

Development effectiveness: towards new understandings

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Development effectiveness and international aid actors

Over the last decade, official aid policy debates have increasingly centred on improving aid effectiveness. The origins for this focus can be traced to the 1995 OECD-Development Assistance Committee statement, "Shaping the 21st Century". Momentum grew in the 2000s, with a series of High Level Forums on Aid Effectiveness, including the 2005 meeting that resulted in the Paris Declaration. Along with the Millennium Development Goals, the Paris Declaration and its 2008 companion (the Accra Agenda for Action) now represent the key international frameworks for donor and developing country efforts on aid effectiveness.

Aid actors have also been interested in *development* effectiveness for many years, but the concept has only recently gained momentum on the international policy agenda. A number of multilateral and bilateral development agencies have engaged with the concept, and this is articulated in various levels of elaboration across their policies and programs, and in different understandings of what is meant by development effectiveness. Civil Society Organizations (CSOs) have shown particular interest, and are developing a common policy platform on the issue, as well as analyzing their own development effectiveness. Development effectiveness is likely to be an important agenda item at the 2011 4th High Level Forum on Aid Effectiveness in Seoul, South Korea.

While there is considerable consensus on the meaning of aid effectiveness, a common understanding of *development* effectiveness - and its implications for development policy - remains elusive. Instead, the term is used differently by different actors in different contexts. This Issues Brief aims to make a contribution to thinking on

development effectiveness by suggesting four categories under which it can be understood, based on how different aid actors describe and use the term¹. The four categories consider development effectiveness as: 1) organizational effectiveness; 2) coherence or coordination; 3) development outcomes from aid; and 4) overall development outcomes. This research is not exhaustive, but rather represents a starting point for further discussion, and is part of a broader NSI research agenda on development effectiveness. Future studies will benefit by including more aid actors and sources, and in particular by consulting with Southern stakeholders.

Aid effectiveness and development effectiveness

Aid effectiveness generally refers to how effective *aid* is in achieving expected outputs and stated objectives of aid interventions. The Paris Declaration serves as a technical representation of this understanding, but does not define aid effectiveness. A 2008 independent evaluation of the Paris Declaration, however, suggests that an understanding of aid effectiveness can be extracted from the Declaration. Aid effectiveness can thus be defined as the "arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction".² Under this definition, aid effectiveness focuses on how aid is used, although the evaluation suggests that it is generally assumed aid has a development-oriented intent.

In contrast, there is considerable scope for interpretation of the term "development effectiveness", and a lack of clarity regarding what it means in practice. This is most acutely

illustrated by the tendency of some analysts and aid agencies to make little distinction between aid effectiveness and development effectiveness, and in some cases, to use the terms interchangeably. The author of an Asian Development Bank Working Paper suggests that the meaning of development effectiveness is self-explanatory: it “simply refers to the effectiveness of aid in development”. The author also advises that in the paper, “expressions such as “development effectiveness” and “aid effectiveness” are used to convey the same ideas”, and that “aid effectiveness and development effectiveness are used interchangeably”.³ Other agencies employ aid effectiveness language and concepts when discussing development effectiveness. The World Bank has published Reviews of Development Effectiveness since the early 1990s, but much of their discourse is framed within aid effectiveness principles and language that are now found in the Paris Declaration. AusAID’s Office of Development Effectiveness also appears to consider development effectiveness primarily within an aid effectiveness context. It states its role is to monitor the quality and evaluate the impact of Australia’s aid program, and describes its 2007 Annual Review of Development Effectiveness as an “annual health check of the Australian aid program”. While the review systematically assesses the effectiveness of Australian aid, it does not consider how other non-aid policy areas may have affected development outcomes.

Understanding development effectiveness: four categories

While the above suggests that some organisations make little distinction between aid effectiveness and development effectiveness, there are many examples in which this is not the case. For a range of actors examined for this study, aid effectiveness is too narrow to describe the results of the overall development process. A reading of their policies and aid strategies suggests four possible categories that serve as a starting point for conceptualizing understandings of development effectiveness. These categories are neither mutually exclusive nor exhaustive, and some organizations have understandings that overlap between categories.

1 Development effectiveness as organizational effectiveness

The concept of development effectiveness has frequently been used by aid agencies, especially multilateral organisations, as a means of assessing

the effectiveness of their own policies and programs. Development effectiveness is thus considered from the supply side, in terms of how well an organization is achieving its stated objectives and goals. There are a number of examples of how multilateral organisations have considered development effectiveness in this way. The World Bank’s Annual Reviews of Development Effectiveness look at development effectiveness in terms of organizational performance and outputs. In the 2005 Review, for instance, development effectiveness was measured on multiple levels, through the Bank’s global programs, country programs and individual projects. The 2008 report assesses outcomes of the Bank’s projects and country programs, as well as its work in fostering global public goods.

