

## A Policy Oriented Approach for Evaluating overall Performance of Official Development Assistance

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# A Policy Oriented Approach for Evaluating Overall Performance of Official Development Assistance

R.Rameezdeen\* and Yuzo Akatsuka\*\*

## I. Introduction

Countries that are unable to mobilize sufficient domestic resources for economic growth have historically sought assistance from other countries. At present majority of developing countries consider foreign aid as an important ingredient in their development efforts. One major issues of aid is that whether it has a healthy impact on the development of the third world countries. Recent studies have confirmed that the impact of aid continues to be a controversial issue (Carlsson et al., 1994). Therefore, the effectiveness of aid should be known by the donor agencies in order to maximize impact of aid on growth. The evaluation function of an aid agency is the primary tool by which the agency acquires knowledge about its activities and feeds it back to its operational decisions. For the term "Evaluation", within the professional literature of the field, numerous definitions can be found. The expert group on aid evaluation, formed by the Organization for Economic Cooperation and Development (OECD) has established the following definition (OECD, 1986):

*An evaluation is an assessment, as systematic and as objective as possible, of an ongoing or completed program or policy, its design, implementation, and results. The aim is to determine the relevance and fulfillment of objectives, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision making process of both recipients and donors.*

Since 1960's the aid agencies have continuously developed sophisticated appraisal and evaluation systems in order to increase the effectiveness of aid. However, the causal relationship between aid and economic growth still remains

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unclear. It can be reasonably argued that the ways in which the aid agencies seek knowledge about the economic impact of aid; planning techniques and administration systems; are not good enough, or it may be suggested that the analytical tools; project appraisal and evaluation techniques are ill suited to the task. Therefore, the entire evaluation system, including both the planning and administrative system and the appraisal and evaluation techniques has to be further developed. This paper is aimed at identifying major constraints of the development aid evaluation system as a whole and trying to recommend some measures that are needed for further development of the evaluation process.

## **II. Overview of the Study**

In response to the issues and problems mentioned above, the paper first explores the ways in which a donor agency conducts its evaluation. The methodologies involved in aid evaluation and institutional factors related with the evaluation organization are analyzed in detail. Since the problem of effectiveness is related to the policy of the evaluation function, firstly an analysis is carried out to find out the orientation of evaluation policy as described in detail in the preceding sections. Secondly, the dissemination of evaluation information to the decision making process is analyzed to find out the deficiencies found, if any in that process. Thirdly, the link between the implementation stage and the evaluation stage of the project cycle is analyzed to obtain the relevancy of project implementation in the evaluation function. Finally, an evaluation approach is proposed to redress the deficiencies found in the evaluation systems of most of the donor agencies.

## **III. Analysis of Evaluation Policy**

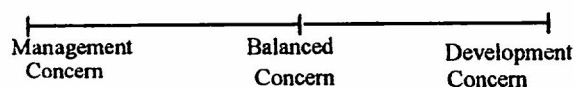
The performance of evaluation of an aid agency depends on its policy of evaluation. Hence, a comparative approach is adopted to study the evaluation functions of fourteen major donor agencies. Depending on the characteristics of the evaluation function, the policy orientation has been established. Four main areas representing the evaluation function has been selected for the analysis, viz;

- (1). Evaluation objectives.
- (2). Evaluation guidelines.
- (3). Structure and organizational pattern of the evaluation unit.
- (4). Effectiveness of the feedback system.

The first two areas represent the performance aspect of the evaluation function



while the last two areas represent the institutional aspect. Under these four main areas, various indicators have been selected and analyzed using a scale representing a continuum of policy orientation. Management Concern and Development Concern of the evaluation function constitute the extremes of a continuum as in Figure 1. This continuum has been used as a scale to test the indicators for their biasness towards either concern. A brief description of each of the areas used for the analysis is given below.



**Figure 1** Continuum of Policy Analysis

### 3.1 Evaluation Objectives

The evaluation objectives of each agency would indicate the relative emphasis given to the management concern and development concern in the evaluation function of that agency. Therefore, each objective is tested for its policy orientation on the scale using three indicators: the type of objective; time horizon of the objective; and the scope of the objective. Accordingly, the wordings used, time period considered and the intensity of the focus of the objectives are taken as the criterion for ranking them in the scale.

