

The Paris Declaration, Aid Effectiveness and Development Effectiveness



Evaluation of the Paris Declaration

**THEMATIC STUDY ON THE PARIS DECLARATION,
AID EFFECTIVENESS
AND DEVELOPMENT EFFECTIVENESS**

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DBK Logistic Service
Mimersvej 4
4600 Koege
Denmark
Telephone +45 32 69 77 88

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Elliot Stern (Team Leader)

with contributions from

**Laura Altinger, Osvaldo Feinstein, Marta Marañón, Daniela Ruegenberg
Nils-Sjard Schulz and Nicolai Steen Nielsen**

November 2008



daRa Development Assistance Research Associates

Preface

The Paris Declaration highlights the importance of undertaking an independent joint cross-country evaluation to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives. The Accra Agenda for Action reiterates the importance of evaluation and specifically requests “comprehensive second phase evaluations of the implementation of the Paris Declaration and the Accra Agenda for Action as of 2010”

The overall purpose of the Evaluation of the Implementation of the Paris Declaration is to assess the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately to development effectiveness. The evaluation is being carried out in two phases:

- *Phase 1* has been conducted with the purpose of strengthening aid effectiveness by assessing changes of behaviour and identifying better practices for partners and donors in implementing the Paris commitments.
- *Phase 2* will be conducted with the purpose of assessing the declaration's contribution to aid effectiveness and development results.

The first phase of the evaluation was completed in July 2008 and contributed constructively to the 3rd High Level Forum on Aid Effectiveness in Accra in Ghana in September 2008.

The second phase is planned to start in early 2009 and to be completed in time for the 4th High Level Forum in 2011.

As part of the first phase of the Evaluation a thematic study was conducted. The purpose of this thematic study is to assess the relationship between the recommendations of the PD and aid effectiveness and development effectiveness. DARA (Development Assistance Research Associates) based in Madrid, Spain was awarded the contract for the Thematic Study on the Paris Declaration, Aid Effectiveness and Development Effectiveness in January 2008. An international team was assembled to conduct this work drawing on DARA's own experts together with consultants of international standing in the field of development cooperation and evaluation. The team was led by Professor Elliot Stern (of Lancaster University, UK) and included Marta Marañón (DARA), Daniela Ruegenberg (DARA), Nils-Sjard Schulz (FRIDE) and Nicolai Steen Nielsen (DARA). The team also counted on expert contributions by Dr. Laura Altinger; Professor Osvaldo Feinstein (Universidad Complutense de Madrid) was the project's senior adviser.

This study reviews the history and evolution of the PD; considers the plausibility of its assumptions; and building on these understandings the study suggests key elements of design and governance to be drawn upon in preparing for Phase 2 of the Evaluation of the Paris Declaration.



Velayuthan Sivagnanasothy



Niels Dabelstein

Co-chairs of the Reference and Management Groups

THEMATIC STUDY ON THE PARIS DECLARATION, AID EFFECTIVENESS AND DEVELOPMENT EFFECTIVENESS

Executive Summary

Introduction

As the Terms of Reference states 'The purpose of this thematic study is to serve as a primary document to frame Phase 2 of the evaluation by assessing the relationship between the recommendations of the PD and aid effectiveness and development effectiveness.' In order to fulfil the study brief an extensive body of research was required (see Annex 1 for the full Terms of Reference for this study). This reviewed the history and origins of the Paris Declaration; literatures on aid effectiveness; what is known about the contributions of aid to development; and the development process more generally.

DARA (Development Assistance Research Associates) based in Madrid, Spain was awarded the contract for the Thematic Study on the Paris Declaration, Aid Effectiveness and Development Effectiveness in January 2008. An international team was assembled to conduct this work drawing on DARA's own experts together with consultants of international standing in the field of development cooperation and evaluation. The team was led by Professor Elliot Stern (of Lancaster University, UK) and included Marta Marañón (DARA), Daniela Ruegenberg (DARA), Nils-Sjard Schulz (FRIDE) and Nicolai Steen Nielsen (DARA). The team also counted on expert contributions by Dr. Laura Altinger; Professor Osvaldo Feinstein (Universidad Complutense de Madrid) was the project's senior adviser.

A number of internal working papers were prepared as part of this study these included: (*From Washington to Paris – Development policy on its way to effectiveness and Deepening the Paris agenda* by Nils-Sjard Schultz; *Human rights, gender equality and democracy as aid effectiveness triggers* by Nils-Sjard Schulz; *A Review of the Economic Development Literature: a Background Paper for the Synthesis Report* by Laura Altinger; *Partner Countries and Donors* by Daniela Ruegenberg and Nicolai Steen Nielsen).

In addition a number of prominent experts made inputs at a workshop hosted by the ODI in London in June 2008. The attendees for this workshop included experts from Africa, Asia, Latin America, North America and Europe and brought to-

gether expertise from international organisations, civil society and universities. (See Annex 2 for list of attendees.)

1. Background

'The purpose of this thematic study is to serve as a primary document to frame Phase 2 of the evaluation by assessing the relationship between the recommendations of the PD and aid effectiveness and development effectiveness.' (Terms of Reference) It is a bridge between the Phase 1 evaluation focusing on implementation of the PD and the Phase 2 evaluation with its concerns for 'the linkages between aid effectiveness and development results'. The study has reviewed the history and evolution of the PD; considered the plausibility of its assumptions; and built on these understandings to present options for the design of the Phase 2 evaluation.

2. The Evolution of the Paris Declaration

The study began by reviewing the history of initiatives leading up to the endorsement of the PD in 2005. It documents the evolution of a consensus between the OECD/DAC, the World Bank and the IMF that was informed by new development thinking and new political realities. As the Cold War came to an end there was a recognition that relationships between donors and the recipients of aid (the aid relationship) needed to be reformed given the failures of 'structural adjustment policies' and policy conditionalities; pressures from developing countries for greater democracy and accountability; and questions about the effectiveness of aid – whether monies spent led to development results. New policy directions were reinforced by new ideas: about a broader notion of 'human' development no longer confined to economic growth; recognition of the pivotal role of the state and of policy making in development decisions; and the accountability of donors as well as the recipients of aid for development results.

This policy led consensus was constructed through a series of initiatives that began in 1996 and included 'Shaping the 21st Century' (OECD/DAC); the 'Comprehensive Development Framework'

(World Bank); Poverty Reduction Growth Facility/PRSP (IMF) and the Millennium Declaration (which followed on from nearly a decade of UN sponsored agenda setting conference on education, human rights, women's empowerment, children's rights, environment and social development) leading to the MDGs.

Many of the new ideas about the aid relationship that were central to the Paris Declaration were a 'reversal of the negatives' – recognising what was problematic and defining reform as a rejection of previous assumptions. Thus donor imposition of conditions on aid recipients had not worked therefore there had to be county ownership by these countries of their own priorities and plans; uncoordinated donor inputs imposed high transaction costs on aid recipients hence the need for greater coordination as well as consistency with the priorities of the recipients of aid; bypassing national treasuries had weakened budgeting and planning so channelling resources through national systems was seen as the solution; and the lack of accountability by donors for the consequences of their policies or decisions was to be replaced by mutual accountability with both donors and the recipients of aid responsible for achieving development results.

The 'reversal of the negatives' was the outcome of a practitioner and policy led learning process. The theoretical and empirical basis for this analysis was less strong –there are few reasons to believe that an analysis of what went wrong provides good guidance for how to get things right.

The specific conferences that led up to the Paris HLF in 2005 – in Monterey, Rome and Marrakech – were intensely political events. There were differences among donors but also strong demands from developing countries – both governments and civil society groups – for greater donor accountability and for consideration of broader issues shaping international development such as international trade and debt relief.

3. A 'new aid paradigm'

By 2005 there was a generally consistent understanding among international organisations about how aid and development should be understood and managed. In particular the 'new aid paradigm' assumed that:

- Donors and developing countries should cooperate in partnerships in which they each have defined roles and separate as well as joint responsibilities
- The 'results' of development are defined in terms of the MDGs – poverty reduction, the provision of basic needs in education and health, together with gender equality and environmental sustainability
- Economic policies and budgetary arrangements should be designed to support the end results of development such as poverty reduction and not seen themselves as the goals of development policy
- Developing countries take the lead in defining their own development priorities, formulating their policies and strengthening their institutions
- The state in addition to compensating for market failures is also responsible to ensure that citizens enjoy basic services, good governance, human rights and law and order
- Citizens and civil society more generally should be involved in the development process 'as appropriate'
- Aid is only one contributor to development and should mainly be regarded as a catalyst or facilitator rather than the main driving force
- Policy coherence is necessary for countries to ensure that all resources, policies and decisions reinforce each other
- Donors should support the priorities of developing countries and respect their partners national planning, administrative, analytic and management capacities
- Capacity strengthening is a prerequisite for country leadership
- Donors should ensure that their administrative and accountability procedures do not create too many burdens for the recipients of aid

Since the late 1980s the shifts in policy emphasis in particular among the main multi-lateral donors was substantial. For example:

- The State had now re-assumed a central position in the practice and discourse of development following an era in which states were to be by-passed and 'minimised' and development was to be delivered by markets. This perspective was only gradually reversed. A shift that was first argued in terms of market failure has been further consolidated by the growing commitment to country leadership. The State's centrality was further reinforced by increasingly concerns about the consequences of for citizens of countries where services break down and public order collapses; or in fractionated, 'failed' or post conflict situations.
- The policy conditionalities that characterised the era of Structural Adjustment first gave way to selectivity and more recently to a results focus. A results focus may still effectively involve conditionalities some in advance based on an assessment of leadership and capacity and some ex ante that may influence future funding or demand a commitment to learning lessons. These conditionalities in the early 21st Century place a stronger emphasis than hitherto on achieving development results.
- Whereas accountability demands were previously mainly directed at developing countries, current thinking also focuses on donors' policies and behaviour. This is evidenced by monitoring regimes attached to the MDGs and the Paris Declaration which even if weaker than some developing countries would wish represent a clear departure from earlier practice by targeting donor obligations and commitments. It is also reinforced by notions of mutual accountability which gives teeth to more general aspirations for partnership, compacts and collaboration.
- In the 1960's, 70s and through much of the 80s developed was identified with economic growth. There is now a

consensus that development – human development – also incorporates a reduction in poverty; basic needs such as health, education and shelter; and human rights and good governance. As a minimum this is captured in the MDGs even though for many the MDGs constitute a ‘floor’ rather than a ‘ceiling’ target.

- Whilst ODA remains key for many poorer countries in particular there is now a much broader view of how to resource development, including sources that derive from trade, foreign direct investment, and domestic tax and savings as well as aid. The limits of aid have also reinforced a new emphasis on policy coherence – how all policies can reinforce each other to promote or inhibit development.
- The aid and development debate has been heavily influenced by the performance culture of results based and performance management approaches that have been adopted by public service managers across industrialised countries. In place of general aspirations contemporary policies are much more likely to be specified in terms of time deadlines and targets. This is mirrored in evaluation practice which has followed a similar emphasis on impact assessment and performance.

4. Limits to the consensus

Despite undoubted shifts in perspective and the apparent growing consensus about the way in which aid and development should be organised, there are limits to how far the consensus stretches:

- This remains a consensus model mainly shaped by the main multilateral aid and development agencies (World Bank, IMF) with varying degrees of support from Donors and Partner Countries. (Although the OED/DAC requires consensus support is not always backed by equal degrees of enthusiasm). To that extent it is not clear that all those who endorsed the PD agree about its principles and commitments or share common understanding and interpretation of the PD.
- The model is mainly stated in procedural and operational terms. The explanatory power of the model in mainstream scientific terms is not strong.
- The balance and links between the economic and the social emphases of the development paradigm has not been resolved.
- Although policies (and often ‘good’ policies) are central to the model the PD is policy neutral and does not explicitly state which policies work best.
- The role and extent of participation by different stakeholders (citizens, civil society, the private sector) needed to help design and keep on track development processes is not clear.

Many of these areas that remain unclear or unresolved reflect the political nature of the Paris Declaration and the long process of alliance formation, knowledge transfer, negotiation and compromise that characterised its gestation over the decade or more that preceded the 2005 High Level Forum in Paris.

The distinctive history of the PD has implications for what kind of ‘evaluation object’ it is. The policy theory of the PD (how it is intended to work) expressed as a partnership based on the principles of ownership, harmonisation, alignment, management for development results and mutual accountability – is understood differently by some of the main actors which also affects differences in implementation.

Policy developments were supported by research commissioned and conducted by the main policy actors themselves. This research especially on aid effectiveness was drawn upon selectively to inform policy developments

5. Defining Aid and Development Effectiveness

The ToR requires that the study should ‘clarify the concept of aid effectiveness and development effectiveness’ and ‘develop a working definition of development effectiveness’.

The PD together with its Principles and Commitments has for many become the definition of aid effectiveness – it is self-referencing. The PD is also mainly expressed in terms of efficiency, especially through savings in transaction costs. The study tried to find a definition that was less self-referential and more focused on the management of aid and the targeting of objectives. On this basis it defined ‘aid effectiveness’ as: *‘Arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction.’*

A consideration of ‘development effectiveness’ leads to two possible definitions. The first is in terms of what development interventions achieve, i.e., *‘Development effectiveness is the achievement of sustainable development results related to MDGs that have country level impacts that have discernable effects on the lives of the poor.’*

The second definition focuses on processes, capacities and sustainability – with some similarities to ‘developmental state’ – i.e., *‘The capability of States and other development actors to transform societies in order to achieve positive and sustainable development outcomes for its citizens’*

These definitions are seen as complementary, and both feed-in to the evaluation design of the PD.

6. What research evidence says about PD assumptions?

There is a large and disparate body of research that tries to relate aid to development outcomes. The major part of the research literature focuses on how aid that encourages management, policy and institutional reforms can lead to sustainable development outcomes. Much of this research began in the World Bank, some of it linked to evaluation research and initially mainly concerned with economic growth rather than broader notions of development.

This study concludes that there is some evidence that aid when delivered in ways consistent with the PD (e.g. as in the CDF and General Budget Support) can improve the way aid is managed and delivered. The evidence is less convincing about whether changes in 'aid effectiveness' will lead to sustained reform in policy-making and governance. Existing evidence is also less clear-cut as to the likely efficiency gains or reductions in transaction costs likely to follow from PD implementation.

There is clear evidence that aid-funded interventions can improve public services for poor people but no clear evidence to confirm that PD like interventions lead to sustained improvements in basic services such as education and health let alone to income growth. It is noteworthy that positive examples of development results (such as occurred in East Asia) are often built on assumptions regarding governance and rights that are different from those of the PD. Governance appears to be important but not consistently so.

Case studies reviewed confirm that country ownership is often narrowly based. The PD does appear to have reinforced government ownership rather than a more inclusive form of ownership that include civil society, parliament and the private sector. In addition in many countries donor influence over government policy making and priority setting continues to be high.

One complicating factor is that the motives of donors can be strategic and commercial and not confined to development. Differences in objectives can be a barrier to harmonisation. This can be exacerbated when there are 'non-traditional' donors who mix aid, loans, foreign-direct investment and barter deals – and make few demands on governance reform. The diversification of 'aid scenarios' is likely to affect the success of the PD in some of these contexts.

Research on fragile states suggests that how these are defined is important. It is probably better to focus on 'dimensions of fragility' which many States experience to various degrees at different times rather than to assume that Fragile States all fall into a common – or even differentiated – categories. Most dimensions of fragility draw attention to 'up-stream' state-building processes – again only likely to be detectable in the medium to long-term.

7. Implications of research evidence for evaluation in Phase 2

Some of the most theoretically convincing research – that concerning aspects of State fragility and understandings of the role of institutions in development have yet to be empirically supported and is likely to be long-term – well beyond the time-span of the PD Phase 2 evaluation. In general research and evaluation suggest that the PD should be expected to have short-term, medium term and long term outcomes. Not all will be evident by 2011 and evaluation design and methods will need to be adapted to this.

Country specific dynamics appear to be important in understanding development results and aid effectiveness. These tend not to be clear from aggregate cross-country analyses. This suggests that the main unit of analysis should be PD endorsing countries and their implicated donors. A key part of such a focus should be how development actors (governments, civil society, donor agencies) define their priorities and use PD arrangement.

As the implementation of the PD appears to be contextualised and influenced by specific 'starting conditions' and histories it is likely to be highly varied. The interaction and sequencing of factors are likely to change over time, and 'two-way' causalities are possible. This adds to the diversity that may arise from differences in interpretation and the co-existence of many other local policies and international programmes. It is also consistent with Phase 1 evaluation findings. Simple 'logic models' will not be easily applied.

Research tends to confirm that targeted, sectoral interventions have a good record in bringing about improvements in basic needs – such as child and maternal health, HIV/AIDs programmes and primary education. This suggests interesting comparative possibilities in a Phase 2 evaluation between different strategies, delivered in similar settings in pursuit of common goals.

8. The PD as an evaluation object

On the basis of the analysis of the history of the PD and the overviews of research evidence, the nature of the PD as an evaluation object becomes clearer. It is summarised as follows:

- A complex multi-measure strategy with an often indirect influence in shaping and enabling many policy 'inputs' and 'outputs' and areas of unclarity about how these inputs and outputs are linked together
- Open to different interpretations and patterns of implementation reflecting both the priorities of actors and the contexts (prior conditions and histories) of the specific countries involved
- Located in highly diverse settings (e.g. including different income levels, policy regimes and many types of State 'fragility') such that different results can be expected from apparently similar inputs
- A 'developmental' initiative insofar as it can be expected to evolve over time as learning occurs, new capacities are acquired and adaptations are made to changing circumstance – both by the recipients of aid and by donor countries
- Having short-term and long term goals concerning poverty reduction and broader development results as in the MDGs, but with the linkages between these various goals not always evident or fully understood and some goals only defined once implementation has begun
- Some of the PD's most important goals relate to the fundamentals of governance and institutional development

which are necessarily long-term and will be difficult to detect even as tendencies before 2011

- It combines and recombines policy initiatives regarding aid that have been around for many years and are present in many other initiatives – PRSP, CDF, GBS, HIPC etc – such that a starting date, or a before and after comparison is not straightforward
- At a country level the PD is embedded in other economic and social policies that are likely to significantly determine its success given that aid constitutes only a small proportion of the resources for or the decisions about development
- The wider international context – of international trade and politics; commodity prices; migration patterns; and economic cycles – will also shape PD results and in particular new development actors and donors in a variety of ‘aid scenarios’ will be influential

9. A ‘policy model’, propositions and mechanisms for PD evaluation

On this basis a detailed ‘policy model’ for the PD is elaborated. This is distinguished from a traditional logic model: it is not linear and many influences are multi-directional; and it assumes the PD is ‘generative’ – likely to change over time as development partners, learn, adjust their policies and (hopefully) increase their capacities. The model explicitly builds on contemporary ideas of complexity in evaluation theory and practice.

The ‘policy model’ focuses on results that are both ‘in-country’; and those that affect donors. The study concludes that it is important that donor ‘policy learning’ should be an explicit focus for the Phase 2 Evaluation.

The model is elaborated by a set of 21 ‘propositions’ (understood as a form of hypothesis) that have been derived from reviews of research evidence. The ‘propositions’ are organised under five main headings:

- Country Ownership and Poverty Reduction
- Donor Harmonisation and Alignment
- Contribution to Wider Development Goals
- Improving Governance and Reducing Fragility
- Capacity Development and Mutual Accountability

These propositions, together with an associated set of ‘mechanisms’, should enable Phase 2 evaluators to ‘open the black box’ and assess the contribution of the PD to aid effectiveness and development results.

10. Evaluation questions

Three main sets of evaluation questions are identified:

- **The first** set of questions concern the extent to which the PD principles and commitments have been taken on board, adapted and contextualised by partnerships.
- **The second** set of questions concern how the actors use PD partnership arrangements (opportunities for policy dialogue, planning, new aid modalities, problem solving, joint review) to pursue their own development objectives

and to what effect.

- **The third** set of questions concern the extent to which the PD can be said to be the most appropriate policy or strategy to achieve poverty reduction and broader development results.

A number of evaluation approaches are suggested to deal with the problem of how to capture long term results in the shorter term (i.e. by 2011). The general approach suggested is one that uses some variety of a ‘causal model’ such as a theory-based approach to evaluation within a ‘realist’ framework – i.e. one that examines mechanisms in context. The possibility is also raised of focused follow-up evaluation activities after 2011 in order to track longer-term outcomes and impacts.

11. Evaluation Governance and Architecture

The evaluation design recognises the importance of governance when there are disparities of power and stakeholders will need to be convinced that commitment to an evaluation is worthwhile. A multi-tier approach to governance is proposed at international and country-level and with a regional level to encourage exchange of information, good practice and learning. A regional forum or resource centre could also help support evaluation capacity building within regions with strong but not yet well-established regional evaluation infrastructures such as professional evaluation associations and research institutes.

The basic units of the evaluation architecture are:

- A ‘*central team*’, responsible for both overall design and coherence; and for cross-cutting activities, and a
- ‘*Partnership teams*’ that will be responsible for undertaking work in developing countries

Both the central and partnership teams should be chosen through open tender with the central team set up approximately 6-8 months in advance of ‘partnership teams’ and involved as one party together with partnership-based stakeholders in the selection process for these teams.

12. Evaluation Tasks

The following main evaluation tasks are proposed:

- Preparatory analyses. This will involve the construction of typologies and sampling frames that will allow for a purposive selection of which countries and partnerships should be included in the evaluation.
- Evidence reviews. These will bring together existing evidence from evaluations, research and monitoring systems (e.g. PD, MDG, WDI etc) in support of evaluation design.
- Detailed evaluation design. This will include the specification of studies needed to answer the main evaluation questions, including their methods and outputs, data requirements, sampling and reporting.
- Country-based Partnership studies. These will address the main evaluation questions and be reported on in a format that allows synthesis and meta-analysis.

- Thematic and cross-cutting studies. These will cut across countries and be approved by the Reference Group and proposed by the Central team. Examples might include: backward tracking of success in relation to PD-like initiatives; studies of donor harmonisation; sustainability strategies; civil society roles etc.
- Synthesis reporting. Bringing together country-based reports and other thematic and cross cutting studies to draw together general lessons.
- Systematic feedback and quality assurance. There need to be regular contact and exchange especially between the central team and partnership teams to ensure consistency and quality of outputs.
- Dissemination. A systematic dissemination programme should be planned to encourage awareness, the exchange of good practice and lesson-learning.

13. Divisions of responsibility

The way that these tasks are divided between the central and partnership teams are outlined. It is suggested that the Central team should be commissioned well in advance of the 'partnership' teams and be involved in their selection. It is also suggested that the two levels should maintain close contact throughout the evaluation to ensure coherence and comparability.

Table of Contents

CHAPTER ONE THE EVOLUTION OF THE PARIS DECLARATION	1
1.1 INTRODUCTION	1
1.2 THE PARIS DECLARATION IN HISTORICAL CONTEXT	1
1.2.1 An evolving consensus.....	1
1.2.2 Reversing the Negatives	2
1.2.3 Underpinnings of the ‘New Aid Paradigm’	3
1.3 POLICY DEVELOPMENT LEADING TO PARIS.....	5
1.3.1 OECD/DAC Shaping the 21st Century	5
1.3.2 Assessing Aid: World Bank 1998.....	6
1.3.3 Comprehensive Development Framework (CDF) World Bank 1999 onwards.....	7
1.3.4 Poverty Reduction Growth Facility/Poverty Reduction Strategy Papers	8
1.3.5 Millennium Development Goals.....	9
1.3.6 The Monterrey Consensus.....	10
1.3.7 The Rome Declaration	10
1.3.8 The Joint Marrakech Memorandum	11
1.4 THE NEW AID PARADIGM AND THE LOGIC OF THE PARIS DECLARATION.....	11
1.4.1 The Paris Declaration Model.....	11
1.4.2 Transposing the model into the Paris Declaration’s Principles	13
1.5 THE POLICY THEORIES AND ASSUMPTIONS OF THE PARIS DECLARATION	14
1.5.1 The Nature and Limits of ‘Policy Theory’.....	14
1.5.2 An Initial Policy Theory for the Paris Declaration	14
1.5.3 Understandings of the Paris Declaration: Alternative Metaphors	15
1.5.4 Policy Theory Assumptions.....	16
1.6 CONCLUSIONS	17
CHAPTER TWO PARIS DECLARATION LINKS WITH AID EFFECTIVENESS AND DEVELOPMENT EFFECTIVENESS	19
2.1 INTRODUCTION	19
2.2 DEFINING ‘AID EFFECTIVENESS’ AND ‘DEVELOPMENT EFFECTIVENESS’	19
2.2.1 Defining ‘aid effectiveness’.....	19
2.2.2 Defining ‘Development Effectiveness’	20
2.3 WHAT IS KNOWN ABOUT AID, DEVELOPMENT AND POVERTY REDUCTION?	21
2.3.1 Pathways to Development and Poverty Reduction	21
2.3.2 Do Aid Policies Influence Governance?.....	22
2.3.3 From ‘Governance’ to Poverty Reduction	26
A. Policy initiatives related to the PD	27
B. Aid –Effectiveness Literatures.....	28
C. Governance and institutions.....	29
D. The PD and Fragile States.....	31
2.3.4 Direct Links between Aid and Development Outcomes	35
2.4 CONCLUSIONS	35
CHAPTER THREE THE EVALUATION OF THE OUTCOMES AND IMPACTS OF THE PARIS DECLARATION	39
3.1 INTRODUCTION	39
3.2 EVALUATION ARCHITECTURE AND GOVERNANCE.....	39
3.2.1 Evaluation governance.....	40
3.2.2 Evaluation Architecture.....	41
3.3 EVALUATION DESIGN	41
3.3.1 Characteristics of the PD.....	41
3.4 A ‘POLICY MODEL’ FOR EVALUATION PURPOSES	43
3.5 INDICATIVE ‘PROPOSITIONS’.....	46
3.6 EVALUATION PURPOSES, QUESTIONS AND METHODS	48

3.6.1 Evaluation purposes.....	48
3.6.2 Evaluation Questions	48
3.6.3 Consequences for Evaluation Approach and Methods.....	49
3.7 OUTLINE OF EVALUATION TASKS.....	51
3.7.1 The Central team.....	51
3.7.2 Partnership teams	52
3.7.3 A note on evaluation timing	52
ANNEX 1 PARIS DECLARATION EVALUATION TERMS OF REFERENCE.....	53
ANNEX 2 LIST OF ATTENDEES AT WORKSHOP, 10 JUNE 2008	56

CHAPTER ONE

The Evolution of the Paris Declaration¹

1.1 INTRODUCTION

Introduction

The Terms of Reference for this study state that:

- 'The PD is the practical embodiment of the findings of two decades of research and evaluation findings from practical work on aid effectiveness';

It requires that one of the elements of the study should be:

- 'a discussion of the evolution of the concepts and relationships from earlier official texts, notably including the official documents from Monterrey (2002), Rome (2003) and Marrakech (2004) as well as previous relevant work on aid coordination and aid effectiveness by the DAC, UNDP, and World Bank.'

This 'element' of the study can be seen as contributing to at least two of the study's six objectives:

- To present the rationale of the core principles of the PD in a clear and straightforward manner

And to:

- Assess the validity or plausibility of the underpinnings of the PD and its different partnership principles

The ToR also notes that:

'...the programme theory or set of hypotheses that give the PD its logic has not yet been fully articulated. The overall purpose of these ToRs is to call for the articulation of this logic.'

Furthermore the study is required to present 'key concepts and causal relationships in the PD' based on earlier official texts, such as the policy statements from the main conferences that preceded the Paris Declaration in 2002, 2003 and 2004, as well as from earlier official documentation.

¹ This chapter builds on a paper commissioned as part of this research by Nils-Sjard Schulz entitled: From Washington to Paris: Development policy on its way to effectiveness.

Chapter One of this report addresses causal relationships and program theory in the narrow sense. Program theory is understood as the official theory of the policy actors involved. This distinguishes program theory from a broader understanding of causal relationships that can be derived from research literature and other empirical studies by practitioners.

It should also begin to specify the characteristics of the PD as an 'object' of evaluation: to begin to answer the question 'how are we to understand the PD in ways that can inform its evaluability?'

These requirements point to a number of specific questions which this chapter tries to answer:

- How far is it true to assert that: 'The PD is the practical embodiment of the findings of two decades of research and evaluation findings from practical work on aid effectiveness?'
- How have the PD's main concepts evolved when compared with its precursors – previous declarations, texts and policy initiatives?
- What kind of 'object' is the PD? – a necessary question to answer in order to design an evaluation.

This chapter is in four parts; these are:

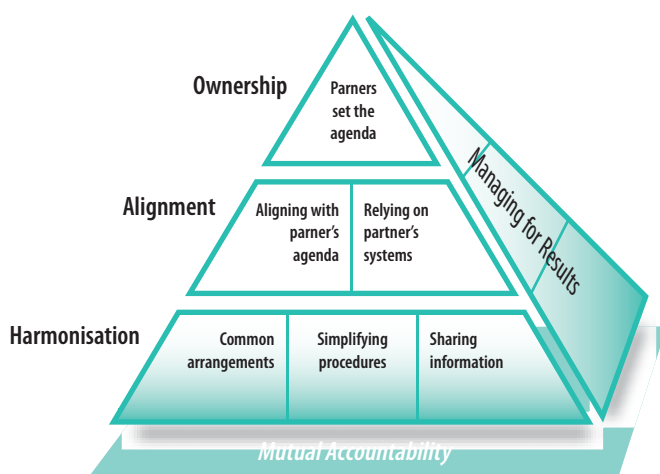
- The Paris Declaration in Historical Context
- Development Leading to Paris
- The new aid paradigm and the logic of the Paris Declaration
- The policy theories and assumptions of the Paris Declaration

1.2 THE PARIS DECLARATION IN HISTORICAL CONTEXT

1.2.1 An evolving consensus

The Paris Declaration was endorsed in 1995 by 52 countries

and 30 other actors in the development cooperation field (UN and other multi-lateral agencies – NGOs also attended the High Level Forum although they were not PD signatories). The Declaration consists of 56 Partnership Commitments under the 5 overarching ‘principles’ of ownership, alignment, harmonisation, managing for development results and mutual accountability. The OECD ‘pyramid’ that represents these Principles and Commitments is reproduced below, highlights a number of the Paris Declaration characteristics: the primacy of Ownership which is placed at the apex of the pyramid; the duality of Alignment, involving as it does both donor alignment with partners’ agendas *and* reliance on partners’ systems; the multi-faceted nature of Harmonisation; and the cross-cutting nature of both Managing for Development Results and Mutual Accountability. It is also generally understood that whilst ownership as a principle is solely the responsibility of developing countries, all of the other principles are to varying degrees joint responsibilities of both donors and developing countries.