The United Nations Development Programme (UNDP) has also published a number of Development Effectiveness Reports. Early reports distinguished between development and organizational effectiveness – but still focused on the efficiency and effectiveness of UNDP’s own programs and projects. The 2001 report suggests that organizational effectiveness measures time-bound organizational objectives and is about results-based management, whereas development effectiveness measures the impact of assistance and progress towards development goals and represents “the extent to which an institution or intervention has brought about targeted change...”.⁴ Despite making this distinction between development and organizational effectiveness, the report’s discussion of development effectiveness remains confined to the development impact of UNDP itself, and does not consider external factors such as the role of other development agencies or the impact of non-aid sectors.

In its 2007 Development Effectiveness Report, the International Fund for Agricultural Development (IFAD) provides a useful definition of development effectiveness, suggesting it depends on the collective and coordinated actions by a range of national and external actors, and that it is therefore a measure of these actors’ aggregate impact, with accountability for results shared by many. IFAD claims its 2007 Report has a broader scope than those of other organisations’ development effectiveness reports, on the basis that it goes beyond reporting on operational effectiveness, and that it is more comprehensive, draws on wider sources and reports on results at the corporate as well as country level.

Nevertheless, the report remains focused on development effectiveness in terms of IFAD's own organisational performance.

Each of these examples demonstrates how key multilateral organisations interpret and apply a particular understanding of development effectiveness. As we will see below, UNDP's 2003 report signalled a deliberate move to go beyond considering development effectiveness in terms of organizational performance, and to instead adopt a broader analysis that looks at the final results of the overall development process and at the contribution of a range of relevant players.

2 Development effectiveness as coherence or coordination

Some actors view development effectiveness in terms of coordinating actions and the consistency of development-related policies. One view, for example, argues that development effectiveness recognizes that non-aid policies affect development processes, thus creating the need for policy coherence across various government departments and policy areas, such as trade, security, and immigration. Some bilateral donors follow this understanding of development effectiveness and underline the importance of policy coherence while recognizing that aid is not the only factor affecting development. They emphasize Paris Declaration principles in their approach while policies derived from this conception focus specifically on how donors can improve development effectiveness through internal actions. "Whole of government" approaches best reflect this rationale, but are often limited by constraints such as the vertical organization of government, wherein departments operate as silos focussed on certain policy areas, making horizontal coordination and consistency across policies difficult to achieve. Institutional rivalry and claims on other objectives also limit policy coherence across departments.

Like other studies, the "Mutual Review of Development Effectiveness in Africa" (undertaken by the OECD and the UN Economic Commission for Africa) does not attempt to unpack the meaning of development effectiveness. It focuses on the policies that will promote development effectiveness (rather than on desired outcomes). These include supporting sustainable economic growth, investing in education, health and gender equality; promoting good governance, and enhancing development finance (including an emphasis on domestic public resources). The review also identifies additional

future policy priorities that are implicitly linked to development effectiveness, including advancing African interests in international negotiations on multilateral trade and climate change issues. Overall, the review provides important insights into the range of policies that African governments believe will promote development effectiveness, which supports a policy coherence view of development effectiveness, and which goes well beyond aid.

This view of development effectiveness is also reflected in the Center for Global Development's Commitment to Development Index.⁵ This index rates rich countries' performance in supporting development outcomes according to their performance across a range of related policy areas, including aid, trade, migration, investment, environment, security and technology. The conflation of performance in all these policy areas into a single score represents an ambitious undertaking, but it nevertheless reflects an important underlying rationale: that development effectiveness depends on a range of variables and policy areas, and that good performance in one or two areas means little if it is undermined by development-unfriendly policy in other areas.

3 Development effectiveness as the development outcomes from aid

In this view, aid is measured in terms of development outcomes. Development effectiveness looks specifically at outcomes (rather than at policy areas, or at the efficiency of how each aid dollar is spent). This does not, however, mean aid and development effectiveness are mutually exclusive; rather, they are seen as mutually reinforcing concepts and agendas.

This view is seen predominantly in current CSO conceptions of development effectiveness. These recognise that development effectiveness is a broad concept that goes beyond aid and development cooperation, and that also considers issues such as trade, migration and finance and investment. The current CSO agenda on development effectiveness, however, chooses to focus on development effectiveness in an aid effectiveness context.

This is the result of CSOs' close engagement with the international aid effectiveness agenda and with policy discussions surrounding the 2005 Paris and 2008 Accra High Level Forums. In the lead-up to

the Accra HLF, the Better Aid platform, a global CSO grouping, released a policy brief that set out a civil society position on aid effectiveness. The brief signalled CSOs' movement towards a development effectiveness agenda, underlining that aid effectiveness should be understood in terms of whether it is meeting development objectives, rather than in terms of improving aid delivery and management issues.⁶ The brief challenged donors to move beyond the current technical aid effectiveness agenda, and to more clearly consider the development outcomes resulting from aid.

