

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

EVALUATION REPORT EV640

# **HOW EFFECTIVE IS DFID?**

**AN INDEPENDENT REVIEW OF DFID'S  
ORGANISATIONAL AND DEVELOPMENT EFFECTIVENESS**

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**The former Overseas Development Administration (ODA) became the Department for International Development (DFID) in May 1997. Although for convenience the acronym DFID has been used throughout the study, it should be remembered that some of the events, actions, etc. covered occurred within the period of ODA's existence.**

**The opinions expressed in this report are those of the authors and do not necessarily represent the views of the Department for International Development.**



**PREFACE**

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In common with all evaluation reports commissioned by DFID's Evaluation Department, the views contained in this report do not necessarily represent those neither of DFID nor of those people mentioned above. Full responsibility for the final text rests with the authors.

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### ABBREVIATIONS AND ACRONYMS

APPR	Annual Plan and Performance Review
CSP	Country Strategy Paper
CSPR	Country Strategy Performance Review
DAC	Development Assistance Committee (of OECD)
DER	Development Effectiveness Report
DFID	Department for International Development
EC	European Community
ESSP	Education Sector Support Programme
GNP	Gross National Product
ISP	Institutional Strategy Paper
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
NAO	National Audit Office
NGO	Non-Governmental Organisation
oa	Official Aid
oda	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PCR	Project Completion Report
PRISM	Performance Reporting Information System for Management
PRS	Poverty Reduction Strategy
PSA	Public Service Agreement
SDA	Service Delivery Agreement
SWAp	Sector Wide Approach
UNDP	United Nations Development Programme
UNIFEM	United Nations Fund for Women
WHO	World Health Organisation



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**SUMMARY**

1. The aim of this report, the first of its type for DFID, is to provide a concise, independent assessment of DFID’s overall effectiveness. It is largely based on a desk review of performance assessment and evaluation reports produced since 1997, supported by interviews with some DFID staff. It is a test of what can be said about DFID’s effectiveness based on existing performance assessment material. It follows, therefore, that it is also a test of DFID’s current performance assessment systems.

**What is effectiveness ? (Section 2)**

2. International development agencies which, like DFID, which are orientated towards the Millennium Development Goals face real challenges in assessing their performance. One of these is the distance between the policies, activities and outputs over which DFID has relatively more control, and the longer-term, collective development goals to which DFID’s efforts are ultimately aimed, but over which it has limited influence. Performance measures which concentrate on the former - *organisational effectiveness* - will be direct and attributable, but will say little about all-important development outcomes. Measures which concentrate on the latter - *development effectiveness* - will be highly relevant, but difficult to connect directly to DFID’s activities. This distinction has important implications for performance reporting and accountability.

(Figure 1, Section 2)

	<b>What is assessed</b>	<b>Accountability</b>
<b>Development effectiveness</b>	Development outcomes	All governments, international agencies, civil society organisations, and the corporate sector.
	Intermediate outcomes	DFID and partners
<b>Organisational effectiveness</b>	Outputs / deliverables Processes	DFID
	Inputs	

3. This report has taken three approaches to assessing DFID’s corporate effectiveness. First, by reviewing the extent to which DFID’s policy, processes and resources have improved over the past five years (section 4). Second, by reviewing DFID’s achievements in its bilateral and multilateral programmes as evaluated by the main performance assessment systems (section 5). Taken together, these first two approaches provide an assessment of DFID’s organisational effectiveness. And third, by assessing the extent to which it is possible to identify DFID’s contribution to observed changes in development outcomes

### Organisational effectiveness: policy and process (Section 3)

4. The last few years have seen a greater consensus on the goals of international development assistance and on what works in what context, than at any time before. The challenge for DFID, as for other development agencies, has been to adapt itself organisationally to meet the opportunity that this consensus offers.

5. Only tentative conclusions can be drawn regarding the quality of DFID's policy, processes and resources as these are only partly covered by DFID's current performance assessment systems. The limited evidence from these and other sources nevertheless suggests that DFID has become a more effective development agency since 1997.

6. The recent DAC Peer Review of UK Development Co-operation Policies and Programmes highlighted a number of positive **policy** changes since 1997 that have reinforced DFID's reputation as a leading donor and brought the programme in line with good international practice. The new International Development Bill, and the substantial increase in DFID's budget, exemplifies the change in priority and policy which has occurred.

7. This positive picture of change needs to be qualified in three ways. First, in some respects the period since 1997 represents more of an acceleration of existing trends than a step-change. Second, implementing some of the policy changes, such as achieving policy coherence across the UK Government, have presented challenges. Third, the extent to which DFID is, overall and in practice, a more strategic organisation may be less than implied by the volume of strategies produced.

8. DFID has also sought to improve the **process** by which development assistance is provided. Aid administration has been brought closer to local decisions and needs with the opening of more country offices; increased emphasis has been placed on aid coordination and on reducing aid transaction costs; and greater prominence has been given to policy influence and partnership. Working out the meaning and implications of a partnership approach is now an important challenge for DFID.

9. DFID has become a strong proponent of sector programmes and budget support. This is a significant shift, with major implications for the way that DFID and its' partners work and for approaches to performance assessment and learning.

10. DFID's financial **resources** are now better deployed than in the mid 1990's. There is general agreement that aid needs to be better targeted at poor countries with large numbers of poor people and, more contentiously, to countries with a better policy and institutional environment. The data suggests that that DFID is, overall, managing both to increase the proportion of its bilateral country aid going to poorer countries, and to increase the proportion going to countries with a favourable policy environment. Substantial changes in orientation have also occurred within country programmes.

11. Some programme rationalisation is beginning to occur, with a reduction in the number of sectors and activities supported in some country programmes, and (by 2003/04) in the number of

countries receiving bilateral aid. There is scope for further rationalisation, and for an approach to bilateral and multilateral resource allocation which balances need and effectiveness more consistently and explicitly. A resource allocation review is now in progress.

### **Bilateral and multilateral performance** (Section 4)

12. Over 1400 reports, including all Project Completion Reports (PCRs) since 1990, were consulted in preparing this report. The large volume of performance assessment material has not provided as much reliable evidence on DFID's effectiveness as had been hoped. The representativeness, utility and credibility of some parts of DFID's performance assessment system is doubtful. Though improving in some respects, the value of most of the systems for corporate performance reporting is, at the moment, limited.

13. Different measures of **activity performance** give different results. Based on a simple count of a sample of PCRs, around 75% of interventions exiting during 1999 and 2000 reported satisfactory achievement. The findings from the very small number of independent ex post evaluation reports give a less favourable picture of effectiveness, as do more up-to-date measures of performance obtained from the Performance Reporting System for Management (PRISM). Overall, it is not possible to say with any confidence whether performance has improved or deteriorated since 1990.

14. No comparative rating of DFID **country programme performance** is possible on the basis of the reviews available. Although improving, the annual review process is relatively new and is hampered by the limitations of Country Strategy Papers (CSPs) as frameworks for performance assessment. Many of the programmes are rapidly expanding and significantly changing. Contributions to improved governance, economic management, health and education in Asia and Africa are nevertheless identifiable.

15. More detailed and independent country performance reviews have been completed for four country programmes: Brazil, Ukraine, Russia and Ghana. These suggest that performance has been variable, both within and between country programmes, but that the overall impact has been positive. There is evidence, especially in Africa and South Asia, that DFID programmes have been over-optimistic, particularly in expectations about the speed of institutional reform and the effective demand for improved governance.

16. The process for assessing **multilateral programme performance** is also relatively new and, as for country programmes, suffers from weaknesses in the strategy papers. This limits the extent to which it can yet provide a basis for assessing DFID's effectiveness, including the quality of its contribution and partnership, as distinct from the effectiveness of the multilateral institution itself. Over time, and to the extent possible, it is desirable that the allocation of DFID's resources should be based on a more objective and explicit (and preferably multidonor) assessment of the organisational and development effectiveness of the multilateral institutions themselves, as well as on the effectiveness of DFID's contribution.

17. The performance review of the United Nations Fund for Women (UNIFEM) found important progress in almost all areas, as well as the basis for a good partnership with DFID. This shows that,

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for small multilateral organisations, DFID can have a significant positive impact. At a central level, there have been organisational improvements in both the European Community and the World Bank, to which DFID has contributed. At a country level, DFID's effectiveness in relation to multilateral institutions appears to be more mixed. Direct funding of multilateral programmes by DFID country offices is an example where policy consistency and monitoring needs to be improved.

### **Evaluation lessons** (Section 5)

18. Evaluation reports provide clear evidence of the positive evolution of DFID's approach over the 1990s, and of lessons that have been learnt. There has been a significant improvement in the understanding of poverty reduction with associated improvements in project design. There has also been a significant shift in project approaches towards a more holistic and broader focus, both in the range of their outputs and in demonstrating a better understanding of institutional, social and economic factors.

19. Although much has changed, the lessons and criticisms contained in the 44 independent evaluation reports produced since 1997 remain relevant. Important lessons include:

- Long-term engagement is key. Over-ambition and unrealistic expectations, coupled with insufficiently long programmes and the pressure to comply with the latest policy, are recurring criticisms (5.3-4)
- The need for an appropriate balance between support for social and other sectors, and between different approaches to poverty reduction (5.5-7)
- The benefits of sector programmes compared to project interventions need to be tempered by a critical appreciation of what is required for their success (5.10-14).

20. Criticisms contained in the reports include: insufficient interdisciplinary teamwork; weak monitoring and evaluation systems; and the observation that gender and environmental rhetoric has generally been significantly in advance of practice.

### **DFID'S contribution to development progress** (Section 6)

21. There is good evidence that substantial development progress has been made over the last decade, albeit unevenly, and that development assistance has overall, made a positive contribution. This evidence is summarised in Annex D. To what extent has DFID itself made a positive contribution to this progress, and is its contribution increasing?

22. These questions are extremely difficult to answer. Attribution is the major problem for DFID, as it is for all development agencies that have adopted the Millennium Development Goals (MDGs) as the focus of their work. Demonstrating the causal link between DFID's activities and changes in any of the MDG indicators is virtually impossible. It is also questionable whether such attribution is appropriate given the shared nature of the goals. The MDG's are of limited use, by themselves, as performance measures for individual agencies such as DFID.

23. Assessing DFID's contribution to national development outcomes is more feasible, but still challenging. A consistent finding of evaluation reports is that impacts on poverty and other development outcomes are inherently hard to assess. In most cases it is not possible to attribute changes in development outcomes in a specific country to aid in general, or to sector programmes, let alone to an individual donor. This is not to deny the balance of evidence which suggests a strong positive link between aid and economic growth in developing countries (Annex D). DFID programme reviews also report significant contributions to improved governance, economic management, health and education in Asia and Africa (Table 3 and Annexes A and B). The general problem nevertheless remains: the evidence on development impacts is patchy, and generally lacks sufficient information on the links between DFID's inputs and interventions on the one hand, and the positive outcomes observed on the other.

24. The importance of aid and/or DFID's assistance relative to the size of the country is an important consideration. DFID's contribution to national development outcomes is, for example, likely to be far more significant in Uganda than in China. Logic suggests that DFID needs to match its assessment ambition and methods to the context, and to make greater use of intermediate performance measures in countries where DFID is a minor donor and/or aid a minor factor.

### **Assessing effectiveness better** (Section 7)

25. DFID's performance assessment and evaluation systems have evolved significantly in recent years, and have a number of strengths. However as a basis for corporate management, performance reporting and accountability current systems are not yet adequate. The project and programme-level performance information is insufficiently reliable, while the country and institutional-level systems are new and do not yet provide the basis for assessing DFID's performance. Compared with some other agencies, DFID spends a much lower proportion of its budget on independent evaluation, and evaluates a much lower proportion of its activities.

26. Quality and utility are concerns. Individual systems have been added and developed over time, but to a different timescale from policy and practice. The result is a complex historical accretion of systems, not all of which fully inform, nor fully connect with, current objectives and planning systems. This is consistent with the recent NAO report on performance management in DFID, which suggested that a sharper focus on performance measurement in medium term planning and review activity was required.

27. The way forward needs to start with a policy and strategic plan for performance assessment and evaluation within DFID, with systems designed or redesigned to meet clear, specific and consistent objectives. This will involve distinguishing between, for example, what is needed for internal management at different levels and what is needed for accountability to different external stakeholders. A clear derivation from an overall strategic framework, such as the new Public Service Agreement/Service Delivery Agreement, is essential.

28. An overall, reliable picture of corporate effectiveness can only be derived from linked systems and an appropriate range of methods. Multiple sources of evidence, and multiple methods, are required. DFID needs to ensure that there is a credible performance 'ladder', based on a solid

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foundation of individual activity and process assessment, which spans organisational and development effectiveness, and which links its work to higher order development impacts. Clear distinctions are required between DFID's performance and that of its partners. Quality and credibility need to be enhanced by providing increased support and training for operational staff and a greater degree of independent verification.

### Conclusions (Section 8)

29. It is not possible, on the basis of current performance assessment systems, to provide a complete and confident answer to the question: 'how effective is DFID?' Measures of organisational quality suggest DFID's effectiveness is likely to be increasing. Better policy, better strategy, better process and better-directed resources should, other things being equal, be leading to better results. There are also many examples of positive impact, and of indications that that DFID has made a positive contribution to development progress.

30. There is, nevertheless, a clear gap between what DFID aspires to achieve, and what it can confidently demonstrate that it has achieved. It is acknowledged that this gap is to some extent an inherent feature of development assistance. However, until DFID gives a **higher priority to performance assessment and evaluation**, this gap will remain larger than it need be. As DFID has already recognised, a new policy and strategic plan for performance assessment and evaluation should be the starting point. DFID needs to be more confident about independent verification and assessment by its partners and others, and to increase the resources allocated to evaluation. Equally important, but more difficult, will be to increase the incentives for openness, learning and accountability within the organisation.

31. Three other general conclusions are offered for discussion:

- DFID needs to be more realistic in what it sets out to achieve, and to recognise that a **long-term approach** to both design and implementation is essential for success. This applies as much to support for sector wide approaches and Poverty Reduction Strategies as to projects
- in many respects DFID is more strategic than it was. Whether DFID is a sufficiently **strategic organisation** may, however, be questioned. There is no single overall strategic plan which guides the allocation and deployment of DFID resources, and some uncertainty about how the different objective statements should be operationalised. Clarity at this level is required both for strategic resource allocation and performance assessment
- **partnership** is an increasingly important theme across DFID. There is a need for greater clarity and consistency about what partnership means, about how partnership performance is assessed, and about how resources are to be allocated between partners. This in turn highlights the need for a systematic approach to assessing the relative effectiveness of all its partners - governments, multilateral institutions and NGOs - and for building up partners' monitoring and evaluation capacity upon which DFID will become increasingly reliant for evidence of its ultimate impact.

### 1. Introduction

1.1 The aim of this report is to provide a concise, independent assessment of DFID's overall effectiveness. This, the first report of this type for DFID, is a prototype for what may become a regular part of DFID's performance reporting, possibly commissioned every three to five years. It is a test of what can be said about DFID's effectiveness based on existing performance assessment material. It follows therefore that it is also a test of DFID's current performance assessment systems.

1.2 Assessing development effectiveness is becoming increasingly important for both external and internal reasons. Externally, development agencies are under pressure to account better for their expenditures. In part this reflects government-wide efforts in many donor countries towards improved performance measurement. For some bilateral and multilateral agencies it also represents a defensive response to declining aid budgets, and to the concern that aid has failed to deliver<sup>1</sup>. 'Aid fatigue' needs to be countered. Internally, more accurate measures of development effectiveness are recognised as being crucial for the agency itself. Development agencies need to know what they have achieved, and to understand why, if performance is to be improved.

1.3 In parallel with these external pressures, aid policy and practice is changing in ways that make accounting for development impacts more challenging. Increasing recognition of the value of partnerships and collective effort has made shared accountability and attribution more of a reality. Increasing use of sector and budgetary aid, a greater engagement with wider development issues such as trade and conflict, and an increasing emphasis on policy influence are testing monitoring and evaluation systems which were mostly designed and developed in an era when development assistance was more project focused.

#### Scope of the report

1.4 This is not a review of all DFID's activities. Rather, it limits itself to the areas of DFID's work for which there is a significant quantity of review and evaluation material. The intention is to present an independent synthesis of the material, and to limit the conclusions to those that can be justified by the evidence available.

1.5 This report is intended to complement DFID's own annual Departmental Report, and the two recently completed external reviews of DFID: the Peer Review of UK Development Co-operation Policies and Programmes by the OECD Development Assistance Committee (DAC), and the review of Performance Management by the National Audit Office (NAO). The distinguishing feature of this report is its focus on the actual evidence available from DFID's formal performance assessment systems.

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<sup>1</sup> A discussion of the overall effectiveness of aid is contained in Annex D.

## Introduction

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### Information sources

1.6 The report is largely based on a review of DFID performance assessment material produced since 1997. It also draws on all Project Completion Reports since 1990. A total of over 1400 reports have been consulted in preparing this report (Table 1).

**Table 1: Time period covered by the information sources used**

	90	91	92	93	94	95	96	97	98	99	00	01
Project Completion Reports												
Output to Purpose Reviews												
Evaluation Reports												
PRISM <sup>2</sup> activity scores												
Annual Plan and Performance Reviews												
Country Strategy Performance Reviews												
Institutional Performance Reviews												

1.7 While the volume of material available is impressive, it has not provided as much evidence on DFID's effectiveness as had been hoped. The work has raised doubts over the representativeness, utility and credibility of some parts of DFID's performance assessment system. Much of the material provides a lagged picture of DFID performance, and most is self-assessment. Compared with some other agencies, DFID has a very limited amount of independent evaluation evidence on which to base an assessment of effectiveness (para 7.11). Furthermore, DFID's systems for assessing the performance of its country and multilateral programmes are relatively new and are still being developed. Though improving, their value for corporate performance measurement is, at the moment, limited.