### 3.2 Operational Guidelines

Almost all aid agencies have their own guidelines for evaluation. These guidelines provide the basic criteria to be followed by evaluators. Hence, these guidelines could be considered to reflect the agency's evaluation policies. These guidelines have been analyzed to obtain policy orientations of each agency. The emphasis to a particular concern in the evaluation guidelines is assumed to represent the policy orientation of each agency. The rank of an agency in the scale is determined using the number of clauses and subclauses of a particular concern in the guidelines using Equation 1.

$$\frac{\text{Number of Clauses \& Subclauses of a Particular Item}}{\text{Total Number of Clauses}} \times 100 \quad (1)$$



### ***3.3 Organizational Structure of the Evaluation Unit***

The implementation pattern of the evaluation function, the location of the evaluation unit in the whole organization, and the degree of independence on the evaluation function determines the policy orientation of an agency's evaluation function. Accordingly, all these factors have been analyzed to locate each agency in the scale. Firstly, four types of patterns have been identified as centralized, integrated, separate and totally independent unit. The degree of deviation from the implementation units have been used as the measure of the ranks. Furthermore, the location of the evaluation unit in the organizational hierarchy is assumed to dictate the influence it can make on the managerial decision making process. Moreover, the distinction between the use of external and internal evaluators has been taken into consideration in determining the degree of independence of the evaluation function.

### ***3.4 Evaluation Feedback***

Providing effective feedback of evaluation findings to its potential users is an important aspect of the evaluation process. The degree of openness of the feedback mechanism and the feedback layers is used as the two criterion for the analysis of evaluation feedback to determine each agency's orientation.

### ***3.5 The Results***

When each agency is ranked on the scale using various criteria synthesized together the result can be summarized as in Table 1, in which D, B, M denotes Development Concern, Balanced Concern and Management Concern respectively. It shows that the agencies can be categorized into five groups based on the results obtained. Also it becomes clear that the institutional factors can play a major role in the policy orientation and performance of the evaluation function.

## **IV. Evaluation and Information Feedback**

Out of fourteen donor agencies described above, two main donor agencies in Asia, namely the Asian Development Bank (ADB) and the Overseas Economic Cooperation Fund (OECF) of Japan have been selected for a detail study. The study concentrated on the evaluation functions of these two donor agencies, the management information needs, the role of evaluation and the effectiveness of using evaluation information for the future planning of development projects. The detail



**Table 1** Summary of Policy Analysis

Agency	Evaluation Objectives	Operational-Guidelines	Organizational Structure	Evaluation Feedback
ADB	D	B	B	B
AIDAB	B	D	B	D
BMZ	B	M	D	M
CIDA	D	B	M	B
DANIDA	B	B	M	B
FINNIDA	M	M	B	M
IBRD	D	M	B	M
Japan	D	D	B	D
Netherlands	D	D	D	D
NORAD	B	D	D	D
ODA	D	M	D	M
SIDA	B	B	M	D
UNDP	D	B	B	B
USAID	D	D	B	D

study was conducted by visiting both ADB and OECF, and by obtaining views from the professional staff of various departments by means of questionnaires and open ended discussions.

From the detail study it was found that the individual project evaluations constitute the main activity of the evaluation function. If evaluations are carried out on the project basis alone, the agency finds it difficult to obtain necessary knowledge on the impact of development assistance, which goes beyond the bounds of normal project evaluation, and usually general judgments on the macroeconomic behavior, policy environment and institutional capacity of the recipient country. Moreover the evaluation functions of these donor agencies are not well equipped to address the senior management information needs, due to narrow concentration on project evaluations. Therefore, strategic level decisions regarding the amount of assistance needed for various sectors, the sub-sectoral distribution of aid and various other factors were not backed by a proper knowledge of how these aid work on the recipient country.



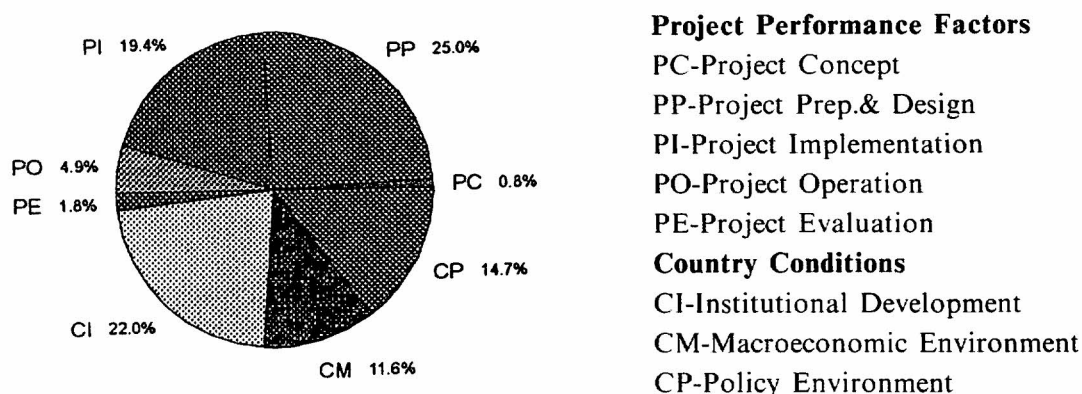
## V. Evaluation and Performance of Development Projects

Through evaluations of both successful and unsuccessful projects, knowledge and experience could be generated to enhance the improvement of future development assistance. The evaluation process of an organization would demonstrate which strategies and methods are successful, or unsuccessful, and which factors encourage or hinder the attainment of the desired results and efforts. These factors relate to both project processing techniques and the condition of the country in which the project is implemented. The factors that come under these two broad areas have been identified by ADB and are used to summarize post-evaluation findings of every project (ADB, 1987). The project processing factors include various stages of project cycle, while the country conditions include the macroeconomic aspects, policy aspects and institutional aspects of the recipient country.

