoring of governance issues, as well as having particular measurability challenges, also suffers from not being routinely included in national data gathering systems. Although public sector reforms often advocate stronger managing for results, few programmes in these areas have either effective monitoring systems or robust and shared theories of change. While there has been some application of incentives and sanctions systems to public sector and civil service management they tended to be overly task focused and short term favouring incrementalism over system coherence.</p>