1.8 These limitations should be borne in mind when reading this report. The issue of how DFID's performance assessment systems can provide a better basis for any future effectiveness report is considered towards the end of the report.

### Report structure

1.9 The report begins with a discussion of effectiveness in Section 2: what it is; how it can be assessed; and the difference between organisational and development effectiveness.

1.10 Sections 3 and 4 – on organisational effectiveness – are the core of the report. DFID's organisational effectiveness is assessed in two ways. First, by reference to general indicators of policy and process (section 3). And second, by reference to the performance of DFID's bilateral and multilateral programmes as measured by the main performance assessment systems (section 4). The main lessons identified by the review and evaluation material are then summarised in Section 5.

1.11 Section 6 looks at what can be said about DFID's contribution to development effectiveness. Section 7 presents a critique of the performance assessment systems, and a suggested way forward. The report ends with a statement of the main conclusions, and the implications for DFID.

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<sup>2</sup> PRISM - Performance Reporting Information System for management

### 2. What is effectiveness?

2.1 At its simplest, *effectiveness* may be defined as the extent to which a development activity or programme has achieved or is expected to achieve its objectives.

2.2 DFID has different levels of objectives. At the highest level, DFID has a single aim – the elimination of poverty in poorer countries – and three specific objectives. DFID’s Public Service Agreement (PSA) is focused on contributing to the Millennium Development Goals (MDGs). It details time-bound, quantified targets detailing the outcomes to which DFID aims to contribute. The Service Delivery Agreement (SDA) details the processes and outputs that DFID will deliver, and be accountable for, as its contribution to the Public Service Agreement targets.

2.3 DFID also sets objectives for its work at country level and in relation to its work with major partners such as multilateral agencies and non-governmental organisations (NGOs). These are set out in Country Strategy Papers, Institutional Strategy Papers and partnership agreements respectively.

2.4 Finally, all discrete activities costing more than £250,000 will have a statement of the outputs which will be produced, the immediate outcomes expected (the purpose), and the development impacts to which the outputs and immediate outcomes will contribute (the goal).

### Measuring corporate effectiveness

2.5 International development agencies face a much more difficult performance assessment challenge than do national government departments. They work in a very diverse range of countries, sectors and activities; in unstable and data-poor environments; and with the expectation that the full impact of their work will generally take many years to be realised.

2.6 Development agencies have two basic options for measuring effectiveness at the corporate or country level. The first option is to measure the changes in selected high-level indicators, and then to assess the agency’s contribution to the changes observed. In DFID’s case these indicators will relate to desired development impacts, such as improved health outcomes.

2.7 The second option is to add up (aggregate) the outputs and/or immediate outcomes arising from the agency’s work at activity, country and institutional level, or to aggregate performance scores from the different levels.

2.8 The first, top-down, approach faces a problem of attribution: to what extent have DFID activities contributed to observed changes in real-world outcomes, such as infant mortality rates? Would these changes have occurred anyway, or a lower level, or later? As will be shown in section 6, these are difficult questions to answer.

2.9 The second, bottom-up, approach faces problems of aggregation and relevance. Most development activities produce different, context-specific outputs and outcomes that are difficult to add together in a meaningful way. Scores or ratings are easier to add up, but are less meaningful. For example, the percentage of projects scored as ‘successful’ does not say anything about the contribution to development outcomes.

## What is effectiveness?

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2.10 DFID has evolved a mixture of these two approaches, with the relatively new MDG-led PSA and SDA top-down approach added to the older, more established reporting-up of information through reviews and reports. Partly in response to the recent report by the National Audit Office (NAO), DFID has also started to think about a balanced set of corporate indicators, including indications of the quality of processes, policies and resources.<sup>3</sup>

### Development effectiveness and organisational effectiveness

2.11 It is crucial, in view of the range of objectives set by DFID, as well as the inherent difficulties of measuring corporate effectiveness, to do two things: first, to distinguish between organisational and development effectiveness, and second, to recognise that the assessment of corporate effectiveness requires multiple systems and a combination of methods.

2.12 **Organisational effectiveness** refers to the more direct, accountable and attributable measures of performance over which an agency has relatively more control or manageable interest: relevance, efficiency, and efficacy at the level of outputs and some intermediate outcomes. Organisational effectiveness can in turn be sub-divided into measures which relate to the quality of policy, process and resources - organisational quality - and those which relate to actual operational achievements: operational effectiveness.

2.13 **Development effectiveness** refers to achievements in respect of less attributable, longer-term outcomes and impacts to which the agency efforts are ultimately aimed, and to which it contributes, but which are beyond the manageable, controllable interest of that agency alone. The overall hierarchy of organisational and development effectiveness is illustrated in Table 2 below.

**Table 2: Organisational and Development Effectiveness**

	What is assessed	Accountability	Objective statement
<b>Development effectiveness</b>	Development outcomes	All governments, international agencies, civil society organisations, and the corporate sector.	MDGs PSA
	Intermediate outcomes	DFID and partners	
<b>Organisational effectiveness</b>	Outputs / deliverables Process	DFID	SDA
	Inputs		

2.14 This distinction has important implications for performance reporting and accountability. DFID has strong interest in contributing to and assessing development outcomes: **development effectiveness**. However, it also needs to measure, and be accountable for, its own performance: **organisational effectiveness**. DFID cannot, as it sometimes shows signs of doing, seek to

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<sup>3</sup> DFID: Performance Management - Helping to Eliminate World Poverty, NAO report, 2001. p.10

measure its performance primarily by reference to the performance of its partners or largely by reference to measures of development effectiveness. DFID's organisational effectiveness is an essential part of the story.

2.15 This leads on to the second point: the assessment of corporate effectiveness requires multiple systems and a combination of methods. No single system, measure or method can possibly provide a reliable, overall assessment of an international development agency like DFID. The process of compiling this report has revealed this very clearly. The assumption at the outset was that the formal performance systems were sufficiently developed to provide such an assessment. For reasons that are partly to do with the inherent difficulties of measuring effectiveness, and partly to do with the shortcomings of DFID's performance measurement system, this assumption can now be seen to be overambitious or indeed incorrect. The implications for DFID's systems are discussed in section 7.



### 3. Organisational effectiveness: policy and process

3.1 The last few years have seen a greater consensus on the goals of international development assistance, and on what works in what context, than at any time before. The eight Millennium Development Goals (MDGs) provide the framework for DFID's work, and against which the collective effectiveness of the international community can be judged. Annex D provides a summary of overall development progress as measured against the MDGs. Data for the top twenty recipients of DFID bilateral assistance show substantial progress in many important aspects of development since 1990. This progress has been, and will continue to be, very uneven. While on current trends most of the MDG targets will be met in most regions, this is unlikely to be the case in most countries of Sub-Saharan Africa.

3.2 The consensus on development objectives has been matched by a growing consensus on the role and management of aid. There is good evidence that aid has contributed to economic growth and improved living standards in low-income countries, and could do more if better allocated and co-ordinated. It is also recognised that aid is only one, often minor, determinant of development progress (Annex D). The challenge for DFID, as for other development agencies, has been to adapt itself organisationally to meet the opportunity that this consensus offers.

3.3 Only tentative conclusions can be drawn in this report regarding the quality of DFID's response. This study was not set up to answer these questions, and they are only partly addressed by DFID's performance reporting systems. The limited evidence from these and other sources nevertheless suggests that DFID has become a more effective development agency since 1997.

3.4 This section asks three questions relating to organisational quality

- has DFID's policy and strategy improved?
- has the process by which DFID provides and manages development assistance improved ?
- has the quality (and quantity) of DFID's inputs improved?<sup>4</sup>

#### Policy and strategy

3.5 DFID's policy and strategy has changed substantially in both quality and quantity. Since 1997 there has been an explosion in policy and strategy generation within DFID, as evidenced by the two White Papers, nine Target Strategy Papers, 60 Country Strategy Papers, 20 Institutional Strategy Papers, and approximately 40 other policy documents.

3.6 The result, according to the OECD Development Assistance Committee (DAC) review, is that DFID now has an 'ambitious and well-articulated policy framework, primarily focused on the achievement of the international development targets'. Positive changes highlighted by the review include:

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<sup>4</sup> No valid analysis of the administrative cost of DFID's programme was possible. The definition of these has changed over time and varies between donors

- poverty reduction and a commitment to working to achieve the international development targets have become central to the UK's development co-operation;
- a more comprehensive approach to promoting policy coherence
- a commitment to working more closely with international partners
- the decision to end the tying of all UK development assistance.

3.7 The overall conclusion of the DAC Review team was very positive:

*“Since the last DAC Peer Review of the United Kingdom in 1997, a series of adjustments have been made which reinforce the United Kingdom’s reputation as a leading donor within the international community. Many of these changes constitute a significant departure from previous practices and bring the United Kingdom’s programme into line with good practices internationally.”*

3.8 This, justifiably positive, picture of change needs to be qualified in three ways. First, in some respects the period since 1997 represents more of an acceleration of existing trends than a step-change. DFID had already taken significant steps to becoming a more professional, poverty focused development agency, and to learning about poverty reduction, prior to 1997<sup>5</sup>. The 1997 DAC review had concluded that DFID was already “one of the most professional and innovative aid agencies in either the bilateral and multilateral sectors”. What the 1997 White Paper did was to give DFID an even clearer sense of mission, and an even clearer focus on poverty reduction. Commercial considerations, such as the Aid and Trade Provision, have been removed.

3.9 Second, implementing some of the policy changes have presented challenges. The shift towards a more comprehensive approach to policy coherence within UK Government has been reflected in the wider and deeper engagement with ‘non-aid’ issues such as debt, conflict reduction, and trade policy. This reflects an understanding that these wider issues are at least as important as development assistance. The DAC review did, however, note that, for the UK, as for all DAC members, achieving policy coherence is difficult. It observed that, where domestic vested interests are strong the outcomes ‘have not always been fully consistent with the objective of sustainable development’. Examples were cited in the areas of trade policy, arms exports, and export credits and guarantees.

3.10 Third, the extent to which DFID is overall and in practice a more strategic organisation<sup>6</sup> may be less than implied by the volume of strategies produced. The sheer volume of new strategy does suggest that DFID is more strategic than it was. Indeed, the number of new policies and strategies have led some to observe that DFID might even be ‘over-strategised’. The DAC review noted that there were signs of ‘initiative overload’ in overseas offices. It commented that ownership of the strategies outside the prime authoring department remained limited, and that the challenge of translating the many strategies into operational practice had received insufficient attention.

3.11 Furthermore, many of the strategies are more statements of intent, or well researched ‘how to’ guides, rather than long-range plans for allocating and deploying DFID resources to make the

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<sup>5</sup> Evaluation of DFID Support to Poverty Reduction, Shepherd, A, et al. DFID, 2000.

<sup>6</sup> A strategic organisation may be defined as one which explicitly allocates and deploys its resources in line with a clear, published strategic plan which sets out how the organisation intends to make the greatest contribution to specific objectives.

## Organisational effectiveness

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greatest contribution to specific goals. Little attention has been paid to the monitoring and evaluation of most of the strategies. More fundamentally, although there are many individual strategies and a clear overall vision, there is little or no guidance on relative priorities between the various strategies, and no long-term, strategic plan which guides resource allocation and which answers the key questions which DFID needs to answer.

3.12 It is helpful to recognise that the Millennium Development Goals (MDGs) do not on their own provide sufficient guidance for policy. If the MDGs are the principal driver for DFID, are they to be met globally, regionally, or nationally? What priority is to be attached to each MDG? What balance is to be accorded between current need, likely progress towards the MDGs, and effectiveness? How are corporate objectives to be balanced against bottom-up (country, regional or local) priorities? What is DFID's comparative strength? What is an appropriate split between bilateral and multilateral contributions?

3.13 This is linked to the issue of prioritisation. Despite recent moves DFID is still stretched thinly across a very large number of sectors, activities, countries and institutional partners (paras 3.24-25). This may, in part, reflect an inevitable lag between new policy and new practice. It is possible, however, that there is also a gap between rhetoric and reality. The number of DFID projects is a case in point. Far from decreasing in line with a policy shift towards budgetary support and sector wide assistance, the number of DFID bilateral projects increased by 10% between 1997/98 and 2000/01<sup>7</sup>.

### Process

3.14 In addition to the policy changes mentioned above, DFID has also sought to improve the process by which development assistance is provided. Three key improvements can be identified:

- the greater prominence given to **partnership and policy influence**.<sup>8</sup> This stems from a recognition that the international development targets cannot be achieved unilaterally: more can be achieved by working with others. This has greatly magnified the potential impact of DFID
- **Aid administration** has been brought closer to local decisions, dialogues and needs with the opening of more country offices and further decentralisation. Country offices have improved the quality of DFID engagement with local development debates
- DFID has placed increased emphasis on **aid coordination** and on reducing aid transaction costs for recipients. The intended shift from projects to sector programmes and general budget support is key to this.<sup>9</sup> As the DAC review observed, 'DFID is delivering an increasing share of its aid in collaboration with other donors through development frameworks in support of partner country-led poverty reduction strategies'

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<sup>7</sup> The number of projects by fiscal year have increased from around 1,500 in the early 1990's to 2,000 and 2,200 in 1997/98 and 2000/01 respectively. This includes some activities - such as programme aid, sector wide programmes, and budgetary support - that are not projects, although recorded as such. Source: DFID Statistics Database.

<sup>8</sup> Influencing involves "encouraging changes in position, behaviour or approach in areas where DFID's direct control is limited". Influencing Scoping Study by Emma Spicer, Evaluation Department, Draft 2001.

<sup>9</sup> The impact so far on transaction costs is not known. Many sector programmes are still projectised, and it is not clear that DFID's closer working relationship with governments will, in the short term at least, reduce transaction costs.

3.15 In the initial period after 1997 DFID tended to pursue a relatively narrow bilateral approach to its influencing agenda with each of the major multilaterals. It is now recognized that this approach has its natural limits and can be counterproductive. The DAC Review raised the question of the appropriateness of a bilateral relationship with a multilateral institution and the consistency of this with overall governance structures of the organisation and the interests of other members. DFID is aware of this, and is shifting to more collegiate approaches working with like-minded international stakeholders.

3.16 This raises the more general question of **what partnership means for DFID**. Partnership was a major theme of the first White Paper. DFID support, whether to countries, multilateral institutions, or Non Governmental Organisations (NGOs), is increasingly mediated through partnership agreements of different types. A large proportion, perhaps 75%, of DFID's financial resources will be allocated and managed through large block grants to a relatively small number of partners (multilaterals, UK NGOs and budget support).

3.17 This highlights the need for DFID to think across all its departments about how it relates to partners: how and in what circumstances a more collegiate and less bilateral approach might be preferable; how DFID's performance in relation to partnerships can be assessed; how it selects which partners to work with; and how it allocates resources between partners. DFID will also be increasingly reliant on mediated evidence of development impact. This suggests that greater attention will need to be paid to building monitoring and evaluation (M&E) capacity within partners, and to auditing the results of its partners' M&E systems.

3.18 DFID is a strong proponent of sector programmes and general budget support. It accepts that the appropriate mix of aid instruments will vary from country to country, with the degree of consensus on policies and the capacity of the recipient to implement them as the most important variables, but the clear presumption is a shift from projects where possible. While the arguments for this shift of approach are strong, the assumption that this will lead to an improvement in aid effectiveness is as yet unproven. The evaluation of general budget support that has recently been commissioned by Evaluation Department is especially timely for this reason.

### Inputs

3.19 There are reasons for believing that DFID's financial resources are now better deployed than in the mid 1990's. First, DFID's resources are more clearly directed towards poverty reduction. DFID has begun to develop, and act upon, the implications of recent aid effectiveness research in respect of its bilateral aid allocations. There is general agreement that aid needs to be better targeted at poor countries with large numbers of poor people and, more contentiously, to those with 'good' policies and institutions (Annex E). Expenditure in Low Income Countries has increased from 65% of the country specific DFID programme in 1997/98 to 76% in 2000/01. This is the highest level for a decade.<sup>10</sup> The percentage of UK total bilateral and imputed multilateral assistance directed at

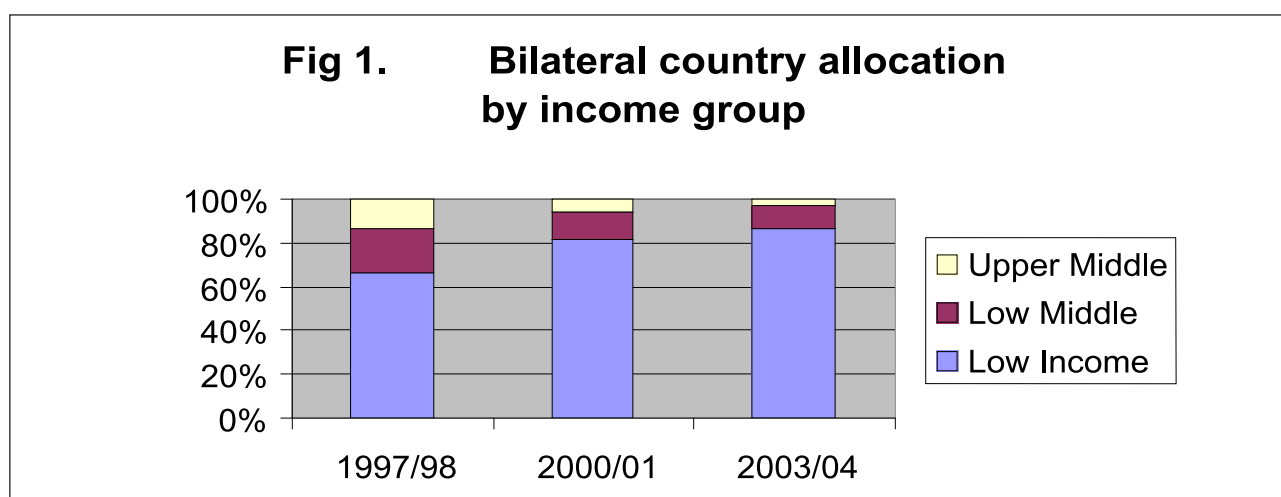
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<sup>10</sup> 72% of country-specific aid went to low income countries in 1992/93 (British Aid Statistics 1992/93-1996/97). It is recognised that this measure fails to consider the distribution within the poorest group of countries, and that other measures could be used (see White, H. and McGillivray, M. 'How Well is Aid Allocated?', *Development and Change* Vol.26, 1995, 163-183).