In view of obtaining the relationship between the implementation stage and the evaluation stage of project cycle, the way in which the project performance is addressed in the evaluation functions of donor agencies; data obtained from ADB funded infrastructure projects were analyzed in two different ways. Apart from that various ADB publications were studied to obtain relevant information. Problems and issues encountered in the entire project cycle with other exogenous factors of project performance are summarized in these documents which are based on the lessons learned from post evaluations of individual projects. Apart from these information, 102 infrastructure projects implemented during 1973–1988 in various Asian countries were selected for the analysis. From these ADB funded infrastructure projects it was found that both project processing factors and country conditions are equally important for the success of a project. Preparation and design stage of the project cycle is the most important stage contributing to project performance followed by institutional factors of a country, implementation stage of a project and policy environment of a country respectively. The significance of various factors on project performance could be portrayed as a percentage derived from the analysis as shown in Figure 2.

Table 2 indicate the emphasis on various evaluation criteria of the ADB's evaluation guideline in comparison with the project performance factors. This clearly shows that, even though the project processing factors and country conditions are equally important (52% and 48% respectively) for the success of a





**Figure 2** Relative Importance of Project Performance Factors

**Table 2** Emphasis on Project Performance Factors (ADB)

Project Performance Factors	Relative Importance(%)		Emphasis in Guidelines(%)	
Project Processing	1		0	
Project Concept				
Project Preparation	25		20	
Project Implementation	19		24	
Project Operation	5		20	
Project Evaluation	2	52	0	64
Country Conditions	11		12	
Macroeconomic				
Policy	15		0	
Institutional	22	48	24	36
Total	100	100	100	100

project, the emphasis on evaluation is more biased towards project processing factors. The country conditions are only given 36% of emphasis. Within the country conditions, institutional factors are adequately dealt with appropriate emphasis. However, policy factors seem not adequately covered by project evaluations done in ADB even though it deserves a considerable coverage according to the analysis. This is a major shortcoming of project evaluations carried out in ADB. As such, there should be some means of incorporating policy related matters into the evaluation process in order to make development aid evaluation more effective. For the purpose of obtaining the emphasis given to various areas in the evaluation functions of other donor agencies, guidelines were analyzed in a similar manner as



section (2). The results of this analysis, as given in Table 3, comprises of percentage emphasis on project processing factors and various country conditions. It shows that in most of the donor agencies country conditions are given less emphasis compared to project processing factors. Within the country conditions, policy related factors are often neglected. As such, there should be some means of incorporating assessment of country specific factors into the evaluation functions of donor agencies.

**Table 3** Emphasis Given by Donors Other than ADB

Agency	Project Processing Factors	Country Conditions		
		Macroeco nomic	Policy	Instituti onal
AIDAB	73	2	2	23
CIDA	80	2	4	14
DANIDA	74	22	0	4
BMZ	90	0	10	0
FINNIDA	100	0	0	0
IBRD	70	15	0	15
Netherlands	68	0	15	17
NORAD	65	5	10	20
ODA	90	0	0	0
OECF	100	0	0	0
SIDA	69	6	12	13
UNDP	63	10	15	12

## VI. Country Evaluations

As discussed above, performance of a development project not only depends on proper design and implementation, but also on the conditions of the country where it is being implemented. This mainly includes macroeconomic situation, policy environment, institutional capability and political stability of a country. Concentration of post evaluations only on project level would result in ignorance of these exogenous factors which affects project performance. Decision makers should be well informed both on endogenous and exogenous factors which affect project performance of a particular country. To achieve this objective, evaluation function



should include both project level evaluations and evaluations beyond project level.

In aid agencies, the management information needs beyond project level is addressed using sectoral evaluations and thematic evaluations. Very recently country evaluations were introduced by some donor agencies. Country evaluation is the highest level of aggregation and consists of an evaluation of a donor's total development assistance to a certain country over an extended period of time. Country evaluation is supposed to deal with policy issues related with aid intervention. However, country evaluations conducted by most of the aid agencies are still at an infant stage. Still there is no standard guideline developed by any of the aid agencies.