It is widely understood that the Paris Declaration has its roots in a gradually evolving consensus about how aid should be delivered and the responsibilities of both the donors and the recipients of aid. Commonly the roots of the Paris Declaration are traced back to the early and mid-1990s – however many of the ideas and aspirations of the Paris Declaration can be traced back much further.

Thus, the *Commission on International Development* chaired by Lester Pearson, set up at the initiative of the then World Bank President George Woods in 1967 already prefigured in its report many of the principles and commitments of the Paris Declaration. For example:

- The Commission takes *partnership* for granted both in the report title of its report (*Partners in Development*), and its recommended strategy of the establishment of ‘a better partnership’ and ‘a sustained cooperative relationship between rich and poor’. It also anticipates notions such as ownership, mutual accountability and results-based management.

- With regard to *ownership* the report states: ‘...it is realized that development must come from within, and that no foreign help will suffice where there is no national will to make the fundamental changes which are needed’; and that: ‘The formation and execution of development policies must ultimately be the responsibility of the recipient alone...’
- The main rationale for *harmonisation*, in terms of a reduction in transaction costs features in the Commission’s report: ‘To provide and make effective use of aid has proved to be a difficult administrative task. Cumbersome procedures on both sides often hamper its constructive use.’
- Mutual accountability is anticipated: ‘...donors and aid-receivers jointly review the past and plan for the future’ and the ‘extension of joint review procedures’ is advocated
- Management for development results is also anticipated, as when it is argued that: ‘increases in development aid should in the future be closely linked to the economic objectives and the development performance of the aid-receivers’

There are many other anticipations of the Paris Declaration in the Commission’s report which argues that:

- ‘Recipients ... should be entitled to a prompt and reasonably steady aid flow at the level agreed...’
- There should be ‘a sequence of steps leading to progressive untying [of aid]’;
- There must be links between aid and economic performance, supported by ‘dialogue on objectives and performance’ between donors and developing countries.

1.2.2 Reversing the Negatives

Despite these recommendations, aid and development policies in the 1970s and 80s were steered by very different principles. Following the oil-price shock of the 1970s, structural adjustment policies were implemented by the IMF and the World Bank with greater vigour than hitherto, in the face of more severe problems of debt and inflation in sub-Saharan Africa and Latin America. Whilst loans and financial support had always had conditions attached, the ‘conditionalities’ in this period were more stringent. They sought to achieve macro-economic stability by lowering debt, reducing inflation and balancing a country’s balance of payments at a time when inflation was high and budgets were out of balance. This usually involved cutting back on public expenditure e.g. by reducing State services and subsidies; and opening up economies to international trade and investment. This commonly led to the privatisation of state enterprises, reduction in basic free services such as healthcare and primary education; and the dismantling of centralised State planning systems. It has been argued that as a consequence of cutbacks in the scope of State activity, aid necessarily became more decentralised, involving many more separate projects and associated scrutiny and control procedures.

Reversing the Negatives: From the Old to the New Aid Paradigm		
<i>'Old' aid paradigm</i>	<i>'New' aid paradigm</i>	<i>PD Principles</i>
Donors prioritise and impose priorities on aid recipients	Country ownership of their own priorities and plans	Ownership
Donor priorities uncoordinated imposing high transaction costs on aid recipients	Greater coordination and consistency with country priorities	Harmonisation and Alignment
Parallel implementation systems weakened national planning, budgeting and implementation; process rather than results focus	Resources channelled through governments own budgetary and planning systems with a results focus	Alignment and Managing for Development Results
Accountability was 'outwards' with limited accountability by donors for the consequence of their policies or decisions	Both donors and the recipients of aid are responsible and accountable	Mutual Accountability

This was the period of the so-called Washington Consensus², shorthand for the advice and conditions required by the Bretton Woods institutions and the US government, all based in Washington, in return for financial support.

By the early 1990s these policies came to be widely regarded as ineffective and sometimes counterproductive. Setting policy conditions in return for aid did not appear to be an effective way to change policies; nor in sub-Saharan Africa especially was poverty being eliminated, debt being reduced or more rapid economic growth being achieved as a result of these.

The negative consequences of the dominant aid paradigm have been summarised as follows:

- '...for countries with large numbers of aid projects and a multitude of donors, each with their own reporting schedules and accounting requirements, the transaction costs of delivering aid through projects were becoming unacceptably high.
- The ability of donors to force their priorities upon governments and to tie procurement to their own country contractors was leading to inefficient spending.
- The problems in meeting the disbursement conditions and implementation requirements of different projects were leading to great unpredictability in funding levels.
- The extensive reliance on parallel, non-government project management structures and special staffing arrangements was seriously undermining the effectiveness of government systems, with negative effects right across government.
- Finally, the use of donor-specific mechanisms of account-

² It is worth acknowledging that John Williamson who coined the term, derived it from Latin American experience in the 1980s rather than from Washington based policy statements – even though much of this experience was shaped by IMF, World Bank and US Treasury requirements and their consequences in Latin America.

ability was corroding the normal structures of democratic accountability' (Lawson and Booth³ 2004)

The World Bank itself in the CDF Evaluation Synthesis Report noted that:

'After a decade and a half of structural adjustment, there seemed to be too few positive and sustainable results, especially in Sub-Saharan Africa'

The reaction to the perceived failings of the existing aid paradigm to address extreme poverty and promote development was expressed as a series of negatives that need to be reversed. These are summarised in the table below.

This 'reversal of the negatives' is often described as the result of a 'learning process' and it certainly followed from much heart-searching by practitioners and policy makers as well as research into the problems encountered (as discussed below). However the theoretical basis for the analysis of difficulties was less strong. There were a few explanations of the problems reported – most reviews were descriptive often at high level of generality involving statistical comparisons of country outcomes. Most importantly in analytic terms a theory of what went wrong does not necessarily tell us how to get things right! There were nonetheless other contextual factors supporting the changes in aid practice among the main donors from the early 90s onwards – some of which included normative theories about how development and public policy should be conducted.

1.2.3 Underpinnings of the 'New Aid Paradigm'

The emergence of the 'new aid paradigm', a term used and largely owned by the World Bank, OECD/DAC and the IMF, was partly the result of negative experiences, and also reinforced by other changes, which were variously:

³ Evaluation Framework for General Budget Support: Joint Evaluation for general Budget Support

- geo-political, many of them associated with the end of the Cold War;
- shifts in core ideas and values; and
- research findings often critical of aid effectiveness

A. Geopolitical Changes

These geo-political changes included some that were associated with the end of the cold war and others that reflected a much broader range of issues. For example:

- Proponents of aid saw a need to bolster and re-legitimise donor commitments at a time (the mid-90s) when many were reducing their contributions to ODA in face of the 'aid fatigue' (diminishing public support)
- Donors as well as developing countries were seeking ways of overcoming the debt crisis, which was to open the way for the IMF's HIPC (Heavily Indebted Poor Countries) initiative of 1996
- Reconstructing relationships between donors and partner countries that had been undermined both by tensions inherent in conditionality-based policies, and uncertainties about future volumes and continuities of aid
- The ending of the cold-war which opened up considerations that were no longer largely shaped by strategic considerations – such as which countries to favour with aid
- A re-discovery of the potential contribution of the State to development after an era especially in the 1980s when in the US in particular hostility to government was accompanied by an optimistic belief in the capacity of markets to deliver services and more effectively.

Partnership rather than confrontation became a common way of discussing the relations between donors and the recipients of aid.

B. The Emergence of New Ideas

New ideas were also coming to fore at this time. Three of the most important for new thinking about aid were:

- The rise of the public sector reform movement
- A broadening understanding of what is meant by 'development'
- New demands for democratic accountability and self-determination in developing countries

Public sector reform The rise of the 'public sector reform' movement – sometimes called the 'new public management' – among the more developed countries transformed hostility to the State that characterised the 1980s into a more nuanced view of improved (particularly more efficient) public sector organisation and public service delivery.

Many of these ideas were first disseminated across industrialised countries by the OECD, especially through its PUMA programme (see for example OECD (1993), "Public Management Occasional Papers, Regulatory Management and Reform Series No. 1", Regulatory Management and Reform: Current Concerns in OECD Countries). This shift in emphasis from the minimal state to the effective state was carried over to

developing countries and was well-captured in the World Bank's Annual Review of Development Effectiveness (ARDE) for 1997, entitled: *The State in a Changing World*. This report highlighted the problems faced by States in the post-Communist transition from central planning; the positive role of the state in the economic miracles of East Asia; and in arguments that anticipated many contemporary debates about so called fragile or failed states, acknowledged the crises that can occur when 'the state has failed to deliver even such fundamental public goods as property rights, roads, and basic health and education'.

The 1997 ARDE declares that: 'Development – economic, social, and sustainable – without an effective state is impossible. It is increasingly recognized that an effective state-not a minimal one – is central to economic and social development, but more as partner and facilitator than as director. States should work to complement markets, not replace them.'

Broadening understandings of development A broader understanding of development was spearheaded by the UN and supported by the ideas of scholars such as Amartya Sen that challenged a view of development confined to economic growth alone. Within Sen's 'capability' approach, development depends on the availability of basic supports to human life and an absence of oppression. It is these conditions that offer people choice and opportunity. Within this conception, the focus on human development was far broader than a focus solely on economic development and growth.

Development related to human needs such as life expectancy, literacy, social development and education, first appeared in a narrower form in UNDP's Human Development Index, developed in the early 1990s. However, the HDI framework was substantially extended during the 1990s, in a series of conferences on education (Jomtien) and children (New York) – both in 1990, environment (Rio de Janeiro, 1992), human rights (Vienna, 1993), population (Cairo, 1994), social development (Copenhagen, 1995) and women's 'empowerment' (Beijing, 1995). These UN-sponsored agenda-setting conferences provided a foundation for the goals selected by the OECD/DAC in *Shaping the 21st Century* (1996), which in addition to emphasising partnership, significantly anticipated the content of the Millennium Development Goals, endorsed in September 2000.

Ideas about development within a 'capability' view locate democratic participation – active participation and public debate – not only as a means towards achieving development but as a necessary and continuous process that is part of enjoying greater capability. This perspective has been less enthusiastically taken up by the main multilateral and bilateral donors but has continued to inform civil society activists. This partly explains some of the tensions between donors and civil society that surface at most development cooperation conferences and in the debates that follow new development initiatives.

Demands for democratic accountability The late 80's through to the mid 90s saw a growing demand for democratic accountability and associated resurgence of demands for self-determination from developing countries.

In Africa this was associated partly with a new generation of political leaders but also with the coming to maturity of a generation that took national independence for granted and were now seeking to extend democratic accountability. This is confirmed by Barro (1997)⁴ whose analysis based on research by Gastil and Associates suggests that democracy in Africa was at its highest overall level in 1960 (in the aftermath of independence) fell to a low point in late 1970s but then rose substantially⁵. He claims that 'democratization in Africa since 1989 has been substantial... ' (p55). In Latin America similar demands arose as a number of military dictatorships that had thrived in the 1970s and 80s began to weaken or enter periods of 'transition'.

Experts from developing countries have also pointed out⁶ that it would be wrong to conceive of new ideas and initiatives for aid and development as solely coming from donors or multi-lateral agencies. As staff from those agencies also acknowledge many of the initiatives that took place from the mid 1990s onwards were in response to pressures and demands from developing countries themselves.

C. Critical Research Findings on Aid-Effectiveness

The research literature on aid effectiveness is considered from the point of view of content in Chapter 2 of this report. However this research needs to be acknowledged as an important influence shaping policy in the decades before the Paris Declaration. Some of this research was academically rooted whilst some was conducted 'in-house' or sponsored by the main agencies involved with aid, in particular the World Bank. Critics such as Peter Bauer (*Dissent on Development 1971 and Equality, the Third World and Economic Delusion 1981*) Peter Boone (*Politics and the Effectiveness of Foreign Aid 1995*) had contributed to public debates and doubts about whether aid was capable of benefiting the poor given what Boone calls 'distortionary policies introduced by politicians'.

The link between policy or politics and aid was also the focus of the stream of work emanating from the highly influential research of Burnside and Dollar, themselves based at the World Bank and who relied on Boone's data-set in their own empirical work. David Dollar was the co-author with Lant Pritchard of the World Bank's *Assessing Aid* report (1998) that advocated 'selectivity' rather than conditionality – favouring

4 Barro, Robert J., (1997) *Determinants of Economic Growth*. MIT Press

5 '... the average of the democracy indicator in sub-Saharan Africa peaked at 0.58 in 1960 (twenty-six countries), then (for forty-three countries) fell to low points of 0.19 in 1977 and 0.18 in 1989 before rising to 0.38 in 1994'

6 Inputs to Consultative Workshop that took place at the ODI in London in June 2008. This point was highlighted in particular by Sulley Gariba.

countries with aid if they had 'sound' institutions and 'good' policies rather than trying to leverage change in policies through aid which had been shown not to work. Even in relation to major initiatives such as the Comprehensive Development Framework (launched in 1999), it is arguable that the research and evaluation associated with the initiative such as the 'multi-partner' evaluation of the CDF and associated research that cast its net far more widely (Ibrahim Elbadawi and John Randa's paper: *Assessing the Development Impact of CDF-like Experiences*) were probably as influential as the initiatives themselves.

As Chapter two emphasises many of the policy developments that preceded Paris Declaration can be seen as a dialogue and response around critical research and the efforts to accommodate criticism whilst still maintaining donor commitment to ODA.

1.3 POLICY DEVELOPMENT LEADING TO PARIS

The Paris Declaration was shaped by a process of policy development that despite earlier signposting mainly occurred between the mid 1990s and 2005. This section briefly describes the main policy initiatives of that period in terms of the underlying ideas they contain. It then goes on to identify the specific roots of the Paris Declaration 'principles' and the forms they took in these earlier policy initiatives.

The period from the mid-1990s right up to the High Level Forum in Paris in 2005, was a period of intense activity initiated by international organisations, in particular the World Bank, the UN and the OECD/DAC. This reflects a widespread awareness among multilateral as well as bilateral donors on the need to sustain support for development. The so called 'new aid paradigm' was the result of the efforts of these institutions. The policy development process was accompanied by mutual learning, cross-fertilisation and alliance formation among the main actors. The description of policy statements and initiatives that follows highlights this leadership, interdependence and mutual learning.

Figure 1 (see following page) summarises the main initiatives, starting from 1996.

1.3.1 OECD/DAC Shaping the 21st Century

The 'new aid paradigm' was articulated in some detail in the OECD's Development Assistance Committee reports and policy statements in the early to mid 1990s most coherently in: *Shaping the 21st Century: The Contribution of Development Cooperation*, 1996 although much was already anticipated in earlier statements (e.g. *Principles for Effective Aid*, 1991 and *Development Partnerships in the New Global Context*, 1995) and. These statements emphasised:

- That the aid relationship was a partnership between developing countries and donors

- Locally owned and led country development strategies
- The recipients responsibility for achieving development
- Democratic accountability, a strong civil society and commitment to human rights
- Combating poverty and a broad focus on human needs
- Coordination of aid 'in line with the strategies of our partner countries'
- Notions of accountability backed up by indicators and targets
- A focus on development results and 'results-oriented programming'
- The importance of coherence across many policies not only aid

The OECD/DAC report also contained the first comprehensive statement of the poverty related target and commitments – then known as the International Development Goals – that drew on the UN conferences of the early 1990s and became the basis of the Millennium Development Goals of 2000.

INTERNATIONAL DEVELOPMENT GOALS AS STATED IN SHAPING THE 21ST CENTURY

1. Economic well-being: The proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015.
2. Social development: There should be substantial progress in primary education, gender equality, basic health care and family planning, as follows:
 - a) There should be universal primary education in all countries by 2015.
 - b) Progress toward gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005.
 - c) The death rate for infants and children under the age of five years should be reduced in each developing country by two-thirds the 1990 level by 2015.
 - d) The rate of maternal mortality should be reduced by three-fourths during this same period. Access should be available through the primary health-care system to reproductive health services for all individuals of appropriate ages, including safe and reliable family planning methods, as soon as possible and no later than the year 2015.
3. Environmental sustainability and regeneration: There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources – forests, fisheries, fresh water, climate, soils, biodiversity, stratospheric ozone, the accumulation of hazardous substances and other major indicators – are effectively reversed at both global and national levels by 2015.

Whilst for the major multilateral and bilateral organisations Shaping the 21st Century became a foundation document for aid prioritisation and implementation for others, including developing countries and Northern NGOs, it became a continuing subject of politics and opposition, often because of the perceived vagueness of these goals and the lack of emphasis on other policies that impacted on growth and poverty reduction, such as structural adjustment and trade policies.

Many policy roots of the Paris Declaration can be found in OECD/DAC texts of the early to mid-1990s...

Development Partnerships in the New Global Context, 1995 already identifies as 'strategies for success':

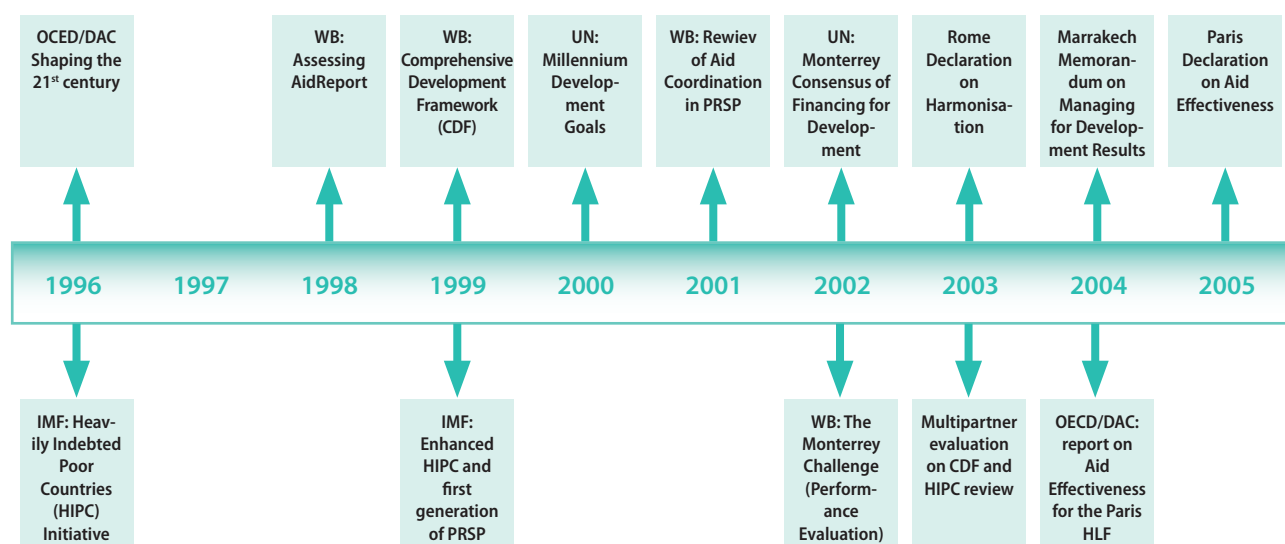
- Investment in social development, especially education, primary health care, and population activities
- Enhanced participation of all people, and notably women in economic and political life, and the reduction of social inequalities
- Good governance and public management, democratic accountability, the protection of human rights and the rule of law
- Sustainable environmental practices
- Addressing root causes of potential conflict, limiting military expenditure, and targeting reconstruction and peace-building efforts toward longer-term reconciliation and development.

Shaping the 21st Century: The Contribution of Development Cooperation, 1996 defines as a 'basic principle':

'.. locally-owned country development strategies and targets should emerge from an open and collaborative dialogue by local authorities with civil society and with external partners about their shared objectives and their respective contributions to the common enterprise. Each donor's programmes and activities should then operate within the framework of that locally-owned strategy in ways that respect and encourage strong local commitment, participation, capacity development and ownership.'

1.3.2 Assessing Aid: World Bank 1998

This report was in part a response to criticisms of policy conditionality regimes and to research findings that highlighted the barriers created by what Peter Boone (1995) called 'distortionary policies introduced by politicians'. David Dollar whose research from within the World Bank had already argued that aid was only effective when policies were good and institutions were sound (Burnside and Dollar 1997) was the co-author with Lant Pritchard of the Assessing Aid report. This 'policy research' report argued that:



- Aid was not simply a means of injecting capital into poor countries but should be understood as a catalyst for policy and institutional development
- Partner countries were responsible for their own development hence the need for their own appropriate institutions and policies
- Aid should discriminate in favour of poor countries with good policies and sound institutions: selectivity was preferable to policy conditionality
- Basic services should be provided by the State when these could not be adequately delivered through the market
- There should be an active role for civil society both when the 'government is failing to provide supportive policies and effective services' but also more generally
- Development goals – those of the 'donor community, in consultation with developing country partners' were already cited as part of the new approach to aid.

Phases in Development Thinking

'...there have been three phases of development thinking. In the first, market failures were seen as pervasive and complete, and government as the only solution to all ills. In the second there was a brief period when government failure was seen as pervasive and complete, and markets (if not the solution) as the only hope. Today's third view-pragmatic but not ideologically satisfying – is that both markets and governments have pervasive failures but that these usually are not complete. This emphasizes that government should focus on areas where the problems in the absence of intervention are greatest-but government must have the capacity to improve the situation. "We need to recognize both the limits and strengths of markets, as well as the strengths, and limits, of government interventions aimed at correcting market failures" (Stiglitz 1989, p. 202).

The development strategy emerging from this view is two-pronged : put in place growth-enhancing, market-oriented policies (stable macroeconomic environment, effective law and order, trade liberalization, and so on) and ensure the provision of important public services that cannot be well and equitably supplied by private markets (infrastructure services and education, for instance).'

Assessing Aid World Bank 1998 (p 11)

Advocating selectivity was a major shift in thinking from existing practice and the principle of selectivity enshrined in the 1998 report continued to exert influence, some would argue even to this day. However the research-base for this report was widely criticised. At the same time more practical criticisms focussed on the commitment and capacity of governments to reform their institutions and choose 'good policies' were more influential (Hermes and Lensink 2001). These criticisms focused attention on country ownership – which became one of the core concepts of the Bank's CDF Comprehensive Development Framework initiative.

1.3.3 Comprehensive Development Framework (CDF) World Bank 1999 onwards

The CDF was intended to enhance development results whilst at the same time making aid more effective. At the time it was launched James Wolfensohn, in 1999, the then President of the World Bank explained that the CDF was a set of principles should be taken up to a greater or lesser extent by developing countries and donors. The CDF was not a specific initiative, but rather a continuing model of comprehensive and integrated development. Many of the principles were further refined as part of the CDF Evaluation (Towards Country-Led Development, Synthesis Report, World Bank 2003): it is a framework that has continued to be refined over the years.

The four main principles of the CDF are:

- *Development strategies should be comprehensive and holistic, and shaped by a long-term vision.* Past emphasis on short-term macroeconomic stabilization and balance of payment pressures overwhelmed longer-term structural and social considerations (such as expanding and improving education and health facilities, maintaining infrastructure, and training a new generation of public officials). Development frameworks should no longer focus only on short-term macroeconomic issues but should also embrace social and structural issues in a long-term vision for society.
- *Development performance should not be measured by inputs and outputs, but assessed by outcomes and impacts, by results on the ground.* The traditional emphasis on disbursement levels and project inputs has measured resource allocation and consumption. What really matters is impact on people and their needs.
- *Development goals and strategies should be “owned” by the country, based on broad citizen participation in shaping them.* While donor-driven aid delivered under structural adjustment was sometimes effective, in many cases painful and lengthy adjustment measures were eventually undone. When countries have greater say in shaping reforms, governments and their citizens will be more committed to seeing them through.
- *Recipient countries should lead aid management and coordination through stakeholder partnerships.* Donor-recipient relationships should be actively managed by the recipient country as a partnership and not dominated by donor preferences. Partnerships built on mutual trust and consultation can improve aid coordination and reduce the inefficiencies, asymmetrical power relationships, and tensions of donor-led aid initiatives.

The Comprehensive Development Framework included many of the principles and ideas that continue to dominate policy assumptions about aid today. For example:

- It emphasised country ownership much more strongly than earlier World Bank policy thinking – it also emphasised inclusive ownership linked to participatory structures and the active contribution of civil society
- It came closer to alignment with an emphasis on country led partnerships
- It focussed clearly on poverty reduction and human development as an explicit complement to macro-economic management ('the right hand side of the balance-sheet')
- It recognised the importance of knowledge management, the exchange of experience and learning from experience and among partners
- It was results focused and related results to the 'impact on people and their needs'

- It came to accept, especially as part of the CDF evaluation, that countries differed in their capacities and commitments – particularly so where there was social fragmentation, conflict and weak institutions
- It emphasised the need to adapt to country conditions and match actions to local circumstances: 'The CDF is essentially a process: it is not a blueprint to be applied to all countries in a uniform manner'
- Spoke the language of 'processes': the proposal referred to 'managing a process of development' and of the need for 'continuous dialogue' between partners
- Within partnership logic the CDF placed obligations on donors as well as developing countries – emphasising decentralisation to the field, long term assistance, results based management in aid agencies, closer coordination and reducing burdensome administration

Overall the CDF anticipated the Paris Declaration more closely than other preceding initiatives. Indeed this is acknowledged on the World Bank website.

CDF and the Paris Declaration

'The CDF principles are embedded deeply in the international development agenda. For example, implementing the Paris Declaration on Aid Effectiveness is tantamount to implementing the CDF, in that the Paris Declaration underscores a clear resolve to work towards similar goals: stronger country ownership of development policies, alignment of external partners' assistance, harmonization of procedures, managing for results and mutual accountability. The CDF is also consistent with the 2005 World Summit Outcome, which calls for the adoption, by 2006, and implementation of comprehensive national development strategies to achieve the internationally agreed development goals and objectives, including the Millennium Development Goals.'

World Bank website (accessed June 2008)

1.3.4 The IMF and World Bank Initiated Poverty Reduction Strategy Paper (PRSP) Process

The PRSP process - although not focused exclusively on aid (a range of country policies affecting poverty reduction are discussed) - has often also been considered as the CDF 'action plan.' It certainly incorporates many of the principles of the CDF whilst at the same time representing a new commitment to pro-poor funding focus within the IMF and the Bank, consistent with the international consensus around poverty reduction. The 'Poverty Reduction Growth Facility' (PRGF), focused on shorter-term economic stabilization objectives, and the Poverty Reduction Support Credit (PRSC), emphasising medium and longer term socio-economic objectives, are accessed by poorer countries. The two instruments are a form of low interest concessional funding aimed at accelerating poverty reduction. (It is also the basis for relief under the HIPC programme.)

PRSP processes are intended to be:

- *country-driven*, promoting national ownership of strategies through broad-based participation of civil society;
- *result-oriented* and focused on outcomes that will benefit the poor;
- *comprehensive* in recognizing the multidimensional nature of poverty;
- *partnership-oriented*, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and
- based on a long-term perspective for poverty reduction.

PRSPs are intended, without sacrificing financial stability to be flexible in terms of budgeting for policies that are 'pro-poor'; give prominence to issues of governance and building institutional capacity and have adopted a serious commitment to participation – of parliaments, civil society, the private sector and poor people themselves. To an extent conditionality is traded off against participation: when participation is strong conditions are less stringent. Poverty Reduction Strategies are seen by the IMF as offering a framework for mutual accountability between donors and developing countries. Although the PRSP process was launched in 1999, before the Millennium Development Goals, with successive reviews it became increasingly linked with achieving MDG priorities and targets.

1.3.5 Millennium Development Goals

Based substantially on the OECD's Shaping the 21st Century policy statement of 1996, the report a 'Better World for All: Progress towards the International Development Targets' was presented to United Nations General Assembly Special Session on the Social Summit in June 2000 as a joint document of the UN, OECD, World Bank and IMF. This report became the basis of Section III, 'Development and poverty eradication' of the United Nations Millennium Declaration, adopted by the UN General Assembly in September 2000.

The Millennium Declaration constituted a far broader statement than Shaping the 21st Century, which had been criticised for concentrating too narrowly in relation to poverty reduction goals. As Tomlinson (2005) noted, 'In fact, developing countries had no role in setting the goals in *Shaping the 21st Century*, and subsequently in assessing progress. Between 1996 and 2000, *Shaping the 21st Century* was strongly criticized by civil society. It was seen to be a deliberate attempt by developed country governments to avoid the more difficult structural issues of more equitable economic relationships and the urgent need for reform of global governance.'⁷ The Declaration on the other hand covered issues of: peace, security and disarmament; human rights, democracy and governance; protecting the vulnerable (e.g. in relation to humanitarian emergencies); and strengthening the UN.

⁷ The Politics of the Millennium Development Goals: Contributing to strategies for ending poverty? A policy background paper, Brian Tomlinson, Policy Team, Canadian Council for International Cooperation. A summary of the main arguments and conclusions.