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least-developed countries is above the DAC average, but well below that for many other DAC member countries and multilateral agencies (e.g. United Nations Development Programme (UNDP) and International Development Association (IDA))<sup>11</sup>.

3.20 According to the latest Aid Framework, the percentage allocated to poorer countries is set to increase further by 2003/04. Allocations to Asia, and particularly India, are set to increase markedly. This is matched by a decline in the percentage allocated to Middle Income countries (Fig.1 below).



3.21 The data suggests that that DFID is, overall, managing both to increase the proportion of its bilateral country aid going to poorer countries, and to increase the proportion going to countries with a favourable policy environment (see Annex E). This does not necessarily mean that the balance between 'need' and 'performance' is always clear or consistently applied. DFID is beginning, internally at least, to be more explicit about these judgements. Internal analysis acknowledges that there is scope for DFID to be more consistent in balancing need and likely performance in resource allocation. In Africa, some current poor performers with large numbers of poor people warrant more assistance, as do some good performers with which DFID has not been engaged for historical reasons (e.g. in Francophone Africa). By implication, this should also mean reducing the priority accorded to some countries with which the UK has strong historical ties, particularly those that are likely to perform less well.

3.22 While DFID has succeeded in directing more of its bilateral assistance towards the poorest countries, it has been less able to alter the proportion of total UK Official Development Assistance / Official Aid (oda/oa) going to these countries. While around three quarters of UK bilateral aid went to low-income countries in 1999, around three quarters of imputed UK multilateral aid went to middle-income and high-income countries. In total therefore, only around half of UK oda/oa went to low-income countries in 1999.<sup>12</sup> The main reason for this is the high percentage of EC aid going to middle-income and high-income countries.

<sup>11</sup> Review of the Development Cooperation Policies and Programmes of the United Kingdom, DAC, 2001

<sup>12</sup> Source: Table 18, DFID Statistics on International Development, 1996/97- 2000/01.

### **Box 1: Changing Allocations: the case of the United Nations and the World Bank**

Analysis of DFID's contributions to multilateral institutions over the period 1989/90 – 2000/01 shows what can happen if relative effectiveness is not considered. The percentage allocation to different multilateral institutions has not changed dramatically over the decade, except in one respect. Whereas in 1989/90 DFID gave around three times more to the World Bank than to United Nations agencies,<sup>13</sup> by 2000/01 the World Bank received only 25% more. This change does not accord with DFID's assessment of the actual and likely performance of the two institutions as outlined in the respective Institutional Strategy Papers.

3.23 DFID has less scope for changing the allocations to multilateral institutions, at least in the short to medium term. It is thus entirely right to concentrate, as it has done in the EC, on working to achieve a shift in agency allocations in favour of low-income countries. Short-term constraints should not, however, blind DFID to the potential and justification for changing its own allocations in the longer-term. The allocation of DFID's resources should, as in the bilateral arena, be based on an explicit judgement of relative effectiveness (see para 4.25)

3.24 DFID has started to rationalise and focus its programme in other ways. While the effect of the changes in policy since 1997 was initially to diversify and complicate country programmes, programme rationalisation is now beginning to occur. The number of activities and sectors which DFID supports has been reduced in some countries, and the average activity size has increased.<sup>14</sup> Fifteen countries have also been identified for graduation from DFID aid. This will reduce the number of countries receiving country-specific bilateral aid by around 25% between 1997/98 and 2003/04.

3.25 That said, programme rationalisation is not yet evident everywhere, nor in all the aggregate figures. A more pronounced dualistic pattern appears to be emerging: a small number of very large programmes, and a large number of very small programmes (see Box 2 opposite).

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<sup>13</sup> This analysis uses the total DFID contribution to all UN agencies as listed in Table 8, Statistics on International Development, 1996/97-2000/01. In 2000/01 DFID provided support to more than 15 UN agencies. The three largest recipients were the World Health Organisation (WHO), the UN Development Programme (UNDP), and the UN Population Fund.

<sup>14</sup> The average (mean) size of new 'projects' as monitored by PIMS commitments over £100,000 almost doubled from £ 1.2m in 1993/94 to £2.1m in 2000/01.

### **Box 2: Bilateral programme trends**

#### **Activities**

Since 1997, the number of active DFID projects of all sizes has increased by 10% (para 3.13). The number of new commitments over £100,000 has remained fairly constant at around 600 per year. Around three quarters of these are less than £1m in size. The only significant change is the increased number of new commitments over £40 m. In 2000/01 just nine new activities accounted for 43% of the total value of new PIMS commitments. This suggests that while an increasing proportion of DFID bilateral expenditure is being concentrated in a small number of activities (mainly budget and sector support), this has not been accompanied by any significant reduction in the number of other, relatively smaller, activities.

#### **Country programmes**

A similar, if less pronounced, pattern is emerging in the country programmes. While the number of countries receiving aid is set to decrease, and the proportion of bilateral aid accounted for by the top 20 recipients is set to increase, there will continue to be a large number of very small country programmes. In 2003/04 around half of the 46 country programmes will spend less than £10m per year, and around one-third less than £5m. At the other end of the scale, six country programmes will spend more than £70m each, and together account for half of DFID bilateral country expenditure.

3.26 Substantial changes have also occurred within country programmes. The DFID programme in China, for example, has moved from Aid Trade Provision financed infrastructure projects on the relatively prosperous Eastern seaboard to health programmes in the impoverished central regions. In Zambia, DFID's support for education shifted significantly during the 1990's from tertiary and secondary levels to the primary level.<sup>15</sup>

3.27 Overall, it is fair to conclude that DFID resources are now better allocated than five years ago. Further work on strategic resource allocation is now in progress. In addition to these qualitative improvements, the volume of aid has increased from £2.2 bn in 1997/98 to £2.8 bn in 2000/01, and is set to rise further. Disbursement of increased aid might be expected to have been associated with some diminished returns and reduced 'quality at entry'. The alternative view is that increases in DFID aid have merely partially offset cuts by other donors, particularly in Africa. This will have tended to increase the marginal value of DFID's incremental investment.

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<sup>15</sup> Evaluation of DFID Support to Poverty Reduction. Synthesis Report. Draft March 2000.



### 4. Bilateral and multilateral performance

4.1 Taken together, the three categories of quality indicators – policy, process and resources – reviewed in the previous section suggest that DFID’s organisational effectiveness should be increasing. But by themselves, such indicators do not provide evidence that DFID’s effectiveness has actually increased. This judgement can only be made on the basis of DFID’s operational performance as measured by the performance assessment systems for its bilateral and multilateral programmes. To what extent is DFID delivering on the bilateral and multilateral programme objectives for which it is primarily accountable? Is it becoming more effective?

#### Bilateral programme effectiveness

4.2 Bilateral aid is provided to developing countries<sup>16</sup> on a country to country basis, and to institutions working in fields related to these countries. In 2000/1 the DFID bilateral programme cost £1,414m, and accounted for almost exactly half of DFID expenditure.

4.3 This section concentrates on the bilateral country programme. This accounted for 71% (£1,008m) of DFID bilateral expenditure in 2000/1<sup>17</sup>. Within the bilateral country programme, organisational effectiveness can be assessed at two levels: the individual activity<sup>18</sup>, and the country programme as whole.

#### Activity performance<sup>19</sup>

4.4 This report has used the extent of achievement of project purpose, as measured by Project Completion Reports (PCRs), as the main measure of activity effectiveness. Based on a simple count of a sample of PCRs, around 75% of interventions exiting during 1999 and 2000 reported satisfactory achievement<sup>20</sup>.

4.5 The identification of trends in project performance depend crucially on the measure and time period used. A simple count of satisfactory ratings suggests that the trend since 1995 has been generally upwards (fig.2 below). Average (mean) performance ratings have also improved, and variability reduced, since the mid 1990s. The proportion of interventions rated as poor or failed (score 4 or 5) has also declined over the same period, and the proportion rated as fully successful (score 1) has increased steadily.

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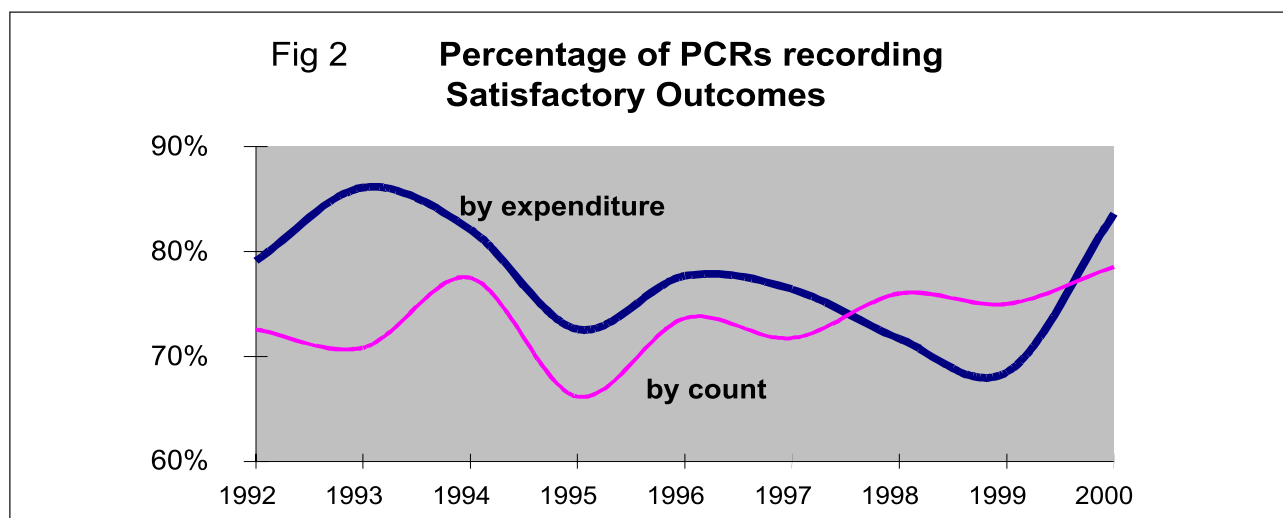
<sup>16</sup> Some of this assistance (2%) is provided as official aid to countries on Part II of the DAC list that are not classified as ‘developing’, such as Ukraine and Russia.

<sup>17</sup> The major categories of bilateral aid not covered by this report are: Humanitarian Aid; Grants and Other Aid in Kind (mainly grants to UK NGOs); Training and Scholarships; and Knowledge and Research.

<sup>18</sup> The term *activity* is used to cover all initiatives: projects; programme aid; sector wide programmes; and budgetary support. In practice, most DFID activities apart from some of the very largest are still projects of one form or another.

<sup>19</sup> This section is based on DER Working Paper 4: A Synthesis of Project Performance. Henderson, S. and Ticehurst, D. Natural Resources Institute (2001)

<sup>20</sup> An intervention is considered to have achieved a satisfactory outcome if it is scored 1 (fully achieved) or 2 (largely achieved) on a five-point scale.



4.6 Taking a longer view, however, gives a different picture. Including pre-1995 data suggests that any improvement over time has been marginal. The trend over the 1990s is basically flat. Moreover, weighting the analysis by expenditure paints a picture post-1996 that differs from the simple project count approach. The downward trend in weighted performance since 1993 is saved only by a marked improvement in the preliminary results for 2000. The results for this year are less reliable, and are more susceptible to variations in the scores of a few large projects.

4.7 The findings from the extremely small number of independent ex post evaluation reports give a less favourable picture of effectiveness<sup>21</sup>. Only 30% of the projects evaluated between 1993 and 1999 were rated as successful<sup>22</sup>.

4.8 Both evaluation reports and PCRs necessarily represent a lagged performance indicator<sup>23</sup>. More up-to-date measures of performance were obtained from the Performance Reporting Information System for Management (PRISM), based on the most recent scores for 247 ongoing projects in DFID's ten largest recipient countries. Results indicate that 57% of projects are currently rated as likely to achieve a satisfactory outcome, while 34% are scored 3. The reliability of these scores is not known. A detailed review of a small sub-sample (41) of PCRs undertaken for this analysis suggests that the proportion of successful outcomes can be expected to rise towards the end of the project, though by how much is less certain.

### Country performance<sup>24</sup>

4.9 DFID country programmes have only recently been subject to a formal annual review process, the Annual Plan and Performance Review (APPR). The quality and usefulness of APPRs is improving (and further change is planned) but for the purposes of this report their value as

<sup>21</sup> This is not unexpected. Achievements can be expected to degrade between project completion and ex post evaluation if the achievements are not sustainable.

<sup>22</sup> The equivalent figure for 1974-90 was 55%. However, these figures are not directly comparable. Projects are purposively selected for evaluation and are not intended to be representative of the portfolio as a whole.

<sup>23</sup> This problem is exacerbated by the tardy completion/submission of PCRs.

<sup>24</sup> This section is based on DER Working Paper 5: Country Performance Synthesis Study, Jones, S. Oxford Policy Management (2001).

instruments of performance assessment was limited. No comparative rating of DFID programme performance is possible on the basis of these reviews.

4.10 Measuring performance is made more difficult by the fact that in most cases DFID country programmes are both rapidly expanding and significantly changing in approach and focus as the policy directions set begin to influence the country strategy cycle. As a result, many activities reported on are in design or very early implementation phases. Significant areas of achievement were, nevertheless, identified by these reviews.

4.11 The Annual Plan and Performance Reviews (APPRs) and Country Strategy Performance Reviews (CSPRs) include many examples of claimed impacts. Table 3 below attempts to aggregate reporting on progress across selected countries and common themes in country strategies. The fact that impact areas are not defined in a common way across countries makes this exercise more difficult. The picture is inevitably fragmentary, but nevertheless suggests contributions to improved governance, economic management, health and education in Asia and Africa.

4.12 Although the first round of APPRs are limited in terms of the information that they can provide about the impact and effectiveness of DFID programmes, there is evidence that they may in some cases be becoming more useful in providing a framework for performance measurement. The recent APPRs for Tanzania and Uganda are good examples. In both cases, significant contributions in a number of impact areas were identified (see Annex A and Annex B).

**Table 3: Selected impacts reported in annual country reviews**

Objective	Impact Identified
<b>Africa – Economic Management</b>	
Tanzania: Improved public resource and economic management	<ul style="list-style-type: none"> <li>• Spending on social services increased from 3.6% to 4.1%</li> <li>• Strengthening of PER and MTEF processes</li> <li>• Enhanced donor cooperation on macroeconomic and public expenditure issues</li> <li>• New Public Finance Act and Procurement Act</li> <li>• Strengthened budget processes in health and education</li> </ul>
Uganda: Improved governance and continued pro-poor policy reform	<ul style="list-style-type: none"> <li>• Effective management of fiscal and monetary policy</li> </ul>
Malawi: Better economic and financial management	<ul style="list-style-type: none"> <li>• Pro-poor budget allocations fiscally sustainable</li> <li>• Improved budget management</li> </ul>
Kenya: Governance and Economic Policy Reform	<ul style="list-style-type: none"> <li>• resumption of Kenya reform effort including retrenchment and improved budget preparation, expenditure and financial management (through joint influence and conditionality)</li> </ul>
<b>Africa – Education</b>	
Tanzania:	<ul style="list-style-type: none"> <li>• Contribution to increases in school enrolment in pilot districts from DFID programme</li> </ul>
Uganda:	<ul style="list-style-type: none"> <li>• Classroom construction pilot programme adopted as nationwide model.</li> <li>• Increase in school enrolment</li> </ul>
Malawi:	<ul style="list-style-type: none"> <li>• SWAp process encourages devolution of decision making</li> <li>• Increased enrolment</li> </ul>
Mozambique:	<ul style="list-style-type: none"> <li>• Some increase in enrolment</li> </ul>

## Bilateral and multilateral performance

**Table 3 (cont)**

<b>Asia – Governance and Economic Management</b>	
China:	<ul style="list-style-type: none"> <li>• Potential impact from development of models for state-owned enterprise reform</li> <li>• Support to tax reform and budget administration may have major impact on inequality</li> </ul>
Nepal:	<ul style="list-style-type: none"> <li>• Improved donor coordination around decentralisation and governance</li> <li>• Contribution to establishment of Public Expenditure Commission.</li> <li>• Some reform ideas filtered to government</li> </ul>
Bangladesh:	<ul style="list-style-type: none"> <li>• No progress possible in structural reform (state enterprises, power sector, privatisation)</li> <li>• Improvement in timeliness and accuracy of financial statements and introduction of new budget and accounts classification</li> </ul>
India:	<ul style="list-style-type: none"> <li>• Privatisation progress slow though better in some states (Orissa, Madya Pradesh, Andhra Pradesh)</li> <li>• Implementation of power tariff increases (Andhra Pradesh).</li> <li>• Evolving civil service reform programmes will provide improved anti-corruption environment</li> </ul>
<b>Asia – Health</b>	
China:	<ul style="list-style-type: none"> <li>• Established pilot for rural health sector reform</li> </ul>
Nepal:	<ul style="list-style-type: none"> <li>• Strengthened donor coordination around Medium Term Strategic Plan for Health</li> </ul>
Bangladesh:	<ul style="list-style-type: none"> <li>• External review commended impact on development of Health and Population Sector Programme</li> </ul>
India:	<ul style="list-style-type: none"> <li>• Contribution to expected eradication of polio by 2002</li> </ul>

4.13 Country Strategy Performance Reviews (CSPRs) provide a more considered and independent view of DFID's in-country performance. The findings of the four CSPRs completed to date are summarised in annex H. These suggest that performance has been variable, both within and between country programmes, but that the overall impact has been positive.