This study intends to identify the main areas to be covered by a country evaluation based on senior management information needs of donor agencies as identified in the above analysis. Based on it, a methodology has been framed out for the conduct of such evaluations. Accordingly, a Terms of Reference (TOR) and an evaluation design is proposed.

### ***6.1 Main Areas to be Covered***

According to the established tradition, an evaluation should basically address two questions. Firstly, "What changes have occurred as a result of the aid intervention?", and "To what extent are these changes adequate?". This question relates to the more fundamental question; "Does aid work?". Secondly, "Were the resources spent on development effort justified by its results?".

The first question relates to the effectiveness of development assistance. Second question on the other hand, relates to the efficiency of the development assistance which could only be answered at project or programme level with the means of project evaluations. The traditional approach to this question is to use cost-benefit analysis and related techniques. At present the use of cost-benefit analysis and other related techniques prove to be useful and effective in analyzing the efficiency of development projects and programmes. In country evaluations, the concept of efficiency is irrelevant. The main focus of country evaluation is to answer the first question, which in turn is necessary for policy making.

From the donors perspective, the major pay-off of country evaluation is that the information extracted and fed back to the decision making level facilitate adjustments on the current policy and for planning and implementation of future policy measures on a particular recipient country and on the development assistance as a



whole. It also offers an opportunity to learn, in a systematic way from past experiences. From the recipient perspective, country evaluation will offer a good audit or a check on the performance of development aid on their country and on the performance of aid related organizations.

Since country evaluation is mainly used for policy making the areas to be covered will constitute policy oriented issues. Therefore the following areas have been identified as main areas to be covered by a country evaluation, namely,

1. the macroeconomic effect of development assistance ;
2. the effectiveness of development assistance ;
3. impact on the recipient ;
4. sustainability of the development effort.

In a country evaluation, which tries to answer whether the aid has any impact on the recipient country, it is important to use macro level analysis. In this respect it is important to analyze how the recipient economy adjusts to an aid inflow and to use the results to examine the impact of assistance received on growth related macroeconomic variables. This is achieved by analyzing the historical trend and by using that knowledge to explain current macroeconomic condition.

Evaluation of the effectiveness of aid intervention is generally associated with the assessment of the extent to which resources used (the "Input") have succeeded in achieving the agreed objectives set for the intervention or, even broader, the general aims of aid. Effectiveness is a function of both donor and recipient performance. Therefore, the main aim of effectiveness analysis is to capture the policies and performances of both donor agencies and recipient governments.

Impact analysis, as defined by the OECD (1986), refers to the assessment of the effects of an intervention on its surroundings. The assessment might cover a multiplicity of aspects, including technical, economical, socio-cultural, institutional and environmental changes. Not only the changes in total output, but also the distributional effect of the output have to be assessed. Since impact of projects and programmes are scattered all over the country the overall impact depends on the success of each of these projects and programmes. Therefore, the impact analysis has been designed to capture the success of benefit attainment of these projects and programmes.

A development intervention is sustainable when it is able to deliver an appropriate level of benefits for an extended period of time after termination of major financial, managerial, and technical assistance from an external donor (OECD,



1989). In the concept of sustainability, main focus is on sustaining the flow of benefits which is closely related to impact analysis. The results of the impact analysis will be complementing the sustainability analysis. Hence, in every aspect the sustainability analysis has to follow impact analysis. This is maintained in the country evaluation as well.

## ***6.2 Outline of the Proposed Terms of Reference (TOR)***

The terms of reference for an evaluation define the objectives of the particular evaluation and indicate the scope of the evaluation. A standard outline of the TOR which can be used for a country evaluation is given below.

### **a. Background of the Development Assistance to the Recipient Country**

Explain briefly the main contents of the development assistance to the recipient country and its duration. Reference is to be given to any previous country evaluations.

### **b. Objective of the Country Evaluation**

Describe the main objectives of the present country evaluation.

### **c. Scope of the Evaluation**

State the main aspects to be dealt with, including,

#### **(1) Macroeconomic Analysis**

- Historical trend of the macroeconomic effects of aid on the recipient country.
- Current macroeconomic condition of the recipient country.

#### **(2) Effectiveness Analysis.**

- Effectiveness of development assistance in terms of recipient self-efforts.
- Analysis of donor policy and performance on the recipient country.
- Analysis of recipient policy and performance on the development assistance from the donor.

#### **(3) Impact Analysis.**

- Analysis of the magnitude of impact due to aid intervention including economic impacts socio-cultural impact, institutional impact, environmental impact, and technical impact.
- The distributional effects of these impacts on the target group and outside the target group.

#### **(4) Sustainability Analysis**

Sustainability of the aid intervention:

- Benefit sustainability.