The Global Challenge: Goals and Targets

For each goal one or more targets have been set, most for 2015, using 1990 as a benchmark

1. *Eradicate extreme poverty and hunger*
Target for 2015: Halve the proportion of people living on less than a dollar a day and those who suffer from hunger.
2. *Achieve universal primary education*
Target for 2015: Ensure that all boys and girls complete primary school.
3. *Promote gender equality and empower women*
Targets for 2005 and 2015: Eliminate gender disparities in primary and secondary education preferably by 2005, and at all levels by 2015.
4. *Reduce child mortality*
Target for 2015: Reduce by two thirds the mortality rate among children under five.
5. *Improve maternal health*
Target for 2015: Reduce by three-quarters the ratio of women dying in childbirth.
6. *Combat HIV/AIDS, malaria and other diseases*
Target for 2015: Halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases.
7. *Ensure environmental sustainability*
Targets:
 - Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
 - By 2015, reduce by half the proportion of people without access to safe drinking water.
 - By 2020 achieve significant improvement in the lives of at least 100 million slum-dwellers.
8. *Develop a global partnership for development*
Targets:
 - Develop further an open trading and financial system that includes a commitment to good governance, development and poverty reduction – nationally and internationally.
 - Address the least developed countries' special needs, and the special needs of landlocked and small-island developing States.
 - Deal comprehensively with developing countries' debt problems.
 - Develop decent and productive work for youth.
 - In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
 - In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies.

Nonetheless the focus of MDG implementation has concentrated on the seven initial goals identified by the OECD/DAC

in 1996 as well as the more general MDG8 added following the June 2000 summit. This was politically important as it put greater obligation on richer countries. The UN process of 2000/2001 strengthened previously identified goals in some areas, for example by attaching time bound targets to the previously less specific goals. Even in this regard, however, there were disagreements and compromises about how to specify targets between those, often from developing countries, who sought to express them in terms of numbers of people affected (e.g. by hunger or by poverty) and those who wished to express targets in terms of proportions of population affected – usually leading to lower numbers needed to demonstrate success.

The first seven of the MDGs are concerned with poverty and basic needs in the developing world, formulated by the General Assembly in terms of human rights. MDG 8 – on Global Partnership for Development – focussed more on the obligations of developed countries in terms of finance, trade, debt relief and providing access to technologies and pharmaceuticals. (This originally also included a goal, following Cairo on reproductive health. This was removed at the joint insistence of Iran the United States and the Vatican). The eight MDGs are operationalised by 21 quantifiable targets, measured by 60 separate indicators.

Although commonly presented as a consensus it is important to acknowledge the highly political nature of MDG formulation and decision-making. There were for example many developing countries that challenged the goals and targets set and the lack of focus on the policies of richer countries in relation to debt and trade – hence the importance of MDG8. Nonetheless from 2000 onwards the MDGs rapidly became accepted as the main reference point for development, aid and poverty reduction. It was the explicit goal for the specific gatherings and declarations that took place in Monterrey, Rome and Marrakech in the years that preceded the High Level Forum in Paris in 2005.

1.3.6 The Monterrey Consensus

The 2002 meeting of Government leaders and Heads of State in Monterrey in March 2002 was concerned with financing development. The process leading up to Monterrey was begun by the UN in 1997 in response to the Asian financial crisis of that time. The term Monterrey Consensus for the final Declaration was an explicit counterpoint to the Washington Consensus that had become identified (despite the intentions of its author John Williamson) with a neo-liberal development policy.

Although recognising the continued importance of ODA it took a broader view on financing for development, including for example domestic and international sources, trade, and sustainable debt financing. This was consistent with the position that aid was only one side of the development equation in the context of a multidimensional understanding of development that ultimately depended on the coordination and coherence of many policies, domestic and external. In these

terms aid was seen as a catalyst that could leverage additional finances in support of nationally owned development strategies (Sagasti, Bezanson & Prada 2005).

The conference was unusual in the range of stakeholders that it brought together, including not only the main International Financial Institutions and governments but also NGOs and private companies. The outputs of the Financing for Development conference concerned six main thematic areas:

- Mobilisation of domestic resources
- Foreign investments and other private capital flows
- Trade
- International financial and technical cooperation
- External debt
- Systemic issues: enhancing the coherence and consistency of international monetary, financial and trade systems.

It anticipated increases in ODA, support for Foreign Direct Investment, and the importance of good governance, democracy and human rights – as well as an effective domestic tax system and financial sectors in developing countries. The conference was to be followed by significant increases in commitments to ODA from both the EU and the US. The conference was widely regarded as a vital step towards ensuring finance for achievement of the Millennium Development Goals.

The final statement (the Consensus) reflected only those parts of the discussions that took place at the 2002 'Financing for Development' conference, where there was agreement⁸. As was the case for other initiatives, many conclusions followed hard fought debates and disagreements. Many strands in the conference discussions were not included in the final statement including broader critiques of globalisation; demand for changes in governance of International Financial Institutions; proposals for greater corporate accountability; and a tax on currency transactions (the CTT or Currency Transaction Tax). The minimal consensus at Monterrey left many issues on the table. However the Financing for Development conference reshaped the discourse around aid and development finance.

1.3.7 The Rome Declaration

The Rome Declaration on Harmonisation followed the High-Level Forum that took place in February 2003 and brought together the main development institutions, the IFIs and developing countries. Although couched in terms of development effectiveness, the Declaration was primarily concerned with the delivery of development assistance in ways that minimised administrative burdens and undermining of national planning and budgetary systems within developing countries. It agreed on a number of commitments including:

- Ensuring that development assistance is delivered in accordance with partner country priorities

⁸ Global Development Cooperation after Monterrey; Results and Perspectives from the Financing for Development Process, Jens Martens. World Economy, Ecology and Development (WEED), 2002.

- Reviewing the practices of donors to simplify and streamline their procedures – and adjusting incentives within aid agencies accordingly
- Implementing good practice standards for development assistance
- Working through delegated cooperation at country level including the use of country based staff
- Strengthening developing countries' own capacities in analytic work in order to encourage leadership and ownership
- Building on country led efforts to streamline donor procedures and practices
- Providing support through programmatic aid modalities (budget sector or balance of payments) 'when appropriate policy and fiduciary arrangements are in place'
- Harmonising approaches in global and regional programs
- That the focus should be on managing for, not by, results, thus maintaining a focus on desired outcomes and impacts
- That results information should be used for management learning and decision-making as well as for accountability purposes

A number of features of the Rome Declaration anticipated the content of the Paris Declaration. In particular:

- The Rome Declaration couched its commitment to development results in terms of MDGs and indeed acknowledges 'global work on monitoring and assessing the contribution of donor support to the achievement of the MDGs'. Although civil society is referred to in the Rome Declaration, this is in terms of engaging 'civil society including the private sector' within a 'country ownership and government leadership' framework.
- Harmonisation is strongly linked with country ownership and alignment with country priorities and systems; and with program based aid modalities – although the importance of 'appropriate policy and fiduciary arrangements' is also noted.
- Finally, the Rome Declaration includes aspects of mutual accountability in its commitment that donors will follow DAC good practice guidelines and apply indicators to monitor donor behaviour alongside accountability requirements placed on the recipients of aid.

1.3.8 The Joint Marrakech Memorandum

The Second International Roundtable on Managing for Development Results, sponsored by the heads of the main Multilateral Development Banks together with the OECD and attended by representatives of 50 countries, met in Marrakech in February 2004. The Memorandum signed by participants stated that for countries to be able to 'take the lead in managing their development and transitional processes' they 'need stronger capacity for strategic planning, accountable management statistics, monitoring and evaluation.'

Five core principles were affirmed by the Roundtable:

- That a dialogue on results for partner countries, development agencies and other stakeholders should take place at all stages from planning through to implementation
- That programming, monitoring and evaluation activities should be aligned with agreed expected results
- That result reporting systems should be simple, cost-effective and user friendly

Development outcomes and effectiveness feature prominently in the Marrakech Memorandum. Following the 'new aid paradigm' results are understood in terms of development outcomes – including the MDGs and other country goals – to be used to guide the development process. Whilst the core principles of the Memorandum concentrate on practical tools for managing for development results, this is linked with 'a coherent framework for development effectiveness'. The linkages between managing for development results and development effectiveness are not made explicit, but can be added from the potential positive impact of the availability of results information on policy decisions and, to a more limited extent, downward accountability. Aid effectiveness could be enhanced through the five core principles (dialogue on results, alignment to results, adequate reporting systems, focus on outcomes and results information). This in some ways anticipates the logic of the Paris Declaration insofar as aid effectiveness is directly linked with adherence to the core principles – just as aid effectiveness in the Paris Declaration is often expressed in terms of the PD's own principles.

Although ownership is linked to partner country accountability to citizens, participation was seen as a 'dialogue on results' between partner countries, development agencies and 'other stakeholders'. However in terms mutual accountability Marrakech was more innovative. It suggested that development agencies and recipients of development finance should be accountable both to each other for development results and to their respective constituencies. It was Marrakech that introduced the notion of 'downwards accountability' to citizens and parliaments.

1.4 THE NEW AID PARADIGM AND THE LOGIC OF THE PARIS DECLARATION

1.4.1 The Paris Declaration Model

By 2005 the various initiatives and policy statements of the previous decade could from the standpoint of the main multilateral development actors be said to have cohered into a generally consistent model of how aid and development can and should be understood and managed. The main building blocks of the model were that:

- Donors and developing countries should cooperate in partnerships in which they each have defined roles and separate as well as joint responsibilities
- The 'results' of development are defined in terms of the

MDGs – poverty reduction, the provision of basic needs in education and health, together with gender equality and environmental sustainability

- Economic policies and budgetary arrangements should be designed to support the end results of development such as poverty reduction and not seen themselves as the goals of development policy
- Developing countries take the lead in defining their own development priorities, formulating their policies and strengthening their institutions
- The state in addition to compensating for market failures is also responsible to ensure that citizens enjoy basic services, good governance, human rights and law and order
- Citizens and civil society more generally should be involved in the development process ‘as appropriate’
- Aid is only one contributor to development and should mainly be regarded as a catalyst or facilitator rather than the main driving force
- Policy coherence is necessary for countries to ensure that all resources, policies and decisions reinforce each other
- Donors should support the priorities of developing countries and respect their partners national planning, administrative, analytic and management capacities
- Capacity strengthening is a prerequisite for country leadership
- Donors should ensure that their administrative and accountability procedures do not create too many burdens for the recipients of aid

Since the late 1980s the shifts in policy emphasis in particular among the main multi-lateral donors was substantial. For example:

- The State had now re-assumed a central position in the practice and discourse of development following an era in which states were to be by-passed and ‘minimised’ and development was to be delivered by markets. This perspective was only gradually reversed. A shift that was first argued in terms of market failure has been further consolidated by the growing commitment to country leadership. The States centrality was further reinforced by increasingly concerns about the consequences of for citizens of countries where services break down and public order collapses; or in fractionated, ‘failed’ or post conflict situations.
- The policy conditionalities that characterised the era of Structural Adjustment first gave way to selectivity and more recently to a results focus. A results focus may still effectively involve conditionalities⁹ some in advance based on an assessment of leadership and capacity and some ex ante that may influence future funding or demand a commitment to learning lessons. These conditionalities in the early 21st Century place a stronger emphasis than hitherto on achieving development results.

⁹ See Ownership in Practice: Felix Zimmermann, Report of ‘Informal Experts Workshop’ September 2007 OECD Development Centre for a useful discussion of conditionality types (www.oecd.org/development/globalforum)

- Whereas accountability demands were previously mainly directed at developing countries, current thinking also focuses on donors’ policies and behaviour. This is evidenced by monitoring regimes attached to the MDGs and the Paris Declaration which even if weaker than some developing countries would wish represent a clear departure from earlier practice by targeting donor obligations and commitments. It is also reinforced by notions of mutual accountability which gives teeth to more general aspirations for partnership, compacts and collaboration.
- In the 1960’s, 70s and through much of the 80s developed was identified with economic growth. There is now a consensus that development – human development – also incorporates a reduction in poverty; basic needs such as health, education and shelter; and human rights and good governance. As a minimum this is captured in the MDGs even though for many the MDGs constitute a ‘floor’ rather than a ‘ceiling’ target.
- Whilst ODA remains key for many poorer countries in particular there is now a much broader view of how to resource development, including sources that derive from trade, foreign direct investment, and domestic tax and savings as well as aid. The limits of aid have also reinforced a new emphasis on policy coherence¹⁰ – how all policies can reinforce each other to promote or inhibit development.
- The aid and development debate has been heavily influenced by the performance culture of results based and performance management approaches that have been adopted by public service managers across industrialised countries. In place of general aspirations contemporary policies are much more likely to be specified in terms of time deadlines and targets. This is mirrored in evaluation practice which has followed a similar emphasis on impact assessment and performance.

Despite undoubted shifts in perspective and the apparent growing consensus about the way in which aid and development should be

- This remains a consensus model mainly shaped by the main multilateral aid and development agencies (World Bank, IMF) with varying degrees of support from Donors and Partner Countries. (Although the OED/DAC requires consensus support is not always backed by equal degrees of enthusiasm). To that extent it is not clear that all those who endorsed the PD agree about its principles and commitments or share common understanding and interpretation of the PD.
- The model is mainly stated in procedural and operational terms. The explanatory power of the model in mainstream scientific terms is not strong.
- The balance and links between the economic and the social emphases of the development paradigm has not been resolved.

¹⁰ Picciotto, R., (2005). The Evaluation of Policy Coherence for Development. *Evaluation*, Vol. 11, No. 3, 311-330 (2005)

- Although policies (and often 'good' policies) are central to the model the PD is policy neutral and does not explicitly state which policies work best.
- The role and extent of participation by different stakeholders (citizens, civil society, the private sector) needed to help design and keep on track development processes is not clear.

Many of these areas that remain unclear or unresolved reflect the political nature of the Paris Declaration and the long process of alliance formation, knowledge transfer, negotiation and compromise that characterised its gestation over the decade or more that preceded the 2005 High Level Forum in Paris. The extent to which the Paris Declaration is understood in the same way by all those implicated by it and the extent that it is both unambiguous and explicit about its main assumptions will become an important consideration when discussing how the PD should be evaluated (see Chapter Three of this report).

1.4.2 Transposing the model into the Paris Declaration's Principles

Each of the above elements of the 2005 model appears in at least one of the policy statements formulated in the ten years leading up to 2005 discussed earlier. They constitute the building blocks that the Paris Declaration combined within its five principles. This does not mean that the vision of development and aid that had emerged was entirely coherent and consistent. The brief summary of the PD principles that follow highlight the extent to which the PD has fully or partly incorporated the legacy of the preceding decade.

Ownership

The scope and inclusivity of ownership was not always consistent in the policy development process that led up to 2005. The OECD/DAC understanding of ownership in *Shaping the 21st century* was an inclusive one – appealing to democratic values, the participation of civil society and of parliaments in planning and delivering development aid. Whilst there was a similarly participatory flavour to the World Bank's CDF there was already a discernable shift in thinking to a more procedural logic – incorporating 'other stakeholders' into a process of planning through PRSPs. Paradoxically as development goals began to concentrate more on social provision, basic needs and poverty reduction, non-State actors began to be offered. Marrakech (which was about managing for results) located the role of citizens as part of a 'dialogue on results' between partner countries, development agencies and 'other stakeholders'. The Paris Declaration vision mainly equated ownership with government ownership. The PD does however suggest that government led 'national development strategies' and 'results oriented operational programmes' would need be based on an unspecified 'broad consultative process'.

Alignment

Alignment is a relatively new concept, first emerging as a correlate of ownership and further reinforced by drives for harmonisation. It was given greater focus by the PRSP initiative

and its emphasis on the need to align with 'local' approaches and systems. In *Shaping the 21st Century* the phrase 'propitious environment' was sufficient to describe institutional and governance criteria for effective aid. By the time of Monterrey with its broader vision of development finance and the engines of development; a shift towards sector and programme aid modalities and higher aid volumes; concerns for absorptive capacity and fiduciary risk – capacity building became more urgent and highly specified. (It is the principle most backed by indicators within the PD Monitoring system.)

Harmonisation

Uncoordinated donor approaches and the proliferation of delivery systems which overburden recipients' administrative capacities and increases transaction costs have been recognised as an issue for many years (indeed they appeared in the Commission on International Development's report in 1969). Initially this problem was seen in terms of aid coordination; however it was shaped as a concept by its proximity to both ownership and alignment. Thus the Monterey Consensus spoke of the importance of donor coordination that should take into account recipient ownership, the Rome Declaration anchored harmonisation in partner country priorities, and the coordination of results was also part of the Marrakech core principles on managing for development results. The DAC report leading to the Paris High Level Forum identified two possible causal dynamics. In the first ownership would create a development framework to which harmonised donors would align, and in the second harmonisation by leading to improvements in aid, especially reductions in transaction costs, could itself strengthen ownership. These two perspectives still continue to hold sway among some donors when differentiating their responses to different countries' circumstances – finding it easier to align when local capacity is relatively high.

Management for Development Results (MfDR)

Once the concept of development results, was broadened and systematised in the MDGs, it was inevitable that there would be growing questions as to how these results were to be achieved. This was especially important in periods of 'aid fatigue'. Promising results was partly a way of re-legitimising aid in the face of shortfalls in ODA and was further reinforced by the growing interest in funding that goes through national treasuries such as Sector Wide Approaches (SWAs) and General Budget Support (GBS). MfDR was also consistent with the zeitgeist of performance management and performance targets that was so much a feature of public management in the 1990s. However a results-orientation which appeared both in the DAC report of 1996 and in the CDF faced many difficulties. It implied donor control on reporting and monitoring systems, opening up the possibility of perverse incentives – a focus on indicators rather than on results, generating a risk-averse investment climate or conflicting with long-term planning. MfDR as a practice remained poorly focussed until the Marrakech agreement, which became the basis for the DAC report leading to the Paris High Level Memorandum. This emphasised that results as a feature of ownership, should

be integrated into all stages in the development cycle, whilst alignment should lead to results oriented strategies and harmonisation should support MfDR at country level.

Mutual Accountability

More than any other PD principles, Mutual Accountability, as its name implies, carries responsibilities for both donors and partner countries. Building on the CDF implementation, Mutual Accountability came to be seen as a way to improve the enforceability of donor commitments, leading to shifts in the 'inherent asymmetric donor-recipient relationships' (World Bank 2003b, p.vvii). Prior to the Paris High Level Forum, there were several operationalisations of Mutual Accountability, not all of which featured in the Paris Declaration. These included independent fora for validating donor performance; formally negotiated contractual frameworks with joint institutions and mechanisms to deal with breaches; evaluations to assess country-level performance; independent panel reviews; and measurement through an index of both donors and recipients behaviours, as well as the active inclusion of developing countries in the DAC peer reviews.

The Marrakech agreement gave prominence to downward accountability from developing countries to their own citizens and was taken up by the Paris High Level Forum report. It was not however seen as an independent principle, but was made up of three dimensions: downward accountability of partner governments and donors to citizens; donor commitments to improving aid predictability within an assessment framework that covered their own performance; and developing countries' responsibility to involve citizens, civil society and parliaments in all key stages of development strategy, budget process and medium term expenditure framework (MTEF). Mutual Accountability emerged as a fully fledged principle quite late in the process leading up the Paris, party in response to inputs and pressure from civil society in early 2005. It did so in a rather pragmatic and process-oriented way, avoiding some of the ideas of contracting and independent assessment that had featured in earlier discussions. Partner Countries were to 'strengthen as appropriate the parliamentary role' and Donors were to provide information to aid transparency. Mutual Accountability became more a re-expression of partnership (between donors and Partner countries) and one way of operationalising some of the machinery often implicit in the Paris Declaration such as joint review and problem solving.

1.5 THE POLICY THEORIES AND ASSUMPTIONS OF THE PARIS DECLARATION

1.5.1 The Nature and Limits of 'Policy Theory'

There is a distinction to be drawn between the assumptions and theories of policy-makers and scientific theory supported by evidence. Policy (or programme theory) is usually normative or value-based. It starts from the beliefs, priorities,

values and ideologies of human actors, whether individual or institutional. There is an extent to which theories of actors – those that are believed in and acted on by human actors – are also in part theoretical in a scientific sense¹¹. In a social world of human actions the intentions of actors (actions based on reasons) constitute one source of causality. It is nonetheless only a part of an explanation, because human actions also interact with structures not in the control of human agents.

In these terms it is useful to formulate the policy theory (or theory of action) embodied in the Paris Declaration and treat the earlier discussion of the history and evolution of the Declaration both as a commentary on the reasons that lie behind the PD 'commitments' and as source material for an initial checklist of assumptions that are necessary for the policy theory to hold true.

1.5.2 An Initial Policy Theory for the Paris Declaration

What follows is an initial statement of policy theory subject to revision as the scope of this 'thematic study' extends beyond starting intentions and formal policy texts in later chapters of this report:

The aid-relationship is to be understood as a partnership with both Donors and Partner Countries jointly committed to achieving development results and alleviating poverty.

In this partnership framework, aid when transferred to the governments of partner countries through national budgets provided these governments have made plans to address poverty and basic needs in consultation with all relevant stakeholders, is more likely to be used efficiently and effectively. The extent to which this will happen is subject to two main sets of conditions:

- First Partner Countries need sound institutions (capable bureaucracies, budgetary systems, analytic capacity and data availability); institutions that set equitable rules of the game; good policies (those that are likely to promote development); and good governance (governments that are supported by their own citizens, avoid corruption, and maintain the rule of law and human rights).
- Second donors must be willing to follow Partner Countries priorities (rather than their own) and do so jointly without 'flag-waving' or pursuing national strategic objectives or commercial interests; and ensure that the administrative burdens and accountability demands are harmonised and aligned so as not to create high transaction costs for Partner Countries or otherwise divert government efforts disproportionately.

¹¹ Donald Davidson. *Actors Reasons and Causes*. *Journal of Philosophy*, 60 1963; Mark Risjord. *Reasons, Causes, and Action Explanation Philosophy of the Social Sciences*, Vol. 35, No. 3 2005.

In the absence of the first set of conditions implementation of the Paris Declaration will need to be accompanied by capacity building and the adaptation of policies and plans to match existing capacities and governance arrangements whilst they are being improved. In the absence of the second set of conditions donors need to coordinate aid planning and delivery better among themselves whilst also adapting their priorities and systems to those of the Partner Country concerned.

The results that can be expected from effective and efficient implementation of aid following the Paris Declaration are:

- Improvements in Partner Countries governments' focus on poverty reduction and addressing basic needs
- A further strengthening of government and state capacities (economic management, policy delivery, coordination across government) to address poverty reduction and other development priorities
- Reinforcing a range of other social and economic policies within partner Countries so that they all contribute to achieving intended development results
- Discernable evidence of development results that affect the lives of citizens & in particular the poor in developing countries in line with but not confined to the MDGs
- Increased legitimacy of the State and its institutions in Partner Countries; and increased legitimacy of ODA and other development related policies amongst donors.

The mechanisms through which these results come about include:

- Partnership arrangements: including policy dialogue, joint review and joint problem solving supported by growing levels of trust and openness
- Performance management: including target setting, incentives and disincentives, risk management, monitoring and information exchange throughout the aid planning, implementation and delivery cycle
- Capacity strengthening: including transfer, adaptation and acquisition of knowledge and learning by doing, e.g. by implementing programmatic aid modalities
- Mutual accountabilities: expressed as transparent flows of information, pressures for accountability (to electorates, parliaments and civil society) and continuing debates about aid and development both in Partner Countries and among Donors.

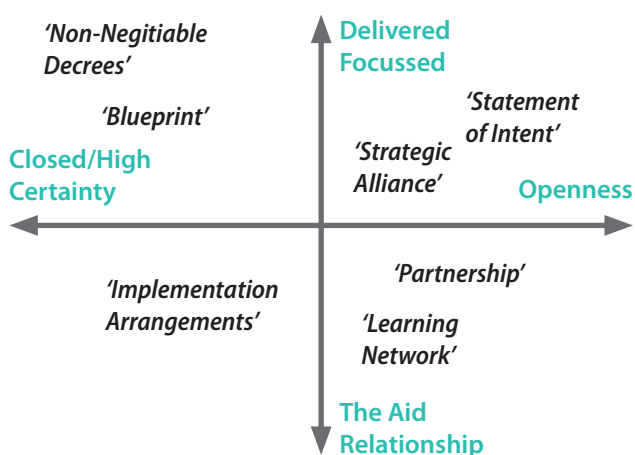
1.5.3 Understandings of the Paris Declaration: Alternative Metaphors

In order to understand a large scale, complex and innovative policy initiative it usually helps to consider the possibility of what overarching metaphors are used to describe it. Such a 'cultural' analysis of metaphors helps clarify the understandings of actors. It also provides a frame for interpreting the meanings given to a particular policy which can both inform causal analysis and contribute to the definition of the 'policy object' to be evaluated. A number of different metaphors have been used to describe the Paris Declaration:

- One persistent metaphor that featured in many of the preceding policy statements leading up to 2005 was that of '*partnership*'. The aid relationship is a partnership relationship. The Paris Declaration refers to partnerships 14 times in the text and describes its commitments as partnership commitments. However, at no point is the nature of this partnership elaborated although it tends to be linked with the principle of mutual accountability. A partnership is very much relationship oriented and relatively open in terms of its degree of pre-specification: it may be concerned with delivery but does not imply a predetermined way in which delivery should occur. However the term partnership does indicate an awareness of the asymmetries of power – especially for high aid-dependent countries.
- The Phase 1 Evaluation of the Paris Declaration Synthesis Report, highlights two contrasting metaphors: '*Non-negotiable decrees*' and a '*Statement of intent*'. Non-negotiable decrees implies a legally-enshrined and enforceable agreement to which parties must adhere. This would be consistent with a contractual view of the aid relationship, which did indeed feature in some of the policy statements that preceded Paris, although it was not taken up in the Paris Declaration itself. This view of the Paris Declaration is also consistent with some of the debates surrounding the Paris Declaration's monitoring indicators and targets, which on occasions have overtones of compliance. A statement of intent is a far more open metaphor, although it is generally concerned with delivery. It suggests continued openness about 'commitments' and is perhaps firmer on the overarching 'principles'. It also suggests a focus on ends rather than means and at its most open form suggests continued uncertainty about the extent to which compliance to the statement is required.
- A further metaphor that has featured in the descriptions of the Paris Declaration is that of '*blueprint*'. This was included in the press statement issued after the signing of the Paris Declaration: 'Over one hundred countries, from the wealthiest to the poorest, as well as development institutions have committed to a practical blueprint to provide aid in more streamlined ways that better meet the needs of developing countries. They also agreed to improve accountability by monitoring the blueprint's implementation.' (Italics added). Similarly James Wolfensohn, President of the World Bank, was quoted as saying: "Progress has been made. But we have to move faster. We don't need more analysis. We know what needs to be done. With the Paris Declaration, we have the blueprint to do it". A blueprint conveys a specific way of proceeding: it is close to a delivery plan. Whilst it is less closed or definitive than non-negotiable decrees, it still implies a high degree of expected compliance.

This is not to suggest that the above is an inclusive list of all the metaphors that could be applied in understanding the Paris Declaration. Many other metaphors could be used to describe this and similar policy initiatives – for example ‘implementation arrangements’ or ‘learning networks’ or ‘strategic alliances’. The point here is not to suggest which metaphor is correct, but rather to indicate that different overarching understandings are possible and already appear to be shaping the understandings of the different actors involved in the implementation of the Paris Declaration.

These differences have been organised below along two dimensions. The first differentiates between understandings that are more delivery focussed and those that are more concerned about the aid relationship; the second differentiates between understandings that are more closed or predetermined and those that are relatively open.



These kinds of metaphors offer an initial view on the kind of evaluation object that the Paris Declaration constitutes. At a very general level, the Declaration can be understood in different ways and it would appear is being understood in different ways by different actors. Which understanding takes precedence does help to define the Paris Declaration as an evaluation object. For example, evaluating a blueprint with its commitment to delivery along particular lines is a quite different task from evaluating a partnership arrangement that would tend to emphasise the importance of the relationships between the partners and the way these relationships are developed and to what effect. A choice that will have to be made in terms of evaluation design is whether to accept a single or dominant understanding and evaluate the Paris Declaration accordingly or to acknowledge the possibility of different understandings.

In the next chapter differences in the ways in which the Paris Declaration appears to be implemented are considered. This is partly also influenced by the overarching metaphors that the different actors apply to their understanding of the Declaration. However, implementation configurations also reflect

other influences including the priorities of the actors concerned and the contexts in which they operate. To that extent, a cultural analysis based on metaphors provides only part of the answer to the question: what kind of evaluation ‘object’ is the Paris Declaration?

1.5.4 Policy Theory Assumptions

This formulation of a ‘policy theory’ for the Paris Declaration makes a host of assumptions, both implicit and explicit. Articulating these assumptions is a first step towards making the ‘theory’ testable at least in its own terms. At this point only some of the assumptions are elaborated in order to illustrate the kinds of issues that are still to be clarified and which need to be addressed in subsequent chapters of this report.

A distinction can be made between first order and second order assumptions. First order assumptions are understood here to be statements that are descriptive and if sufficiently specified can be observed or verified. Second order assumptions are understood here to concern the likelihood that mechanisms intended to bring about results will work. These cannot be simply observed although within a more elaborated theoretical framework (beyond the scope of policy theory) such mechanisms can be specified if only through the results they contribute to under particular structural circumstances.

First order assumptions involve questions of evidence (how do we know that X is happening?) and questions of judgement (how do we know that X is sufficient?). Examples of such first order assumptions include:

- How can we define and recognise sound institution and good policies?
- How does one judge whether donor disbursements are sufficiently in line with Partner Country priorities?
- How does one judge whether capacity has increased?
- What methods are best able to judge the achievement of development results including the MDGs?