4.14 There is evidence, especially in Africa and South Asia, that DFID programmes have been over-optimistic, particularly in expectations about the speed of institutional reform and the effective demand from government or civil society for improved governance. Programmes in central and Eastern Europe generally report greater success in terms of impact, but they are less ambitious in their scope. A number of successful pilot activities were reported (Table 4). This points towards recognition of a need for a better understanding of change processes, of poverty causes and dynamics, of the local socio-political situation and history, and how effective demand for pro-poor policies can be fostered, particularly in low-income countries.<sup>25</sup>

<sup>25</sup> These issues are highlighted in some internal DFID papers. See, for example, Unsworth, S. 'Understanding Incentives and Capacity for Poverty Reduction : What Should Donors Do Differently?' paper for the DFID Development Committee, 2002.

**Table 4: Examples of successful pilot activities**

Moldova	Sustainable Rural Livelihoods Project: Demonstration of successful cash crops has helped to influence policies to a more pro-poor focus. Also establishment of Savings and Credit Associations, Cooperatives, Agri-shop.
Bulgaria	Models of community policing; Community based social services in two pilot municipalities.
Slovak Republic	Regional development project. Helped establish examples of public – private sector partnerships.
Hungary	Management development and consultant training now operating on commercial terms nationwide.
Tanzania	Demand-driven school facilities construction programme in four poor districts. Local impact on enrolment but no comprehensive sector plan; support for NGOs supporting community driven and managed water and sanitation services. Pilot with three urban authorities. Social marketing of insecticide-treated nets. Kernel of national scaling up exercise.
Uganda	Demand driven classroom construction pilot project. Adopted nationwide as model for rapid and transparent decentralised classroom building.
South Africa	School transformation approach now being expanded to cover all primary schools in province.
China	Gansu Basic Education Project, demonstrating ways to provide basic quality education and access for poor girls and minority groups.

### Multilateral programme effectiveness<sup>26</sup>

4.15 Multilateral aid covers aid channelled through international bodies for use in or on behalf of aid recipient countries. In 2000/01 the DFID multilateral programme cost £1,297m, and accounted for just under half (46%) of total DFID expenditure. This percentage has remained more or less unchanged since the mid 1990s.

4.16 The findings in this section are based on a review of the Institutional Strategy Paper process in respect of five multilateral development institutions: the European Community (EC), the World Bank, United Nations Development Programme (UNDP), World Health Organisation (WHO) and the United Nations Development Fund for Women (UNIFEM). Together these multilateral institutions account for 85% of DFID’s multilateral contributions. Of the five agencies reviewed only UNIFEM has had an Institutional Performance Review (IPR) to date.<sup>27</sup>

4.17 It is important to distinguish between two measures of effectiveness in respect of the multilaterals

- DFID’s effectiveness in terms of the partnership and influencing objectives set out in the Institutional Strategy Papers (ISPs)
- the effectiveness of the multilaterals themselves in terms of their stated goals.

<sup>26</sup> This section is based on DER Working Paper 3: Review of DFID Performance in Relation to the Multilaterals

<sup>27</sup> Institutional Performance Reviews were carried out by DFID in 2001 for four humanitarian agencies. These reviews, and humanitarian aid in general, are not considered in this report

## Bilateral and multilateral performance

4.18 So far the principal method used by DFID for the assessment of multilateral performance is the review of the Institutional Strategy Paper implementation process which forms part of the annual preparation and revision of Action Plans. This assesses DFID's effectiveness in terms of the partnership and influencing objectives as set out in the Institutional Strategy Papers.

4.19 Institutional Strategy Papers and Institutional Performance Reviews are a relatively new innovation. The Institutional Strategy Papers for the World Bank and UNDP were only produced in 2000. This limits the extent to which they can yet provide a basis for assessing effectiveness. Other problems relating to the assessment of DFID's multilateral performance are mentioned in section 7.

4.20 The **UNIFEM** Institutional Performance Review, and an internal review of progress against the first EC Institutional Strategy Paper (1998) provide the best information on effectiveness. The UNIFEM review found important progress in almost all key areas of UNIFEM's work programme. It concluded that the Institutional Strategy Paper is providing a platform for building a strong and mutually beneficial partnership.

4.21 Progress against the rather limited objectives contained in the first **EC** Institutional Strategy Paper (ISP) is reported to have been good (Table 5) Most of the changes sought have been realised, although many of these were in train before the ISP was finalised. The extent to which DFID can claim credit for these is therefore open to debate, although it probably contributed. The extent to which these changes led to any significant improvement in the performance of the EC aid programme over this period is unknown.

**Table 5**

<b>European Community: progress against selected 1998 ISP objectives</b>		
	<b>DFID objective</b>	<b>Achievement</b>
1.1	Coherent statement of EC development policy	Satisfactory statement of policy issued by the Commission
1.2	Affordable budgetary provision for EC external assistance, and an increasing proportion allocated to least developed and other low income countries	Affordable budget settlement to 2006 and some rationalisation of the budget structure. Slow progress on increasing the proportion of EC oda allocated to poor countries
2.1	Establishment of a single Directorate General in the Commission responsible for external assistance programmes	Simplified structure, but responsibility for external programmes shared between two rather than one directorate.

4.22 There are also certain areas where it is plausible to maintain that recognised and persistent efforts by DFID have led to changes in how the **World Bank** does business. Summary findings are contained in Table 6 opposite.

Table 6

<b>World Bank: progress against selected 1998 ISP objectives</b>		
<b>Objective</b>	<b>Achievement</b>	<b>Method of Influencing Used</b>
Improve the overarching commitment to poverty of the Bank Group (stronger PRSP focus)	Strong commitment to poverty reduction for MICs (MIC Task Force) and IDA countries	High level lobbying and World working through the WB Board
Improve the quality of social analysis within the Bank to balance purist economic approaches	Strengthened the acceptance of social development methods and processes as central to the WB's activities	Persistent advocacy at senior levels and through secondments of key technical staff to the WB
Improve the recognition of the importance gender plays in poverty reduction	Acceleration of mainstreaming of gender in the WB's activities	Professional level contacts and secondment of staff/ financing of technical posts in the WB
Changing the way the WB does business with its borrowers	Some shift in favour of decentralisation by the WB in strengthening of country offices	High level advocacy of the case for decentralisation at WB Board level
Poverty & Social Impact Analysis	Top level Bank commitment	High level of HMG advocacy including from HMT

4.23 The **WHO** Institutional Strategy Paper has had a two-year gestation period. In this time there have been achievements in the area of defining and refining the WHO's objectives and in working more with a 'like-minded' group of donors. The drafting of the Institutional Strategy Paper itself has been part of the process of institutional change.

4.24 DFID country programmes are also seeking to implement an influencing agenda in relation to international financial institutions and multilateral donors such as the EC. There are a number of successful and less-successful examples of DFID influence on multilateral programmes, as well as cases where a focus on potential points of influence within government might have been a better approach. Experience in Eastern Europe (Box 3) and Ghana (Annex C) provides a mixed picture of DFID effectiveness.

**Box 3: Regional case study: Eastern Europe**

The CSPR for Russia noted that the bulk of DFID's efforts had gone into the indirect approach, working through the leading multilateral organisations, rather than attempting a more direct policy influencing role on the Russian government. The ability to provide grant-based technical assistance provided an opening for influence through this channel, but the review concluded that institutional mechanisms for achieving flexibility and speed of response in the provision of technical assistance were under-developed (compared with the Japanese PHRD grant scheme, for example).

DFID's regional department for (EECAD) reaches more bullish conclusions on the effectiveness of its influencing agenda with the EC, World Bank and the European Bank for Reconstruction and Development (EBRD). The placing of detached national experts into the multilateral agencies, and active participation in the EC Management Committees, were considered to have been particularly effective.

## Bilateral and multilateral performance

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4.25 The other important measure of the effectiveness of DFID's contributions to multilateral institutions is the organisational and development effectiveness of the institutions themselves. Thus far DFID has relied to a large degree on the internal performance assessment systems of the multilaterals themselves and has not attempted to undertake any explicit measurement of relative effectiveness. Senior DFID managers have a clear and well-informed perception of both the absolute and relative effectiveness of the multilateral institutions, but this is subjective. Over time, and to the extent compatible with the UK's wider political objectives, the allocation of DFID's resources should be based on an explicit (preferably multidonor) assessment of the developmental impact of multilateral expenditure. It is recognized, of course, that this can only be achieved over a significant period, given the inherent problems in measurement of relative effectiveness and given the lengthy budgetary commitment periods for the major multilateral recipients. This should not preclude DFID from preparing for this.

## 5. Evaluation lessons

5.1 This section is based on the 44 independent evaluation reports produced since 1997, as well as on recent country programme reviews. The first part draws out the recurring issues and lessons highlighted in the evaluation reports.<sup>28</sup> Inevitably, because of the nature of ex post evaluation work, these reports present something of a lagged view of DFID. Nevertheless, while much clearly has changed since some of these reports were written, many of the issues identified remain directly relevant today.

### Lessons from evaluation studies

5.2 The main conclusions of recent sector and thematic evaluations are summarised in Annex F. Although the experience and success within different sectors varies markedly, there are a number of common findings which emerge from this review of evaluation studies.

5.3 **Long-term engagement** is key. Over-ambition and unrealistic expectations, coupled with inadequate investment periods, are recurring themes of DFID reviews and evaluations. These have often resulted in impacts and sustainability being less than anticipated. Many impacts, such as the impact of interventions on economic growth, governance or environmental improvement, may take a long time to appear.

5.4 Equally, there are numerous examples where long-term engagement has been both beneficial and essential. Poorer groups and regions require sustained support over long periods. Building capacity in government and NGOs requires 5-10 years. Influence at sector level depends on a long and significant presence. Long-term relations are the heart of cooperation between northern and southern institutions. And the process involved in producing a sector policy framework with real ownership from government takes time and cannot easily be accelerated.<sup>29</sup> These findings should be a powerful challenge to the constant pressure for realignment with the latest development orthodoxy (Box 4). There is no quick fix.

#### Box 4: Project, strategy, policy and staffing cycles

"The different project, strategy, policy and staffing cycles within DFID can be problematic. Policy can be, and often is, quickly changed. The mid-1990s were a period of significant change. Strategies are intended to be longer term, but are often overtaken by policy change. Projects and programmes are and should be long-term commitments but, by being so, they inevitably outlive the policies and strategies under which they were designed. This creates a tension between the need for long-term engagement, and the desire for current policy/strategy relevance. The turnover of DFID staff every few years exacerbates this tension. New staff want new programmes. Given the priority attached to current (DFID) policy relevance, there is often pressure to re-engineer existing projects, or to terminate these prematurely. Yet the lesson from Bangladesh is that the most influence came from long-term continuity."

DFID Sustainable Agriculture Evaluation, para 6.9 (2001)

<sup>28</sup> This section draws on DER Working Paper No. 4 - A Synthesis of project Performance - by Simon Henderson and Daniel Ticehurst.

<sup>29</sup> Sources: Population, Education, Enterprise Development, Higher Education, Environment, Poverty, Primary Education, Revenue, Sustainable Agriculture evaluations.

## Evaluation lessons

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5.5 Linked to this, two recent evaluations question the **balance between activities and approaches**. The first issue relates to the choice between sectors, and specifically the choice between the social and other sectors. The 1990's saw strong growth in health spending relative to renewable natural resources and other productive sectors. The evaluation of revenue projects<sup>30</sup> suggested that the balance between sectors which have an immediate but restricted pay-off in terms of poverty reduction – such as the social sectors – and those which lay the foundation for more fundamental poverty reduction through growth-based policies – such as revenue – might have swung too far. The evaluation of DFID support to poverty reduction<sup>31</sup> came to a similar conclusion. Listening to people's priorities might indicate a stronger emphasis on interventions in the productive sectors and water (such as renewable natural resources), rather than the social sectors, especially health, important though this is for poor people. It concluded that aid management considerations, rather than strategic analysis and people's priorities, were too frequently the determining factors in deciding country sector aid priorities.

5.6 The balance between enabling, inclusive and focused approaches to poverty reduction was also raised.<sup>32</sup> At present the relative importance of enabling activities is increasing, particularly in Africa. However, poverty reduction is necessarily multi-layered, intersectoral, and context-specific. No single agency has to work at all levels and in all sectors, but collective, inter-linked work is required. As the Poverty Synthesis observed, 'enabling, inclusive and direct interventions are complementary, and under most conditions none will result in sustained poverty reduction without the others'.<sup>33</sup> Sector wide and policy based approaches should complement, not supplant, direct project interventions.

5.7 While the evaluation reports were right to raise the issue of balance between activities of different types, it does not make sense for these judgements to be made at the individual donor level. These decisions need to be made collectively, and with an eye to comparative strength. If, for example, focussed activities, or support for agriculture, are priorities in a particular country, the important conclusion is that the most appropriate donor provides support. This may or may not be DFID.

5.8 Three of the evaluation studies concluded that **gender rhetoric** was significantly in advance of practice, except in the DFID India programme. While gender has increasingly been acknowledged as important in a general way, with more serious reference in project documents, this was rarely translated into design, logical frameworks, implementation, or monitoring and evaluation practice. Relevant analysis and solutions were often weak.<sup>34</sup>

5.9 Another common finding was that 1997 represented more of an acceleration of trends than a sea-change. DFID had already become a more poverty focused development agency prior to 1997 (para 3.8). Other evaluations provide clear evidence of the evolutions of DFID's approach over the 1990s, and of lessons that have been learnt.

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<sup>30</sup> DFID Evaluation of Revenue Projects, Synthesis Report, Draft July 2000.

<sup>31</sup> Evaluation of DFID Support to Poverty Reduction, Synthesis Report, Draft March 2000.

<sup>32</sup> **Enabling** actions support the policies and context for poverty reduction and elimination. **Inclusive** actions improve opportunities and services generally, and also address issues of equity and barriers to participation of poor people. **Focused** actions focus predominantly on the rights, interests and needs of poor people.

<sup>33</sup> Evaluation of DFID Support to Poverty Reduction (2000), Summary para x/v.

<sup>34</sup> Poverty, Primary Education, Enterprise Development evaluations.

**Box 5: Lessons that have been well learnt**

- There has been a significant improvement in the understanding of poverty reduction with associated improvements in project design, although this is less apparent in some areas (e.g. revenue projects).
- There has been a significant shift in project approaches towards a more holistic, and broader focus, both in the range of their outputs and in demonstrating a better understanding of institutional, social and economic factors.

5.10 Much the same comment applies to **aid instruments**. The preferred aid instrument has shifted from a rather narrow set of project interventions in the early to mid 1990s to a more integrated set of programme solutions in the late 1990s that seek to simultaneously impact at macro, meso and micro levels.<sup>35</sup> The past few years have seen a shift towards sector wide approaches (SWAp) and direct budgetary support as instruments of development assistance. This shift is a significant one with implications for the way that DFID and its partners work, and for approaches to learning. Little evaluation material yet exists on these new aid instruments.<sup>36</sup>

5.11 This shift is clearly evident in the primary education sector. The most recent change in the design of British educational aid has been a shift towards providing broad financial aid to the education sector as a whole. The Primary Education Synthesis observed that this reflected ‘both a dissatisfaction with the impact, ownership and sustainability of the project approach, and a recognition that sectoral programmes can quickly absorb relatively large amounts of financial resources, and can provide effective support to policy reform’.<sup>37</sup>

5.12 This approach places great responsibility on the capacity of recipient government systems. Thus, while the potential benefits of sector wide approaches may be greater than those accruing from conventional project-based support, the associated risks may also be greater. According to the Primary Education Synthesis, such partnerships are desirable but more risky, as DFID’s Ghana experience shows (Box 6). Other experience, such as the health SWAps in Ghana and Bangladesh, has been much more positive (Annex G).

5.13 The Poverty Synthesis agreed that long- term **partnerships** provide a better basis for influence than conditionality. It concluded that DFID’s choice of partner had become more strategic, but that developing partnerships represents a challenge for a strongly paper-based, rather than interactive, organisation. Staff attitudes and behaviour, paperwork requirements, and the implications of an unequal power relationship need to be addressed as partnership relationships move centre stage.<sup>38</sup>

5.14 Furthermore, the reliance on high levels of institutional capacity and commitment may involve strengthening existing capacity at many different levels. This focus on the system as a whole may have the effect of delaying impacts on beneficiaries. The pre-conditions for a successful SWAp are also very demanding, and may only exist in a limited number of countries. A shift to a partnership approach will therefore either result in a more selective aid programme, or in an aid programme that may in future be judged as less effective.<sup>39</sup>

<sup>35</sup> Poverty, Education and Health evaluations

<sup>36</sup> DFID’s Evaluation Department has begun an evaluation of general budget support.

<sup>37</sup> Primary Education Synthesis (1999), EV 634

<sup>38</sup> Evaluation of DFID Support to Poverty Reduction (2000)

<sup>39</sup> Primary Education Synthesis (1999), EV 634

### Box 6: GHANA EDUCATION SECTOR WIDE APPROACH

The Education Sector Support Programme (ESSP) was approved in 1998 with a commitment of up to £52 million over five years.

High levels of institutional capacity are a requirement for the success of sector wide approaches (SWAPs). DFID recognised that the provision of budgetary support for the education sector in Ghana was risky for this reason.

The sector policy framework was developed in London with key Ghanaian officials but with substantial input from DFID personnel. This was not helpful for achieving ownership of the final document by either the government or other donors. This provides further evidence of the limits of bilateralism.

Implementation of ESSP has been difficult. Disbursements by DFID and other donors have been slow. A joint strategic review in July 2001 concluded that the poor performance of ESSP to date is partly because the conditions for a SWAP were not in place at the outset. Limited active coordination between partners, and slow progress with central civil service reforms, has also contributed.