- Recipient country's funding capabilities to cover operations of services and maintenance of physical infrastructure.
- Recipient country's long term technical and institutional capacity to sustain benefits of aid intervention.
- Recipient country's policy effects on the sustainability of benefits of aid intervention.

#### **d. Findings, Policy Implications and Recommendations**

- Conclusion of the evaluation by synthesizing the above areas into a single format.
- Lessons learned from the evaluation.
- Policy implications of the lessons learned.

### **6.3 Evaluation Methodology**

The methodology to be used in the country evaluation is discussed in stages according to the proposed TOR.

#### **(1) Macroeconomic Analysis**

The traditional economic rationale for development aid is that it will increase growth in the recipient countries. By contrast, many academic studies have found no relationship between aid and growth (Paul Mosely, 1980, 1987). Howard White argues that the existing regressions of growth on aid do not yield meaningful results, and so can be of no use in deciding whether or not aid has increased growth. He suggests an alternative approach based on the examination of the channels through which aid is intended to increase growth-increasing imports and investment and raising the efficiency of investment (Howard White, 1994). In this approach it is intended to examine various links in the chain running from aid to economic growth. He uses an approach known as "Accounting Framework" as the basis for such an analysis. The approach is based on the national accounting identity as given below.

$$\text{savings gap} = \text{Current account deficit} = \text{Capital inflow}$$

The gap between gross national savings and investment (Savings Gap) must be financed by a net inflow of foreign savings (Capital inflow), which in turn must equal the current account deficit.



## Capital and Current Accounts

The traditional argument of aid and economic growth has been based on the two-gap approach in which growth is either limited by domestic savings or foreign exchange availability. If the binding constraint is a lack of foreign exchange, then additional capital inflows will raise import capacity, import-constrained investment and thereby economic growth. This argument could be summarized as:

$$g = g(K, \dots) \quad (2)$$

$$\Delta K = I = k(M, S, \dots) \quad (3)$$

$$M = m(AID, dF_{oth}, X, \dots) \quad (4)$$

Where :

$g$  = Growth rate of output

$K$  = Stock of productive capital

$I$  = Investments in fixed assets

$M$  = Import capacity

$S$  = Domestic savings

$AID$  = Amount of foreign assistance

$F_{oth}$  = Other capital inflows

$X$  = Amount of export earnings

Starting from Equation 4, more aid will lead to higher import capacity, thus higher investment (Equation 3), and ultimately higher growth (Equation 2) (Rob Vos and Sara Johansson, 1994).

Using the national accounting identity :

$$\text{Current account deficit} = \text{Capital inflow} \quad (5)$$

The current and capital accounts of the balance of payments may be written in more detail ;

$$X - M + (NFP + OT + PCT) = - (LTL^c + LTL^n + STL + OKI + \Delta R) \quad (6)$$

Where :

$X$  = Exports of goods and non-factor services

$M$  = Imports of goods and non-factor services

$NFP$  = Net factor payment from abroad

$OT$  = Official transfers

$PCT$  = Private current transfers

$LTL^c$  = Net disbursement of concessional long-term capital

$LTL^n$  = Net disbursement of non-concessional long-term capital

$STL$  = Net short-term inflows



OKI=Net other capital inflows

R=Change in reserves

Aid is either a grant-that is an official transfer (OT)-on current account or a concessional long-term inflow ( $LTL^c$ ) on the capital account. The net aid inflow (net of amortization on past loans) is therefore given by:

$$AID = OT + LTL^c \quad (7)$$

Combining Equations 6 and 7, gives:

$$AID = M - PCT - NFP - X - LTL^n - STL - OKI - \Delta R \quad (8)$$

### Internal and External Balance

In the traditional two-gap approach, aid is assumed to comestic savings (aid will lead to higher income and thereby savings). This has been challenged by Griffin (1970) suggesting aid might displace domestic savings as it may lead to rising recurrent government expenditure (not all is invested) and complacency in the tax effort. However, the channels through which the two macro variables interaction need to be investigated. This is done using the national accounting identity given by Howard White (1994).

$$\text{Savings gap} = \text{Current account account deficit} \quad (9)$$

In symbols,

$$(I_p - S_p) + (I_g - S_g) = M - X + NFP + OT + PCT \quad (10)$$

where,

$I_p$  = Private Investment

$I_g$  = Public Investment

$S_p$  = Gross savings of private sector

$S_g$  = Gross savings of public sector

Implications from the above discussion is that to analyze the macroeconomic effects of aid and the channels through which aid is intended to increase growth. Therefore, in the country evaluation methodology, following variables can be recommended for detail analysis.

- a. Aid and import capacity.
- b. Aid and import of intermediate and capital goods.
- c. Aid and other capital inflows, which includes:
  - Non-consessional long-term capital
  - Foreign direct investment.