Second order assumptions involve questions of how the posited mechanisms work, whether they work in all circumstances and whether some mechanisms work better in some circumstances rather than others. Examples of such second order questions include:

- Does policy dialogue and joint review lead to learning and greater trust and openness between partners?
- If targets, incentives and monitoring are put in place do they improve performance or do they set up perverse effects and distort decisions?
- Under what circumstances do programmatic aid modalities such as SWAps and GBS lead to learning – and in what circumstances do they simply increase risk and waste?
- What kinds of target setting, incentives and risk management leads to improved confidence among donors about fiduciary risk and under what circumstances?

1.6 CONCLUSIONS

Three questions were identified at the outset of Chapter One. In this concluding section these questions are revisited to see how far they have been answered.

- How far is it true to assert that: 'The PD is the practical embodiment of the findings of two decades of research and evaluation findings from practical work on aid effectiveness.?'

The description and analysis of this chapter has demonstrated the close links between the Paris Declaration and a host of policy statements and initiatives that took place in the decade leading up to 2005. On this basis it is reasonable to argue that the PD is the 'practical embodiment' of this prior body of experience and policy making. Much of this policy making was informed by research and evaluation of particular kinds. It could not be said to completely reflect all strands of research or evaluation. As is common in policy communities, research and evaluation findings are drawn on selectively to support agreed or intended policy priorities. In the case of the lead up to the Paris Declaration it is noteworthy that some of the most important pieces of research were undertaken in-house by some of the main policy actors especially the World Bank and the DAC. Furthermore some in-house research was favoured more than research undertaken elsewhere, thus there was a degree of selectivity in the way research was used.

It is reasonable to say, on the basis of the material reviewed in this chapter, that the Paris Declaration's policy theory is supported by research and evaluation commissioned and conducted by the main policy actors themselves, and further reinforced by processes of reflection, learning, negotiation and consensus building among the main actors involved.

The extent to which the Paris Declaration is fully consistent with a wider body of research and evaluation findings will be addressed more directly in the next chapter, which considers what research and evaluation has to say about aid effectiveness and development effectiveness.

- How have the PD's main concepts evolved when compared with its precursors – previous declarations, texts and policy initiatives

The Paris Declaration's main concepts closely mirror the main concepts in previous declarations, texts and policy initiatives. At the same time, it has been noted that not all these policy statements shared the same emphasis or were fully consistent with each other. To that extent the Paris Declaration can be said to have chosen to emphasise some of main assumptions and concepts in the preceding policy development discourse. The choices appear to have been made on two bases. The first was an explicit choice to emphasise or downplay or leave loosely specified earlier ideas as a result of political compromise and accommodation between the main actors involved in the policy development process before Paris. This would be the case for the limited role assigned to civil society actors

in the Paris Declaration when compared with some of the earlier texts (for example *Shaping the 21st Century* and the *Comprehensive Development Framework*) and the extent of obligation placed on donors in relation to harmonisation and alignment¹². The second basis for choice was where there was no consensus or evidence was inconclusive or insufficiently clear-cut to justify a clear statement. An example of this would be the way institutional strengthening and good governance is addressed in the Declaration.

- What kind of 'object' is the PD? – a necessary question to answer in order to design an evaluation

The process of policy development leading up to the Paris Declaration characterised as it was by studies, conferences, alliances and the construction of consensus where possible was an essentially political process. This conclusion also applies to the Paris Declaration and has also been highlighted in the Phase One Evaluation Report.

A question that this political understanding of the Paris Declaration emphasises is how far it should be understood as a single 'object' or how far different understandings by different stakeholders from their own perspectives should be acknowledged. These understandings may derive from a number of sources, one of which will be the continued political differences between actors and their attempts to achieve their objectives, highlight their priorities and match their actions to the pressures and influences they are under. These differences will be partly reflected in the different metaphors that the actors draw on in their interpretation of the overall meaning of a policy initiative such as the Paris Declaration. On the basis of this chapter it is reasonable to conclude that a) there are differences in interests among the actors involved and b) that these actors draw on different metaphors in order to understand and rationalise the ways in which they implement the Paris Declaration principles and commitments.

¹² 'Draw conditions, *whenever possible*, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included *only when a sound justification exists...*' (Emphasis added).

CHAPTER TWO

Paris Declaration links with Aid Effectiveness and Development Effectiveness

2.1 INTRODUCTION¹³

The ToR requires that the study should:

- 'clarify the concepts of aid effectiveness and development effectiveness, drawing from, but not limited to, the PD'
- 'provide.....insights on the plausibility of the theoretical linkages between the PD principles if correctly implemented and aid effectiveness'
- Include a 'Critical discussion of core principles, including aid effectiveness, and causal relationships'
- 'present a critical reading of the PD and a theoretical discussion of its key issues and assumptions, as well as their assumed contribution to development effectiveness'

And, finally, that the study should:

- 'develop a working definition of development effectiveness'

Chapter 1 articulated a 'programme theory' for the Paris Declaration based on the Declaration itself and its legacy of prior policy statements and agreements. This chapter looks more widely at what is known that confirms, challenges or elaborates on this programme theory. In essence it seeks to answer the question: *Is it likely that the implementation of the PD will lead to more 'effective' aid and to improvements in development results?*

The chapter also considers the implications of what is known – and argued about – in various literatures for evaluation design. It asks:

What are the implications for the structuring of the Phase 2 PD evaluation that follow from existing understandings related to PD principles and aid effectiveness more generally?

¹³ This chapter draws on two inputs from the DaRa team commissioned as internal 'background papers' for this study. The first was 'A Review of the Economic Literature: A Background Paper for the Synthesis Report' authored by Laura Altinger; the second was 'A Review of Partner Countries and Donors' by Daniela Ruegenberg and Nicolai Steen Nielsen.

Understanding the consequences of aid for development is not straightforward. The nature of the evidence that is available is often contested and at the very least open to interpretation. Whilst evidence that this chapter considers is mostly research-based much of it has been shaped by the priorities and language of policy-makers and practitioners. The presentation of evidence is enmeshed in different world views and institutional interests as well as methodological and theoretical debates. Different protagonists come with their own assumptions, arguments and hypotheses. This makes attempts to weigh up the evidence let alone to synthesise results and reach a firm conclusion challenging: 'findings' are often incommensurate. The alternative approach, followed here, is to consider what appear to be the main lines of argument or 'pathways' to aid effectiveness and development outcomes that the different protagonists advocate; and in order to relate these lines of argument to the policy theory of the PD.

This chapter is in two main parts; these are:

- Defining 'aid effectiveness' and 'development effectiveness'
- What is Known About Aid Development and Poverty Reduction?

2.2 DEFINING 'AID EFFECTIVENESS' AND 'DEVELOPMENT EFFECTIVENESS'

2.2.1 Defining 'aid effectiveness'

The links between the Paris Declaration and Aid Effectiveness is at one level fairly straightforward. This is after all the 'Paris Declaration on Aid Effectiveness', which observes in the opening 'Statement of Resolve' that in order to accommodate increases in aid volumes 'aid effectiveness must increase significantly'. Nowhere in the Paris Declaration is aid effectiveness defined or explained, however there are some obvious elements in a definition of aid effectiveness that can be

distilled from the PD and the contemporary policy discourse on aid. These include:

- The PD's Principles and Commitments themselves, which for many have become the definition of Aid Effectiveness. This could be stated as a hypothesis: 'If PD principles and commitments are implemented, aid is more likely to be effective.' A definition of aid effectiveness that is operational should stand outside the PD itself – i.e. it should not be self-referential even though it should be rooted in the same policy discourse.
- In the Paris Declaration the nearest definition of AE is in terms of the efficiency rather than the effectiveness of aid. This is the case in paragraph 31 where untying aid (under Alignment) and in paragraph 33 where achieving a better division of labour between donors (under Harmonisation) are both seen as a means of reducing transaction costs. Reducing transaction-costs is certainly one of the main justifications for the PD as a whole.
- One strand in most definitions of effectiveness is in terms of the objectives or goals being pursued. Thus the OECD/DAC definition of effectiveness¹⁴ focuses attention on what an intervention is trying to achieve. It defines 'effectiveness' as: 'The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.' Chapter 1 described how there is a contemporary consensus across many divides that the ultimate objective of aid is to achieve development outcomes and in particular poverty reduction. Clearly this should also be part of a definition of aid effectiveness.
- The content of the PD it is clearly focused on the whole process of the aid management. The notion of management here spans the entire cycle of aid from planning, budgeting, coordinating across ministries and delivering to recipients.

Taking these elements together one possible definition of aid effectiveness would be:

'Arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction.'

It should be emphasised that this is a definition rooted in policy rather than in research thinking. Thus in the research world, the label 'aid effectiveness' came to prominence with a stream of research initiated by Peter Boone and David Dollar in the mid 1990s, trying to answer the question: does aid lead to economic growth? As the discussion later in this chapter of the aid effectiveness literature will make clear, research thinking about aid effectiveness is only partly consistent with policy formulations.

2.2.2 Defining 'Development Effectiveness'

The differences between 'development effectiveness' and 'aid effectiveness' are not always clear. Development effectiveness

does not feature in studies of aid effectiveness for example as a separate category. These studies tend to assume that aid has development intent, even though this is often understood in the narrower sense of economic (i.e. income) growth or increases in productivity rather than the broader concept of development that emerged from the mid-1990s onwards. For some defining development effectiveness appears to be relatively straightforward. Quibria¹⁵ from the Asian Development Bank, notes development effectiveness is simply: 'the effectiveness of foreign aid in fostering development' now 'increasingly framed in terms of the effectiveness of aid in achieving these [MDG] goals'.

The term 'Development Effectiveness' only appears in the PD in a footnote referring to the 'Senior Level Forum on Development Effectiveness in Fragile States', even though the word 'development' alone occurs 76 times – usually in conjunction with 'strategies' rather than 'effectiveness'.

The ToR for this study is far more explicit about Development Effectiveness; and given that it was drawn up by experienced policy makers and practitioners, it is reasonable to treat it as one of a number of 'source documents'. The ToR states that: 'One definition of development effectiveness is the extent to which an institution or intervention has brought about *targeted* change in a *country or the life of the individual beneficiary*.' (Emphasis added)

The ToR goes on to say:

'The term development effectiveness is meant to describe the level of achievement of overall development goals which are affected by a host of different factors. By adding the notion of effectiveness to the term development, the idea is to *assess aid against official, long term and quantifiable development goals* (e.g. the MDGs or national goals). Thus development effectiveness is not solely the level of goal achievement of aid/development interventions.' (Emphasis added)

The ToR appears to identify three aspects of a potential definition of 'development effectiveness'. Development interventions should:

- Lead to the achievement of targeted development goals
- Be consistent in their achievements with broader national goals, such as the MDGs
- Have positive consequences for individuals as well as for the country

Linking development initiatives with national or country level development outcomes and poverty reduction is a priority also identified by the World Bank. The Bank in its Annual Review of Development Effectiveness (ARDE) both reports on the achievements of WB projects and attempts to associate this with national development results in the countries & regions where these projects are located. It is not always that easy to make this connection however. As the 2004 ARDE noted:

¹⁴ Glossary of Key Terms in Evaluation and Results Based Management, OECD/DAC 2002

¹⁵ M G Quibria, Rethinking Development Effectiveness: facts issues and policies. World Economics, Vol. 6, No. 1 Jan-March 2005)

‘This incomplete articulation of how country-level assistance helps countries meet specific poverty reduction objectives hampers an assessment of the impact of the Bank’s assistance on poverty.’

The UNDP has published a series of reports on development effectiveness, focusing mainly on its own institutional effectiveness. The 2003 report was the most ambitious in this series, attempting to say something about DE more generally:

‘Development effectiveness refers to a fundamental question about *how* to reach the Goals [MDGs]. It is about the factors and conditions that help improve people’s lives. It is about processes that produce results, especially results that are pro-poor and promote equity. As a measure of development, it can contribute to the shaping of policies and programmes. It complements the analysis based on national statistics, which for some goals (poverty, education, health) tend not to vary much year to year.’ (Emphasis added)

The UNDP report also invokes sustainability: ‘Development effectiveness is (or should be) about the factors and conditions that help produce *sustainable* development results—to make a sustained difference in the lives of people.’ (Emphasis added) These UNDP texts highlight:

- Processes that lead to development results as well as focusing on development targets, which it suggests may not be sensitive enough in the way that they are measured to pick up changes on a year to year basis
- The importance of sustainability – development outcomes that will make a continuing difference to the lives of people beyond the duration of a particular intervention

The components of a definition of ‘development effectiveness’ that follows from these various texts would include:

- Development results that relate to goals (targeted change)
- Effects on the lives of the poor (MDGs)
- Has impacts at country level
- Takes account of processes that lead to development outcomes, and,
- Is sustainable beyond a specific time-bound intervention

There are two forms of definition that appear implicit in the above sources. The first is an ‘outcome’ or status definition. According to this development effectiveness should be understood in terms of what development interventions achieve. An example of such a definition might be:

Development effectiveness is the achievement of sustainable development results related to MDGs that have country level impacts that have discernable effects on the lives of the poor

However a second definition could be envisaged that was more focused on processes and capacities. The notion of sustainability suggests an ongoing capacity or process; and a concern for how development outcomes will ‘contribute to the

shaping of policies and programmes’ is also consistent with capacities necessary for development in the longer term.

The time dimension is an important aspect of development effectiveness. In general beyond asserting that the outputs of aid should be developmental, most discussions of development effectiveness seem to assume a fairly long term horizon. This is especially so for the more sustained definitions such as those captured by the notion of the ‘developmental state’. Verena Fritz and Alina Rocha Menocal (2007)¹⁶ ‘understand a developmental state to exist when the state possesses the vision, leadership and capacity to bring about a positive transformation of society within a condensed period of time’. This understanding was inspired by both East Asian sub-Saharan African experience in the 1980s but has also been reinforced by current concerns for fragile states. The developmental state resonates with the emphasis in the PD, in particular but not exclusively in relation to fragile states, with notions of governance and ‘state-building’ (see later in this chapter). From this perspective a definition of developmental effectiveness might be:

‘The capability of States and other development actors to transform societies in order to achieve positive and sustainable development outcomes for its citizens’

The problem with this latter definition is that it depends on understanding the dynamics and causes of such transformations, which as Fritz and Menocal acknowledge we do not at present know. On the other hand it aligns a definition of development effectiveness with important parts of the PD agenda. At this point both definitions of development effectiveness have merit as ‘working definitions’ that compliment each other.

Finally the connections between aid and development effectiveness might be seen as blurred by the above definitions which assume that aid to be effectiveness is already ‘targeted towards development outcomes’. It remains possible to argue that ‘targeting’ is distinguishable from achieving development outcomes. Furthermore, in countries that are more aid-dependent it is especially difficult to achieve development outcomes without improvements in the efficiency and effectiveness of aid.

2.3 WHAT IS KNOWN ABOUT AID, DEVELOPMENT AND POVERTY REDUCTION?

2.3.1 Pathways to Development and Poverty Reduction

Most discussions of development outcomes now reflect the shift in the development discourse towards poverty reduction

¹⁶ Developmental States in the New Millennium: Concepts and Challenges for a New Aid Agenda. Verena Fritz and Alina Rocha Menocal. Development Policy Review, 2007, 25 (5): 531-552

and the MDGs – even though there remain different conceptions about how this can be achieved. As the figure below suggests there are two main pathways to this goal.

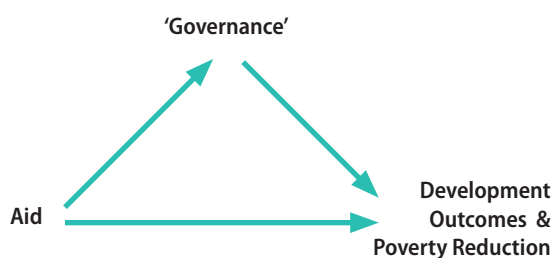


Figure 2.1 'Pathways' to Development Outcomes

The first pathway to development outcomes and poverty reduction sees aid as mediated by 'governance' – used in the world of development cooperation as a portmanteau phrase that variously includes government capacity, institutions, policies and rights. This is broadly consistent with the orientation of the PD and related policy initiatives such as the CDF and HIPC. As Chapter 1 argued there is a consensus on the responsibilities of developing countries for their own development. Within this perspective the State and in particular its policies and institutions – the main components of 'governance' – bear a heavy responsibility for 'aid effectiveness' and development results. The importance of the State and state-building is underlined by the inclusion of 'fragile states' in the PD. The second pathway downplays the mediating importance of governance – at least as an actionable category – and is more directly focused on poverty reduction.

Each of these pathways has its own sub-divides.

- The pathway that is routed through 'governance' includes more than the PD and related policies. Chapter 1 also noted the continuing strength of the 'selectivity' argument – that to ensure sustainability of aid it should be directed to where it can have its greatest impact because of good policies and sound institutions. There continues therefore to be a 'sub-divide' that recognises the importance of 'governance' if economic development is to be achieved but takes a less ambitious view of countries amenability to policy-led reform through various aid-related levers. To that extent the PD can be seen as a step beyond selectivity – by being more willing to grapple with countries that do not yet meet the criteria of good policies and sound institutions.
- The more 'direct' pathway to income growth and it is assumed, ultimately to poverty reduction, is also divided between the more and less ambitious. The more ambitious view is that there are structural reasons why the development of countries in Africa in particular do not grow and develop. The solution is therefore large amounts of aid to break out of this 'poverty trap'. The less ambitious view takes seriously the conclusion that aid does not

lead to growth and development and instead argues for targeted interventions that can be shown to work at a reasonable cost instead of pursuing reforms to improve policies and institutions, which may not work. These sub-divides are summarised in the figure below.

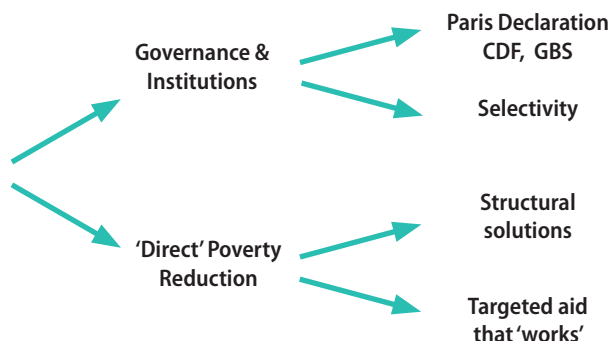


Figure 2.2 Four main sub-divisions: More and less ambitious pathways

The questions regarding aid effectiveness that are raised by the different pathways represented by the arrows in Figure 2.1 above are:

- For those who favour improving governance (taken in the broad sense): Will aid successfully influence governance and if so how? And if it does, do changes in governance translate into poverty reduction and how?
- For those who favour a more 'direct' route to poverty reduction, the questions are more limited: Will aid translate into poverty reduction and if so how? and What targeted interventions delivered in what ways work best? However there are also questions of the extent to which bad governance offsets such gains; and the limits to scaling up from 'direct' initiatives.

These are the questions that the research and analysis considers in this part of the report. The answers to these questions constitute the evidence base against which the likelihood of PD success has to be judged and its evaluation designed.

2.3.2 Do Aid Policies Influence Governance?

Most contemporary research that directly considers the content of the Paris Declaration focuses on implementing its principles and commitments – effectively the arrow between aid and governance in Figure 2.1, above. This follows on from an earlier generation of research and policy experience that was concerned with how to exert influence through policy conditionality, the negative finding of which fuelled the emergence of the 'new aid paradigm'.

In general it appears that the new generation of policy initiatives that began with the CDF in the late 1990s and was carried forward through often linked initiatives such as PRSPs, HIPC, new aid modalities such as GBS and the Paris Declaration has had some success influencing developing country

and donor practices.¹⁷ At the very least they have initiated processes of reform, and created a coherent set of institutional arrangements:

‘Many countries have followed the same sequence of reforms (public financial management reforms, procurement, etc.), using the same modalities and approaches (SWAps, pool funding, budget support mechanisms), which are most commonly attached to PRSPs or national development plans. Donors in many of these countries coordinate around different coordination and harmonizing mechanisms, such as JAS (Joint Assistant Strategies) and donor coordinating groups.’

Questions remain however to the extent to which behaviour as well as language has changed.

According to the CDF evaluation a holistic approach supported by policy dialogue can lead to:

- A more balanced set of development priorities that include social, macroeconomic and institutional development policies
- A results orientation which favours cross-sectoral coherence

However it is can be difficult to tell whether positive results are caused by reforms or the positive development results themselves make reform possible. The CDF evaluation notes that positive ‘initial conditions’ – in terms of income and social cohesion; and better institutions – tend to adopt ‘CDF-like’ strategies. There are similar questions of ‘two way causation’ reported in other studies, e.g. the relationship between ownership and alignment according to the GBS evaluation. According to the GBS evaluation, new programmatic aid modalities:

- Generally improves alignment with policies, especially where country ownership is strong, although less reliably with country systems
- Leads to improvements in planning and budgeting not only confined to aid funded policies and programmes

However power disparities between donors and the recipients of aid continue:

- There are many planning arrangements that are heavily influenced by donors. Bergamaschi (2007)¹⁸ notes that the Malian PRSP unit counts five non-Malian Africans and one French person – “making the concept of ownership problematic”. Afrodad (2007)¹⁹ makes the same case regarding Liberia Reconstruction and Development Com-

mittee, co-Chaired by the US Ambassador and attended by most donors. A similar argument has been made with regard to Mozambique, often cited as a showcase for ownership but still seen by some as significantly donor led. This can be the result of a variety of factors, including weak domestic accountabilities and limited administrative capacity. (See for example De Renzio and Hanlon, 2007²⁰)

Although there is some evidence that these new strategies are affecting the aid discourse, case-study and evaluation findings are diverse and sometimes contradictory. Positive examples can be matched with negative examples and vice versa. A number of reasons can be advanced for this, including institutional location of authors; the difficulties of accessing data on policy making and of drawing consistent conclusions from essentially descriptive case studies designed for different purposes – which has implications for the design of the Phase 2 evaluation. However there are also explanations that are substantively follow from what available research suggests – to do with country specificities; negotiation processes between the parties; the different ways in which new strategies are interpreted; and narrower and wider conceptions of ownership in particular. For example:

Case studies and evaluations highlight differences between countries

- It is widely agreed that any reform of the aid-relationship is deeply embedded in specific country circumstances: ‘A country’s propensity to adopt a CDF-like development strategy, as well as good policy and institutional environment, may be driven by fundamental factors such as initial level of development, the degree of social cohesion, and the capacity of society to mediate conflict among different economic or social groups...’ (CDF Evaluation, Synthesis Report)
As one of the main conclusions of the CDF evaluation analysis put it: ‘...CDF-like development strategies, as well as institutions, are endogenous to “deep” country-specific characteristics’

That the core ideas of the PD and other reform are subject to negotiation

- For example a study of the aid-relationship in Ethiopia²¹ (Furtado and Smith 2007) suggests a threefold distinction between overlapping spheres of policy and programming, each with ‘differing degrees of government and donor ownership and influence’. This study distinguishes between: ‘a core domestically-owned agenda’ which is strongly owned; a part of the agenda ‘negotiated at the

17 This section draws on an internal review conducted as part of this study that focussed in particular on case-study material: Partner Countries and Donors (Internal Working Paper): Nicolai Steen, DARA. July 2008

18 GEG “Mali: Patterns and Limits of Donor-driven Ownership” (2007), by Isaline Bergamaschi

19 Aid Effectiveness in Africa: A synthesis. Afrodad, Harare 2007

20 Paolo de Renzio and Joseph Hanlon, (2007) Contested Sovereignty in Mozambique: The Dilemmas of Aid Dependence Managing Aid Dependency Project, Oxford Global Economic Governance programme

21 Xavier Furtado and W. James Smith 2007. Ethiopia: Aid, Ownership, and Sovereignty. Managing Aid Dependency Project, Oxford Global Economic Governance programme

margin with donors' but 'more or less mutually agreed'; and parts of the development agenda that are 'wholly donor-originated (either in terms of policy reforms, or in project activities), which enjoys almost no ownership, but has nonetheless been adopted under aid agreements'. According to this study the relative large part of the agenda that is 'domestically owned' and the relatively small part that is 'donor originated' also affects the extent to which donors themselves feel committed to Ethiopia's development agenda.

Core PD principles are also open to different interpretations

- The way countries interpret PD principles is open to various interpretations as the recent Synthesis Report on the First Phase of the Paris Declaration also underlined. From outside the PD, this was also elaborated in a recent UNCTAD report²² which describes what it calls the 'elusive concept of ownership' identifying five different interpretations of ownership:
 - '(a) The existence of local commitment to the policy reforms of international financial institutions;
 - (b) The existence of national development strategies which are "operational";
 - (c) The ability of national Governments to choose freely the strategies and policies which they design and implement;
 - (d) The ability of national Governments to choose freely these strategies and policies, including consideration of "home grown" solutions; and
 - (e) The ability of national Governments to choose freely strategies and policies and the exercise of that choice through a democratic process.'

According to this report the PD fits within interpretation (b) of ownership. However it is noteworthy that none of these types address the question of the ability of national governments to lead the coordination of aid or select donors for specific programmes.

Ownership is often criticised as narrowly based:

- The emphasis on ownership is having a centralising effect, especially in countries with strong centralised regimes and where civil society is either weak or not involved in policy processes. This has been noted in case studies of countries like Mozambique (De Renzio and Hanlon 2007). In other countries the strength of donor influence weakens the influence of national actors. Thus Bergamaschi suggests that in Mali policy dialogue is taking place in a centralized way involving mainly donor agencies and ministries, but leaving out civil society, parliament and local communities. Similar findings were reported by the Evaluation of the implementation of the Paris Declaration, which suggests that even in countries recognised as having made progress with national ownership 'In practice [ownership] remains heavily weighted

in favour of central government players rather than provincial and local authorities...'

The narrow basis of ownership is also frequently raised by civil society actors and in particular NGOs as a weakness of the PD. Chapter 1 noted that the civil society role was less prominent in the PD than it had been in earlier policy initiatives. This was also recognised and to a limited extent addressed in Accra in September 2008. However in terms of this part of the report the key question is how ownership that does or does not extend to civil society involvement, is likely to influence development outcomes – directly or indirectly.

There appear to be four main arguments – other than a purely value-based argument for more democracy – that bear directly on aid effectiveness and development outcomes:

- An inclusive approach to ownership will enhance the scope of 'ownership' ensuring that diverse interests (minorities, women, the business community) have a voice²³. This is especially important where government and governance is not broadly based and other channels for 'voice' are not available
- Inclusive and democratic government can directly contribute to aid effectiveness by reducing the incentives on minority governments to use aid to fund transfers to their followers. This radical economic theory is advanced by Adam and O'Connell (1999).²⁴ They suggest that only when a government is widely supported, will aid offer the possibility of additional resources rather than additional taxes to be extracted from the private sector to fund cliques.
- Even in relatively open and inclusive societies the involvement of parliaments, NGOs, the media, academics and the private sector adds knowledge and expertise – such that planning, targeting and delivery of aid can be more relevant to poor people and those at the periphery of society. There is an active discussion among non-State development actors²⁵ about the extent that this should happen at a 'local' level or at an international level by opening up various forums to civil society participation. is an issue being actively discussed
- In decentralised States 'downward accountability' can be an effective way of keeping reforms on track, ensuring that intermediary tiers of government deliver on the promises of central government and that problems of implementation are identified by the people that new development initiatives are intended to benefit.²⁶

23 Jennifer Rubenstein (2007). *Accountability in an Unequal World*. *The Journal of Politics*, 69, pp 616-632

24 Adam, C.S., and S. O'Connell (1999), "Aid, Taxation and Development in Sub-Saharan Africa", *Economics and Politics*, Vol. 11, pp. 225-254.

25 *Aid Effectiveness and Non-State Partnerships: Analytical Considerations Working Paper* December 6, 2006 Réal Lavergne and Jacqueline Wood CIDA

26 This strategy has for example been explicitly used in India to support health decentralisation at State level by national policy makers. (Source: discussion with Shiv Kumar.)

22 *The Least Developed Countries Report 2008*. UNCTAD

Many of these arguments are theoretical or tied closely into advocacy/pressure group politics. There is considerable scope for further exploration in this area as part of future evaluation activity.

The contribution of donors to aid effectiveness

Much of the available literature concentrates on developing countries as the recipients of aid and less on donor behaviour, consistent with the relatively recent re-focussing of attention on the effects of donor behaviour for aid effectiveness. This re-focussing is exemplified in the PD and the most extensive contemporary body of evidence about the contribution of donors to changes in governance, management and policy change has also been produced by the PD as part of the 'Evaluation of the Implementation of the Paris Declaration'. This report and the 'Development Partner headquarters level evaluations' of eleven donor countries provide a rich source of case-material about how donor countries and their agencies influence intermediate outcomes through implementing and adapting the PD.

For example these reports emphasise:

- The interdependence between donor and developing countries: The discussion of donor alignment with country strategies and of results based management point up the difficulty of any one party changing out of tandem with their 'partner'.
- The continued pressures for national solutions and 'flag waving': This may occur where donors may be pursuing their own national objectives as well as where there is a lack of trust in country systems. Such problems may also be traced back (in some countries) to deeper institutional and policy assumptions about accountability for aid expenditures and how these risks are managed.
- Internal arrangements within development agencies: The eleven studies highlight the importance of the organisation of agencies, their degree of decentralisation; the delegation given to field-staff; the relationship and credibility of field-offices with their headquarters; and the training, rewards and career prospects offered to agency staff for both alignment and harmonisation.
- The potential value of joint arrangements between donors and their partners: For the PD to open up new ways of working and encourage innovations in practice it requires new forms of dialogue, engagement, open-flows of information, problem solving and joint review opportunities – all of which require new skills, a re-distribution of staff and management resources and an openness to partnership working.