Primary Education Synthesis (EV 634), 1999

Joint Strategic Review of ESSP, July 2001

5.15 **Monitoring and evaluation weaknesses** were, perhaps predictably, mentioned in the majority of project and programme evaluation reports. Many refer to problems in assessing impacts on institutional development and poverty. The main reasons for this were:

- the absence of any adequately developed indicators with which to assess either institutional impacts or poverty
- the absence of any baseline data with which to analyse changes over the implementation period
- and the absence of project monitoring data on behavioural changes among target groups including organisations.

5.16 Many evaluations also revealed weaknesses in the information systems, despite purpose-built monitoring systems being set up in many projects. Both the poverty and primary education evaluations concluded that evaluation had been insufficiently integrated into the design. Some lessons have been learned, but the identification of lessons has depended too much on serendipity, and not enough upon careful analysis of relevant evidence. Project monitoring was least satisfactory within larger multi-donor enterprise development programmes where it is difficult to monitor discrete projects and their impacts.<sup>40</sup>

5.17 Three final observations feature in a number of evaluations:

- a consistently high rating for the **technical quality of project outputs** contrasts with the judgement that the same projects were unable to understand and document the relevance of these outputs to (often unspecified) target audiences

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<sup>40</sup> Population, Enterprise Development, Poverty, Primary Education, Sustainable Agriculture evaluations (see References, Annex J)

- a greater emphasis on **local ownership** and involving communities at the identification and design stage, together with a better understanding of the policy context, has contributed to improvements in project quality and relevance at entry
- **Interdisciplinary team work** has often been lacking, and is not encouraged by the competitive sectoral culture within DFID.<sup>41</sup>

### Lessons from country programme reviews

5.18 A number of lessons emerge from the Annual Plan and Performance Reviews (APPRs) as a whole. Those which principally apply to DFID include:

- a recognition that DFID's activities have in some cases been over-ambitious in relation in particular to the timescale required for bringing about institutional reform. This applies particularly in Africa, where problems of this kind are noted in Tanzania, Malawi and Kenya
- a need to define objectives more clearly and thereby to operationalise Country Strategy Papers (for instance through the definition of impact areas).

5.19 Lessons that can be regarded as having a wider application include:

- a recognition that activities have achieved limited impact in cases where they have either : lacked either coherence with Government priorities; or have not been based on earlier interventions; or have involved too many isolated small scale activities; or where activities have taken place without a favourable broader enabling environment (Orissa, Tanzania, Bulgaria, Poland, South Africa)
- several reviews note the need to effectively identify agents of change, and to understand change processes (including the broader political and institutional context) and to design activities that effectively support change (Bangladesh, Poland, Malawi, Kenya, Mozambique)
- the Poverty Reduction Strategy (PRS) process has the potential to provide a framework for progress on broadening policy dialogue even in relatively unfavourable political conditions.

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<sup>41</sup> DFID Poverty and Sustainable Agriculture evaluation studies



### 6. DFID's contribution to development progress

6.1 A key question for this report is the extent to which DFID itself has made an effective contribution to development progress. A key message of this report is that answering this question requires a combination of measures and methods at different levels. This section reviews the evidence available, and discusses the challenge faced by DFID, as for all other agencies, in assessing its overall contribution.

6.2 One evaluation approach is to identify the changes that have taken place in terms of development outcomes, and then to assess the extent to which DFID has made a significant contribution. This requires, among other things, comparing the current situation with what would have happened without DFID support (the counterfactual). Unfortunately, few of the evaluation studies are able to do this, and the information contained in recent reviews is patchy.

6.3 An alternative approach is to assess the impacts of individual projects and programmes, and to work 'upwards' towards development outcomes. In some cases, as in primary school enrolment, it may be possible to determine the impact in terms of development outcomes. But in the majority of cases it will at best only be possible to identify intermediate impacts, such as changes in policy or practice. Making the link between these changes and desired development outcomes – such as reducing the number of people in poverty – is more difficult.

#### Evaluation evidence

6.4 Health provides a good example of the limits of evaluation. As shown in Annex D, health outcomes have improved consistently in long-term top twenty recipient countries over the past ten years. However, linking these positive trends to DFID activities is problematic. The recent Health Synthesis evaluation report concluded that few of the individual DFID projects reviewed had been able to demonstrate a contribution to the improvement in health outcomes.<sup>42</sup> This is consistent with the finding of many of the evaluation reports reviewed: impacts on poverty and other development outcomes are inherently difficult to assess.

6.5 Similar problems exist in the context of health sector wide approaches (SWAs).<sup>43</sup> First, much of the evidence relating to improvements in health care and service coverage predate the SWAs. Second, the linkages between health outcomes, such as infant mortality, and the interventions intended to bring them about are very indirect.<sup>44</sup> Simplistic associations of outcome trends to sector wide approaches, let alone to one donor's contribution, are unhelpful. In situations such as Uganda, where infant and child mortality rates have worsened, outcome trends will be an especially poor measure of the performance and contribution of donor-supported health sector programmes.

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<sup>42</sup> ODA/DFID Support to Health Sector Reform and Health Management: Synthesis Study. Andrew Cassels and Julia Watson. EV 594. January 2001

<sup>43</sup> 'The defining characteristics of a SWAp are that all significant public funding for the sector supports a single sector policy and expenditure programme, under Government leadership, adopting common approaches across the sector, and progressing towards relying on Government procedures to disburse and account for all Government expenditure, however funded'. The Choice of Financial Aid Instruments, Mick Foster and Jennifer Leavy, ODI, October 2001, page.5

<sup>44</sup> Sector Wide Programmes and Poverty Reduction, Mick Foster and Sadie Mackintosh-Walker, CAPE, ODI. November 2001

6.6 In DFID's top twenty recipients, net primary school enrolment (weighted for population) has increased from 93% to 98% between 1990 and 1999, while youth illiteracy (15-24 years) has fallen from 19% to 15%. The contribution of DFID-supported education programmes to increased primary school enrolments is clearer than for health outcomes, in part because the more immediate nature of educational targets. For example, in Uganda the World Bank, DFID and other donors have provided support to developing the Universal Primary Education (UPE) programme. UPE has succeeded in increasing enrolments to 82% of the primary age group, eliminating both gender and wealth biases in enrolment.<sup>45</sup> A DFID programme has also contributed to increased primary enrolment in pilot districts in Tanzania.

### Evidence from country reviews

6.7 Evidence from country reviews (CSPRs and APPRs) suggests that DFID programmes have had identifiable, positive impacts. However, in most cases the scale of the impact claimed, or the question of whether the benefits outweigh the costs, have not been evaluated. More fundamentally, the links between the impacts identified and the changes in sectoral and national development indicators have not been critically analysed. Where they have been, as in the Ghana review and some evaluation studies, the conclusion reached is that attribution is not possible. We can say with some confidence that 'DFID has made a contribution', but are generally much less able to say whether that contribution has made a significant difference to development outcomes.

### Other evidence

6.8 DFID's contribution to the Millennium Development Goals is not limited to its bilateral and multilateral programmes. A defining feature of DFID since 1997 has been its determination to engage, together with other UK government departments, in wider issues that have major development impacts, such as debt, conflict and trade. Of these, only an evaluation of DFID's work on trade has been completed so far.<sup>46</sup> This study concluded that the Secretary of State and DFID are perceived by other donors and international organisations as being amongst the leaders in linking trade and development issues. Key informants regard DFID as influential in shaping the multilateral trade environment – such as the agreement reached at the World Trade Organisation (WTO) meeting in Doha on an agenda for a development round – and in promoting trade related capacity building at a multilateral level.<sup>47</sup>

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<sup>45</sup> Foster and Mackintosh-Walker (2001) *op.cit*

<sup>46</sup> HIPC has been the subject of an internal DFID review, and joint evaluation work is in progress with the World Bank.

<sup>47</sup> Trade Scoping Study, David Pedley, DFID Evaluation Dept. Draft January 2002

## DFID's contribution to development progress

### Assessing DFID's overall contribution

6.9 The difficulty of assessing DFID's overall contribution is, in part, unavoidable. Attribution is the major problem for DFID, as it is for all development agencies that have adopted the Millennium Development Goals (MDGs) as the focus of their work. The MDGs are, by definition, collective outcome goals. They measure what the world wants to achieve by 2015. Whether they will be achieved by then will depend much more on the effectiveness of the international system as a whole – and on a complex mix of external forces, processes and events – than on the actions of a single agency. Demonstrating the causal link between DFID's activities and changes in any of the MDG indicators is virtually impossible. The focus of the MDGs on measurable quantitative change, rather than on more qualitative changes (e.g. governance, human rights, and social and political development) also means that they are at best partial measures of progress. For these and other reasons, the MDG's are of limited use, by themselves, as performance measures for individual agencies such as DFID.<sup>48</sup>

6.10 Assessing DFID's contribution to national development targets is more feasible, but is still difficult. Relative scale is important. Table 7 below illustrates this in the context of country programmes. DFID is a much more significant donor in some countries than in others. Some countries are more aid dependent than others. Other things being equal it is reasonable to conclude the DFID contribution to national development outcomes is likely to be more significant, for example, in Uganda than in China. The general implication is that it will be less hard for DFID to assess its contribution to national development outcomes in some countries (i.e. those in the bottom right) than in others (i.e. those in the top left).

**Table 7**

	TOTAL ODA AS % OF GNP		
UK % OF AID	< 1 %	1 – 5 %	> 5 %
< 10 %	Russia China		Mozambique
10 – 20 %	South Africa India	Bangladesh	Tanzania
> 20 %		Kenya Ghana	Uganda Sierra Leone Malawi

Source: Aid Flows 1999. Table 18. SID 1996/97 – 2000/01. DFID.

<sup>48</sup> The NAO report came to a similar conclusion (NAO, 2002, p.64).

6.11 It follows from this that DFID will need to match its assessment ambition and methods to the context. One approach will not suit all places. The other conclusion is that national development indicators are not, by themselves, very useful as measures of DFID's performance in most countries in which it operates. Attribution is too difficult to establish. In countries where DFID is a minor donor and/or aid a minor factor, intermediate performance measures over which DFID has significant influence are the only option.

6.12 In smaller countries where DFID and other donors are a more significant factor - as in parts of Africa - assessing DFID's contribution to development outcomes may be a more plausible ambition. A clear hierarchy of objectives and associated assessment methods will still be required if a credible link is to be established. This will mean, among other things, a broad framework for looking at national development progress as a whole - for which the Comprehensive Development Framework could provide an organising approach - and how aid fits into it.

6.13 More generally, there is a need for development agencies to think more about intermediate performance measures. As already mentioned, outcome indicators may be a poor performance measure for sector-wide approaches. In the case of health, measures of service utilisation, quality, access and cost would provide a sound basis for monitoring and evaluation. This will provide more immediate measures of progress towards beneficial health outcomes. A recent review of Poverty Reduction Strategy (PRS) monitoring makes a similar observation, that there has been a relative over-emphasis on final outcome/impact monitoring, and a relative neglect of intermediate outputs/outcomes.<sup>49</sup> Agencies need to recognise the difference between what can actually be assessed and what they are accountable for, to discuss this more explicitly with their country and other partners, and to achieve a clearer allocation of responsibility.

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<sup>49</sup> Desk Study of Good Practice in the Development of PRSP Indicators and Monitoring Systems, David Booth and Henry Lucas, ODI, May 2001.

### 7. Assessing effectiveness better

7.1 The purpose of this report was not to review DFID's performance assessment and evaluation systems. It has, however, made extensive use of them. This has revealed some clear strengths and weaknesses, whether as systems for management, lesson learning or accountability.

7.2 Donor agencies face particular problems in assessing their own effectiveness. They work in a very diverse range of countries, sectors and activities, in unstable and data-poor environments with the expectation that the full impact of their work will often take years to be realised and are usually only one of many, more significant influences on development outcomes. Two recent changes have added to the challenge of attribution:<sup>50</sup> a shift of focus from outputs to outcomes (such as the Millennium Development Goals), and a trend from single to multi-donor programmes. Aggregating results across a wide range of contexts and activities in order to provide a collective picture of performance presents a particular challenge for increasingly decentralised agencies such as DFID.

7.3 Looking at how other agencies report on their corporate performance is instructive.<sup>51</sup> The experience of the United States Agency for International Development (USAID) confirms the conclusion the most attractive indicators – development outcomes – have limited value by themselves as corporate performance measures because of the attribution problem. The use of common indicators may work for agencies working with a limited mandate in one region (e.g. the European Bank for Reconstruction and Development), but are much less easy to operationalise for diversified, global agencies such as DFID. Reporting against operational objectives is probably the most practical option, although the results will still be difficult to aggregate (except as ratings) and hard to relate to the indicators that matter – development outcomes at national and global level. This strengthens the case for building a 'ladder' of evidence covering inputs, processes, outputs, intermediate outcomes, and development outcomes. No single method or metric will be sufficient.

#### System problems

7.4 As noted by the Development Assistance Committee (DAC) Review, DFID's monitoring and evaluation systems have evolved significantly in recent years. Many of the systems are new and not yet tried and tested. Compliance, ownership and use are problems. The recent National Audit Office (NAO) report concluded that DFID's approach to performance management had a number of strengths: a clear focus on poverty reduction outcomes, strong leadership, strong qualitative coverage, strong connections to wider research and evaluation, and well qualified and committed staff. Nonetheless, the report concluded that a sharper focus on performance measurement in medium-term DFID planning and review activity was required.<sup>52</sup>

7.5 The experience of the DER supports these conclusions. Some of DFID's review processes – such as Output to Purpose Reviews, Annual Plan and Performance Reviews and Country Strategy

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<sup>50</sup> Attribution is a test of causation linking DFID activities to outcomes or impacts. A key question is if there had been no DFID activity how would the result have been different?

<sup>51</sup> Assessing Development Effectiveness, DER Working Paper 1, Section 4.

<sup>52</sup> DFID: Helping to Eliminate World Poverty, NAO report. 2002

Performance Reviews – are very important to the management of individual activities and country programmes. Country Strategy Papers and Institutional Strategy Papers have improved, and are likely to evolve further so as to improve their ‘evaluability’. As in most organisations, informal lesson-learning within operational departments and advisory groups is at least as significant as formal lesson-learning via reviews and evaluations, if not more so.<sup>53</sup>

7.6 The NAO report is quite right to point out that ‘measuring performance needs to be underpinned by data of appropriate quality’. Helping others to improve their data quality – as DFID is doing – is important but improving the quality of DFID’s own data is equally important. As a basis for corporate management, performance reporting and accountability, DFID’s formal performance assessment and evaluation systems are not yet adequate.

7.7 Part of the problem is that individual systems have been added and developed over time, but to a different timescale from policy and practice. The result is a complex historical accretion of systems, not all of which fully inform, nor fully connect with, current objectives and planning.<sup>54</sup>

7.8 At activity level, there is reason to doubt the representativeness and reliability of Project Completion Reports (PCRs) as measures of activity performance. First, PCR coverage is limited, late and uncertainly representative. PCRs are optional for projects below £500,000 for non-country bilateral aid, and for multilateral aid. At least two-thirds of DFID activities by value and number are therefore excluded. Almost half of the rest are granted exemptions, with the result that only around 25% of bilateral expenditure is covered by a completion report. Coverage in the most recent year (2000) dropped to around 5% of bilateral expenditure due to delayed compliance.

7.9 Second, the quality of PCRs is mixed. PCRs are signed off by more senior managers, which introduces an element of quality control. A detailed review of 41 PCRs nevertheless found that as many as one quarter may have over-scored the project’s achievement at Purpose level on the basis of the evidence provided. There is no system of independent verification, although one has been mooted. Most significantly, PCRs are not used. In their current form they not particularly useful or credible for either internal management or external accountability.

7.10 Output-to-Purpose Reviews (OPRs), and the activity scores on PRISM, proved to be less useful. 123 OPRs were reviewed as part of the DER process. These showed wide variations in format, style and the method of scoring. Though primarily aimed at helping project management, they do contain lessons of potentially wider value. The Brazil CSPR found that similar problems kept being noted on OPRs, suggesting that lesson learning across projects was limited. There is no regional, sectoral or DFID-wide system for analysing and disseminating lessons from OPRs.

7.11 Evaluation reports provide a much more detailed and reliable assessment, but cover an extremely small, purposively selected sample of projects. An average of nine projects per year, out of a total of around 1,500 projects greater than £100,000 active each year, were covered by independent evaluations in the period 1993-99. This is less than 1% coverage. Compared with some other

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<sup>53</sup> The large number of networks listed on the DFID intranet is testimony to this.

<sup>54</sup> DFID: Helping to Eliminate World Poverty, NAO report. 2002. p.7.

## Assessing effectiveness better

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agencies, DFID spends a much lower proportion of its budget on independent evaluation, and evaluates a much lower proportion of its activities.<sup>55</sup> Furthermore, like PCRs, most of the evaluation reports refer to activities designed and implemented prior to 1997. As such they provide an inevitably lagged picture of DFID performance. Evaluation Department have recognised that a shorter reporting timetable can minimise this lag, but some lag is inevitable.

7.12 DFID country programmes have only recently been subject to a formal annual review process, the Annual Plan and Performance Review (APPR). Individually, APPRs have served to improve the analysis and focus of DFID country programmes. Collectively, they do not yet provide the basis for assessing performance either between programmes or over time. The quality and usefulness of APPRs is improving (and further change is planned) however, for the purposes of this report their value as instruments of performance assessment was limited for three main reasons

- the inadequate articulation in DFID Country Strategy Papers of a framework of performance indicators and targets for the DFID programme. This is a fundamental weakness for the measurement of country programme performance
- the incomplete and questionable quality of the annual scoring at activity level that provides part of the link between activity performance and country strategy objectives. Weak activity-level performance also constrains Country Strategy Performance Reviews
- the substantial variation in content and approach between Annual Plan and Performance Reviews, reflecting the discretion granted to divisions in developing guidance to country teams.