- d. Aid and export volumes.
- e. Aid and public savings.
- f. Aid and public expenditure.
- g. Aid and public sector revenues.
- h. Aid and public investment.
- i. Aid and private sector investment.

The analysis has to be based on the two aspects, namely the historical trend and current macroeconomic condition. After analyzing the historical trend using these variables, it is possible to trace the mechanism by which aid triggers economic growth, and identify bottlenecks in the process and implications on the present macroeconomic condition.

## **(2) Effectiveness Analysis**

Effectiveness of development assistance is analyzed in three main areas and finally synthesized to obtain the general view of effectiveness. These three areas are as follows:

- a. Recipient's self-effort.
- b. Donor policy and performance.
- c. Recipient policy and performance.

### **Recipient's self-effort**

In order to assess the self-effort in development of the recipient country and its direction, it is necessary to search national policy documents for statements concerning the overall development objectives. A thorough assessment of the stability or predictability of these objectives would include a review of policies and conflicting interests of political elite or parties, and a review of past performance with regard to national resource allocation patterns to various sectors. These policy statements can be compared with donor's aid policies in view of obtaining contradictions, similarities, and trend and timeliness. The method used in this section would be a pure descriptive analysis. The results can be reduced in detail to enable it to be presented in a tabulated form. Since most of the Asian countries use five year development plans, policies can be analyzed in five year periods with major emphasis on the trend.



### **Donor Policies and Performance**

Since the historical trend of the donor policies will be analyzed using descriptive analysis, to compare it with the self-effort of the recipient, as described in the previous section, the performance will be analyzed using some key indicators. These key indicators will represent both policy and performance of the donor's aid. Therefore, it can be used as a supplement to the descriptive analysis. The key indicators which can represent donor policies and performance will vary between agency to agency, but the major indicators can be given as follows.

- a. Quantity of aid and its change over time.
- b. Quality of aid and its change over time. Quality of aid is measured using grant element and grant share of aid provided to the particular country.
- c. Sectoral and sub-sectoral allocation of aid and their trend over time.
- d. Regional allocation of aid and their trend over time.
- e. Types of aid and their composition.
- f. Donor's aid administration effort in the recipient country in terms of:
  - Cost of administration
  - Staff (effort measured in man-months)
  - Initiatives
  - Organizational structure and strength.

Some of these indicators as mentioned above may be analyzed using annual values. But annual fluctuations might be very sharp, rendering difficulties in interpreting the trend. The planning and implementation time for an aid project is generally more than one year. In such cases the inception and the completion of the project would be in two different financial years. Therefore, in the analysis, three year moving averages can explain trends much more meaningfully than annual values. The results of the analysis would be a mix of descriptive and quantitative statements describing the donor policy and performance of development assistance to the particular country.

### **Recipient Policies & Performance**

The Analysis of recipient policies and performance are considered to reflect main thrust of the development objectives of the recipient country. In that sense this analysis will have some resemblance with the first section. But here the analysis will concentrate on the recipient attitude and achievements on the development assistance it receives from the donor country. Various line ministries, depart-



ments and agencies related with ODA funded projects have be studied to obtain their contribution to the proper implementation of development assistance.

The administrative procedures adopted by these organizations, in dealing with ODA funded projects, would reveal numerous lessons concerning shortcomings and bottlenecks of project implementation. Therefore, the analysis will entail a detail study of procedures used by these organizations. Along with procedures, the organizational structure of these entities will be studied in detail. Since the number of organizations involved in development activities will be so large, only a small sample can be analyzed using this method. Therefore, care has to be taken in selecting organizations which are to be included in the sample.

The institutional capability that is critical to the effectiveness of employing development assistance in a correct way is a matter of integration of project planning and implementation. The extent to which line ministries, departments and development related agencies consult with one another in preparation of their annual plans; the relevancy among projects in different sectors; their timing and long range development implications; all these are important in assessing the extent to which institutional capabilities will lead to self-sustaining development projects.

The staff members and officers of these organizations are the people who are directly involved in development activities. Therefore, their views and ideas would be up to date and enlightening. It is suggested that an interview program be conducted with a sample of senior officers from these organizations. A mail questionnaire before the site visit would permit the largest sample of respondents. But the likelihood of receiving an adequate number of responses is so remote as to make this option unworkable. The second possibility, and the one that is recommended here is to select a smaller number of respondents and conduct personal interviews with each of them. The purpose of the interview would be to collect information on the respondent's assessment of the effectiveness of the development effort in relation to the instiutional capabilities and development objectives. By soliciting opinions on the effectiveness of development activities, the interviews are in fact requesting information about the works of a particular ministry, department or agency, in its role as a coordinating body in terms of their planning and project implementation processes. As such opinions expressed will reflect political points of view as well as the more narrowly focused technical opinions about the coordination function.