These kinds of findings both identify some of the pre-requisites of donor behaviour in support of the PD and hints at hypotheses about some of the barriers that are likely to hinder further progress. However the relatively open way these cases were specified and the self selection of countries included in this evaluation makes it difficult to generalise with confidence. In addition to this kind of case material there is also some

research that has examined donor behaviour overall.

Roger Riddell²⁷ argues that aid must be seen as a political decision and has identified the main clusters of motives that have historically motivated donors to allocate aid:

'(1) to help address emergency needs; (2) to assist recipients in achieving development (growth and poverty reducing) goals; (3) to show solidarity; (4) to further their own national political and strategic interests; (5) to help promote donor-country commercial interests; and (6) because of historical ties'. Riddell mentions that two more recently added clusters: (7) the contribution that aid can make to providing and strengthening global public goods, and reducing the ill effects of global evils ... Additionally (8) some donors have started more explicitly to base aid-giving decisions on human rights records of recipient governments ...' (see Riddell 2007, p 91-92).

A number of studies have confirmed and elaborated on these 'clusters': Tarp and Hjetholm (2000)²⁸ have confirmed the importance of commercial interests; Alesina and Dollar (1998)²⁹ confirm political and strategic considerations, including the continuing if weakened effects of colonial ties; whilst Berthélemy (2004)³⁰ claims that some countries such as Ireland, Switzerland and the Nordics have been more altruistic in their aid giving.

Riddell concludes that 'aid always has been, and still is, provided for non-developmental purposes, contributing to and shaping the way that it has been allocated, and the forms in which it is provided'; he further suggests that 'these influences have reduced and continue to reduce aid's potential development and welfare effects' (2007, pp. 105-106). The politics of aid therefore remains central to any discussion of whether and how aid works.

To the extent that aid is not always or entirely being used for development purposes – which is likely to be the case in many of the more 'fragile' situations where there is a wish to apply PD principles – it will be important if difficult to take this into account. On the other hand strengthening governance, a key policy in fragile settings; and pursuing commercial interests are not necessarily in opposition to development goals. To that extent the implications for a future evaluation would be to ensure that case-studies considered the different motives of donors and that this was included in evaluation frameworks and methods of data collection.

A specific and important variant in donor roles and motives are what are called 'new' or 'non-conventional' donors. For example:

²⁷ Roger C Riddell (2007) *Does Foreign Aid Really Work?* Oxford University Press

²⁸ *Foreign Aid and Development: Lessons Learnt and Directions for the Future*. Tarp, F and P Hjertholm Routledge London

²⁹ Alesina, A. and D. Dollar, "Who Gives Foreign Aid to Whom and Why?", *Journal of Economic Growth*, Vol. 5, pp. 33-63.

³⁰ Berthélemy, J.-C. (2004), "Bilateral Donors' Interest vs. Recipients' Development Motives in Aid Allocation: Do All Donors Behave the Same?", paper presented at the HWWA conference on The Political Economy of Aid, Hamburg

- The availability of oil-based revenues allowed Venezuela to commit nearly 9 billion US dollars in 2007 by mid-year in Latin America, including the purchase of one billion US dollars of bonds from the Argentinean government; and 4 billion US dollars to finance energy related projects in Nicaragua³¹.
- China mixes aid, debt relief, foreign direct investment, barter and trade agreements in pursuit of its commercial interests and with no conditionalities. This is beginning to have significant effects on the bargaining position of developing countries in Africa. For example, according to Lucy Corkin (2007)³² 'China is the biggest player in Angola's post war re-construction process' having extended credit exceeding 3.5 billion US dollars to the Angolan government. This was at a time that Angola 'resisted external pressure regarding good governance and transparency' from the IMF and the other donors.

Whilst such 'new donors' are not directly involved in PD-related implementation plans, they do influence the context in which these plans will be realised. Aid scenarios that include various combinations of donors with different mixes of motives are likely to be an important determinant on the effectiveness of PD linked aid in promoting governance and similar reforms.

Preliminary conclusions on the likely influence of aid on governance

Overall the evidence seems to suggest that:

- The current generation of 'comprehensive', 'holistic' and 'strategic' initiatives to improve aid effectiveness can be effective in changing country and donor practices in the short term.
- It is less clear as yet whether these changes in practice are going to lead to longer term and sustainable reforms in governance and institutions.
- Many studies of aid effectiveness confine themselves to this aid → institutions/policies/governance arrow, thus confirming that the achievement of intermediate changes rather than development results is widely considered as the operational definition of 'aid-effectiveness'.

However the diversity of findings emphasises that:

- The different circumstances and starting conditions of developing countries – such as poverty, development, aid dependency, institutions and history – are important pre-determinants of the ways that reforms work in practice.
- The concepts used in these evaluations and case studies are not static: they are subject to differences of interpretation; they can be the subject of negotiation; learning occurs; and conditions evolve.

³¹ Source: Miami Herald, August 2007

³² Lucy Corkin, *China's Contribution to the Development of African infrastructure through Investment in the Extractive Industries*. Afrodad Occasional Papers, Issue 8. December 2007

With regard to donors:

- It is clear that not all aid is intended for purely development purposes, which may have positive or negative impacts on development results
- The diverse intentions of donors may also affect their support for PD principles – for example harmonisation will be more difficult if implicated donors do not sufficiently share a common set of motives and intentions
- The emergence of 'non-traditional' donors such as China and Venezuela³³ suggests that the likely effectiveness of aid strategies that are based on PD principles in influencing governance will need to be seen in context: not all aid scenarios will be the same.

This section also raises a substantive question as to how outcomes should be defined given the expectations of the Phase 2 PD evaluation. The term 'governance' is a portmanteau term that includes some specific items that are 'actionable' in the short term – involving civil-society, making a poverty-reduction plan, planning a budget and setting up a new county led coordination committee of donors – and others that are much longer term like establishing legitimate and stable institutions, establishing new markets and property rights and giving voice to previously excluded minorities. In general the evidence is, unsurprisingly, stronger for shorter-term, intermediate rather than that for longer term outcomes. For example the way GBS encourages alignment (referred to above), could be seen as an example of such an intermediate effect that broadly falls under the heading of 'governance' changes, although at the shorter term end of the spectrum. However given the intention of the Phase 2 evaluation, longer-term outcomes have also to be considered.

2.3.3 From 'Governance' to Poverty Reduction

Although many of the policy, research and evaluation reports stop with intermediate changes that fall under the governance/policy/institutions heading, some go further and consider the arrow in Figure 2.1 above, that connects 'governance' type reforms and development outcomes and results.

Three bodies of literature can be identified relevant to this study, distinguishable in terms of their starting points:

- First, there are literatures that start from policy initiatives in some way related to the PD, e.g. evaluations of the CDF, widely acknowledged as a precursor of the PD; and General Budget Support, for many a necessary and integral part of PD logic. In addition there have been a large number of case-studies by academics, practitioners and advocacy groups that also start from the 'aid relationship'.
- Second, there are literatures that start from considerations of 'aid-effectiveness', which often include policies, governance and related topics in their scope. This work has important roots in the World Bank but also includes sources from other Multilateral Development Banks and universities.
- Third, there are literatures that start with governance, institutions and policies and attempt to link these to de-

³³ Similar arguments can be made with regard to Gulf States, Sovereign Funds and 'global funds'

velopment outcomes such as income growth and poverty reduction.

- Fourth, there are literatures concerned with fragile states and aspects of fragility that explores state-building and its relationships with development.

These literatures take for granted classical, neo-classical and institutional theories of economic growth that variously emphasise capital accumulation – hence the importance of aid, savings, investment and trade; the quality of human capital – hence the importance of education and training; innovation – hence the importance of access to knowledge and new technologies sometimes acquired through inward investment; and institutions – hence the importance of ‘governance’, market regulation, transaction costs and absorptive capacity. Key notions such as diminishing returns on capital, poverty traps and the likelihood of convergence between less and more developed countries also inform the assumed mechanisms that are supposed to lead to growth. Most of the economic theory that underpins the literatures considered below does not start from the wider understanding of development, that were described in Chapter 1. Development and poverty reduction is assumed to follow from economic growth provided there is a certain level of social inclusion and that the benefits of growth are shared or ‘pro-poor’. It is this latter proviso that justifies the emphasis on poverty reduction alongside economic growth and the current renewed interest in pro-poor growth.³⁴

The economic literature does not give any prominence to ‘development effectiveness’. It is generally assumed that the result of growth will be development – defined in income growth terms. The justification for increased aid transfers such as those that will help meet MDG targets is understood in economic theory as justified by poverty traps (see Jeffrey Sachs’ proposals, below) that cannot otherwise be addressed – apart that is from either a moral or a strategic imperative.

A. Policy initiatives related to the PD

The General Budget Support evaluation paints a positive if qualified picture with regard to transaction cost savings – a key rationale for harmonisation in the PD. Transaction costs reduce significantly when GBS is implemented although these savings reduce when other aid modalities co-exist (e.g. if GBS only applies to a smaller proportion of aid). In addition costs are lower at the ‘disbursement’ stage than during initial negotiations and implementation when they may indeed be higher. At the same time the GBS evaluation argues that not all transaction costs should be seen as ‘inefficiencies’: ‘many transaction costs are start-up costs and ... many of the transactions will exhibit positive externalities. (Review meetings, for example, are not a pure cost if they promote learning and improve the quality of decisions.)’ (op cit p 52) Rogerson (2005), has questioned whether the Paris Declaration’s main contribution is indeed to lower transaction costs.

³⁴ Poverty Reduction And Growth: Virtuous and Vicious Circles. Guillermo E. Perry Omar S. Arias J. Humberto López William F. Maloney Luis Servén The World Bank Washington, 2006

By far the greatest benefit from the Paris Declaration may rest in its potential ability to effect improvements in host country policy making and ultimately governance structures, such as fiscal expenditure and public financial management. Some tangible improvements along these lines have been reported in OECD (2006).

These again are examples of the kinds of intermediate ‘outcomes’ about which it is possible to find evidence – whether or not this evidence is positive. Finding evidence about longer-term outcomes remains problematic. Sometimes this is for reasons of timing – e.g. results have not yet had time to show through. The GBS evaluation was explicit that some of the difficulties it encountered were also analytic:

‘The study could not confidently track distinct (separately identifiable) PGBS effects to the poverty impact level in most countries ... This finding reflects the difficulties of data, time-scale and methodology. It does not mean that PGBS has no effect on poverty, nor that it has less effect than other aid modalities.’

Others have emphasised that such outcomes will vary depending on the degree of harmonisation and alignment that affects a particular country and other contextual factors (Therkildsen and Andersen, 2007³⁵).

In terms of end results such as poverty reduction, MDG achievement and economic growth – the findings of the GBS evaluation are more nuanced. In general GBS is seen to: Improve public services by expanding national budgets that fund services such as health and education In particular improve access to these services by poorer people – even though there were some reservations about the quality of expanded services

This perspective is consistent with other research, (see for example Gomanee, Girma and Morrissey 2005³⁶), which points out that aid can have a direct impact on human welfare via public expenditure: ‘if aid affects the amount of public expenditure directed at areas that enhance welfare (health, education, water and sanitation), the aid can indirectly contribute to levels of welfare.’

However with regard to growth: ‘... the evaluation found that, because PGBS funded strategies that concentrated on public service delivery, it had a weak effect on economic growth (and hence on income poverty).’³⁷

³⁵ Ole Winckler Andersen and Ole Therkildsen (2007) Harmonisation and alignment: The double-edged swords of budget support and decentralised aid administration. Danish Institute for international Studies

³⁶ Aid, public spending and human welfare: evidence from quantile regressions. Karuna Gomanee, Sourafel Girma and Oliver Morrissey. Journal of International Development, Vol. 17 issue 3. Wiley 2008

³⁷ What are the effects of General Budget Support? Thematic Brief ng Paper 1

The CDF evaluation 'Synthesis Report' was similarly cautious: 'While the CDF alone is not sufficient for poverty reduction, it does comprise fundamental and necessary principles for strategic development planning and key development cooperation processes, without which sustained poverty reduction would be unlikely to occur.'

The CDF was even less positive with regard to the effects of aid. According to the authors of the key paper (Elbadawi & Randa, 2003)³⁸, their analysis supports the aid-effectiveness literature, insofar as the 'direct impact of aid on growth was insignificant and that its effect is subject to diminishing returns'.

Links between PD-like principles in practice and economic growth has also been raised by other researchers. Thus Rogerson (2005, p. 536)³⁹ notes that:

'worryingly, ultimate poverty outcomes are not showing commensurate improvement, when better aid practice and better national management co-exist. ... This apparent disconnect certainly deserves more investigation, given the risk to donor credibility of steadily expanding budget support in the absence of a clear positive impact on poverty.'

B. Aid –Effectiveness Literatures

There is now a substantial literature that attempts to link aid to income growth and poverty with policies, governance and institutions as intermediary sources of explanation. This literature is generally recognised as having been initiated by Boone (1994) and Burnside and Dollar (2000)⁴⁰ at the World Bank.

Although not the first to cast doubts on the efficacy of aid, Peter Boone's pioneering work (Boone 1994, 1996)⁴¹ framed the contemporary debate in terms of the links between aid outcomes and policies. In summary his research found that:

- Despite growth being one of the main intentions of aid '...there was no significant correlation between aid and growth'
- Aid rather increases consumption: '...the results imply that most or all aid goes to consumption, it increases the size of government, and does not benefit the poor'. (This interpretation can be confronted with an alternative where increased public consumption may be to the benefit to the poor).
- There are small increases in human development indicators such as infant mortality but these are disproportion-

ately small for a given quantum of aid: '...aid flows of 10% of GNP will reduce infant mortality by 2% over the decade. The coefficient on primary schooling has the wrong sign, and there is no clear impact on life expectancy'.

- Boone attributes these results to the 'fungibility' of aid (its tendency to 'leak' into purposes other than those intended) and the 'distortionary' policies of politicians who favour their own 'elites'.
- There were only small differences when comparing across political regimes: 'liberal political regimes do not use aid any differently from the most repressive regimes', however 'liberal political regimes have roughly 30% lower infant mortality, ceteris paribus, than the most restrictive regimes'.

Burnside and Dollar in contrast found that, aid was effective and did lead to growth if accompanied by sound institutions and good policies (controlling inflation and openness to trade) and 'institutional quality' (defined in terms of property rights and the efficiency of government bureaucracy). This stream of work became the basis of 'selectivity' rather than 'policy conditionality' as the criterion for aid allocations – a criterion that persists despite the substantial doubts that have been directed at the underpinning research. The initial study was further elaborated by Collier & Dollar (2002)⁴² who attempted to show that aid was more effective in high-poverty environments. Their analysis, showed how aid allocation might be more 'poverty-efficient', i.e. less subject to diminishing returns because with better policies and sounder institutions larger amounts of aid can be productively absorbed.

Criticisms of this body of work have been persistent and varied: some based on the composition of indicators used (such as the CPIA for policy, governance and institutional quality); others on econometric and statistical methods; some on the time-frame of data sets; and others on the underlying bodies of theory relied upon. However it is the more nuanced position put forward in the World Bank's 1998 Assessing Aid report that appears to express the consensus in the policy community: that aid works better in a good policy environment, thus recognising that aid may also work to an extent in poor policy environments.

The limitations of aggregate country studies are now widely accepted. Roodman (2007) questions the sense of continued efforts on the same lines:⁴³ 'The quantitative approach to grand questions about aid effectiveness has repeatedly offered hope and repeatedly disappointed.' Instead he advocates concentrating on 'smaller, practical questions' (such as which particular intervention is most effective) as the best way to improve policy.

38 Ibrahim Elbadawi & John Randa, 2003, *Assessing the Development Impact of CDF-like Experiences*

39 Rogerson, A. (2005), *Aid Harmonisation and Alignment: Bridging the Gaps between Reality and the Paris Reform Agenda*, *Development Policy Review*, 23 (5): 531-552

40 Burnside, C. & D. Dollar (2000), *Aid, Policies and Growth*, *American Economic Review*, September, 90(4), 847-68. First circulated in 1997 as a World Bank working paper.

41 Boone, P. (1994), *The Impact of Foreign Aid on Savings and Growth*, Mimeo, London School of Economics, -- (1996), *Politics and the Effectiveness of Foreign Aid*, *European Economic Review*, Vol. 40, pp. 289-328.

42 Collier, Paul, and David Dollar, 2000, "Aid Allocation and Poverty Reduction," World Bank, revised June 2000.

43 David Roodman (2007). *Macro Aid Effectiveness Research: A Guide for the Perplexed*. Working Paper 134. Center for Global Development

C. Governance and institutions

Governance in development cooperation is understood in distinctive ways compared with sociological or political science literatures. It is both broader and more particular. According to the World Bank's CPIA – a key instrument for the allocation of IDA funds to the poorest countries – it includes institutions; public sector management; policies for economic management and business regulation; and social inclusion and equity. According to the World Governance Indicators (produced by the World Bank Institute) the six dimensions of governance are:

- Voice and accountability which concerns political participation and civil rights
- Political stability which concerns the likelihood of governments being overthrown, for example through civil strife.
- Government effectiveness which concerns a government's ability to make plans and function effectively.
- Regulatory policies which concerns market friendly policies and related forms of regulation
- Rule of Law (RL) which concerns how government agents follow the law, contracts are enforced and the courts are predictable and can be relied upon to deliver just solutions ; and
- Control of corruption (CC)

There are many other indicators of governance, most of which are heavily dependent on the judgements of experts and aggregate together many sub-components. As Merilee Grindle observes:

'Getting good governance calls for improvements that touch virtually all aspects of the public sector – from institutions that set the rules of the game for economic and political interaction, to decision-making structures that determine priorities among public problems and allocate resources to respond to them, to organizations that manage administrative systems and deliver goods and services to citizens, to human resources that staff government bureaucracies, to the interface of officials and citizens in political and bureaucratic arenas ...' (Grindle, (2004)⁴⁴

Instead Grindle has argued for 'good enough governance' and more recently (2007) proposed approaches that could help practitioners choose more strategically from amongst the many recommendations for effective reform⁴⁵.

Kaufmann and Kraay, themselves responsible for the WGI, published a paper in 1999 that argued for these links, more recently⁴⁶ took a more circumspect position, observing that: 'The

44 Grindle, Merilee (2004) 'Good Enough Governance: Poverty Reduction and Reform in Developing Countries', *Governance: An International Journal of Policy, Administration and Institutions* 17: 525-48.

45 Grindle, Merilee (2007) Good Enough Governance Revisited. *Development Policy Review*, 2007, 25 (5): 553-574

46 Daniel Kaufmann and Aart Kraay (2007) On Measuring Governance: Framing Issues for Debate. Issues paper for January 11th, 2007 Roundtable on Measuring Governance Hosted by the World Bank Institute and the Development Economics Vice-Presidency of The World Bank.

links from governance to development outcomes are complex' and that rather than rely exclusively on indicator systems there was a need for an 'integrated empirical approach to assessing in depth governance within a country.'

The problems with governance indicator systems have been well documented⁴⁷: from (most fundamentally) poor construct validity⁴⁸; through to subjectivity – depending as do most indicators on expert judgements and surveys; cultural bias (taking for granted Anglo Saxon ways of working); and a lack of transparency as to how the components of indicators are aggregated. One of the main difficulties with a great many of indicators in this field is their relatively weak theoretical foundations. However in relation to institutions in particular, there is some evidence of a move towards more theory-led research , which is seen as offering the prospect of more meaningful analysis and policy advice.

In development cooperation, most theoretical thinking about institutions starts from the work of Douglass North and colleagues, in particular (North, 1990 and North and Thomas 1973). Acceptance of what Wiesner calls the 'institutional hypothesis'⁴⁹ appears to be widespread among policy makers and practitioners. Wiesner refers to an 'emerging paradigm' in economic development – specifically in his field of interest, Latin America – 'that institutions as constraints and rules, and the incentives they contain, are the main determinants of long-term country prosperity'. The two approaches – of Acemoglu and colleagues; and of Mushtaq Khan – that are discussed below are illustrative of contemporary theory-led research.

Acemoglu, Johnson and Robinson⁵⁰ start from the assumption that traditional economic theory does not provide fundamental explanations for economic growth. 'Factor accumulation and innovation are only *proximate* causes of growth. In North and Thomas's view, the fundamental explanation of comparative growth is difference in *institutions*' which defines 'the rules of the game in a society'. Acemoglu and colleagues emphasise the importance of economic institutions including those that 'structure property rights' and 'perfections of markets' – and that political power working through political institutions shapes the choice of economic institutions. They argue that: 'Economic institutions are ... important because they help to allocate resources to their most efficient uses, they determine

47 Uses and Abuses of Governance Indicators. Christiane Arndt and Charles Oman, (2006) OECD Development Centre

48 Thomas, Melissa, What Do the Worldwide Governance Indicators Measure? (August 1, 2007). Available at SSRN: <http://ssrn.com/abstract=1007527>

49 Eduardo Wiesner (2008) The Political economy of Macroeconomic Policy Reform in Latin America. Edward Elgar Cheltenham UK, Northampton MA USA

50 These authors have published extensively – this summary is mainly based on and quotes from: Daron Acemoglu, Simon Johnson, James Robinson (2006), *Institutions as the Fundamental Cause of Long-Run Growth*, *Handbook of Economic Growth*, Amsterdam North Holland

who gets profits, revenues and residual rights of control.' Ultimately it is: 'Societies with economic institutions that facilitate and encourage factor accumulation, innovation and the efficient allocation of resources will prosper.' Furthermore both economic and political institutions are 'endogenous' – effectively shaped from within a particular country's realities.

The authors consider some of the alternative 'theories' of why different peoples have different incomes, arguing that the explanation is to be found in 'social conflict' theory – how those in power benefit from 'bad' institutions at the expense of those excluded from power. They support their argument with comparative data analyses of GDP and property rights and long-term historical analysis.

Acemoglu et al. define: '...good economic institutions as those that provide security of property rights and relatively equal access to economic resources to a broad cross-section of society. Although this definition is far from requiring equality of opportunity in society, it implies that societies where only a very small fraction of the population have well-enforced property rights do not have good economic institutions.'

From this logic the authors conclude that good political institutions are ones 'that place checks on those who hold political power'. Their theory also predicts that 'good economic institutions are more likely to arise when political power is in the hands of a relatively broad group, with significant investment opportunities.' 'Otherwise 'power holders are more likely to opt for a set of economic institutions that are beneficial for themselves and detrimental for the rest of society...'

It is important to realise that Acemoglu and colleagues, although providing an elaborated and well illustrated 'framework for thinking about why some countries grow faster and are richer than others', do not yet provide systematised empirical evidence in a form that allows institutions to be understood, classified or preferred. One can however draw a number of conclusions from this work useful for this study:

- The choice and evolution of institutions is often a long term process, making it unlikely that new institutional forms will be detected within the time-scale of a PD evaluation ending in 2011.
- It should nonetheless be possible to identify the extent to which the PD and the arrangements put in place to implement it are directed to some of the main results of what this and similar research considers to be 'good' institutions. For example, the extent that reform is likely to be able to resolve collective action problems, protect individual rights, allocate resources and encourage innovation.
- This work reinforces two aspects of development dynamics that have appeared in research already reviewed. First, institutional effects are likely to be rooted in country specific contexts suggesting that the unit of analysis of the evaluation should also be contextualised at country level. Second that social conflict (minimally an awareness

of winners and losers) should feature in the models or frameworks that will inform analysis of the PD and of its evaluation as well as consensus and partnership.

Much of the contention about the role of institutions and governance in development has been fuelled by recent experience in Asia – which has seemed to refute many of the hypotheses about the ways in which institutional reform leads to development and growth. If for example 'good governance' is expected to be market led rather than State-led and even be enhanced by a degree of democracy and human rights, how can one explain the success of China and other countries in East Asia? This is the territory explored by Mushtaq Khan (2000, 2006⁵¹).

Market-Enhancing versus Growth-Enhancing Governance

Market-enhancing governance focuses on the role of governance in reducing transaction costs to make markets more efficient. The key governance goals are:

- Achieving and Maintaining Stable Property Rights
- Maintaining a Good Rule of Law and Effective Contract Enforcement
- Minimizing Expropriation Risk
- Minimizing Rent Seeking and Corruption
- Achieving the Transparent and Accountable Provision of Public Goods in line with Democratically Expressed Preferences

Growth-enhancing governance focuses on the role of governance in enabling catching up by developing countries in a context of high-transaction cost developing country markets. In particular, it focuses on the effectiveness of institutions for accelerating the transfer of assets and resources to more productive sectors, and accelerating the absorption and learning of potentially high-productivity technologies. The key governance goals are:

- Achieving Market and Non-Market Transfers of Assets and Resources to More Productive Sectors
- Managing Incentives and Compulsions for achieving Rapid Technology Acquisition and Productivity Enhancement
- Maintaining Political Stability in a context of rapid social transformation

Rather than starting with a good-governance model, Khan considers the characteristics of these Asian success-stories. He distinguishes between 'market enhancing' and 'growth enhancing' governance (Khan 2006) and points out that: 'The

51 Khan, Mushtaq H. (2000). Rents, Efficiency and Growth, in Khan, Mushtaq H. and K.S. Jomo (eds) Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia, Cambridge: Cambridge University Press. Mushtaq H. Khan (2006), Governance, Economic Growth and Development since the 1960s: Background paper for World Economic and Social Survey 2006.

good governance argument that is frequently referred to in the governance literature and in policy discussions essentially identifies the importance of governance capacities that are necessary for ensuring the efficiency of markets.' Drawing on different bodies of theory and evidence he argues that: 'governance capacities are required for assisting the allocation of assets and resources to higher productivity and higher growth sectors using both market and non-market mechanisms, and that can accelerate productivity growth by assisting the absorption and learning of new technologies.'

The box summarises the difference between market enhancing and growth enhancing approaches to governance.

Khan supports his theoretical framework with empirical analysis using both the IRIS data set from the University of Maryland and the World Bank's governance data (WGI), which he argues: 'casts doubt on the robustness of the econometric results of a large number of studies that find market-enhancing governance conditions have a significant effect on economic growth.'

Khan does not as a result reject all governance reforms – only those that are in his terms, exclusively 'market-enhancing'. Khan's results confirm a 'very weak positive relationship between the quality of governance and economic growth' but he suggests that 'even the weak positive relationshipcould be largely based on the reverse direction of causality, with richer countries having better scores in terms of market-enhancing governance.'

Like others Khan argues that there is 'no single set of governance requirements' to enhance growth rather arguing rather the importance of 'appropriateness' of governance reforms to country circumstances: 'governance capabilities have to be appropriate for ensuring that the growth-enhancing interventions are effectively implemented and enforced.'

Many of the conclusions that can be drawn from Khan's work are consistent with other research studies. For example it:

- Reinforces concerns about 'reverse causality' – whether some improvements in institutions and governance are themselves the result of development rather than their cause
- Underlines the importance of tailored or 'appropriate' reforms that match country circumstances and capabilities – hence the need for what Kaufmann calls 'in-depth' governance assessments, and
- Emphasises the importance of policies – quite apart from contention about what these might be

In addition this research adds another dimension to the argument against 'reversing the negatives' – doing the opposite of what has been shown not to work – by suggesting that it is also useful to attempt to learn from cases of success. More particularly this and other research on Asia (see also Quibria

2006⁵²) seems to suggest regional as well as country differences, for example when compared to research that is mainly focused on Latin America or Sub-Saharan Africa.

Khan also appears to support a less extensive agenda for institutional reform than Acemoglu and colleagues: the cases he cites in East Asia evolved over years rather than decades. This is consistent with Rodrik's conclusions (2004)⁵³ as well: '...the initial spurt in growth can be achieved with minimal changes in institutional arrangements. In other words, we need to distinguish between stimulating economic growth and sustaining it.'

Rodrik appears close to Grindle in his advocacy of modest starting points that can initiate a 'virtuous circle':

'Instigating growth is a lot easier in practice than the standard Washington recipe, with its long list of institutional and governance reforms, would lead us to believe. This should not be surprising from a growth theory standpoint. When a country is so far below its potential steady-state level of income, even moderate movements in the right direction can produce a big growth payoff. This is encouraging to policy makers, who are often overwhelmed and paralyzed by the apparent need to undertake ambitious reforms on a wide and ever-expanding front.' (Rodrik, 2004 p 11).

The links between governance and institutions to development outcomes has been a continuing preoccupation of practitioners and researchers despite the lack of conclusive evidence from evaluations, the 'aid effectiveness' literature or research into governance/institutions. In the words of Rodrik (2004): 'the literature on the institutional determinants of economic prosperity has yet to yield solid policy prescriptions'. However the very considerable body of research and analysis that has been accumulated is strongly suggestive of areas that the evaluation of any initiatives such as the PD should attend to within the specific context of the implicated countries.

Despite difficulties demonstrating causal links between governance or institutions and development there continues to be faith in the importance of these links. This is partly a consequence of policy interest in State building, which itself follows from a focus on country 'ownership' – asking what can be done to enhance developing countries government's capacities to deliver. This interest in the State has been given added urgency by concerns about what are called 'fragile' states, which exemplify the critical relationship between governance and development outcomes.

D. The PD and Fragile States

Fragile states are given prominence in the PD building on the 'Principles for Good International Engagement in Fragile

52 Quibria, M G (2006) Yes, No or Maybe: some evidence from developing Asia. *Kyklos*, 59(1) 99-114

53 Getting Institutions Right. Dani Rodrik, Harvard University, April 2004

States⁵⁴. In paragraph 7 of the Statement of resolve, the PD declares that: 'In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonisation, alignment and managing for results are adapted to environments of weak governance and capacity.' This emphasis on Fragile States has been further strengthened in the outcomes of the Accra HLF of September 2008.