7.13 The assessment of DFID multilateral effectiveness faces a number of challenges: the difficulty in identifying quantifiable indicators for institutional reforms; the challenge of attribution for influencing objectives; and the reality that DFID is ultimately reliant on the quality of the multilateral institutions' own performance assessment systems for reporting on the development effectiveness of its contributions. The general absence of measures of DFID's own performance, together with insufficiently detailed performance measures or targets within ISPs, adds to the difficulty.

7.14 Sector-wide approaches (SWAps) and other new instruments present new challenges for monitoring and evaluation. As the example of SHAPLA in Bangladesh demonstrates, clarity is required over what and who is being assessed at each level. There is a need to distinguish performance standards for the SWAp as a whole; DFID's technical assistance component; DFID's management of that component; and the consultant's delivery of outputs (Annex G). The appropriate unit of analysis for assessing effectiveness also needs thought. If it is the country, DFID can be held accountable for its effectiveness in influencing and building the capacity of governments, whilst governments take primary responsibility for the development outcomes. At a more general

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<sup>55</sup> For example, the World Bank Operations and Evaluation Department reviews 100% of all implementation completion reports, and carries out a field-level performance audit on 25% of its operations. The Project Evaluation Department of the European Bank for Reconstruction and Development (EBRD) has carried out independent ex post field-level evaluations of 36% of its completed investments. The World Bank and DANIDA spend around 0.12% and 0.14% respectively of their total expenditure on independent evaluation. DFID spends less than half that (0.05%). NGOs typically spend much higher proportions than any of these agencies on evaluation and learning.

level, the balance between the pressure to achieve timely expenditure of increased resources, and being able to account for these adequately when using budgetary support and SWAps, needs to be considered.

7.15 The core of both the bilateral and multilateral systems is self-assessment by operational staff. With the exception of the relatively small number of independent evaluation reports commissioned by Evaluation Department, Country Strategy Performance Reviews (CSPRs), and some Output to Purpose Reviews conducted by external consultants, all the material is self-assessment. This is not a problem per se. The problem with these systems, particularly those at activity level, lies with coverage, consistency, timeliness and quality. Operational staff need more support and training. A greater measure of independent verification would also serve both to support quality improvement and to enhance the credibility of these systems. Wider experience suggests that an element of over-scoring is to be expected where operational staff take the major role in reviews. Independent verification of a sample of reviews would indicate the extent to which this is true for DFID.

### The way forward

7.16 The way forward has to start with **a clear policy and strategic plan for performance assessment and evaluation within DFID**. If producing a periodic report on effectiveness is to be one of the major objectives, the systems need to be set up to provide the type and quality of information required. Performance assessment and evaluation systems need to be objective-led, not systems-led. A performance assessment and evaluation plan for DFID would also need to specify the overlapping but distinct requirements for corporate management, programme learning and external accountability. The policy for accountability would, for example, need to specify acceptable levels of verification and independent evaluation coverage.<sup>56</sup> Different functions will require different instruments.

7.17 Without wishing to prejudge the outcome of planning and policy process within DFID, two general conclusions can be drawn from the experience of compiling this report. First, the assessment and evaluation of **individual DFID activities and processes** provides the foundation upon which sector, country, and corporate performance management and reporting is based. All higher level assessments will only be as good as the activity information on which they are based. Given the very wide variation in the size and scope of DFID activities,<sup>57</sup> a variety of approaches (covering inputs, outputs and immediate outcomes) are likely to be required.

7.18 Second, there is no hard line between organisational and development effectiveness. Both are linked. Accountability is a continuum between those things over which DFID has complete control (e.g. inputs), and those for which there is collective accountability (e.g. the Millennium Development Goals). The assessment of shared or collective development performance is crucially important.

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<sup>56</sup> Independent evaluations can be of three main types: (1) those carried by external teams consisting of independent consultants and/or other stakeholders but reporting to the operational department responsible for the programme being evaluated; (2) those carried out by agency staff from an evaluation unit independent of the operational department; and (3) those carried by external teams consisting of independent consultants and/or other stakeholders reporting to an independent evaluation unit or direct to the management board.

<sup>57</sup> In 2000/01, just 12 activities (2%) accounted for 49% (£600 million) of the value of new commitments over £100,000. Conversely, 389 activities (65%) accounted for only 7% of the value of new commitments.

## Assessing effectiveness better

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DFID's evaluation effort should be directed at least as much at improving collective and partner evaluation capacity as at improving its own. That said, a key message of this report is that DFID needs to get better at identifying and assessing **its own performance**, and distinguishing this from the performance of its partners. This is particularly important given the increasing prominence of Sector Wide Approaches and budget support, and the suggestion that DFID should move where possible to using national Poverty Reduction Strategies as its country strategy. Getting better at measuring DFID's performance does not conflict with an outcome focus. Rather, it is a way of strengthening that focus by being clearer about how DFID is contributing to meaningful development progress.

7.19 The new Public Service Agreement (PSA) and Service Delivery Agreement (SDA) currently under discussion, and the new country planning proposals, provide an opportunity for DFID to improve the definition and assessment of its own performance. Previous versions of the PSA have rightly been criticised for a focus on ambitious outcome indicators that are well beyond DFID's manageable interest ('responsibility without power'), and for the partial coverage of long-term objectives and activities. However, if the PSA can be seen as only part of the objective hierarchy linking DFID to the Millennium Development Goals - to which DFID contributes significantly but is jointly accountable - emphasis can be placed on the SDA as the primary measure of long-term accountable effectiveness. The scope and coverage of the new PSA will, nevertheless, remain an important issue. If the new PSA is to be a significant driver of DFID activity, its design needs to be more carefully and widely thought through than previous versions. The tension at country level between the top-down influence of the PSA, and the bottom-up influence of national plans and experience also needs to be explored.<sup>58</sup>

7.20 It is also clear that an overall, reliable picture of corporate effectiveness can only be derived from linked systems and an appropriate range of methods. DFID needs to ensure that there is a credible performance 'ladder', based on a solid foundation of individual activity and process assessment, which spans organisational and development effectiveness, and which links its work to higher order development impacts. Equally important is the recognition that multiple sources of evidence, and multiple methods, are required.

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<sup>58</sup> The recent Ghana CSPR identified the example of the poorly performing education SWAp in Ghana, to which DFID have a commitment under the Public Service Agreement



### 8. Conclusions

8.1 It is not possible, on the basis of current performance assessment systems, to provide a complete and confident answer to the question ‘how effective is DFID?’ Measures of organisational quality suggest DFID’s effectiveness is likely to be increasing. Evaluation reports provide clear evidence of the positive evolution of DFID’s approach over the 1990s. Better policy, better strategy, better process and better-directed resources should, other things being equal, be leading to better results. There are also many examples of positive impact, and therefore of indications that that DFID has made a positive contribution to development effectiveness.

8.2 There is nevertheless a clear gap between what DFID aspires to achieve and what it can confidently demonstrate that it has achieved. Measures of operational effectiveness present a mixed and inconclusive picture. The activity-level performance information is incomplete and insufficiently reliable, while the country and institutional level systems are new and do not yet provide the basis for assessing DFID’s performance. The evidence on development impacts is patchy, and generally lacks sufficient information on the links between DFID’s inputs and interventions on the one hand, and the positive outcomes observed on the other.

8.3 DFID is not alone in facing these difficulties. All development agencies are, to a greater or lesser extent, struggling with the same issues. DFID deserves credit for being the only agency to have commissioned an independent report of this type. This report has major implications for performance assessment and evaluation within DFID. As a result of this and the NAO report, DFID should be able to take the necessary steps to ensure that it is in a better position to report on its effectiveness in the future.

8.4 DFID is, as the DAC review suggested, a relatively effective performer compared to many other bilateral agencies. It could perhaps be more absolutely effective if it were to address some of the issues identified below. Some of these issues are drawn directly from DFID review and evaluation material. Others derive from the process of this carrying out this study, and are more speculative.

8.5 The first conclusion is that **performance assessment and evaluation** need to be taken more seriously if DFID is to be better able to assess and report on its effectiveness. This should, among other things, mean increased resources for independent evaluation. Compared with some other development agencies, DFID spends a much lower proportion of its budget on independent evaluation, and evaluates a much lower proportion of its activities.

8.6 Some of the performance assessment and evaluation systems need a radical overhaul - Project Completion Reports are a prime example - and more training and support is required for operational staff. DFID also needs to be more confident about allowing its self-assessments to be independently verified and evaluated by its partners and others. This, and an increased coverage of independent evaluation studies, would be give substance to the UK Government’s commitment to greater accountability and transparency in development programmes.<sup>59</sup>

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<sup>59</sup> DFID White Paper on International Development, 2000, paras. 318-319.

## Conclusions

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8.7 The starting point has to be a clear policy and strategic plan for performance assessment and evaluation within DFID. Equally important, but more difficult, will be to seek to increase the incentives for openness, learning and accountability within the organisation.<sup>60</sup> The current ‘front-end loading’ of work - with its emphasis on design, appraisal and approval of new activities - needs to be balanced by a greater attention to lesson learning and dissemination during and after implementation. Because resources are limited, this will mean doing slightly less and evaluating more.

8.8 Second, DFID needs to be more realistic in what it sets out to achieve, and to recognise that a **long-term approach** to both design and implementation is key. This applies as much to sector wide approaches and Poverty Reduction Strategy processes as to projects. Over-ambition and unrealistic expectations coupled with inadequate investment periods are recurring themes of DFID reviews and evaluations. Equally, there are numerous examples where long-term engagement with poorer groups, capacity building, building ownership, partnerships, and design processes have been essential to success. Such interventions may not be large spenders, and may not therefore be so attractive to departments facing pressure to spend more resources.

8.9 In many respects DFID is more strategic than it was. There is evidence that resource allocation is improving, and that prioritisation is being taken more seriously. Whether DFID is a more **strategic organisation** may, however, be questioned. There is no single overall strategic plan which guides the allocation and deployment of DFID resources in order to make the greatest contribution to specific objectives. There is also some uncertainty within DFID about what the specific objectives are, or rather how the different objective statements which exist should be operationalised and work together. Clarity at this level is required both for strategic resource allocation and performance assessment. Any lack of clarity will make it harder to rationalise and focus DFID on areas where it can make the most difference.

8.10 **Partnership** was a major theme of the first White Paper, and is a common issue across DFID. DFID support, whether to countries, multilateral institutions, or Non Governmental Organisations (NGOs), is increasingly mediated through partnership agreements of different types. There is a need for DFID to agree across all its departments about what partnership means, and how partnership performance is assessed. Most importantly, as DFID shifts further to giving grants for partners to spend in line with their priorities, rather than attempting to influence those priorities or getting what DFID wants done, so allocation between partners becomes the more important question. Arguably, DFID needs to concentrate more on funding the right partners than funding the right things. This in turn highlights the need for a systematic approach to assessing the relative effectiveness of all its partners - governments, multilateral institutions and NGOs - and for building up partners’ monitoring and evaluation capacity upon which DFID will become increasingly reliant for evidence of its ultimate impact.

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<sup>60</sup> This is a challenge for all donors as discussed in the OECD DAC Evaluation and Effectiveness Report No.5 2001: ‘Evaluation feedback for effective learning and accountability’.





## ANNEX A

**DFID's Contribution in Tanzania**

Tanzania has made significant progress in improving macroeconomic management and economic growth, although growth rates have not yet been high enough to have a significant impact on poverty. Ongoing public sector reform programmes are contributing to improved financial management, expenditure control and civil service reform. Although public expenditure in social sectors has increased, HIV/AIDS has contributed to a sharp reduction in life expectancy, while net primary enrolment rates are only around 50%, down from 80% in the 1980s. While the trade and investment environment has improved, the business environment, particularly for small and medium sized firms and smallholder agriculture remains seriously constrained. The PRSP represents a crucial first step in developing a comprehensive poverty reduction strategy, but it requires ownership and implementation throughout government, and needs to become clearly embedded in the public expenditure process.

DFID has had a wide-ranging programme set out in the 1999 CSP which is now recognised to have been overambitious. The programme is becoming increasingly focused around budget support as a more poverty-focused framework for government policy has developed and budget management and donor coordination strengthens.

DFID has made a sustained contribution to progress in a number of impact areas. These include the following:

**Impact area 1: *Economic and social policy.*** Savings in debt repayments, through which programme aid has been channelled, increased resources for recurrent expenditure on priority sectors. DFID is taking a leading role in reworking the Multilateral Debt Fund into a Poverty Reduction Budget Support Facility (PRBS) which channels funds directly into the consolidated budget and increasingly focuses on improving public expenditure management outcomes. DFID technical assistance to the Ministry of Finance and dialogue through the PER working groups has helped Government improve the budget process.

Technical and financial support for the development of national poverty monitoring activities resulted in the alignment of national surveys, coordination of multi-donor support for the Household Budget Survey 2000-1 (the first in 10 years), establishment of a national Poverty Baseline and the institutional framework for poverty monitoring with an agreed 10 year plan for the implementation of surveys and census.

**Impact area 1: *Public Sector Reform and Governance.*** A new Public Finance Act and Procurement Act were passed in 2001, for which DFID helped preparation, provides a robust framework for public financial management. DFID supported the preparation of the Anti-Corruption Strategy, which has helped raised the profile of corruption.

**Impact area 2: *Improved education status.*** After several years without progress in education donor coordination has now improved, with DFID taking a lead role. The Education Sector Development

## Annex A

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Programme is showing some progress. A DFID-led demand-driven school facilities construction programme clearly demonstrated the benefits of, and capacity for, district-level financing for educational inputs.

**Impact area 3:** *Improved health status.* The Health Sector Development Programme has achieved the development of a comprehensive sector plan and budget, institutional strengthening, a real increase in domestic resources devoted to the sector and improved dialogue among key donors. Social marketing of insecticide treated nets (ITNs) has achieved dramatic increases in accessibility of ITNs and now forms the kernel of a national scaling up exercise. The national malaria treatment policy has been changed following findings from research on resistance rates. National contraceptive supply security has been assured and contraceptive utilisation rates increased. Polio immunisation coverage is over 90% and eradication will be achieved by 2001.

**Impact area 4:** *Improved productive opportunities.* DFID support has enhanced dialogue between the private sector and Government and facilitated the establishment of a forum in which legal and regulatory constraints are discussed and solutions agreed. In the interim, the restructured Tanzania Investment Centre effectively facilitates investors through the regulatory maze. In addition support to develop a Micro-Finance Policy, and to service providers, has contributed to the rapid growth of a locally driven sector (including commercial banks) which provides financial services to the working poor. Significant improvements made in practice, policy and legislation at local and central levels in Animal Health Services, water catchment and Natural Resources Management and land reform. The creation of TanRoads has formed a workable institutional structure with a reliable source of funds to ensure maintenance of the road network.

**Impact area 5:** *Enhanced participation and awareness of rights by the poor.* Civil society organisations are for the first time part of national policy making (PRS, education and health sectors). There is an active coalition of NGOs involved in the PRSP and gender mainstreaming. Civil society is increasingly popularising and disseminating policies to rural areas. DFID and others provided support to election preparation and voter education activities for the national elections in October 2000. This helped to raise levels of awareness and understanding amongst the electorate of the polls. Capacity-building support to the National Electoral Commission also contributed to a well-organised election in mainland Tanzania.

## ANNEX B

**DFID's Contribution in Uganda**

Uganda has achieved significant success in poverty reduction (from 1992-7, 56% to 44%). This reduction appears to be continuing despite high regional and gender disparities. A significant factor has been the Ugandan government's strong commitment to the 1997 Poverty Eradication Action Plan, which was accepted as Uganda's PRSP in 2000. Uganda was the first country to reach the completion point under the enhanced HIPC initiative. Progress has been most marked in economic growth, education, and HIV/AIDS control. There are continuing concerns about corruption, tensions within the Great Lakes region, and slow progress in improving agricultural services.

The DFID country strategy focuses on contributing to the following measurable impacts by 2002

- governance will be improved and there will be a record of continued pro-poor economic and social policy reform
- sustainable productive opportunities and access to essential resources for the poor will have been improved
- education will have been improved, especially for the poor
- health outcomes will have been improved, especially for the poor and
- civil society's contribution to pro-poor policies, social progress and democratisation will have been strengthened.

The DFID programme has moved towards a focus on strategic policy dialogue and towards provision of budget support (from 64% of support provided in 1999/2000 to 78% in 2000/1). DFID's main contributions to Uganda's development performance were identified under each of the Impact Areas although it was recognised that attribution of impact is often difficult.

***Impact area 1: Improved governance and continued pro-poor economic and social policy reform***

*Economic and social policy*

- Contribution to effective management of fiscal and monetary policy and structural and budget reforms through the provision of £20m per year in support of the first two years of the third Enhanced Structural Adjustment Facility (ESAF/PRGF), and long-term technical assistance to the Ministry of Finance, Planning and Economic Development (MFPED) and analytical work to strengthen the MTEF process
- The development of Uganda's PEAP through an inclusive dialogue and technical assistance. Active participation in strengthening of the poverty focus of the budget. Assistance with international dissemination of lessons from Uganda's experience
- Strengthening of the Poverty Monitoring and Analysis Unit in MFPED to deepen the understanding of poverty in Uganda, utilise quantitative and participatory research for policy development and monitoring. The consultations with the poor have increased the sensitivity of senior policy makers to the needs of the poor

## Annex B

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- Strategic dialogue with the Ministry of Gender (MGLSD) to assist it in mainstreaming gender into the PEAP and budget process, and support to the National Environmental Management Agency (NEMA) to integrate environmental issues into the PEAP to the extent that it is now recognised as a national strategy for sustainable development (NSSD).

### *Governance*

- Support for development of a second Anti-Corruption Action Plan and development of an instrument to support its implementation. Jointly with other donors, HMG has maintained pressure on Government for greater strategic action to tackle corruption
- With the World Bank DFID has helped to move forward the Government policy debate on development of a realistic pay reform strategy, despite generally slow progress with public sector reform.