### (3) Impact Analysis

Impact analysis used to assess the successfulness of the efforts of donor agency in terms of benefit attainment and its distributional effect of the ODA projects implemented in the recipient country. Since benefits obtained by various projects and programmes vary in nature and magnitude, a simplified form of the Analytical Hierarchy Process (AHP) is being used in the analysis. The AHP is a tool developed by Thomas L. Satty (1980), to analyze activities or phenomena based on the subjective comparative judgments of the respondents. A representative sample of projects to be selected and each project needs to be assessed by key informants using a structured interview.

In the analysis of interview results, the order of priority of benefits has to be established. Each benefit has to be given an attribute in the descending order starting from the largest number of the priority order (n). Using these attributes weightages for each benefit can be obtained as follows :

$$\text{Weightage for benefit } i = W_i = \frac{A_i}{\sum_i^n A_i} \quad (11)$$

Where,

$A_i$  = Attribute for benefit i

n = Number of benefirs.

Then the benefits to be given numerical values based on the judgments of the interviewee (R), as follows :

Very High - VH - 5

High - H - 4

Average - AV - 3

Low - L - 2

Very Low - VL - 1

Then the degree of successfulness of the project can be given by:

$$DS = \sum_i^n W_i R_i \quad (12)$$

The value obtained for DS is used in the overall analysis of the benefits from all projects in the sample. The distributional effect of the benefits doesn't have a hierachical order. Therefore the rankings related with distributional effect on the target group and outside the target group can be used as it is, by inferring the correct value to the rank as given above (DT and DO).

Therefore, at the end of each project's assessment, there will be three values as



summaries, representing project benefits, and their distributional effects. When results for all projects have been collected, the overall analysis can be done using the same analytical method but on a different criteria. At this stage, the value of the project (cost) can be used to determine the hierarchical order. Since each project's importance to the society and economy varies, the value of the project can be used as a reasonable criteria for deciding the importance. Therefore, value of each project will decide the weightage factor as follows :

$$\text{Weightage factor for project } i = P_i = \frac{C_i}{\sum_i^n C_i} \quad (13)$$

Where,

$C_i$  = Cost of project i

$N$  = Number of projects.

The overall benefit of the sample projects can be given using:

$$B_t = \sum_i^n P_i DS_i \quad (14)$$

The distributional effect on the target group can be given as:

$$D_t = \sum_i^n P_i DT_i \quad (15)$$

The distributional effect on the outside of target group can be given as:

$$D_o = \sum_i^n P_i DO_i \quad (16)$$

Where ;

$P_i$  = Weightage factor for project i

$DS_i$  = Degree of successfulness of benefits on project i

$DT_i$  = Distributional effect project i on target group

$DO_i$  = Distributional effects of project i on outside the target group.

#### (4) Sustainability Analysis

Sustainability analysis is used to obtain the capacity of the development effort to continuously deliver its intended benefits over a long period of time. Sustainability is a relative concept which must be assessed in terms of a set of indicators which combine different quantitative and qualitative aspects of development. Since sustainability covers diverse areas, the analysis also should be able to capture all of them. For that purpose, the analysis is based on key informant interviews of a selected sample of projects. The projects to be included in the sample can be the



same projects used in the impact analysis. By doing so, the amount of preliminary work can be avoided. In the analysis, each area of sustainability is dealt independently. The overall analysis will be based on the value criteria as described in the impact analysis. Since each area is dealt separately as below, four indices will be obtained which will represent the strength or weaknesses of sustainability in these respective areas. The calculations will be based on the following formulae:

$$SI_{Benefits} = \sum_i^n P_i B_i \quad (17)$$

$$SI_{Financial} = \sum_i^n P_i F_i \quad (18)$$

$$SI_{Institutional} = \sum_i^n P_i I_i \quad (19)$$

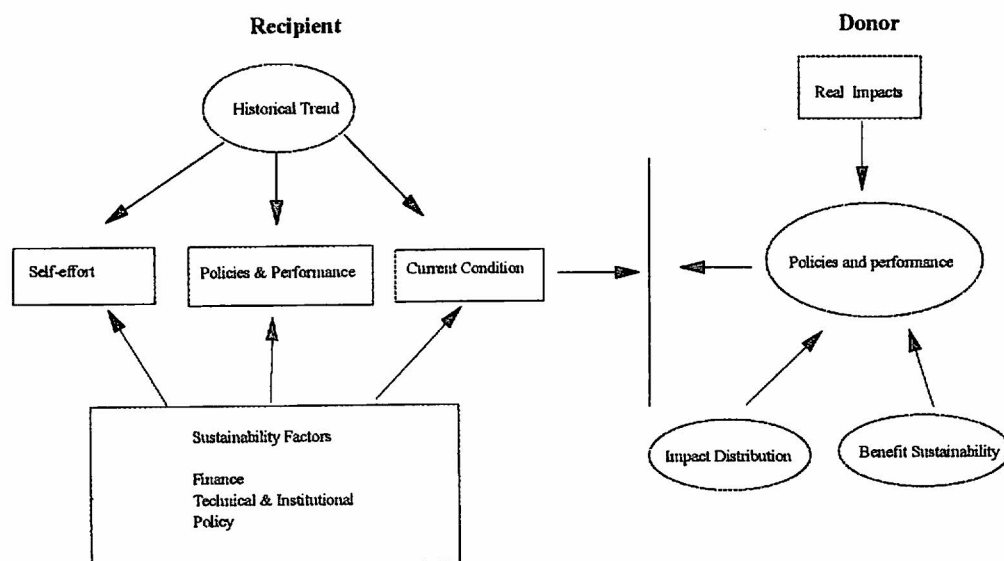
$$SI_{Policy} = \sum_i^n P_i PO_i \quad (20)$$

Where ;

$P_i$  is the Weightage factor (based on the cost of projects) for project  $i$  and  $B_i$ ,  $F_i$ ,  $I_i$  &  $PO_i$  represents the values corresponding to the judgments of the interviewee for benefits, finance, institution and policy factors respectively.

### (5) The Synthesis

The proposed approach for the conduct of country evaluations of development assistance extended from a donor agency to a recipient country involves various



**Figure 3** A Schematic Diagram of the Synthesis of Various Analysis



techniques and tools. The summary of the approach is given in Table 4. Since different methods have been used to analyze different aspects of development assistance, a synthesis is needed to combine the results and to obtain the overall picture of the evaluation. The schematic diagram of the proposed synthesis is given in Figure 3. The figure explains the interaction among elements of the evaluation focus according to Table 4. The main roles of recipient and donor is divided in order to explain the interaction between the two sides.

**Table 4** Country Evaluation Design

Evaluation Activity	Evaluation Focus	Method of Analysis
Macro Economic Analysis	Historical trend Current macroeconomic condition	Empirical studies using Accounting Framework Approach
Effectiveness Analysis	Recipient self-effort Donor policies and performance Recipient policies and performance	Descriptive Analysis Key Indicator Analysis Key Informant Interviews & Procedures Analysis
Impact Analysis	Impact due to aid intervention Impact distribution	Key Informant Interviews
Sustainability Analysis	Benefit sustainability Recipient country's financial capacity Technical & institutional capacity Policy effects of the recipient country	Key Informant Interviews

The historical trend of the recipient country will shed light on self-effort, policies, and current condition. The sustainability factors will provide supplementary information on these three factors. The self-effort of the recipient country will explain its policies and performance on development activities. These development activities are the main contributors to the current macroeconomic condition.

The donor policies and performance are reflected in its achievements - basically in the benefit attainment, its distribution and sustainability. Therefore, these three factors will strengthen the understanding of donor policies and performance. Finally the purpose of the evaluation is to determine whether the donor policies are appropriate in the current macroeconomic condition of the recipient country. In order to achieve this, the result from both sides has to be compared using basic development objectives prevalent at that time.



## VII. Conclusions

The paper summarizes the main deficiencies found in evaluation of infrastructure projects which are implemented in Asia by major donor agencies. Firstly it was found that the evaluation functions of most of the donor agencies are development oriented except a few. To improve the evaluation function, not only the performance aspects but also the institutional aspects are to be considered by these donor agencies. Secondly, it was observed that most of the senior management information needs are not met by project evaluations. Project evaluations support the operational level decision making rather than strategic level decisions in donor agencies. Thirdly, it was observed that all the project performance factors are not adequately dealt by project evaluations. Especially, the country conditions which are very important for project performance is not given much attention. Overall, it can be concluded that strategic level information needs coupled with exogenous factors surrounding projects implemented in developing countries are not captured by the project evaluations conducted by most of the donor agencies. This might be the main deficiency which undermines the understanding of the effectiveness of development assistance provided to the developing countries.

Therefore, it can be recommended that the donor agencies have to step beyond project evaluations in order to take account of broader considerations of the overall pattern of development in recipient countries. Sectoral, thematic and country evaluations have to be used increasingly by the donor agencies to overcome these shortcomings. Even in project evaluations much attention has to be given for assessing recipient policy conditions, macroeconomic environment and institutional capacity along with the technical aspects related with the project cycle. Also the information dissemination has to be designed such that all the potential users of evaluation information are adequately covered with their respective needs. Senior managers should be given with a synthesis of findings of a group rather than unnecessarily detailed project evaluation results. Most of all, the donor agencies should understand the recipient conditions through these evaluations rather than concentrating mainly on the efficiency and effectiveness of the aid delivery system.



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