The justification for this focus is clear given the challenges of achieving MDG targets in fragile states:

'One billion of the world's six billion people live in fragile states, and one third of all people surviving on less than USD 1 per day live in these countries. Of all the children in the world who die before reaching their fifth birthday, half were born in these countries. Of all the women whose deaths are related to pregnancy or childbirth, one in three dies in these countries.' (OECD 2007)⁵⁵

It is also recognised that many of the difficulties that beset all recipients of aid caused by poor donor coordination and the proliferation of projects are if anything more damaging for fragile states.

Arguably the emphasis being given to FS constitutes one of the most innovative aspects of the PD. Previously as the World Bank evaluation of Low Income Countries Under Stress (LICUS) report noted aid to many of these States was allocated on a Performance-Based Allocation (PBA) system, which assumes that 'aid is more effective in environments with good policies, institutions, and governance'⁵⁶. As a result these countries received less funds than they might have expected (Levin and Dollar, 2005)⁵⁷. The shift in emphasis represented by the Principles for Good International Engagement is intended to reverse this under-resourcing: 'International engagement in fragile states needs to address the problems of "aid orphans" – states where there are no significant political barriers to engagement but few donors are now engaged and aid volumes are low'.

Defining fragility

Fragile states are variously defined. For the OECD 'States are fragile when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations'. A recent OECD sponsored study⁵⁸,

54 Fragile States: Policy Commitments and Principles for Good International Engagement in Fragile States and situations. (DCD/DAC 2007/29) OECD Development Cooperation Directorate

55 OECD (2007), Ensuring that fragile states are not left behind, Fact Sheet, December

56 Engaging with Fragile States; An IEG Review of World Bank Support to Low-Income Countries Under Stress, 2006

57 Levin, V. & D. Dollar (2005), The Forgotten States: Aid Volumes and Volatility in Difficult Partnership Countries (1992-2002), Summary Paper Prepared for DAC Learning and Advisory Process on Difficult Partnerships

58 Bruce Jones Rahul Chandran with Dr. Elizabeth Cousens Jenna Slotin Jake Sherman. From Fragility to Resilience: Concepts and Dilemmas of State building in Fragile States. OECD 2008

explicitly seeks to extend this definition to reflect the dynamic nature of fragility:

'The central contention of this paper is that fragility arises primarily from weaknesses in the dynamic political process through which citizens' expectations of the state and state expectations of citizens are reconciled and brought into equilibrium with the state's capacity to deliver services. Reaching equilibrium in this negotiation over the 'social contract' is the critical, if not the sole, determinant of resilience, and disequilibrium the determinant of fragility.'

The designation of FS is also not always clear-cut for a number of reasons:

- First there are a number of terms in circulation that have been grouped together under the FS label including LICUS (Low Income Countries Under Stress) and 'difficult partnerships'. Depending on how one draws the boundary, FS can be seen as a much more or much less significant category within the overall PD landscape.
- Second, there is a now recognition of very different types of FS. This was captured initially by differentiating between countries with varying degrees of commitment and capacity (see Leader and Colenso 2005) and more explicitly in the OECD FSG's distinction between: deteriorating governance environments; prolonged crisis or impasse; post-conflict/crisis or political transitions; and gradual improvement.
- Third, breaking down an aggregated understanding of FS into what Bruce Jones and colleagues call 'dimensions or facets of fragility' rather than a classification of States suggests that: ... the nature of the state is dynamic, and ... the bargains and relationships that affect comparative weakness, fragility, or failure are continually shifting and renewing'. Such an approach considerably enlarges the definition of fragility, to the extent that this OECD sponsored study understands 'states as experiencing fragility, rather than as being fragile'.

All of the above serve to problematise the restriction of the label 'fragility' to a specific subset of states. Nor are the existing designations stable. As the LICUS evaluation report observes: 'Donors and researchers have come up with different lists of difficult countries, using different definitions'. The more generic that the definition of FS becomes the easier it is to integrate Fragile States fully into an evaluation design for the PD.

Evidence about outcomes in FS situations

FS policies and principles are far more recent in their origins than many other of the building blocks of the PD. As such evidence of outcomes let alone development results are sparse. In aggregate terms, for example:

- There is some evidence (OECD figures for aid, 2006) that volumes of aid directed towards fragile states have been increasing, although this appears to be skewed towards a few countries.
- Analysis of data set of large civil wars covering 27 countries and patterns of economic recovery in their first post-

conflict decade, suggest that there is potential for aid to boost growth in post-conflict situations according to Collier and Hoef er (2004)⁵⁹. This has additional payoffs insofar as poverty reduction by boosting the legitimacy of regimes can also have conflict-prevention results.

- Significant policy and institutional ‘turnarounds’ can be promoted according to Chauvet and Collier (2004)⁶⁰ not necessarily by promoting reform but by other means such as the expansion of secondary education and technical assistance

Case studies as well as aggregate and quantitative research contain more detailed indications of likely problems and possibilities.

The Thematic Study report on the ‘Paris Declaration in fragile and conflict-affected situations’⁶¹ undertook four country case-studies in Afghanistan, Burundi, the DRC and Nepal. It contains a wealth of material on the early attempts at PD implementation in fragile states. In general the report draws a distinction between ‘problematic partnerships’ characterised by deterioration, impasse and conflict and ‘hopeful partnerships’ that are post-conflict and experiencing improvement or transition. In the former, the study sees prospects for harmonisation but little for ownership, alignment or mutual accountability. On the other hand in ‘hopeful partnerships’, the report is more optimistic:

‘Post-conflict or peace-building transition and situations with improving but weak governance may provide an opportunity for building partnership in the way envisaged by the Paris Declaration, but where the capacity of the state (and civil society) is likely to be extremely weak, the political settlement may be vulnerable, and the risk of falling back into conflict high.’ (OPM/IDL, p24)

These conclusions are consistent with policy analyses such as the World Bank study on aid coordination⁶², which as early as 2001 noted the importance of differentiating between countries in different circumstances when considering aid coordination.

‘The literature identifies two key elements of a country’s development enabling environment: policy performance and institutional quality. Two closely related variables are country commitment (ownership of sound development priorities and policies) and the institutional capacity to manage and coordinate aid (a subset of institutional quality). Experience suggests that these two variables may relate to aid coordination arrangements and to development effectiveness.

59 Collier, Paul, and Anke Hoef er (2004), *Aid, Policy and Growth in Post-Conflict Societies*, *European Economic Review* 48:5 (October). Pp. 1125-1145.

60 Chauvet, L. & P. Collier (2004), *Development Effectiveness in Fragile States: Spillovers and Turnarounds*, Centre for the Study of African Economies, Department of Economics, Oxford University.

61 OPM/IDL (2008) *Evaluation of the Implementation of the Paris Declaration: Thematic Study – The applicability of the Paris Declaration in fragile and conflict-affected situations*.

62 John Eriksson (2001). *The Drive to Partnership: Aid Coordination and the World Bank*. OED World Bank Washington DC.

High institutional capacity and a firm country commitment are likely to be associated with country-driven arrangements that should promote greater development effectiveness than would occur under more donor-driven arrangements. Conversely, the weaker the country commitment and institutional capacity, the more likely it will be that donors will insist on donor-driven aid coordination arrangements in the interests of development effectiveness.’ (Eriksson 2001, p6)

Case studies also highlight the nuanced way in which PD-like strategies are implemented under conditions of fragility. Thus in Afghanistan, often regarded as a laboratory for fragile states, there has been high levels of donor interest; a strong commitment by the government to exercise ownership and leadership; the establishment of mechanisms for donors to pool funds – the Afghanistan Reconstruction Trust Fund; however two thirds of aid still bypasses the Afghanistan government. The box below (drawn from a working paper prepared for this study⁶³) describes the context further. This case suggests that harmonisation although advocated at least in ‘hopeful partnerships’ is still prone to difficulties given the diverse interests and priorities of donors.

Why the ‘government’ model is not being followed...

Lockhart⁶⁴ suggests that the Afghanistan case demonstrates that “even where a recipient government does have adequate frameworks, policies and systems in place for managing aid, a substantial number of donors chose not to use them and instead bypass and undermine them” (Lockhart 2007, pp. 28). Possible reasons for this are explored by Waldman (2008)⁶⁵, who suggests that donors’ preferences are understandable in terms of “problems in budget execution, weak governance, inadequate government human capacity and widespread corruption” (Waldman 2008, pp. 3). This position is backed by an Agency Coordination Body for Afghan Relief (ACBAR) report which points to similar constraints for aid effectiveness in Afghanistan: inadequate levels of aid, limited government and absorptive capacity, unbalanced state building, unrealistic development transition plans, amongst others (ACBAR 2006).⁶⁶ Consequently, an estimated two-thirds of foreign assistance bypasses the Afghan government⁶⁷ undermining proclaimed efforts to build effective state institutions.

63 *Partner Countries and Donors (Internal Working Paper)*: Daniela Ruegenberg and Nicolai Steen Nielsen, DARA. July 2008

64 Lockhart, Clare: *The aid relationship in Afghanistan: struggling for Government Leadership*, GEG Working Paper 2007/27.

65 Waldman, Matt “Falling short – Aid Effectiveness in Afghanistan”, ACBAR Advocacy series, March 2008

66 See: www.reliefweb.int

67 Waldman 2008, pp. 5

In Sierra Leone many reforms have been initiated since the end of the civil war in 2002, including the establishment of a coordinating office for development assistance, preparation of a national poverty strategy with a results monitoring framework, a Medium Term Expenditure Framework, government donor collaboration mechanisms, governance and procurement reforms and a MoU on coordination. Despite progresses on reforms, civil society representatives question ownership in a recent report:⁶⁸

‘Budget support to Sierra Leone [...] comes laden with conditions, opening up the heart of the government to donor influence. The government must implement complicated policy reforms and achieve certain results (e.g. distribution of a certain number of bed nets to the population). Conditions are decided upon by donors who then present their proposal to the government, whose main room for negotiation lies with how ambitious the condition may be, not with whether the condition is an appropriate priority for the government that year. Donors are reluctant to relinquish control over allocation of aid resources and the policy agenda. A chicken and egg situation exists with a lack of trust between the government and the donors.’

The focus on ‘state-building’

The ‘Principles of Good International Engagement in Fragile States’ identifies ‘The Focus on state-building as the central objective.’ Similarly a key feature of the PD approach to Fragile States is the centrality given to state-building: ‘The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state and other country institutions.’ (Paris Declaration, paragraph 37)

This is taken up by OPM/IDL report (cited above) on ‘The applicability of the Paris Declaration in fragile and conflict-affected situations.’ The report notes that “State-building” ... is a core part of the aid effectiveness agenda even where development partnerships are strong since improving government performance and accountability is central to improving its ability to use aid well’ (p 4). As a consequence ‘all countries can be placed along a continuum in terms of the features of the state on which concern about “fragility” focuses’. However given the greater risks of fragility in some states, the OPM/IDL study also takes the view that: ‘aid needs to be assessed both in terms of its contribution to development goals ... and its contribution to state-building and conflict resolution.’

The FS Principles and the more operational ‘practicalities’ share many attributes with the PD with its emphasis on ‘dialogue’, the delivery of services, involving other actors including civil society, capacity building, harmonisation among donors and alignment where possible.

However there are also differences in emphasis. For example:

- The FS principles with an emphasis on state-building are focused more upstream in relation to governance – often concentrating on the fundamental underpinnings of good governance.
- The PD and FS principles both place some emphasis on harmonisation but in the FS context this tends to be less ‘country-led’.

Both the FS principles and the PD recognise the relevance of a broader range of policies. In the FS Principles there is reference to ‘the links between political, security and development objectives’, a phrase mirrored in the PD which refers to ‘public safety, security, and equitable access to basic social services’. Although the mix of identified policies is different for fragile states there is a similar emphasis on policies beyond aid in the thinking that led up to the PD more generally. As the discussion in Chapter 1 highlighted, the acceptance that countries are responsible for their own development, that aid is only one part of the resources finance development and that other policies may have as much influence as aid, focuses attention on the content and coherence of policies more generally.

Conclusions regarding fragility and fragile states

A number of interim conclusions follow from this discussion of fragile states:

- Fragile states occur in many forms and are an important site of world poverty and urgent development needs. This is one of the reasons that they cannot be ignored in an initiative that is directed at poverty reduction and attaining MDG targets.
- In some situations (e.g. some ‘post-conflict’ situations, and what have been called ‘optimistic partnerships’ etc) PD principles can be seen as fitting well with fragile states. In these circumstances there is both justification from available evidence for the application of these principles and a reasonable expectation that they will make a contribution as part of an overall strategy to increase aid effectiveness. Even here however the PD is likely to be less central to donors and developing country strategies than elsewhere.
- It is also worth acknowledging the strong theoretical argument from the recent OECD study (From Fragility to Resilience) that emphasises that fragility is dynamic and multi-dimensional such that many countries experience fragility rather than simply fit into a fragile status category. To that extent aspects of fragility are likely to be present in many locations of PD implementation.
- Nonetheless there will be other less ‘optimistic’ circumstances where the interaction of various dimensions of fragility and the resulting dynamic is likely to constitute a limiting case of what can be expected of PD principles. In these circumstances the implementation of PD principles and commitments is an experiment that will demand innovation and rapid learning rather than follow a predictable path.

These conclusions also have consequences for the evaluation of the PD as a whole in Phase 2, which should focus on outcomes as well as processes of implementation:

⁶⁸ Eurodad, Old habits die hard: Aid and accountability in Sierra Leone, January 2008.

- Fragile states reinforce the importance of unpicking the links in the chain of what constitutes governance (and its upstream variant state-building) so as to be able to identify intermediate outcomes that are likely to lead to positive development results as well as effective aid planning, delivery and management.
- The importance of examining country circumstances in-depth that has been recognised in many of the links between aid and development outcomes is further underlined in relation to fragility. However ease of access to these kinds of intensely political data may be doubly difficult in FS settings.
- The dynamic and unstable nature of fragility also reinforces a dynamic rather than static perspective on the outcomes of PD implementation. Learning, experimentation, adaptation and (hopefully) 'virtuous cycles' will be very important in FS settings and will need to be captured in frameworks, models and methods.

2.3.4 Direct Links between Aid and Development Outcomes

The final arrow in Figure 2.1, linking aid directly with development outcomes constitutes a clear alternative pathway to linking aid with development outcomes through governance. This is supported by different strands of research, although with very different rationales. For example:

- Hansen and Tarp (2001) conclude that aid is effective in promoting growth irrespective of policies. They accept (as do other neoclassical economists) that aid is subject to diminishing returns but according to their analysis increases growth because it allows for capital accumulation.
- Jeffrey Sachs and colleagues (2004)⁶⁹ of the UN Millennium Project, conclude that low growth in Africa in particular is not about governance but about a number of structural 'poverty traps' (See also Azariadis & Stachurski 2005)⁷⁰. These traps make it impossible for countries to break out of poverty, for example by accumulating capital. What is needed they argue is a massive transfer of resources targeted at infrastructure and at education and health in particular.
- Boone whose work was so influential in launching the aid effectiveness stream of research in the mid 1990s continues to believe that the generality of aid does not lead to growth or to the transformation of countries institutions. In his more recent work Boone⁷¹ has moved from questioning the efficacy of aggregate aid transfers by advocating instead more sectorally targeted and he argues cheaper policies to reduce infant mortality, improve child health and increase basic education.

69 Sachs, Jeffrey D., John W. McArthur, Guido Schmidt-Traub, Margaret Kruk, Chandrika Bahadur, Michael Faye and Gordon McCord (2004) Ending Africa's Poverty Trap, Brookings Papers on Economic Activity 1: 117-240.

70 Azariadis & Stachurski (2005) show that traps can arise from market failures or institutional failures.

71 Peter Boone, Effective Intervention: making aid work. CentrePiece Winter 2005/6 London School of Economics

These bodies of work, despite their differences, do confront initiatives that link aid with governance and institutional reforms, with a stark alternative. Boone and Sachs in particular articulate a choice between the systemic path to development as a process of country-based transformation through strengthening governance and institutions and more immediate and targeted attempts to reduce poverty. These choices have been elaborated by de Renzio⁷² (2007):

'Ultimately, aid effectiveness needs to be judged against the evidence of positive impact. In recent years, the focus has rightly shifted towards results, and global campaigns on the MDGs have added a sense of urgency. While such focus on performance has to be supported, the tension that the aid system faces relates to the potential trade-off between focusing on short-term development impact (e.g. putting children into school, ensuring the availability of drugs in health posts) and building sustainable institutional capacity for long-term development efforts. This tension can be witnessed in the recent surge in special purpose aid delivery channels (e.g. vertical funds for interventions in specific areas such as immunisation) which focus on clear impact indicators, but at the same time often by-pass the domestic systems, processes and institutions that are meant to sustain such impact in the long-term.'

From the evaluation perspective this approach is also close to that of Roodman with regard to needed evaluation and research: 'Attacking smaller, practical questions, such as about the effects in various contexts of microfinance or roads, is more likely to achieve what ought to be the primary purpose of studying aid effectiveness, which is to improve it.'

2.4 CONCLUSIONS

This chapter began with two questions: Is it likely that the implementation of the PD will lead to more 'effective' aid and to improvements in development results? and; What are the implications for the structuring of the Phase 2 PD evaluation that follow from existing understandings related to PD principles and aid effectiveness more generally? These conclusions are organised around these questions.

Is it likely that the implementation of the PD will lead to more 'effective' aid and to improvements in development results?

- In terms of short-term intermediate outcomes (changes in aid management, planning and budgeting) there appears to be good grounds for believing that the PD will lead to more effective aid. There is less certainty about medium term outcomes for a number of reasons, including uncertainty about how PD principles will be situated, adapted, negotiated and interpreted. Examples of such medium term outcomes would include reductions in

72 Paolo de Renzio, Aid Effectiveness and absorptive capacity: Which way aid reform and accountability? ODI Opinion, May 2007.

transaction costs: these are not always likely to reduce especially when mixed aid modalities continue – as they are likely to.

- Ownership and country leadership is often seen as at the heart of the PD. However evidence considered in this Chapter confirms that the PD mainly strengthens central government ownership, not always encouraging inclusion of other development actors such as local governments, parliaments, civil society and the private sector. It seems likely that in some countries (for example with governments that are not inclusive and open) the narrowness of ownership will dilute the potential effectiveness of aid.
- It is understood that donor objectives are diverse, including not only development goals but also strategic, commercial and other goals – and that this is likely to act as a barrier to harmonisation and alignment. Furthermore weak domestic accountabilities and fear of fiduciary risk will also constrain harmonisation.
- The significance of new ‘non-traditional donors’ such as China, Venezuela and various global funds is likely to be an important influence and constraint on the PD’s development agenda. It will offer those in need of investment and income an alternative source of funds without unwanted conditionalities, such as governance reforms.
- The evidence is clear that aid can and does lead directly to poverty-related development outcomes through improved public services such as health and education. The evidence for income growth and the sustainability of service gains in the absence of income growth is less certain.
- Despite problems of data, analysis and interpretation the consensus that governance and policies matter for development outcomes seems justified. However this does not mean that outcomes cannot be achieved without such reforms and there is uncertainty about how extensive and long-term reforms have to be to initiate development and growth. According to some commentators there is a case to be made for limited reforms (‘good-enough’ governance) which may be sufficient to kick-start economic growth – even though this may not meet other criteria such as human rights.
- Defining ‘fragility’ in a more dynamic way, with dimensions of fragility that affect many countries at different times increases the likelihood that the PD is an appropriate strategy that will strengthen the Good Principles for Fragile State engagement.
- The importance of country specific dynamics – what the CDF evaluation calls ‘deep country-specific characteristics’ – has been underlined in this chapter. These dynamics include partnership relationships and interactions between donors and countries that receive aid. This suggests that the unit of analysis for the evaluation should be mainly at country level but also include implicated donors in its scope.
- There is a need to differentiate a range of intermediate outcomes, from the short-term actions regarding poverty reduction (planning and budgeting arrangements) to the medium term (policy development, reallocation of transaction costs and service delivery) and longer term (institutionalisation of governance innovation, institutional development) and their likely links with development outcomes. This is despite the likelihood that longer term ‘outcomes’ will not have become fully ‘evident’ by the Phase 2 evaluation.
- Although the broad outlines of likely PD effects are apparent the way these are shaped by specific contexts is less clear. A main purpose of the evaluation should therefore be to ‘open the black box’ and try to understand mechanisms⁷³ and what can be done to improve the probability of positive outcomes. The evaluation should position itself as part of a ‘learning process’ – highlighting how as well as what, in order to support improvement.
- Comparative cross-country measurement studies are costly and the problems encountered over the last decade – of data availability and analytic power – are unlikely to disappear. There are good examples of comparative evaluations using well-specified case-studies (an example of this is the GBS evaluation cited in this Chapter) that include quantitative as well as qualitative data. The need for comparative approaches in order to explain the difference between more or less successful outcomes remains a priority.
- The objectives and strategies of actors (donors and their accountability relationships; and developing country government and other actors including civil society and parliaments) are well-understood as being important in development cooperation. The Phase 2 evaluation should therefore take account of actor intentions and the extent and the way they learn to use PD arrangements to achieve their objectives.
- The sensitivity of many of the processes that the Phase 2 evaluation will need to examine cannot be underestimated. In order to expect cooperation from both donors and developing countries there will need to be a major element of the evaluation that is designed so as to answer their evaluation questions and meet their priorities. One of the main ‘customers’ of this evaluation must be development partnerships themselves. At the same time evaluation questions must be balanced and inspire confidence for all stakeholders.

What are the implications for the structuring of the Phase 2 PD evaluation that follow from existing understandings related to PD principles and aid effectiveness more generally?

- How one defines aid effectiveness and development effectiveness will make a difference to the scope and content of evaluation frameworks and models and how evaluations should be designed.

⁷³ The nature of mechanisms is widely used in the philosophy of science as part of scientific explanations. See for example Wesley Salmon (1998) *Causality and Explanation*. Oxford University Press. In evaluation mechanisms are a key part of the realist evaluation approach discussed further in the next Chapter.

- Existing research and case-studies suggests that the PD and its implementation is not a standardised process. The sequencing of initiatives, the interaction of factors, the non-linear way that change occurs and the possibility of 'two way' causalities has been well demonstrated. The models used in this evaluation should reflect this reality.
- The PD as a political programme emphasises partnership and consensus. Existing research underlines the importance in some circumstances of negotiation or even conflict models. These should also be reflected in the evaluation design.
- The evaluation will have to encompass some relatively structured settings and some about which much less is known. For example the implementation of PD principles in 'less-optimistic' partnerships will be exploring the limits of what is currently understood and will have to be approached in an exploratory rather than a pre-determined way.

CHAPTER THREE

The Evaluation of the outcomes and impacts of the Paris Declaration

3.1 INTRODUCTION

One of the six objectives of this study is to: 'provide an outline approach and methodology for phase 2 of the evaluation.' Phase 2 follows on from the Phase 1 focus on implementation with shift to a focus on outcomes and impacts⁷⁴, 'assessing the linkages between aid effectiveness and development results'. The ToR foresees that the evaluation will test the 'hypothesis' put forward in the Statement of Resolve, that the PD 'will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.' Preparatory to the evaluation there needs to be an articulation of the PD's 'logic model' and 'programme theory', i.e., the 'set of hypotheses that give the PD its logic'.

Chapter 1 of this report articulated in narrative terms the PD's 'policy theory', understood as the normative assumptions of policy makers about what the PD is intended to achieve and how. This type of theory tends to be operational rather than empirical, and often makes optimistic assumptions about the nature of interventions, their likely effects and hoped for results. Following the review of what is known from research covered in Chapter 2, it is possible to elaborate on the PD's 'policy theory' with a broader understanding of the contingencies and contexts in which this policy theory is most likely to be valid. This requires a description of the wider system within which the PD is embedded. Such a system includes national and international policies beyond aid; institutional arrangements; and a very diverse set of country characteristics and development partnerships. Chapter 2 highlighted that one of

the distinctive challenges of the PD is the diversity of settings in which it is intended to make a difference.

This chapter also revisits earlier discussions about the characteristics of the PD as an 'evaluation object'. The PD as a multi-actor and multi-measure strategy is quite different from traditional programmes or interventions. It is not even a traditional intervention, rather enabling and encouraging change other pre-existing interventions and policies through partnership working. This determines the kinds of evaluation questions that can reasonably be asked and the kinds of methods that are needed to answer them.

In addition to policy models, evaluation design and methods; the evaluation of a partnership based initiative with multiple actors and power disparities raises questions of how the evaluation should be organised. This chapter therefore begins with a discussion of evaluation 'architecture' and 'governance'. This suggests how the evaluation might best be structured to ensure that it can deliver results that are trusted and likely to be used by actors (including central governments, municipalities, donor agencies, parliaments and civil society) to inform their policies to improve aid effectiveness.

The main sections of the chapter are:

- Evaluation Architecture and Governance
- Evaluation Design
- A Policy Model for Evaluation Purposes
- Indicative 'Propositions'
- Evaluation Questions and Methods
- Outline of Evaluation Tasks

3.2 EVALUATION ARCHITECTURE AND GOVERNANCE

The activities of the Phase 2 PD evaluation will necessarily be dispersed across the world. It will nonetheless need to be coordinated and managed in a way that ensures appropri-

⁷⁴ The term impact is used in the accepted OECD/DAC sense: i.e. 'long-term effects produced by a development intervention' rather than in the narrower sense favoured by the 'impact' school in evaluation who associate 'impact' with measurement through RCTs.. As Esther Defo observes with specific reference to Budget Support: 'randomised evaluations are not suitable for all types of programmes.' Defo, E., (2004) Evaluating the Impact of Development Aid Programmes: The Role of Randomised Evaluations in 'Development Aid: Why and How? Towards strategies for effectiveness' Proceedings of the AFD-EUDN Conference, 2004'

ate adaptation to country circumstances (both national and local); coherence and consistency between different activities; and the quality and independence of evaluation process and products. The 'architecture' of the evaluation includes its basic elements (e.g. teams and management arrangements) and the structuring of these elements – where they are located, how they are linked together and organised. In part evaluation architecture follows from the design of the evaluation – its tasks, methods and intended outputs. However in evaluations where there are many stakeholders, issues of power and influence will be involved and the technicalities of architecture have to be reconciled with issues of governance. This is undoubtedly true for the PD and for this reason this Chapter of the report begins with proposals for evaluation architecture and governance. As a minimum requirement it is assumed that PD's evaluation architecture and governance should support and strengthen 'development partnerships' in their pursuit of aid effectiveness and development results. It should do this in ways that support developing country ownership and leadership and in line with the Accra Agenda for Action⁷⁵, do so in an inclusive way. What is envisaged is a joint evaluation consistent with the partnership ethos of the PD. At the same time technical design and operational criteria remain important – experience with joint evaluations has underlined the methodological risks as well as benefits of multi-stakeholder involvement in an evaluation and the transaction costs of over-complex coordination arrangements.

3.2.1 Evaluation governance

It is not possible for independent experts to pre-specify governance arrangements, which will have to be agreed by stakeholders themselves. However some principles and options for evaluation governance are outlined here, as an input into stakeholder decision-making.

It is suggested that:

- The governance of the evaluation should ensure appropriate involvement, cooperation and ownership by the main stakeholders in the PD and PD evaluation. 'Appropriateness' is understood to be defined in terms of making it more likely that the evaluation will be able to access information, be relevant to stakeholders and its results will be used. There is also a prior expectation that all stakeholders will be committed to the independence and professional credibility of the evaluation. Stakeholders are understood to be the main development actors at country, regional and international levels who have endorsed the PD and are active in its implementation. This could include central and other tiers of government; parliaments; donors and their agencies; and civil society based development actors – including the private sector, the media and research institutes. Different but linked structures are needed at country, regional and international levels.
- At country level there should be 'advisory groups' that include development partners (donors and governments) and other key actors drawn from civil society. These might take on the function of reference groups for local teams; however the minimum expectation is that such groups would combine information and utilisation roles. For example they may be able to facilitate access at country level, provide information about local contexts and help interpret, disseminate and use findings. They may also be able to defend the independence of teams.
- There are potential advantages of a 'regional tier' in this evaluation as in others – and there have been discussions in the past of creating regional evaluation resource centres. In particular in this evaluation:
 - Having an 'evaluation forum' or 'regional evaluation capacity centre' in areas where the PD is being implemented, such as Latin America, Sub-Saharan Africa and East Asia could provide a platform for horizontal or 'peer-to-peer' exchange which would encourage exchanges in settings not perceived as dominated by donors. Ideally a 'regional evaluation forum' could also serve as an 'observatory' gathering regional information on aid effectiveness, and synthesising existing regional case-studies and research as well as outputs of the PD evaluation to promote the dissemination of good practice.
 - Many of the evaluation skills that country-level evaluation activities will need to call on are already networked at a regional as well as national level. A regional forum could help reinforce regional evaluation capacities, for example by involving regional networks such as AfReA and RELAC and mobilising regionally-based research institutes; and encouraging links between regional evaluation and research networks and country based evaluation activities. In regions where existing networks are less well-established IDEAS and IOCE may also be able to offer support.

It is recognised that evaluation capacity-building is not the responsibility of the PD. However the PD is one of a long list of initiatives that have a need to draw on local and regional evaluation resources in the developing world. The possibilities of a regional evaluation 'forum' or resource centre should be seen alongside other initiatives to strengthen evaluation capacities.

- At an international level, a full range of stakeholders (development partners – donors and governments of developing countries and other development actors) will need to be involved in some kind of reference group. There will also need to be a management committee that reports to the reference group but is separately charged with the responsibility to safeguard the quality and independence of the evaluation.
- The evaluation should also provide roles for independent practitioners, experts and academics from donor and

⁷⁵ See especially Paragraph 13

developing countries. These might for example provide a professional peer-review element for evaluation products and offer impartial methodological advice at various stages in the evaluation process.