### ***Impact area 2: Improved sustainable productive opportunities and access to essential resources for the poor***

- Assistance with the development of the government's strategic rural development framework - the Plan for the Modernisation of Agriculture (PMA). Refocusing of policies and implementation strategies in the areas of innovative demand-driven extension, forestry, livestock, and fisheries sectors, and in agricultural research and natural resource management
- Support for the government to develop an affordable and pro-poor Land Act implementation plan. Increased awareness, especially amongst the poor, of individual rights under the Land Act, 1998
- Development of the Government's Medium Term Competitiveness strategy for the Private Sector, and analysis of the constraints to growth caused by a poor regulatory environment and weak enforcement of commercial contracts, leading to major interventions.

### ***Impact area 3: Improved education, particularly for the poor***

- The £67m five-year grant for education is the largest current UK commitment in Uganda. Major impacts to date have been in the areas of primary enrolments (90% NER with gender parity at lower levels), primary classroom construction, basic learning materials development, quality assurance, monitoring and evaluation and education sector strengthening
- A DFID led demand driven classroom construction pilot project has been adopted nation wide as an extremely effective model for decentralised, rapid and transparent classroom building.

***Impact area 4: Improved health outcomes, especially for the poor***

- Support for the development of the new Health Policy and the Health Sector Strategic Plan (HSSP) and the development of a sector wide approach (SWAp). The Government has taken a strong lead in the SWAp and DFID is one of the four partners planning budgetary support. Support to a Demographic and Health Survey this year to provide a baseline for improving the health status of the poor
- Financial support to the expanded programme on immunisation (EPI) and polio eradication has continued. DFID is assisting the Ministry of Health to implement its comprehensive plan for the revitalisation of immunisation and there are early indications of increased coverage
- Support to a number of key organisations working in the area of HIV/AIDS, including information to adolescents, counselling and testing and support to those affected. Incidence rates have fallen from 14% in 1995 to an expected 7% in 2000
- Assistance with the design of a national water and sanitation programme with strategic interventions to unite the sector to effectively improve access to services. DFID has supported several NGOs to improve delivery of services, with success in increasing local capacity to manage services, improving access to safe water and environmental sanitation. Coverage rates are estimated to have increased from 41% to 47% between 1997 and 2000.

***Impact area 5: Strengthened contribution by civil society to pro-poor policies, social progress and democratisation***

- HMG played an important role in bringing together donors to support civil society initiatives in civic education and monitoring the 2000 referendum
- Support for the involvement of civil society in key policy processes. Initiatives include: engagement in the PEAP, consultations with the poor on poverty and citizen's involvement in the budget process. Several are joint Government/civil society initiatives which have strengthened relationships
- HMG has developed a Conflict Reduction Strategy for Acholi land and helped strengthen donor cohesiveness on issues concerning conflict in the north.

### **Case study: Long-term Working Relations with the World Bank in Ghana**

Ghana provides an illustration of the strengths and weaknesses of long-term working relations and influence with the World Bank at country level. This case study draws on the recently completed Country Strategy Paper Review (CSPR).

The DFID Country Strategy Paper (CSP) for Ghana (1998-2001) built heavily on a close collaborative relationship with other donors, and the World Bank in particular. Major programme elements required a close collaboration for effective implementation. These included the comprehensive approach to public sector reform under the PUFMARP programme for which DFID, as the major bilateral donor, picked up important component sub-projects (MTEF, subvented agencies, civil service reform) and a strong orientation to use of sector wide approaches (SWAs) in health, education and agriculture.

The most successful area of collaboration was in the Health SWAp, where effective close donor collaboration combined with government commitment and capability have created a good model of a largely successful sector-wide approach.

The education SWAp has been more problematic, with the donors diverging in their response to poor government commitment and capability in the sector. In 1999 DFID took an essentially unilateral initiative to restart the process, based on a week long intensive meeting with Government representatives held in London. Differences rapidly emerged with World Bank financed technical staff in the field and these differences have probably contributed both to the effective withdrawal of the World Bank (WB) from the SWAp and possibly to the continued poor performance of the sector programme as a whole.

In the Agriculture sector DFID has pursued the ideal of a sector-wide approach and has made progress in laying the groundwork for this. The World Bank, however, abruptly broke off from the common approach and developed a large cross-cutting sector programme outside the SWAp process, responding, it would seem, primarily to its own programme requirements to meet targets set in the World Bank's Country Assistance Strategy document.

The collaboration over PUFMARP provides a better model of close coordination at the planning stage between DFID and the World Bank. PUFMARP implementation has, however, been marred by the failure of the World Bank (and, of course the Government) to deliver on key elements of the wider PUFMARP, notably the critical budgetary management systems and MIS, which has undermined DFID's bilateral efforts.

The experience in Ghana suggests that, although there is much goodwill for collaboration with the World Bank and a serious attempt has been made in DFID's 1998-2001 CSP, there remains much room for improvement and development of field level collaboration. This is in spite of the monthly in-country donor coordination meetings and quarterly mini-Consultative Group meetings. Part of the solution may lie in the proposed opening of the DFID office in Accra in 2002, but there will also need to be better mutual understanding and coordination between DFID and WB staff if the shortcomings of collaboration during the past three years are not to be repeated.

## ANNEX D

**Development progress and aid effectiveness**

The eight Millennium Development Goals (MDGs) represent global objectives for reductions in poverty, and improvements in health, education and the environment to be achieved by 2015. They were incorporated in the Millennium Declaration signed by 147 heads of state in September 2000. As such, they represent an unprecedented level of international agreement on development progress and how to measure it.

This annex presents a summary of overall development progress as measured against the MDGs, and the evidence relating to overall aid effectiveness. This provides the context within which DFID works, and against which the collective effectiveness of the international community can be judged.

**Development progress<sup>61</sup>**

The eight Millennium Development Goals (MDGs) and the supporting 18 targets in the United Nations Roadmap provide the internationally agreed yardstick against which development progress should be assessed. In the ten years since the 1990 baseline adopted for the MDGs there has been very substantial progress. However, progress has been, and is likely to continue to be, far from uniform. The quality of the statistical data used to judge this progress is also far from ideal.

**MILLENNIUM DEVELOPMENT GOALS**

Goal 1	Eradicate extreme poverty and hunger
Goal 2	Achieve universal primary education
Goal 3	Promote gender equality and empower women
Goal 4	Reduce child mortality
Goal 5	Improve maternal health
Goal 6	Combat HIV/AIDS, malaria and other diseases
Goal 7	Ensure environmental sustainability
Goal 8	Develop a global partnership for development

Most reports present global and regional analyses of development trends. The following analyses focus on the top twenty recipients of DFID bilateral assistance in 2000/01.<sup>62</sup> These countries had a combined population of 3.2 billion in 1999, which represents over half the total world population, and almost three quarters of the population of the developing world. In expenditure terms they account for over two thirds of the DFID bilateral programme.

It is important to emphasise that, in presenting the data in this way, no implicit claim is made for the success or otherwise of the DFID programme in these twenty countries. As discussed in the main report, this would require an informed assessment of contribution which takes into account the counterfactual: what would have happened without DFID. Except for small countries where DFID

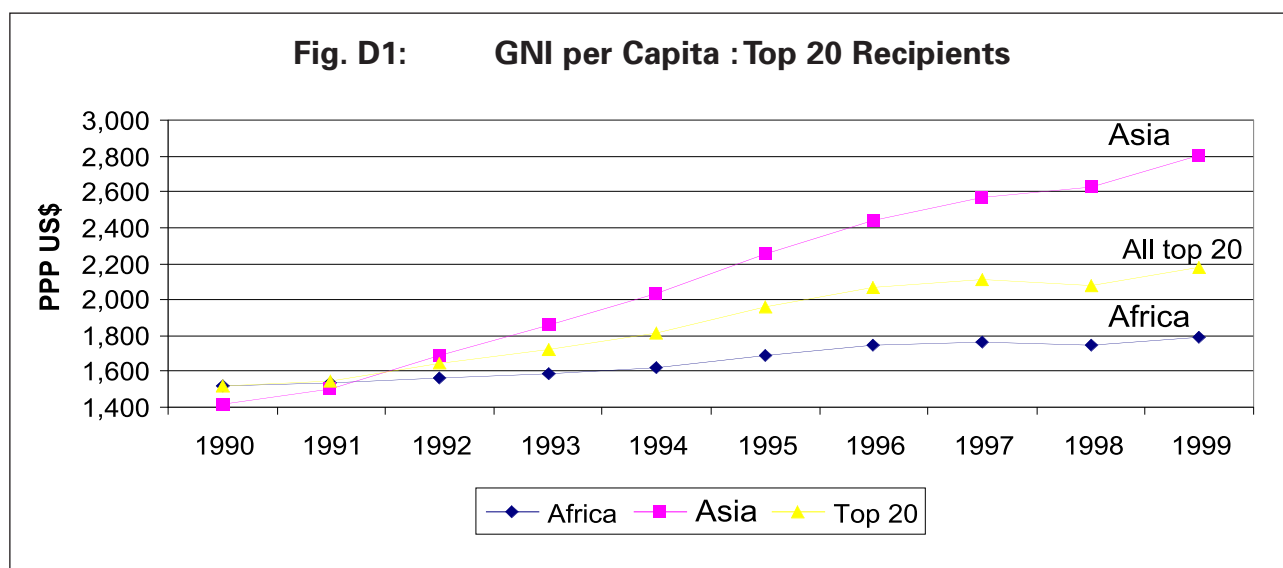
<sup>61</sup> This sub-section is based on DER Working Paper No. 2 - The Millennium Development Goals - and other work by Matthew Sudders.

<sup>62</sup> The list of countries is based upon Bilateral receipts excluding Humanitarian Assistance. See Table 2, Annex J.

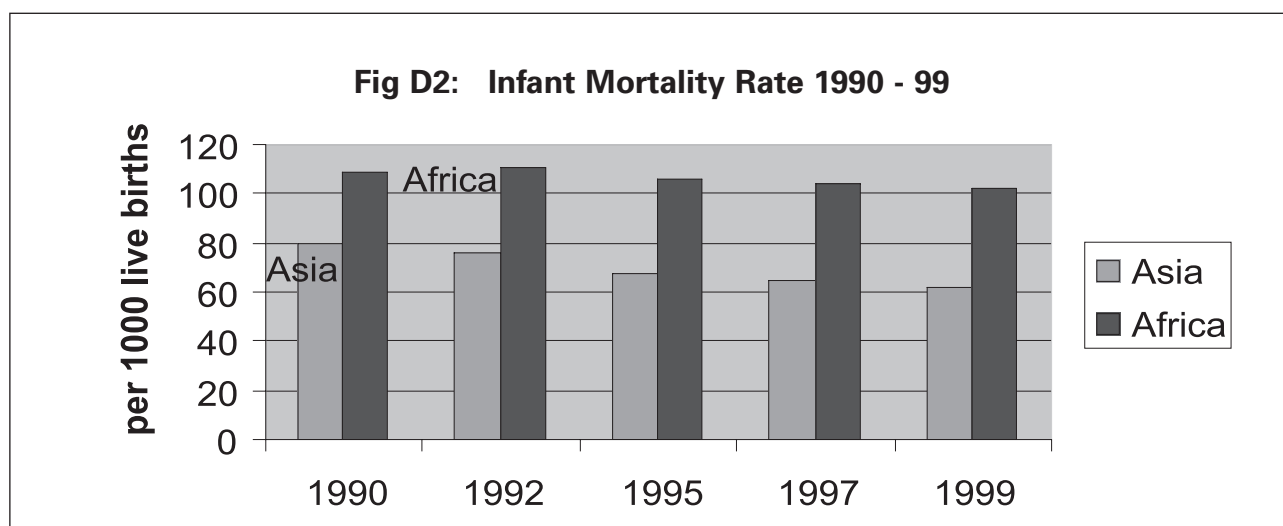
## Annex D

is the major donor, it is simply unrealistic to seek to attribute changes in development indicators to DFID assistance (see section 7).

There has been substantial progress in many important aspects of development in these twenty countries. For example, the Gross National Income (GNI) per capita has increased by over 50%. This progress is illustrated in the chart below. However, the overall average masks substantial differences. The GNI per capita for the Russian Federation has actually fallen by over 40%, whilst the corresponding figure for China shows an increase of over 140%. Incomes in Asia have grown much faster than those in Africa (fig.D1 below).



Infant mortality figures show a similar positive trend (fig.D2). The weighted infant mortality rate declined from 59 per thousand in 1990 to 53 per thousand in 1999, albeit with much more marked decline in Asia than in Africa. Under-five mortality rates show a similar trend. Attendance at birth by skilled health staff is a key factor in reducing both infant and maternal mortality. Data coverage is poor, but what is available suggests a substantial increase in births attended from 40% to 63% in this group of countries.



By contrast, life expectancy at birth in these key countries has barely changed over 10 years, moving from 63 in 1990 to 64 in 1999. Once again, the variation within this group is enormous, with China having a life expectancy of 70, compared with a figure of 37 for Sierra Leone. Even the low figure for Sierra Leone is an improvement over 10 years, as in 1990 life expectancy at birth was only 35 years.

Education indicators have improved. Net primary enrolment has increased from 93% to 98%, whilst youth illiteracy has fallen by a quarter from 19 % of youth (age 15-24) population to 15%. This means that fewer children are missing out on schooling, and suggests that schooling overall is becoming more effective.

HIV/AIDS poses a significant threat to development progress, particularly in sub-Saharan Africa. Progress on life expectancy has been reversed, and key services undermined. For example, Zambia lost 1,300 teachers to HIV/AIDS in the first ten months of 1998, equivalent to two-thirds of the new teachers trained each year. The MDGs reinforce the emphasis on tackling the spread of HIV/AIDS, with a commitment to begin reversing the spread of HIV/AIDS by 2015.

Some progress on the environment has been achieved through the development of guidance on sustainable development strategies. Approved by OECD-DAC members in April 2001, the guidance sets out a number of key principles which underlie sustainable development strategies and the coordinated system of mechanisms and processes which needs to be active in a country to implement these and suggests steps which can help to strengthen a country's strategic planning process in line with a sustainable development strategy.

This picture of overall and marked progress since 1990 needs to be qualified in two ways. First, the scale of poverty in low-income countries remains enormous. Over a fifth of the world's population lives on less than one US dollar a day, and about half on less than two dollars a day. Infant mortality rates in low-income countries are over 100 per 1,000 live births, compared with a rate of 6 per 1,000 in high-income countries.<sup>63</sup> Second, development progress has been much greater in some regions

**Table D1: Regions where achievement of MDGs is likely or possible in most countries<sup>64</sup>**

	East Asia & Pacific	Europe & Central Asia	Latin America	Middle East & N.Africa	South Asia	Sub-Africa Saharan
Child malnutrition	√	√	√			
Primary school completion	√	√	√	√		
Gender equality in school	√	√	√	√	√	√
Child mortality	√	√	√	√	√	
Maternal mortality	√	√	√	√		
HIV/AIDS prevalence	√	√	√		√	

<sup>63</sup> Report of the High-level Panel on Financing for Development, E.Zedillo et al. United Nations, 2001

<sup>64</sup> Boxes are shaded if achievement is unlikely or very unlikely in more than 50% of countries for which data exists. Estimates are based on trends between 1990 and 1999, except for maternal mortality and HIV/AIDS prevalence which are based on current trends, Source: World Bank (<http://sima/mdg>)

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and countries than in others. As is shown in Table D1 below, on current trends most countries in South Asia will meet the MDG targets for child malnutrition, gender equality in school, and HIV/AIDS prevalence, but not other targets. Only the target for gender equality in school is likely to be met in most countries of sub-Saharan Africa.

### **Evidence on aid effectiveness<sup>65</sup>**

Robust conclusions about the way in which, and the conditions under which, different forms of development assistance impact on development performance would be invaluable as a guide to aid policy. The reality, however, is that the relationships between development assistance and development outcomes is extremely complex. Policy, institutions and the level and composition of public expenditure will vary between countries, and over time, as will the balance and effectiveness of different forms of assistance. General claims about simple relationships between aid and development objectives are likely to be of doubtful plausibility. This conclusion is borne out by the large body of theoretical and empirical analysis.

There is, nevertheless, good evidence to support the view that development assistance has made an important contribution to development progress. Specifically, the balance of evidence suggests that there is a strong positive link between aid, private investment and economic growth in developing countries. Recent work suggests that the overall impact of aid has improved since the 1980s.<sup>63</sup>

The World Bank's influential 'Assessing Aid' work (World Bank, 1998) is the most ambitious attempt to identify and quantify the effectiveness of aid on the basis of econometric analysis and statistical evidence. Some of the conclusions of the study would, if valid, have important implications both for development assistance policy and for the appropriate method of evaluation of aid. 'Assessing Aid' strongly conveys the message that aid works best in a good policy environment, and that aid should be reallocated to poor countries with 'good' policies.

'Assessing Aid' has had considerable influence among the donor community in spite of doubts expressed by the academic community as to the validity of some of the empirical evidence behind it. There is general agreement that aid does need to be better targeted at poor countries with large numbers of poor people. There is less agreement that the selective allocation of aid towards 'good' policy countries is as strongly justified by the empirical results, despite the well-accepted importance of policies and institutions.<sup>67</sup> The emphasis on aid and growth in this debate also needs to be tempered by the recognition that 'growth is not the only route to poverty reduction, nor is growth the only benefit of aid ...Investments in health, education and environmental quality are development targets in their own right'.<sup>68</sup>

Although aid has definitely contributed to economic growth and improved living standards in low-income countries – and could do more if better allocated and coordinated – it is important to

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<sup>65</sup> This sub-section is based on the Annex to DER Working Paper No. 1 – Assessing Development Effectiveness – and other work by Stephen Jones and George Mavrotas.