The governance of the evaluation will inevitably be closely tied to its architecture.

3.2.2 Evaluation Architecture

The evaluation should be organised operationally at two levels:

- A '*central team*' that is responsible for both overall design and coherence; and for cross-cutting activities
- '*Partnership teams*' that will be responsible for undertaking work in developing countries

Both the central and partnership teams should be chosen through open tender with the central team set up approximately 6-8 months in advance of 'partnership teams' and involved as one party together with partnership-based stakeholders in the selection process for these teams. It should also be possible for 'partnership teams' to include regional experts. For example there could be some shared team members across partnership teams within a region, even though these teams will need to have strong in-country roots.

The specific division of responsibilities between the central and partnership teams is outlined towards the end of this chapter after the overall design and the specification of evaluation tasks has been described.

In addition to the operational teams there will be a need for:

- *Country based advisory/reference groups*: Partnership 'advisory/reference groups' will consist of the development actors in the partner country concerned including but not confined to central government
- *Regional evaluation forums or resource 'centres'*: these will act as resource for exchange and networking of evaluation skills at a regional level
- *An international reference group*: involving those that have endorsed the PD including developing countries, donors and civil society representatives
- *A management committee*: acting on behalf of the reference group but independently charged with protecting the quality and independence of the evaluation

3.3 EVALUATION DESIGN

The proposed evaluation design that follows is shaped by three interlocking elements:

- The characteristics of the PD as an evaluation object set within a wider 'systems' framework
- A basic 'policy model' of the PD that encapsulates policy-makers intentions and relevant research theories about the PD and PD-like interventions

- Evaluation questions that can be asked and answered given the characteristics of the PD, and what stakeholder might reasonable expect from the evaluation in order to meet their needs – whether in developing countries or among donors

On this basis a set of possible evaluation activities and methods are outlined.

3.3.1 Characteristics of the PD

From the discussions in Chapter 1 and 2 of this report it is possible to describe the characteristics of the PD that will be important for the design of an evaluation of PD that is results oriented. In broad 'systems' terms the main elements that policy and research material suggests should be taken into account in an overview of 'aid-effectiveness' and 'development effectiveness' are sketched out in Figure 3.1 below.

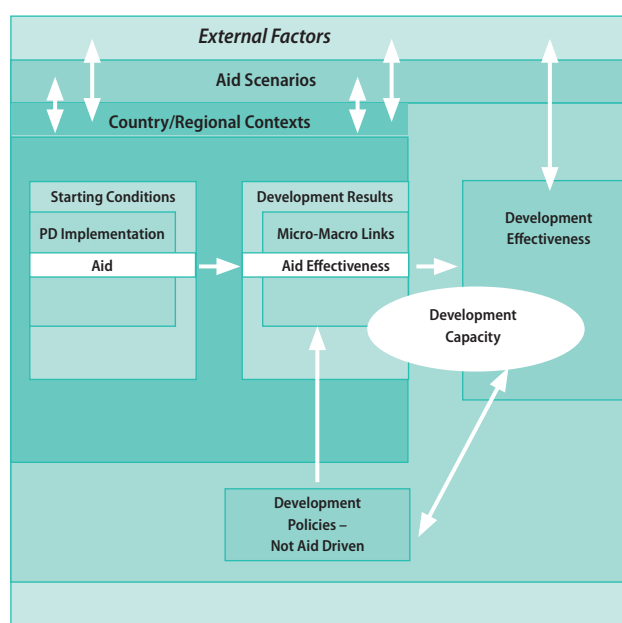


Figure 3.1 A Systems overview of Aid Effectiveness and Development Effectiveness

This system's view highlights:

- The flow of aid through a particular PD (however implemented) that is located in a particular set of 'starting conditions' or settings
- How aid effectiveness is also determined by policies that are not aid related or aid driven – but which may make a bigger contribution to development outcomes and poverty reduction than aid
- The growing importance of development capacity if the focus shifts towards development effectiveness rather than aid effectiveness alone
- How the wider context at a country/regional level; aid scenarios; and external factors (e.g. global economics and politics) also influence aid and development outcomes

Whilst Figure 3.1 provides an overview at a systems level, in order to plan an evaluation, the PD also has to be considered in more detail, in particular to identify dimensions of the PD as an evaluation object. For example there is usually a need when designing an evaluation to identify some of the main attributes of a policy or programmes, such as its:

- inputs and outputs;
- implementation settings and actors;
- the kinds of goals that are envisaged;
- the possibility of 'base-line' or before and after comparisons; and
- the extent to which the evaluation 'object' can be regarded as self contained or isolatable from other initiatives and policies.

In these terms the PD can be described, as an evaluation 'object' as follows:

- A complex multi-measure strategy with an often indirect influence in shaping and enabling many policy 'inputs' and 'outputs' and areas of unclarity about how these inputs and outputs are linked together
- Open to different interpretations and patterns of implementation reflecting both the priorities of actors and the contexts (prior conditions and histories) of the specific countries involved
- Located in highly diverse settings (e.g. including different income levels, policy regimes and many types of state 'fragility') such that different results can be expected from apparently similar inputs
- A 'developmental' initiative insofar as it can be expected to evolve over time as learning occurs, new capacities are acquired and adaptations are made to changing circumstance – both by the recipients of aid and by donor countries
- Having short-term and long term goals concerning poverty reduction and broader development results as in the MDGs, but with the linkages between these various goals not always evident or fully understood and some goals only defined once implementation has begun
- Some of the PD's most important goals relate to the fundamentals of governance and institutional development which are necessarily long-term and will be difficult to detect even as tendencies before 2011
- It combines and recombines policy initiatives regarding aid that have been around for many years and are present in many other initiatives and instruments – PRSP, CDF, GBS, HIPC etc – such that a starting date, or a before and after comparison is not straightforward
- At a country level the PD is embedded in other economic and social policies that are likely to significantly determine its success given that aid constitutes only a small proportion of the resources for or the decisions about development
- The wider international context – of international trade and politics; commodity prices; migration patterns; and economic cycles – will also shape PD results and in particular new development actors and donors in a variety of 'aid scenarios' will be influential

These characteristics of the PD are well matched to contemporary understandings in evaluation about complexity (See for example Sanderson 2000; Rogers 2008)⁷⁶.

Patricia Rogers describes complex programmes where the causal links are 'recursive' (multi-directional with many feedback loops) and 'emergent' – where 'specific outcomes, and the means to achieve them, emerge during implementation of an intervention.' Standard 'logic models' that tend to be linear are not well suited to these kinds of interventions. For example logic models tend to assume that 'objectives' and the means to achieve them are known in advance and that non-achievement of goals represents a management or implementation failure. Rogers identifies the particular challenges of programmes that are both complex and complicated – the latter having outcomes and goals that are known and knowable but have to be adapted and understood in decentralised multi-sites subject to their own differences in governance. The PD it can be argued falls squarely into this class of evaluation object, with some goals known in advance and others emergent; a multiplicity of implementation settings with their own governance 'rules'; and where the PD has necessarily to be adapted to different settings where it interfaces with a distinctive mix of other local policies.

This understanding is also consistent with two contending frameworks from political science and policy analysis: the 'rational' top down perspective (following Lasswell and Palumbo); and the 'political' bottom up non-linear perspective (following Lindblohm and Sabbatier). Stern (2007)⁷⁷ summarises the assumptions of the non-linear bottom-up policy model which also fits well with the PD, as follows:

- 'Hierarchical control is imperfect – there is significant discretion at all policy levels
- Information is imperfect, making measurement of outcomes difficult
- Frequently problems & objectives are not clearly defined – there may be limited consensus
- Differences in 'local' context make uniform implementation impractical
- Actors outside of bureaucracies have a strategic input, including for example, civil society, networks of experts and the private sector
- There is often resistance to implementation and continued attempts at political re-definition and re-negotiation – policy is not linear'

Because of the characteristics of the PD as outlined above, many of which derive from the initiatives complex nature, it is possible to list some of the necessary elements of an evalua-

⁷⁶ Evaluation in Complex Policy Systems Ian Sanderson (2000) *Evaluation the international journal of theory, research and practice*, 6(4). Rogers, P, (2008) *Using Programme Theory to Evaluate Complicated and Complex Aspects of Interventions. Evaluation the international journal of theory, research and practice*, 14(1)

⁷⁷ Stern, E., (2007) *the Challenge of Evaluating Public policies*. Presentation to EU Presidency Conference on the Evaluation of Public Policies and Programmes. Lisbon September 2007.

tion design, and some of the limits of what can be expected from an evaluation. For example:

- It will be difficult to separate out PD effects from that of other policies and initiatives – there will be problems of attribution; and contributions will be more likely to be exemplified in a narrative rather than measured, especially in the shorter term
- Because of the considerable scope for actor discretion, understanding how development actors use the PD to pursue development objectives in Particular should be built in to any PD evaluation design
- Because the PD will be diverse – without any single ‘standard’ model – different configurations will need to be identified in order to understand the nature of the PD ‘intervention’ in any particular setting
- Because the PD is likely to initiate a developmental dynamic with short, medium and long-term results, the evaluation should be capable of tracking changes in PD configurations and outcomes over time – an exclusive focus on the implementation cycle up to 2011 will not be adequate
- The medium and long-term nature of PD results also highlights the need for a ‘model’ that enables ‘distance travelled’ and ‘direction of travel’ to be tracked – i.e. a model that provides a map of change even if change is not always linear or already manifest.
- The specific ways in which policy decisions, country characteristics and donor priorities interconnect argues for a strong focus on country specific case-studies as a core element of any evaluation, however these cases will have to be carefully selected to encompass the diversity of the PD
- Generalisations about PD ‘effectiveness’ across countries and partnerships will be difficult (mainly because of PD embeddedness in other policies and frameworks; developing country/donor differences; and different aid scenarios) there is therefore a need to cluster partnerships into typologies to maximise the potential for comparability and generalisation within clusters
- It will also be important to structure core elements of the evaluation design (e.g. some aspects of case-studies) quite tightly in order to ensure a sufficient degree of comparability even within similar clusters of PD implementations in context

3.4 A ‘POLICY MODEL’ FOR EVALUATION PURPOSES

Whilst it would be possible though difficult to express the PD in a standard ‘logic model’ format, the nature of the PD would make this risky. For example the lack of clarity about inputs, causal links and outcomes as well as the embeddedness of the PD in other policies and the diversity of contexts, is likely to reduce the plausibility of any linear model. It would probably only be plausible to specify a traditional logic model for the

PD’s outputs rather than its outcomes or longer term results. The judgement being made here is that a logic model would not define the PD in a way that would make it ‘evaluable’ using the term coined by Joseph Wholey⁷⁸. The proposed alternative is a ‘policy’ model that acknowledges:

- The different ways in which the PD is being implemented
- The importance of different implementation contexts
- The centrality of actors’ intentions and priorities
- The possibilities of multi-directional causality between the main elements in a model
- The developmental and iterative nature of policy implementation associated with the PD

The proposed ‘policy model’ focuses on results in terms of aid and development effectiveness. It does this by enabling outcomes to be revisited at different stages in the policy cycle. The model assumes that the PD is part of a ‘generative’ or developmental process, in which PD configurations change in the course of implementation as do the possibilities of development outcomes. This means that even if in some areas, a first iteration may only reveal outputs rather than outcomes, the model provides a map that would allow an evaluation to assess whether the positive changes are emergent if not yet evident.

The policy model presented here unlike a logic model, does not suggest that the processes and outcomes that the model identifies are predictable or that the links between policy elements are known and understood or will behave reliably. Most of the arrows in the model are bi-directional; and the possible variations of the model even if each arrow was only binary are therefore very large. The model should be seen more as a map of the many ways in which the PD could exert influence. At the same time for all of the elements in the model and the possible relationships between them there are ‘findings’, ‘cases’, ‘bodies of evidence’ and ‘theories’, many of which were described in Chapter 2. It is therefore possible to put forward propositions⁷⁹ that could explain linkages that could explain how the PD might exert influence.

The policy model (Figure 3.2) brings together the main influences on PD outcomes from policy and research sources. It summarises the main building blocks that an evaluation should include in its scope, distinguishes between possible changes in the short, medium and longer terms both in terms of poverty reduction/MDG achievement; broader development outcomes; and associated changes in state ‘governance’ capacities.

As presented in the model in Figure 3.2 the assumed flow of influence is as follows:

⁷⁸ Wholey, J. (1979). *Evaluation: Promise and Performance*. Washington, DC: Urban Institute.

⁷⁹ Understood to be a weaker form of argument than a hypothesis; one that is not necessarily supported by theory or consistently generalisable.

Intentions and Priorities in Context

The main actors in country – including governments, Parliaments, Civil Society, the Private Sector and NGOs – and the main donors engaged in a country all have their ‘intentions and priorities’. For example it was noted in Chapter 2 that donors have a range of economic and strategic as well as development ‘objectives’. These intentions and priorities are located in a ‘Context’, made up of two main elements, ‘country characteristics’ and ‘aid scenarios’. Country characteristics include pre-existing levels of poverty, human development and economic performance as well as patterns of governance including for example, aspects of fragility. ‘Aid scenarios’ include the mix of donors engaged in a country, volumes of aid, aid dependency and the composition of aid – including aid modalities, tied aid, technical assistance etc. The implication of this description is that all development actors are confronted with a context that whilst they partly influence will, in the short-term at least, set parameters to their actions.

PD Configurations

These parameters will also shape the way the PD is implemented. The term ‘PD Configuration’ is intended to communicate that the PD is not a unitary intervention but made up of many elements that can be brought together in distinctive ways. For example some developing countries have well developed poverty reduction strategies linked to well-established aid management processes that are strongly ‘owned’ by their governments; and in some countries aid coordination and harmonisation among donors led by country governments also has a long history – but in others this is not so. Furthermore the PD is not a traditional intervention with its own inputs and actions – rather it enables, encourages

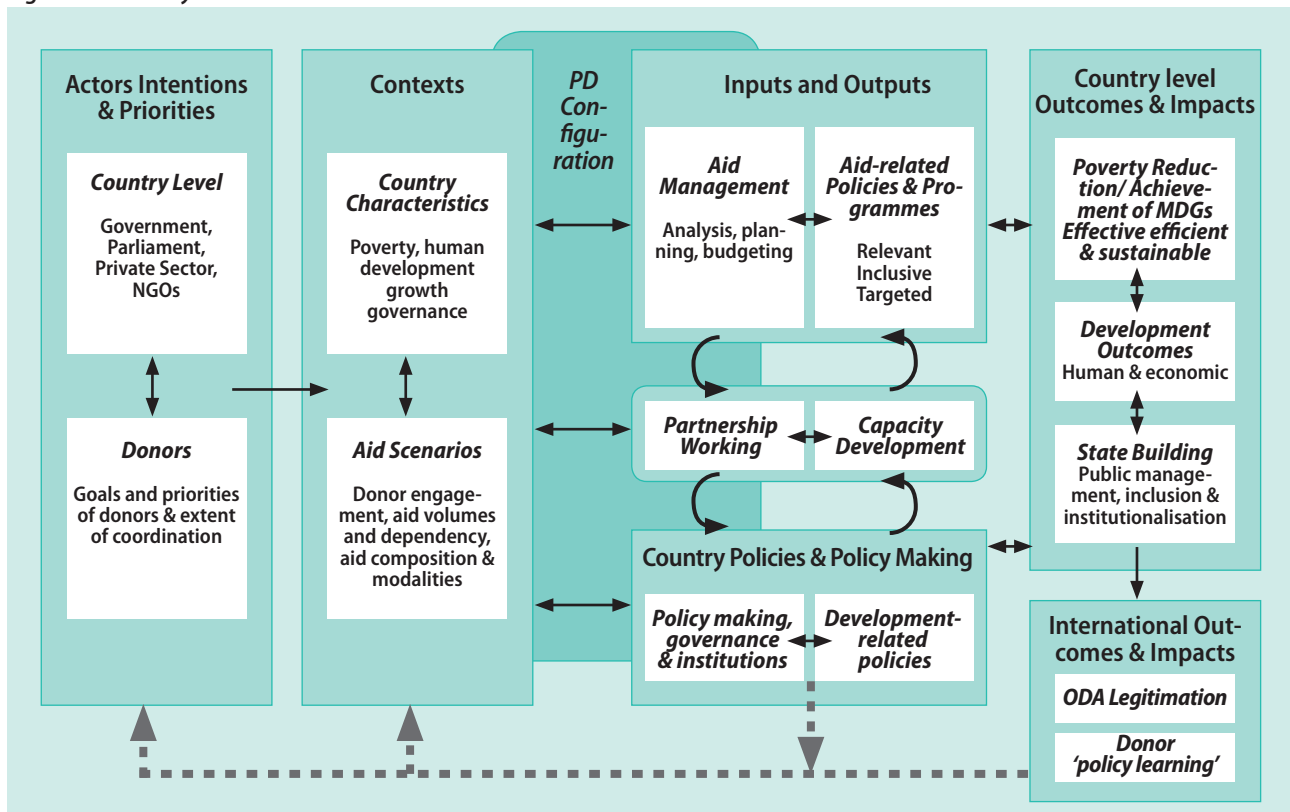
and aims to change the character of other often pre-existing inputs and actions such as policy development and planning through various forms of ‘partnership working’. (This is why the PD appears in the policy model as a background influence on existing inputs and outputs rather than as a self-contained input.)

Nonetheless it is not being suggested that every PD configuration is unique. From what was described in the ‘Evaluation of the Implementation of the Paris Declaration’ (Wood et al 2008) as well as in the two rounds of the PD monitoring exercise, it will be possible to identify a limited set of PD configurations. The form and content of the PD is dynamic rather than static: the policy model assumes a progressive implementation and refinement of the PD over time. Tracking the way PD configurations evolve will provide some confirmation that the PD is being used and contributes to development outcomes.

Inputs and Outputs: Aid Management and Aid Related Policies

The PD’s inputs and outputs as understood in this policy model are directly concerned with aid, following the intentions of the PD itself. ‘Aid management’ concerns the capacities of governments to undertake needs analyses, plan and budget; the correlates of these inputs are ‘Aid related policies and programmes’ – those that directly seek to reduce poverty and achieve other development objectives in ways that are relevant, targeted and inclusive. The two way arrow between these inputs and outputs indicates the need for consistency: for example, planning and analysis needs to be conducted in ways that ensure that policies & programmes are inclusive and relevant and targeted.

Figure 3.2 A Policy Model for PD Evaluation



Partnership Working and Capacity Development

The impetus for improvement over time comes from two main sources, 'Partnership Working' and 'Capacity Development'. Partnership Working includes a host of arrangements that are being put in place alongside the PD, including: policy-dialogues, donor-coordination groups, joint reviews and joint problem solving meetings, which are seen as means of building common knowledge bases, promoting learning and increasing trust. Because of the understanding of the PD as a 'partnership' initiative that focuses on the aid relationship, this is an element of the model where donors are seen as especially active. Capacity Development covers many things: individual skills, organisational capabilities and 'outward-looking' capacities such as coordination, networking, involving and consulting.

In relation to aid effectiveness and development some of these capacities mainly concern governments – e.g. the skills of civil servants, country-based budgetary and procurement procedures, the ability to involve civil society, including poor citizens and the private sector. However capacities for aid and development effectiveness are not confined to governments. Capacities can include strengthening parliamentary scrutiny and inputs into policy; supporting structures that give the private sector a voice in policy-making; and enabling NGOs, community organisations and civil-society more generally to contribute to consultations and to exercise the kinds of 'watchdog' role implied by notions of 'downward-accountability'. Although capacity development is assumed to be the responsibility of developing countries and may not be directly rooted in the PD, the model assumes that it is key to understanding PD effects and is likely to require donor inputs as part of PD implementation.

Country Policies and Policy Making

Aid Management and Aid-related Policies are themselves embedded in other country based policies and policy-making processes. These policies that may not be aid-related are nonetheless important for development results and for the way aid is managed and to what effect. However as the multi-directional arrows in Figure 3.2 suggest, the model is open to the possibility that the PD itself will have spill-over effects that will influence policy making, institutions and other non-aid policies. For example improvements in statistical analysis, budgeting and planning encouraged through the PD may have implications for how non-aid policies are implemented and the extent of policy coherence across different policy domains. (In these terms the PD enables an input into a wider policy arena.) Country policies and policy making like PD implementation is seen from an iterative perspective.

Country-level Outcomes and Impacts

Country level 'Outcomes and Impacts' include some that are expected to be short-term, medium-term and longer-term. In general it is assumed that poverty reduction results will be evident in the shorter-term. (This is consistent with research about what can be achieved through specific and targeted

improvements in health and education and other public services.) Other 'Development Outcomes' included in a broad definition of development (consistent basic services, income growth, social inclusion and equality) are assumed to take longer to achieve – if they do not already exist. Following on from the definition of 'aid-effectiveness' posited in Chapter 2, qualities like efficiency – including the reduction of transaction costs, effectiveness and targeting at the poorest in society is included in an understanding of these shorter term and medium term outcomes.

The inclusion of State-Building as an explicit if long-term outcome of the PD follows from the earlier discussion of governance, institutions and the prominence given to 'fragility' and Fragile States in the PD. It is not suggested that State-Building outcomes if detected are likely to be attributable mainly to the PD. However the model acknowledges the potentially catalytic effect of the PD to improve public management, strengthen institutions and promote inclusion when combined with other development and non-development policies and when supported by capacity development measures.

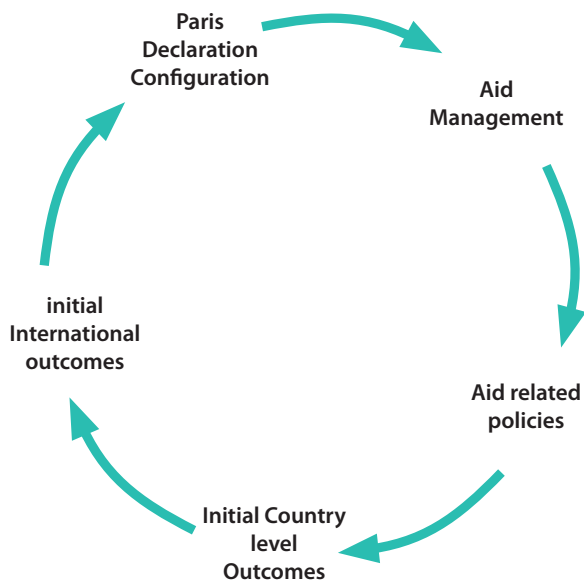
International Outcomes and Impacts

The setting in which poverty reduction and development outcomes are expected are in 'developing countries', subject to income poverty, an absence of services to meet basic human needs and a consequent restrictions in the lives of their citizens. Given the PD focus on the aid relationship as a partnership there are also international outcomes that concern donors as well as partner country governments – and the relationships between donors and those receiving aid. The PD like many preceding policy initiatives was partly intended to re-assure taxpayers in donor countries that aid was well spent, yielded results and was worth increasing levels of expenditure. The legitimacy of ODA is therefore one important international outcome of the PD. Another is that donors' policies are adapted to maximise the efficiency of aid by harmonising aid, introducing a division of labour between donors, reducing transaction costs and aligning with the development priorities of the recipients of aid. This has implications for the organisation of aid agencies, the management of risk, and the shape of donor development policies.

As the dotted-arrow below the policy model in Figure 3.2 suggests, the consequences of what is labelled Donor 'policy learning' are expected to be far reaching and include changes in the context of aid and the intentions and priorities of actors – among donors as well as among the recipients of aid. Figure 3.3 underlines the assumed iterative character of this model and the assumption that the PD Configuration that will itself change over time. From an initial PD configuration, a cycle of inputs, outputs, outcomes and results leads back to a PD configuration that is likely to be changed as (and if) new ways of managing and using aid are implemented effectively – other things being equal. Inevitably contexts and actor intentions will not 'remain equal'. An iterative perspective will also focus attention on changes in the big picture such as variations in

aid flows, commodity price fluctuations and the emergence of new donors within an aid scenario. This will help safeguard against inappropriate attribution of change to the PD.

Figure 3.3 First iteration of outcomes



Such an iterative perspective suggests that the evaluation should attempt to follow PD implementation through more than one iteration if it is to identify development outcomes. At the very least evaluations should attempt to reconstruct more than one iteration in order to identify what changes have occurred, whether through learning by doing or virtuous cycles

3.5 INDICATIVE ‘PROPOSITIONS’

The ‘policy model’ described above, maps out possible connections between many different policy processes. It is founded on a large body of research as well as practitioner experience, coming from different institutional backgrounds and traditions each with its own ‘taken for granted’ assumptions and criteria.

Ideally the Phase 2 evaluation should focus data gathering and analysis around hypotheses that connect PD implementation with possible outputs, outcomes and results. Such hypotheses can be derived from two sources: pre-existing experience and research; and specific ‘local’ situations in the countries where evaluations take place. Local propositions cannot be fully specified in advance but requires a grounded, ‘theory-building’ activity at local level when finalising evaluation plans. (This is included in the outline of proposed evaluation activities, see below.)

The contradictory and tentative nature of evidence of the kind reviewed in Chapter 2, makes it difficult to advance formal

hypotheses that are theoretically based and testable. Instead the hypotheses presented here are generally in a weaker form – propositions to be further explored and verified rather than ‘proven’. Furthermore the propositions are ‘indicative’ insofar as they are not seen as comprehensive – other propositions could also be put forward on the basis of existing knowledge and experience. However the propositions below do indicate the kinds of lines of enquiry that an evaluation of Phase 2 of the PD should pursue within an overall model of how the PD might influence development outcomes and results.

The ‘propositions’ are organised under five main headings:

- Country Ownership and Poverty Reduction
- Donor harmonisation and Alignment
- Contribution to Wider Development Goals
- Improving Governance and Reducing Fragility
- Capacity Development and Mutual Accountability

Propositions about Country Ownership and Poverty Reduction

1. The PD, by addressing inequalities of power between donors and the recipients of aid, makes recipient country governments more able to exercise leadership in planning and delivering policies to reduce poverty.
2. Developing countries are more likely to respond to incentives and ‘conditions’ to improve policy-making and aid effectiveness if they are linked to poverty reduction goals that are nationally determined
3. Ownership if it rests on effective political leadership, an agreed and supported national development plan, cross-government (ministry) coordination and better budgetary systems will make it more likely that aid will be directed to development-related priorities including poverty reduction
4. Consulting and involving national development actors including Parliaments, NGOs working with the poor and marginalised groups and the private sectors, will lead to plans for poverty reduction that are relevant to country needs and more sustainable

Propositions about Donor Harmonisation and Alignment

5. The extent to which donors are willing to harmonise among themselves will depend on the extent that they share development objectives which are not overshadowed by other commercial or political objectives incompatible with development needs
6. The willingness and ability of donors to align with country systems will depend on the extent to which a) they trust these systems and b) are able to manage risk whilst these systems are tested and improved and c) are able to negotiate their own domestic accountability requirements to match developing country circumstances
7. Suitable organisation of aid agencies (front-line staff skills, local autonomy, discretion to local actors) and their influence with their national governments will determine their ability to deliver PD commitments and promote policy learning among donor governments

8. Mutual accountability will lead to enhanced learning among donors about how better to lower barriers to development resulting from their own policies which should lead to improvements in development outcomes.
9. If harmonisation leads to a sensible division of labour among donors and lower transaction costs for Partner countries then the latter will be able to spend more resources for direct poverty reduction and development purposes rather than on aid management

Propositions about Contribution to Wider development Goals

10. Managing for development results will create a focussed and clearer analysis of development needs and how to pursue them in a particular country context.
11. If ownership translates into improved capacity in budgeting and planning then this will spill-over into other development related government decision-making with positive effects quite apart from reductions in transaction costs
12. The PD should also increase capacities of policy coordination and policy coherence which will then also spill-over to the benefit of broader development goals
13. Aid that directly supports trade preparedness, facilitates the redeployment of resources, the acquisition of relevant technologies etc will make a direct contribution to growth and indirectly to development outcomes in broad terms (including, basic services, human development, equal rights etc.)
14. Institutional developments that support innovation and economic growth through the private sector will be more likely if the extremes of social inequality are reduced

Propositions about Improving Governance and Reducing Fragility

15. Increases in public services that address the needs of the poor will increase the legitimacy of governments thus reducing fragility of States
16. Improvements in the effectiveness of governments (e.g. through budgeting, policy making, planning, stakeholder consultation, policy coordination and policy coherence) will gradually strengthen governance more generally thus reducing aspects of State fragility
17. Greater social inclusion, government effectiveness and State legitimacy will make it more likely that a virtuous cycle of poverty reduction and improvements in governance will occur

Propositions about Capacity Development and Mutual Accountability

18. Capacity development will follow from practical experience of implementing the PD principles and commitments (learning by doing) if supported by an effective partnership relationship with committed donors
19. Mutual accountability in its broader sense that includes accountability to stakeholders, parliaments and civil society – and when combined with transparency/information

flows – will provide positive feedback, reinforcement and increase the likelihood that development policies will be sustainable

20. International mutual accountability (e.g. between donors and the recipients of aid) will be strengthened by more inclusive in-country accountabilities which requires capacity development for other development actors
21. Partnership arrangements promoted by the PD – including policy-dialogue, open exchange of information, joint reviews and assessment mechanisms, as well as joint problem solving – will lead to greater trust and confidence in governments to innovate

These propositions also identify many of the 'mechanisms' of change that should be investigated as part of the evaluation. For example the above propositions identify an extensive list of 'mechanisms' to be investigated by evaluators in Phase 2.

These would include:

- Empowerment of development actors (including governments, CSOs, parliaments and the private sector)
- Incentives perceived as positive (because supported by a broad country-based consensus)
- Increased levels of trust between development partners
- Increases in confidence by governments in recipient countries
- Improved decision-making skills
- Improvements in risk-management
- Improvements in negotiating and influencing skills by donor agencies in their own policy communities
- Organisational supports for policy learning
- Improved quality of needs analyses and available information
- More information sharing and transparency of information
- Spill-over of capacities from aid to non-aid policy-making
- 'Learning by doing' or experiential learning
- Positive feedback loops or virtuous cycles

As the proponents of 'realist' evaluation approaches argue⁸⁰, in order to be confident that effects are 'caused' by policies or programme, it is not sufficient to observe changes – the mechanisms of change that operate in particular contexts also have to be identified. Exploring the above propositions and 'mechanisms' within the broad map outlined by the 'policy model' would provide Phase 2 evaluators with useful tools to assess the contribution of the PD to aid and development effectiveness.

80 Roy Bhasker, (1975). *A Realist Theory of Science*. Harvester, Brighton. Pawson, R. and Tilley, N. (1997). *Realistic Evaluation* Sage London. Julnes, G., Mark, M., and Henry, G., T., (1998) Promoting realism in evaluation: Realistic evaluation and the broader context. *Evaluation: the international journal of theory research and practice*, 4 (4).

3.6 EVALUATION PURPOSES, QUESTIONS AND METHODS

3.6.1 Evaluation purposes

Evaluation can have different purposes, for example:

- To meet *accountability* needs with a focus on results to demonstrate that objectives are met and resources are well-spent
- To address *policy learning* needs in terms of future policy and programme design
- To *improve implementation* of ongoing policies or programmes with a focus on implementation and delivery arrangements
- To unravel cause and effect – i.e. to *explain* what happens and why
- To *empower* the excluded and give them 'voice' by highlighting their interests and agendas

Whilst these purposes are not mutually exclusive, any particular mix depends on the stakeholders, i.e. who the evaluation is for – and the nature of the evaluation object.

The assumption being made here is that there are three main sets of stakeholders:

- Development actors in developing countries
- Donor governments and their development agencies
- The wider policy community

The earlier discussion of the characteristics of the PD as an evaluation object highlighted the different ways in which the PD could be implemented and interpreted; and the different settings and contexts to which the PD also had to be adapted. This suggests that any evaluation purpose has to be grounded in country or partnership contexts – it will be difficult to generalise about the PD across all contexts.

On this basis the suggested evaluation purposes are twofold:

- First, in terms of *accountability*, to assess the contribution that the PD can make to aid effectiveness and achieving development results (including poverty reduction and meeting MDGs) in different country settings and development partnerships
- Second in terms of *improving implementation*, to support learning among development partners about how best to configure and use the PD to achieve aid effectiveness and contribute to development results

The first evaluation purpose is needed to demonstrate that the PD makes a difference and can do so in very different contexts. It has been noted that whilst some potential PD outcomes are short term, many others are longer term and will not have materialised by 2011. The evaluation will therefore need to deploy theory-based approaches⁸¹ (such as 'theories

81 Chen, Huey-Tsyh, *Theory Driven Evaluations*, Sage 1990; Connell, J. P., Kubisch A. C., Schorr, L.B., Weiss, C. H, (1995) *New Approaches to Evaluating Community Initiatives: Concepts Methods and Contexts*, Aspen Institute Washington DC. Ray Pawson, (2006) *Evidence-based Policy. A Realist Perspective*, Sage London

of change,'realist' analyses) or other case-based and qualitative approaches to causal modelling⁸², that trace actual and potential causal links between PD related inputs and outputs that are likely to have both intermediate and longer-term results. The nature of the PD as an 'evaluation object' (with many interventions, potential mechanisms – see earlier discussion of 'indicative propositions' – and highly diverse contexts) lends itself to 'realist' evaluation thinking, given the focus in that evaluation approach to the relationship to the way that outcomes are shaped by mechanisms that operate in particular contexts.

The second evaluation purpose is important because partner countries and donors need feedback in order to learn, improve and adjust their behaviour. It is 'formative' or 'developmental' in intent. It will require a strong element of self-evaluation and peer review/exchange within a framework of methods and their implementation that are seen as valid and legitimate by different stakeholders.

Although these are the main evaluation purposes proposed, others can also be 'woven in'. For example *policy learning* should be facilitated by ensuring that common lessons are drawn from across country or partnership specific evaluations; and empowerment can and should be facilitated by recognising the interests of developing country governments and other country-based development partners (including civil society) in specifying the evaluation agenda.

In terms of *explanation*, the scale and complexity of the PD makes it unlikely that full scale explanatory studies (such as an elaborated 'realist' design or statistical modelling or formal experiments) will be feasible. However it is suggested (see below, section on 'proposed evaluation activities') that a complementary research activity is planned alongside the evaluation of Phase 2 evaluation to try to answer some of the cause and effect questions using both quantitative and qualitative methods.

3.6.2 Evaluation Questions

It is proposed that the Phase 2 evaluation should address three classes of evaluation questions:

- The first set of questions concern the extent to which the PD principles and commitments have been taken on board, adapted and contextualised by partnerships.

What are the PD 'configurations', how were they decided and are they appropriate, i.e. are they well adapted to country circumstances and aid scenarios?

- The second set of questions concern how the actors use PD partnership arrangements (opportunities for policy dialogue, planning, new aid modalities, problem solving, joint review) to pursue their own development objectives and to what effect.

82 See for example: Miles, Mathew B., and Huberman, Michael A *Qualitative Data Analysis*, Sage 1994

How have governments, donors and civil society used PD partnership arrangements – and with what discernable added value?

- The third set of questions concern the extent to which the PD can be said to be the most appropriate policy or strategy to achieve poverty reduction and broader development results.

Is the PD the best way to achieve the kinds of outcomes and results that the policy model identifies? Are there other strategies that could achieve the same results more effectively and efficiently?

These are to be seen as ‘top-level’ evaluation questions, which will need to be elaborated when Phase 2 evaluations are fully planned and specified centrally and at country level.

Each set of questions needs to be asked of each of the four kinds of outcomes and results identified in the policy model in order to maintain the focus on outcomes and results i.e.

- Poverty reduction and MDG achievement
- Broader development outcomes
- State building including public management reforms and
- International outcomes and results such as donor policy learning and ODA legitimization

The table below depicts this basic structure.

Outcomes/ Results	How is PD adapted and used?	What is the PD's added value	Is the PD the best strategic choice
Poverty Reduction and the MDGs			
Development Outcomes			
State Building			
International/ Donor related Outcomes			

Table 3.1 Evaluation Questions by Types of Outcomes and Results

3.6.3 Consequences for Evaluation Approach and Methods

An important consideration in the design of an evaluation for the PD is the tension between the likely length of time before outcomes and results being detectable and the far shorter time-scale within which the proposed Phase 2 evaluation is expected to take place⁸³.

83 See: Evidence-based Evaluation of Development Cooperation: Possible? Feasible? Desirable? Kim Forss and Sara Bandstein. NONIE Working Paper 8. January 2008., for a good analysis of this problem

One way to address this tension is to reduce the ambition of the Phase 2 evaluation to outputs and very early intermediate outcomes (e.g. the establishment of policy delivery arrangements rather than the delivery of policies). To an extent some curtailment of ambition is unavoidable with an evaluation planned for 2011; however there are also other ways of maintaining a focus on outcomes and results.

The suggested approach is:

- To acknowledge a differentiated time-scale for outcomes and differentiate methods accordingly
- To consider backward tracking from apparent cases of development ‘success’ consistent with PD ambitions
- To consider the possibility of following-up a limited number of ‘tracker-sites’ chosen as part of the Phase 2 evaluation to follow the potential longer term effects beyond 2011

Differentiated time-scales

Different outcomes and results can reasonably be expected to extend over longer and shorter time-scales. This is consistent with evidence reviewed in Chapter 2 and is reflected in the policy model. It is therefore assumed that some kinds of targeted poverty reduction (e.g. associated with improved public services) will be more likely to be ‘deliverable’ in the short term than other kinds of human and economic development outcomes, and much more so than some aspects of ‘State Building’ such as the emergence of new institutions. Figure 3.4 below depicts such a notional differentiation between outcomes that might be expected to have short, medium and long term potential.

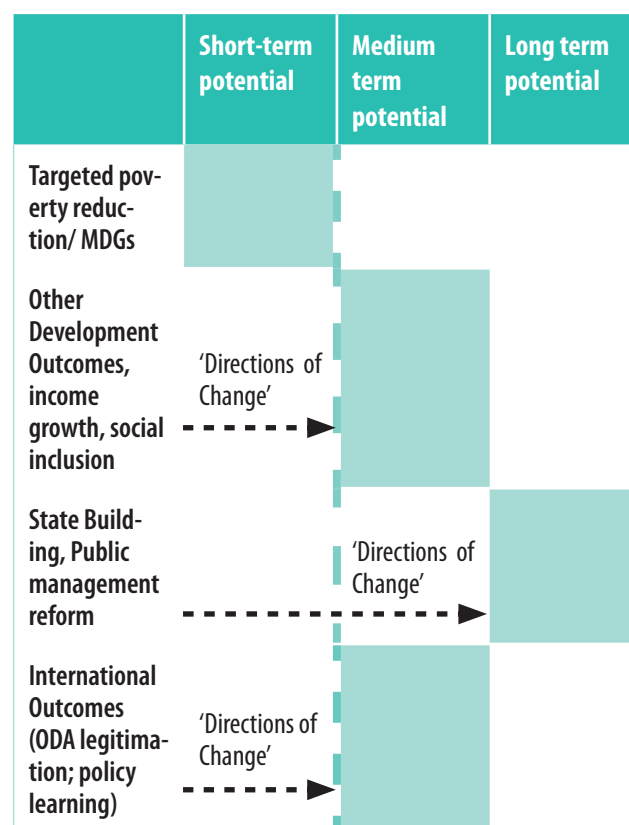


Figure 3.5 Differentiating Timing of Outputs and Results

The figure also superimposes a time-line for the 2011 evaluation (the dotted vertical line), indicating what can be expected to be discernable in terms of outcomes by that time. Given the closeness of 2015 targets of the MDGs it would be reasonable to look for significant progress by 2011.

Despite the possibility of detecting change in targeted poverty reduction by the Phase 2 evaluation (whilst still acknowledging that it may or may not occur) there will still be serious methodological challenges in:

- a) Measuring and describing the extent of these changes, and
- b) Assessing the contribution that the PD has made to any observed changes.

Measurement of change will need to extend beyond expenditure inputs and administrative records.

To be true to earlier definitions of development effectiveness the evaluation will need to establish whether there have been changes to the lives of poor people as a consequence of poverty reduction efforts. This suggests that this part of the evaluation requires participatory evaluation methods that empower the presumed beneficiaries of the PD to assess what difference (if any) poverty-reduction policies and programmes have made to their lives and capabilities.

Raising the challenge of the PD's contribution to poverty reduction emphasises the problems of attributing any observed effects exclusively or largely to the PD. It is for this reason that the second main evaluation question emphasises the 'value added' of the PD. This suggests two possibly complementary approaches.

- The first is a careful case-study of observed effects in terms of all possible inputs that might account for them. This approach requires some kind of 'matrix of effects' approach that a) identifies the range of possible actions or policies that might influence the focal output i.e. poverty reduction, b) tries to assess the interdependence of these actions or policies and c) assigns weights to each including the PD in relation to other inputs. Such an approach would aim to demonstrate synergies as well as the outcomes of the PD in isolation.
- The second possible approach is to identify comparison sites. This could be approached in several ways:
 - Sites might be selected to compare more or less successful experiences of poverty reduction across different sites or communities within a common policy setting (e.g. different parts of a country). This would highlight implementation or programme problems – for example where some implementation of the policy in place were more successful than elsewhere. This would be of particular interest at the country level.
 - Alternatively comparisons might be made between examples of poverty reduction pursued within a

policy setting supported by PD types of partnership working and another that employed what might be called 'non-PD' strategies to implement targeted poverty reduction policies and programmes. For example there are a number of documented sectoral or 'vertical' programmes focusing on maternal health, HIV/AIDS and primary education which by-pass national Treasuries but are nonetheless attempting to achieve similar outcomes to those that are to be found in national plans intended to be strengthened by the PD. Such an approach if carefully designed would begin to address 'counterfactual' type questions. These approaches would be of particular interest to policy makers at both country-level and internationally because they would highlight the strengths and weaknesses of different strategies to achieve similar outcomes.

Whilst in some settings detectable changes in 'Targeted poverty reduction/MDG' outcomes can be expected, less progress is likely in other development areas relevant to the PD. For these other outcomes it will still be possible to track 'distance-travelled' and 'directions of change', provided the evaluation develops causal models, 'theories of change' or other theory-based approaches that specify plausible steps towards future but still emergent outcomes.

Backward tracking

The possibility of 'backward-tracking' from apparent cases of successful development outcomes and results to understand the origins and evolution that led to current situation was noted in Chapter 2. This is especially appropriate for the PD given that many of the actions and processes that the PD encourages have been around for many years. A number of possible methods would be appropriate. For example: it should be possible to isolate countries which have achieved a cluster of 'positive' results in areas such as social inclusion or improving conditions for small businesses to operate. Tracking back from current success status to uncover the conditions that were associated with success, could use a variety of methods, including historical case-studies; synthesis studies of already extant research; and statistical analyses where time-series data exists.

Tracker-sites as an extension to Phase 2

One output of the Phase 2 evaluation could be a small number of 'tracker sites' where revisits can be planned over a more extended time-period. These sites would be selected, theories of change or other causal models would be specified and baselines established in the course of Phase 2. These tracker-sites would be backed up by sets of new indicators (in addition to those that are currently in place) that would allow for the monitoring of longer-term processes. Such a 'real-time' evaluation strategy would be especially suitable for longer-term outcomes such as State Building and changes in institutions. This approach could be part of an associated research project or possibly part of a new set of Thematic Studies.

These different approaches are summarised in Table 3.2 below

Outcomes/Results	Possible Evaluation Approaches
Targeted poverty reduction/ MDGs	Before and after comparisons, comparator settings, comparisons of PD/non PD sites
Other Development Outcomes, income growth, social inclusion	Theory-based or Realistic approaches Theories of change & causal models
State Building, Public management reform	Historical and synthesis studies; Tracker sites; Real-time evaluation
International Outcomes (ODA legitimisation; policy learning)	Theory-based approaches and Tracker/Real-time studies

Table 3.2 Possible Evaluation Approaches for Different Outcomes and Results

In conclusion it is important to recognise that different possible approaches to PD evaluation will always face a tension between precision and validity (or generalizability). For the parts of the evaluation where it will be possible to be precise in describing and measuring change and even attributing outcomes and results to the PD there is likely to be high internal validity (i.e. results that are reliable and true in a particular case) and low external validity (i.e. results that are not likely to be generalisable and true in all cases). Thus the effectiveness of efforts to reduce poverty in specific settings can be described in detail and accurately measured even though such an evaluation activity will tend to highlight implementation as well as policy explanations of degrees of success and failure. But one will not be able to generalise except to selected cases in similar circumstances – hence the importance of comparisons and typologies of types of settings. However as one moves along the scale to outcomes that are more complex and take longer to demonstrate their effects – for example changes in Donor policies or aspects of State-Building – a comparative approach may well yield lessons about which it is possible to generalise but these generalisations will be largely qualitative and often imprecise.

There is a justification for high precision and internally valid evaluation activities in the proposed design for the Phase 2 PD evaluation because of the importance of partnership and country-level learning in this evaluation (the ‘formative’ element outlined earlier). Country based development actors will want to know what works and what is the contribution of implementation processes as well as policy choices. However it is unavoidable that some of the ‘big’ questions – such as ‘How can the PD contribute to the emergence of new institutions that will promote growth or reduce fragility?’ – will only be answerable in narrative case-studies even if comparative designs offer some prospect of drawing general lessons.

3.7 OUTLINE OF EVALUATION TASKS

The main evaluation tasks envisaged are:

- Preparatory analyses. This will involve the construction of typologies and sampling frames that will allow for a purposive selection of which countries and partnerships should be included in the evaluation.
- Evidence reviews. These will bring together existing evidence from evaluations, research and monitoring systems (e.g. PD, MDG, WDI etc) in support of evaluation design.
- Detailed evaluation design. This will include the specification of studies needed to answer the main evaluation questions, including their methods and outputs, data requirements, sampling and reporting.
- Country-based Partnership studies. These will address the main evaluation questions and be reported on in a format that allows synthesis and meta-analysis.
- Thematic and cross-cutting studies. These will cut across countries and be approved by the Reference Group and proposed by the Central team. Examples might include: backward tracking of success in relation to PD-like initiatives; studies of donor harmonisation; sustainability strategies; civil society roles etc.
- Synthesis reporting. Bringing together country-based reports and other thematic and cross cutting studies to draw together general lessons.
- Systematic feedback and quality assurance. There need to be regular contact and exchange especially between the central team and partnership teams to ensure consistency and quality of outputs.
- Dissemination. A systematic dissemination programme should be planned to encourage awareness, the exchange of good practice and lesson-learning.

The following indicates how the main evaluation tasks should be distributed among different parts of the evaluation ‘architecture’ proposed at the beginning of this chapter.

3.7.1 The Central team

This team will be responsible for evaluation design and work planning in consultation with country based partnership teams. It should bring together high-level, multi-disciplinary evaluation team of international standing and be organised and managed by a single organisation contracted to do this work.

It will be required to:

- Prepare typologies and sampling frames to ensure that partnerships selected are representative of different contexts, aid scenarios and PD configurations.
- Provide a professional input into the selection of country-based partnership teams
- Design a ‘template’ for case-study work, data gathering and fieldwork at country level that will be comparable and able to be synthesised.

- Provide ongoing advice and support to partnership teams to ensure the coherence of the evaluation and the comparability of its different elements.
- Synthesise evaluation results generated at country level
- Initiate thematic/cross-cutting studies in cooperation with 'partnership teams' or other experts as appropriate. (The latter could include for example conducting synthesis reviews of pre-existing research and evaluations, specific studies on transaction costs, donor harmonisation, the role of civil society etc.)

3.7.2 Partnership teams

These should be open to organisations and individuals that are country-based but also draw on regional expertise and skills. Partnership teams should be managed at a country but accountable to both a country based 'partnership' advisory group and for methodological purposes and for thematic and cross-cutting activities to the central team. The team should be approved by national authorities on the advice of the central team.

Partnership teams will be contracted to:

- Undertake country based studies within the overall plan and design template put forward by the central team and approved by the management group and reference group
- Undertake country-specific studies that they design at the request of their own advisory/reference group, that are linked to the priorities and circumstances of the particular country and development partnership.
- Prepare reports on country studies, provide feedback to the partnership advisory/reference group and participate in regional 'review' and exchange events.

It is anticipated that approximately 20% of the evaluation programme at country level should address specifically country evaluation priorities. However it can be anticipated that other evaluation activities designed under the leadership of the Central team will also have local relevance.

3.7.3 A note on evaluation timing

The proposed design has implications for timing and duration of the Phase 2 evaluation. It would follow from the above design that:

- The central team is contracted by mid 2009 in order to undertake preparatory work and detailed planning
- Partnership teams are contracted by early 2010
- That the Phase 2 evaluation is organised in stages with a preparatory stage; a main report stage aligned with the High Level Forum planned for 2011; and a follow-up stage that continues until 2012 in order to follow up some of the longer term effects that will not be detectable by 2010/11

October 8, 2007

Paris Declaration Evaluation

Terms of Reference

Thematic study on the Paris declaration, aid effectiveness and development effectiveness⁸⁴

1. Background and rationale

Background

The Paris Declaration (PD) is seen by the international development community as a major tool for improving aid effectiveness among development partners and partner countries. The PD is the practical embodiment of the findings of two decades of research and evaluation findings from practical work on aid effectiveness. While it is difficult to argue that it is the be-all and end-all of aid effectiveness, it comprises an agreement among a large number of partners. The PD continues to capture the attention of the more than 130 countries and agencies that signed the Declaration in 2005. Its implementation and monitoring have demanded significant financial and staff resources from development partners and partner countries alike.

The PD sets out principles for improvement in the efficiency with which aid is delivered, received, and managed. According to the Declaration, this improvement requires strengthening development partners' harmonisation and alignment with the policies of partner countries, with the aim of enhancing partner country ownership, reducing aid delivery transaction costs, avoiding overlapping and contradictory interventions, and increasing the accountability of both sets of partners to their sources of finance.⁸⁵

The implementation of these principles is to lead to more effective aid which, in turn, is to increase development effectiveness. One definition of development effectiveness is the extent to which an institution or intervention has brought

⁸⁴ The term development effectiveness is meant to describe the level of achievement of overall development goals which are affected by a host of different factors. By adding the notion of effectiveness to the term development, the idea is to assess aid against of cial, long term and quantif able development goals (e.g. the MDGs or national goals). Thus development effectiveness is not solely the level of goal achievement of aid/development interventions.

⁸⁵ Def nition of "aid effectiveness" drawn from several sources, including the "Paris Declaration" of March 2005.

about targeted change in a country or the life of the individual beneficiary. It is influenced by numerous factors, beginning with the quality of project or program design and ending with the relevance and sustainability of desired results.⁸⁶ An example, from which the above definition is taken, is provided by the UNDP in the following box.

In order to assess the effectiveness of a given intervention or organization, two questions need to be answered in tandem. Have the immediate goals of assistance been achieved?

And have those goals enhanced the development process? That a given forestry project in Thailand has fulfilled its objectives may be reason for satisfaction, but what if overall forest cover in the same region has fallen dramatically at the same time? Success at the micro-level does not portend success at the macro-level. It is from this broader holistic perspective that the concept of development effectiveness should be seen.

Rationale

The rationale for this Thematic Study will be to provide a conceptual approach for testing the hypothesis stated in the second paragraph of the Statement of Resolve in the PD: "...we believe they [prior declarations and principles] will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs." In order for the Evaluation to test this hypothesis, the linkages and causal relationships explicit

⁸⁶ Def nition of "development effectiveness," including example in box, from *Development Effectiveness: Review of Evaluative Evidence*, UNDP Evaluation Of ce 2001, p.11. Other def nitions of development effectiveness are possible. One of the tasks of the consultant will be to develop a working def nition of development effectiveness.

and implicit in the PD will need to be clearly articulated in a “logic model”. Most importantly, the programme theory or set of hypotheses that give the PD its logic has not yet been fully articulated. The overall purpose of these ToRs is to call for the articulation of this logic.

In the context of the PD Evaluation, a study of the consistency, appropriateness and potential impact on development effectiveness of the ideas and initiatives laid out in the PD is needed. The study should present a critical reading of the PD and a theoretical discussion of its key issues and assumptions, as well as their assumed contribution to development effectiveness. Within the PD Evaluation the study should provide a basis for the elaboration of Terms of Reference for the studies on outcome and impact of the PD in the second phase of the Evaluation.

Purpose and objectives

The purpose of this thematic study is to serve as a **primary document to frame Phase 2 of the evaluation by assessing the relationship between the recommendations of the PD and aid effectiveness and development effectiveness**. The six general objectives of the study are to:

1. present the rationale of the core principles of the PD in a clear and straightforward manner;
2. assess the validity or plausibility of the underpinnings of the PD and its different partnership principles;
3. clarify the concepts of aid effectiveness and development effectiveness, drawing from, but not limited to, the PD;
4. provide on the basis of literature and expert views insights on the plausibility of the theoretical linkages between the PD principles if correctly implemented and aid effectiveness;
5. suggest ways to practically test the links specified between the PD and aid effectiveness;
6. provide an outline of approach and methodology for phase II of the evaluation.

3. Scope and Focus

The study is a desk study and does not include field research. It will be theoretical and conceptual in nature and will not be based on primary empirical research. Based on the existing literature, it is expected to present and discuss key principles and causal relationships. A review of the literature on these concepts and relationships should be included whereas quantitative analyses are not to be attempted.

In relation to the links between aid effectiveness and development effectiveness, the study should not embark on discussions of the pertinence of different policies for development or of different development objectives. Rather, the study will explore the proposition, stated in various ways in the literature on aid effectiveness, that partner countries’ own efforts (policies, programs and management for results) are largely

responsible for their development progress, and that aid that is aligned with the countries’ own efforts is most effective.⁸⁷

The study should cover the following elements:

1. Presentation of key concepts and causal relationships in the PD. This should include a discussion of the evolution of the concepts and relationships from earlier **official** texts⁸⁸, notably including the official documents from Monterrey (2002), Rome (2003) and Marrakech (2004) as well as previous relevant work on aid coordination and aid effectiveness by the DAC, UNDP, and World Bank.
2. Literature review in relation to core principles and causal relationships. Possible core principles include the partnership commitments of the PD (ownership, alignment, harmonisation, results management, and mutual accountability), aid effectiveness and development effectiveness. Key causal relationships to be summarized from the literature include the relationship between the partnership commitments and aid effectiveness and the potential relationships between aid effectiveness and development effectiveness. Based on this review the consultants should develop a working definition of development effectiveness.
3. Critical discussion of core principles, including aid effectiveness, and causal relationships. Of particular concern are (i) the conceptual clarity of the ideas in the PD; (ii) the realism of the suggestions and assumptions in the PD in view of the present organisation of development assistance; (iii) the robustness of the causal relationships assumed by the PD; (iv) the identification of possible missing links critical to achieve greater aid effectiveness; and (v) the possible unintended consequences of the partnership commitments in relation to aid effectiveness and development effectiveness.
4. Examination of emerging findings from the first phase of the PD Evaluation and from other sources regarding the relationships between the partnership commitments, aid effectiveness and development effectiveness. It is important to put the conclusions into context and to identify possible systematic variations in the relationships across countries. Possibly, the relationships are stronger in particular societies than in others, and the study should try to link this issue to the question of weak/fragile states.
5. Presentation graphically and verbally of a logic chain illustrating the causal relationships/correlations from the Paris Declaration commitments through aid effectiveness to development effectiveness.’

⁸⁷ Literature (and experience) suggests that not all aid effectiveness measures are symmetrical; for example, assistance that is harmonized may reduce transaction costs to the partner country, although it may raise the transaction costs to the donors.

⁸⁸ Studies/evaluations informing these texts should also be consulted.

6. Present and discuss options for approach and methodology for phase II of the evaluation.

Towards the end of the study a workshop to discuss findings should be organised. The participants should comprise max 10 scholars and practitioners who can peer review the draft report.

Composition of the Team

The team will consist of at least two persons. Both should have extensive experience in policy-oriented development research, including publications. The Team should be composed so as to cover the following issues:

- Advanced knowledge of and experience with the discussion of aid effectiveness.
- Advanced knowledge of economic studies of the relationship between aid and development.
- Advanced knowledge of aid impact studies.
- Advanced knowledge of political economy analyses of development assistance.
- Advanced knowledge of and training in evaluation methodology
- Knowledge of and experience with programme based approaches (including Sector-Wide Approaches), and the range of implementation mechanisms including, but not limited to. General Budget Support, Sector Budget Support, trust funds and other pools, projects, grants to NGOs, etc.

The team should preferably comprise international consultants reflecting regional as well as gender balance.

Reports

The products of the study include

- An inception report describing how the team intends to organise the work and methodological approach
- A final report of no more than 60 pages plus annexes, with an executive summary that does not exceed 5 pages.

Level of Effort

- App. 5 person-months

Timing and Conduct of Work

- October 2007 – Agreement on TOR
- November 2007 – Contract Evaluators
- November 2007 – April 2008 – Conduct Thematic Study
- 15th of January 2008 – Deadline for the inception report which should be discussed with the Evaluation Management Group
- 31 January/1 February participation in the “emerging findings” workshop of Phase 1 of the evaluation (in South Africa)
- February/March: workshop with scholars and peer reviewers on draft report
- April 2008 – Finalize Thematic Study

Thematic Study on the Paris Declaration Aid Effectiveness and Development Effectiveness List of Attendees Workshop held at ODI London 10th June 2008			
Name	Institution	Position	Country
Elliot Stern	University of Lancaster	(Consultant) Professor	UK
Oumoul Ba Tall	IOCE	President	Mauritania
David Booth	ODI	Research Fellow	UK
Nils-Sjard Schulz	FRIDE	Researcher	Germany, based in Spain
John Eriksson	Paris Declaration evaluation	Peer Reviewer	US
Sarah Mulley	UK AID Network	Coordinator	UK
Bernard Wood	Evaluation of PD Implementation	Consultant	Canada
Antonio Tujan	Ibon Foundation	Research Director	Philippines
Eduardo Wiesner	Wiesner & Associates	Director	Colombia
Stephen Jones	Oxford Policy Management	Programme Director	UK
May Pettigrew	UNESCO	Senior Evaluation Advisor	France
Laura Altinger	DARA	Research Director HRI	UK based in Spain
Niels Dabelstein	DIIS	Paris Declaration Evaluation	Denmark
Daniela Ruegenberg	DARA	Researcher	Bolivia based in Spain
Oswaldo Feinstein	Complutense University Madrid	Senior Advisor	Argentina/Spain
Sulley Gariba	Institute for Policy Alternatives – Ghana	Executive Director	Ghana
Jos Vaessen	University of Antwerp	Research Consultant	Belgium
Marta Marañón	DARA	Deputy Director	Spain

Thematic Study

The Paris Declaration,
Aid Effectiveness and
Development Effectiveness

The purpose of this thematic study is to assess the relationship between the recommendations of the Paris Declaration and aid effectiveness and development effectiveness. The study reviews the history and evolution of the PD; considers the plausibility of its assumptions; and building on these understandings the study suggests key elements of design and governance to be drawn upon in preparing for Phase 2 of the Evaluation of the Paris Declaration.

Ownership, Alignment, Harmonisation, Results and Accountability



High Level Forum
Paris ■ February 28 – March 2, 2005

Joint Progress
Toward Enhanced
Aid Effectiveness