<sup>66</sup> 'Aid effectiveness disputed'. Hansen, H. and Tarp, F., *Journal of International Development*, Vol.12, pp.375-398, 2000.

<sup>67</sup> The extent to which the proxies for good policy performance that are used provide an accurate basis for allocations is also debated.

<sup>68</sup> 'Policy Implications for Aid Allocations of Recent Research on Aid Effectiveness and Selectivity: A Summary'. Jonathan Beynon, DFID, June 2001.

emphasise that aid is only one of many determinants of development. As the Zedillo report has stressed, the primary responsibility for achieving growth and equitable development lies with developing countries themselves. Sound governance and financial management, and supportive economic and social economic policies, are key. At the international level, further and fundamental reform is required to reduce the trade impediments faced by developing countries in rich country markets.

### Changing bilateral aid allocations - balancing need and performance

Recent changes in DFID allocations are broadly consistent with the findings of 'Assessing Aid'. DFID is, overall, managing both to increase the proportion of its bilateral country aid going to poorer countries, and to increase the proportion going to countries with a favourable policy environment.

Analysis of DFID's allocations showed that Nigeria, Vietnam, India and Bangladesh were relatively 'under-aided' by both DFID and other donors.<sup>69</sup> DFID allocations to these four countries are due to increase substantially by 2003/04.

Some of the allocations appear less consistent. For example, China and Russia were both relatively 'over-funded' by DFID and other donors, but DFID aid to China is set to increase and aid to Russia is being held constant. Other DFID work indicates that there is further scope to improve the fit between bilateral allocations and the number of people living on less than US\$1 per day within Africa. Although this a very crude indicator of relative 'need', the analysis does suggest that some countries are significantly 'under-aided', while some receive a much higher level of aid than justified by the incidence of poverty alone.

Two factors explain some of this variation. First, the presence or absence of a policy and institutional environment conducive to poverty eradication, and second, DFID's historic comparative strength. The latter explains, for example, DFID's relatively low allocations to Francophone West Africa. The small amount of DFID aid to Sahelian countries - which are among the poorest in the world and which represent a major challenge in terms of the achievement of the MDG's' - was highlighted by the DAC review.

The extent to which aid allocations should be guided by the policy and institutional environment is controversial. The consensus view is that poverty should take precedence over policy, not least because 'the impact of reallocating aid on the basis of poverty criteria is bigger than re-allocating aid according to policy criteria'.<sup>70</sup> DFID also believes that it is right to have substantial and ongoing programmes in countries with poor policy environments and governance concerns, but large numbers of poor people, in order to support the forces for positive change and protect the poorest people. On the other hand, one of DFID's PSA targets is to increase the percentage of bilateral country specific aid spent in low-income countries pursuing 'sustainable pro-poor policies'<sup>71</sup> - which means spending less on those that do not - and DFID has set up sizeable regional Performance Funds for 'good performers'.

The limited data available suggest that DFID is increasing its focus on likely 'good performers'. The percentage of total bilateral country specific aid spent in low income countries pursuing 'sustainable pro-poor policies' increased from 50% in 1998/99 to 56% in 2000/01.<sup>72</sup>

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<sup>69</sup> "Assessing Aid" and the Collier/Dollar Poverty Efficient Aid Allocations: a critique.' Jonathan Beynon. DFID Economic Policy and Research Department Discussion Paper. December 1999.

<sup>70</sup> 'Policy implications for aid allocations of recent research on aid effectiveness and selectivity'. Jonathan Beynon, DFID, June 2001.

<sup>71</sup> DFID Public Service Agreement 2001-04: Technical Note.

<sup>72</sup> Reported performance by DFID to December 2001 in the NAO report, p.4 (2002)

Limited analysis using the World Bank's Country Policy and Institutional Assessment (CPIA)<sup>73</sup> ratings confirms this trend. In 1997/98, 34% of DFID bilateral country specific aid went to low-income countries in the top two quintiles (i.e. those with the best policy and institutional context), and 20% to countries in the bottom two quintiles. In 2000/01, 60% went to countries in the top two quintiles, and 14% to those in the bottom two quintiles. While much of this change is accounted for by the improved policy and institutional environment in certain countries – rather than by a major shift in DFID allocations – this does not detract from the positive picture implied: a greater proportion of DFID bilateral aid is now being spent in countries with favourable policy and institutional environments.

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<sup>73</sup> The World Bank's CPIA consists of a set of 20 criteria that capture a broad range of policy dimensions of an effective poverty reduction and growth strategy. The annual ratings focus on the quality of each country's current policies and institutions, which are the main determinants of aid effectiveness.

### **Thematic and sectoral evaluations: recent conclusions**

#### **Population (1998)**

Over the past thirty years, family planning programmes, with considerable support from aid donor have succeeded in bringing about major changes in fertility patterns, cutting in half the time required for the transition from high to low fertility. The DFID projects evaluated were all judged to have made a useful contribution to this process of declining fertility, to have achieved some of their objectives and to have generated some significant benefits in relation to costs. However, only one of the projects was judged to be sustainable without further donor support.

#### **Enterprise development (1998)**

The majority of DFID activities covered have largely achieved their objectives, and appear to have benefited the individuals, groups and organisations targeted for support. Early experience of sustainability is positive, except in transitional economies.

#### **Primary Education (1999)**

Trends in the design and scope of educational projects represent a strongly positive set of developments. The new emphasis on primary schooling, and the shift from mainly TC to mainly financial aid, have probably resulted in British educational aid having a greater impact upon poverty alleviation and gender equality than earlier generations of aid projects.

#### **Revenue (2000)**

All the revenue projects studied have been broadly successful. In the short term DFID projects have supported governments to achieve macroeconomic stabilisation targets which are considered critical for economic normalisation and the resumption of economic growth.

An important contribution has been made to building sustainable revenue collection capacity. By creating the capacity for recipient countries to address poverty reduction seriously, DFID projects have substantively supported the building of capacity for future revenue collection. There are however a range of threats to the sustainability of the capacity improvements achieved.

#### **Health (2001)**

With two exceptions, health outcomes have improved consistently in DFID's priority countries during the 1990s. Few DFID projects can demonstrate a contribution to this improvement.

Health policy and systems development projects have been considerably less successful than projects in other sectors. Around 40% of projects by number (25% by value) were judged successful, and

almost 80% were at least partly successful. By the late 1990s there was an improvement in the way projects researched and demonstrated a better understanding of the demand for health-related services.

**Sustainable agriculture (2001)**

Around two-thirds of the projects reviewed had satisfactory outcomes at purpose level. Positive impacts on natural resource productivity, the environment, and poor people's livelihoods were evident in two of the four countries reviewed. Larger, focused and long-running country programmes with a strong TA presence were the most influential.

**Environment (2000)**

DFID had, in the main, successfully managed a large portfolio of environmental projects. There was, however, a gap between the high policy priority attached by DFID to environmental issues and what had actually been delivered in terms of positive environmental impact.

Around 30% of the projects had satisfactory outcomes at purpose level, and 45% were judged to be at least partially successful. Some positive environmental impact was likely in almost 90% of the projects, but in most cases the magnitude of the likely impact was limited.

**Poverty (2001)**

ODA took significant steps during 1990-97 to become a more focused poverty-reducing professional development agency with a much clearer idea of its mission. British aid performed comparatively well over the period in terms of contributing to, and learning about, poverty reduction. Direct project interventions often showed significant positive impacts.

**Trade (2002 draft)**

DFID generally follows best practice approaches to influencing and negotiating when working with other government departments. DFID and the Secretary of State are perceived by other donors and international organisations as being amongst the leaders in linking trade and development issues.

### ANNEX G

#### **CASE STUDY OF A SECTOR WIDE APPROACH: THE HEALTH AND POPULATION SECTOR PROGRAMME IN BANGLADESH**

A Sector-Wide Approach (SWAp), valued at US \$3.3bn, in the health sector for the period 1998-2003 was formulated in 1997 by the Government of Bangladesh (GoB) and developed in consultation with various stakeholders including development partners (i.e. donor agencies). Defined as the Health and Population Sector Programme (HPSP), the reasons for the adoption of this approach by the Ministry of Health and Family Welfare (MOHFW) was based, among others, on the following three factors:<sup>74</sup>

- an analysis that the project approach was inefficient and had limited impact
- the demand among a few senior managers within MOHFW for a SWAp coupled with an increasing international recognition of the potential value of this approach to health funding
- the recognition that fundamental reform of the MOHFW's operational structure was needed in order to deliver integrated, higher quality services to the poor as well as to implement the SWAp.<sup>75</sup>

Notable achievements by the HPSP to date have included:<sup>76, 77</sup>

- efficiency gains made by 2000 through the saving of approximately U.S.\$10 million on administrative costs previously spent on some 130 discrete projects and a reduction in the number of cost centres within MOHFW from 140 to 28
- enhanced opportunities for the GoB to take a leading role in defining its own strategies and management reporting systems for the sector as opposed to significant amounts of time spent previously negotiating the detail and results of discrete projects with development partners
- indications that service delivery is proving more effective by the functional integration of health and family planning fieldworkers at sub-district level as evidenced through a 5% increase in contraceptive prevalence rates since 1998.

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<sup>74</sup> Development of Administrative and Financial Management Capacity for SWAPs: The Experience of the Bangladesh Health Sector. Health Systems Resource Centre, DFID, 2001

<sup>75</sup> These have to be assessed in the light of the managing the loss to individuals within the MOHFW through the consequent loss of project dedicated resources and responsibilities.

<sup>76</sup> Case Study presented by Mr M.A. Muktadir Mazumder, Joint Chief (Planning) MOHFW to a UNFPA Workshop on SWAPs, New York, October 2000.

<sup>77</sup> Strengthening Health and Population for the Less Advantaged (SHAPLA), First Annual Review, 2000.

DFID contribution to supporting the HPSP is provided through a diverse range of eight components collectively called Strengthening Health and population for the Less Advantaged (SHAPLA). SHAPLA has two broad delivery mechanisms:

1. £25 million of time slice financing of the programme implementation plan provided through the pool along with contributions from other development partners
2. £30 million of technical co-operation funds providing parallel financing under which technical assistance is provided to support the changes planned under the HPSP. £24 million of this is in three contracts held by UK companies and remaining £6million is provided to the Bangladesh Population and Health Consortium (BPHC).

A first review of SHAPLA<sup>78</sup> found that the support to the SWAp process provided through its eight components was highly significant for the ongoing HPSP reform process. Further that SHAPLA had made significant contributions to the achievements made by the HPSP listed above, including:

- enhancing the planning and management capacity of the MOHFW cost centres. This contribution has been largely made by SHAPLA managers, Consultants and DFID managers in developing close working relations with relevant line Directors in the MOHFW
- establishing key organisations within the MOHFW which are providing essential technical and political inputs to the reform process that underpins the HPSP. For example, supporting the BPHC in the development of innovative approaches to NGO participation and contribution particularly in developing models of private and public partnerships
- excellent cross-coordination across SHAPLA's eight components resulting in important synergies.

The review goes on to mention how although DFID has deliberately relinquished stringent bilateral accountability in favour of a shared accountability with other development partners through the HPSP's annual performance review, SHAPLA's inputs to the HPSP could be better defined. This illustrates the importance of taking into account differences between the nature of and the reasons for establishing performance standards of the HPSP, on the one hand, with that of SHAPLA on the other. Understandably, much of the recent thinking on developing performance management frameworks (and indicators) hastended to focus on issues pertinent to assessing SWAps themselves at country level.<sup>79</sup>

SWAps have obvious implications for the roles and responsibilities of DFID Bangladesh. The 2000 review of SHAPLA implied that, when assessing the performance of any one development partner in contributing to a SWAp process, it is important to distinguish and set appropriate standards between different levels, for example:

- the performance of DFID in contributing to the effectiveness of the development partners

<sup>78</sup> *Op cit*

<sup>79</sup> For example, Measuring Performance of the Health Sector at Country Level - Country Examples of Sector Performance Frameworks. Institute for Health Sector Development. Second Draft, September 2001.

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- the performance of DFID in managing SHAPLA
- the relative performance of the consultants contracted to deliver the eight components of SHAPLA.

Despite raising this as a potential issue resulting from the move to supporting SWAps<sup>80</sup> and the presence of eight separate (project) LogFrames that make up SHAPLA, opportunities exist to develop a more consistently understood approach in order to facilitate the assessment of SHAPLA's performance in supporting the HPSP.

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<sup>80</sup> Sector Wide Approaches in Health: Concerns and Prospects. Institute for Health Sector Development. Issues Note, 2000.

## ANNEX H

**Country strategy paper reviews: main findings**

This annex summarises the main findings from the four Country Strategy Performance Reviews (CSPRs) that have been carried out to date.

The review of the DFID programme in **Russia** identified a number of examples of strategic impact. For example, DFID has assisted finance departments in St. Petersburg and Moscow with establishing new, more accountable working practices in Russian institutions. Many individual projects were also found to be very effective within their original design parameters. However, despite attempts to narrow the sector and geographical focus, overall strategic impact was still diluted by narrow sectoral approaches, preoccupation with the pipeline of DFID projects and maintaining the annual programme spend.

The review of the **Brazil** programme found that a significant degree of confusion had resulted from DFID's attempts to recast its largely environmentally driven agenda into a poverty eradication framework. However, the review noted strengths and achievements in carrying out research and building research capacity, skills development and transfer, and fostering collaboration between institutions. Consistent weaknesses were noted in failure to disseminate project lessons, learn from past mistakes, and in support to income generating activities. A common problem was overestimation of the commitment of partner organisations.

The review of DFID's country strategy in **Ukraine** concluded that 'DFID activities have had significant positive strategic impact on the country's gradual transition to a market economy.' Despite a generally unfavourable political environment, the review concluded that DFID had provided important contributions to several major reform decisions, and to the development of promising pilot approaches that may now be expanded as the political environment improves. While the direct impact was assessed as having not 'benefited to date more than tiny fractions of the poor population', DFID supported activities have demonstrated the feasibility of approaches that may be picked up and developed in more propitious circumstances.

The impact of the DFID programme on **Ghana's** development goals during the CSP lifetime is judged to have been positive but limited. The impact is currently not measurable nor is any specific attribution to DFID assessable at this stage. The limited impact can be traced to: slow implementation by Government of key reform actions; lack of capacity in Government institutions; a participatory partnership with the Government anticipated in the CSP that was not reflected in actual DFID-GoG working processes; and an under-estimation of the difficulties in launching new sector-wide approaches. The CSP programme has nevertheless made important achievements, including laying the groundwork for prospective programmes to have greater impact.

## Selected Statistics

Table 1: DFID Aid Expenditure by Type

£ million	1997/98	1999/00	2001/02
<b>Bilateral</b>	<b>1043</b>	<b>1324</b>	<b>1508</b>
of which Humanitarian Assistance	95	226	162
<b>Multilateral</b>	<b>958</b>	<b>1180</b>	<b>1314</b>
of which EC	543	739	724
UN Agencies	115	152	214
World Bank Group	190	171	245
<b>Administrative Costs</b>	<b>61</b>	<b>77</b>	<b>90</b>
<b>Total DFID aid expenditure</b>	<b>2062</b>	<b>2581</b>	<b>2912</b>

2001/02 figures are provisional

Table 2: DFID Bilateral Aid - Top Twenty Recipients, 2000/01

Rank	Country	£ million
1	India	105
2	Uganda	86
3	Ghana	73
4	Bangladesh	70
5	Tanzania	67
6	Malawi	57
7	Zambia	56
8	Kenya	48
9	Sierra Leone	35
10	Rwanda	33
11	Mozambique	33
12	South Africa	30
13	China	30
14	Russian Federation	22
15	Indonesia	20
16	Montserrat	19
17	Nepal	18
18	Nigeria	17
19	Guyana	14
20	Pakistan	14

Source: Statistics on International Development, 1996/97- 2000/01, DFID

**Table 3: Percentage of DFID Bilateral Aid Allocated to the Top Twenty Recipients**

£m	1997/98	1998/99	1999/00	2000/01
<b>Top 20 Countries</b>	562	641	697	845
<b>% of total bilateral programme</b>	59%	62%	64%	68%
<b>Total bilateral programme</b> (excludes humanitarian assistance)	951	1,038	1,097	1,235

**Table 4: Number of DFID Bilateral Aid Recipients**

		1997/98	1998/99	1999/00	2000/01	2001/02
<b>Large</b>	> £10m	19	21	26	25	28
<b>Medium</b>	£1m-£10m	57	49	51	56	46
<b>Small</b>	<£1m	75	78	69	62	63
<b>Total Number</b>		<b>151</b>	<b>148</b>	<b>146</b>	<b>143</b>	<b>137</b>

**Table 5: Ratio of Official Development Assistance (oda) to Gross National Income (gni) 2001**

	Net oda UK£ million oda/ <i>gni</i> ratio	
<b>Australia</b>	592	0.25
<b>Austria</b>	317	0.25
<b>Belgium</b>	601	0.37
<b>Canada</b>	1,091	0.23
<b>Denmark</b>	1,110	1.01
<b>Finland</b>	270	0.33
<b>France</b>	2,981	0.34
<b>Germany</b>	3,387	0.27
<b>Greece</b>	135	0.19
<b>Ireland</b>	198	0.33
<b>Italy</b>	1,037	0.14
<b>Japan</b>	6,719	0.23
<b>Luxembourg</b>	99	0.80
<b>Netherlands</b>	2,191	0.82
<b>New Zealand</b>	77	0.25
<b>Norway</b>	935	0.83
<b>Portugal</b>	185	0.25
<b>Spain</b>	1,214	0.30
<b>Sweden</b>	1,094	0.76
<b>Switzerland</b>	630	0.34
<b>United Kingdom</b>	3,235	0.32
<b>United States</b>	7,557	0.11
<b>DAC Average</b>		<b>0.22</b>
<b>UN Target</b>		<b>0.70</b>

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