Following the Accra HLF and in the lead-up to the 2011 Seoul HLF, development effectiveness has become a major focus for CSOs, including for three related groups: the Better Aid Platform, the CSO Open Forum, and the Reality of Aid network. Together, their key policy position is that the international aid effectiveness agenda should be reassessed, and reformulated around a development effectiveness agenda. The Reality of Aid network suggests that the 2011 HLF should result in a new "Seoul Declaration", based on a development effectiveness framework. The network has signalled that its 2010 Reality of Aid Report will address the theme "development effectiveness as the framework in aid and development cooperation through human rights, social justice and democratic development".⁷

In preparation for the 2011 Seoul HLF, the Better Aid platform is planning multi-stakeholder consultations that are designed to further develop understandings of development effectiveness, and to identify key issues for CSOs to take up with donors and developing countries. The consultations are also designed to inform a revised Policy Brief (due for release in 2010) that will set out a CSO policy position, and that will form the basis for engagement with key official aid bodies such as the DAC Working Party on Aid Effectiveness. An early draft of the policy brief emphasizes the need to shift the aid effectiveness agenda towards discussions of development effectiveness, and reinforces the Reality of Aid's articulation of the concept. The draft policy brief looks beyond 2011, suggesting that future development cooperation processes should be rights-based, and should take into account key elements of social justice, including human rights, gender equality and decent work.⁸

CSOs have also formed the Open Forum for CSO Development Effectiveness, through which they are examining their own development effectiveness and are developing a set of common principles to guide both their own work and preparations for the Seoul

meeting. Reflecting the Better Aid view, statements made by Open Forum participants indicate they understand development effectiveness in terms of placing human rights, gender equality, environmental sustainability, social justice and democratic ownership at the heart of development.

The United Nations Development Fund for Women (UNIFEM) and the OECD-DAC have also used development effectiveness in terms that reflect CSO understandings. While UNIFEM tends to use the terms development and aid effectiveness interchangeably, it sees gender equality as a determinant of development effectiveness, arguing that it must be considered in all stages of development interventions. The OECD-DAC indicates that a consideration for human rights, gender equality and sustainability is important to achieving Paris Declaration goals. The outcome document to its 2007 workshop, "Development Effectiveness in Practice", states that "attention to these issues enhances development effectiveness" and that by addressing these concerns, development goals can be achieved.⁹

4 Development effectiveness as overall development outcomes

This view overlaps with the other understandings of development effectiveness described here, and is the most comprehensive approach of the four categories. Development effectiveness is seen as a measure of the overall development process, and is not just restricted to outcomes from aid. It incorporates external and internal factors, and has implications for non-aid sectors. Importantly, development outcomes cannot be attributed to any one actor.

An independent review of DFID refers to two forms of effectiveness: operational and development.¹⁰ According to the review, operational effectiveness is based on performance measures of the direct and attributable result of projects, but says very little about overall development outcomes. Development effectiveness, on the other hand, refers to the overall development outcome which, while highly relevant in assessing any aid program, cannot be directly attributed to any one actor's activities. Development outcomes result from national and international forces, including aid interventions by various actors, the availability of domestic resources, global commodity prices, regional stability and many other determinants. When there is an improvement in overall

development, it may arise from any number of factors such as enhanced domestic resource mobilization, improved terms of trade or the culmination of years of aid interventions: discerning exactly which factor has had the greatest effect may be extremely difficult. This is why the DFID review suggests that it is virtually impossible to illustrate a direct link between DFID's activities and progress towards the MDGs, despite its various contributions. For similar reasons, UNDP's 2003 Development Effectiveness Report shows that UNDP interventions could not explain progress in development processes in any given country or sector. Under this view, responsibility for progress lies with all development partners.

UNDP has shifted from looking at how to maximize the value of aid towards placing development at the centre of the aid agenda. Its 2003 Report signals a deliberate move from considering development effectiveness in terms of organizational performance towards a broader analysis that looks at the final results of the development process, and at the contribution of relevant players to overall development progress. This means assessing what works and what does not, and then assessing how aid flows can complement these factors. In a more comprehensive understanding of development, the report argues that "development effectiveness is (or should be) about the factors and conditions that help produce sustainable development results—to make a sustained difference in the lives of people". Development effectiveness is measured in outcomes, such as meeting human development goals and generating growth (which includes the quality of growth, equity, participation, and sustainability), rather than in terms of how money is spent. UNDP also claims that trade and global policies must also become more development friendly in order to meet the MDGs. Measuring outcomes in this way is consistent with CSO perspectives on development effectiveness, while the inclusion of non-aid factors reflects donors' concern for policy coherence and whole-of-government approaches. The UNDP approach combines the above categories to create a coherent, integrated approach to development effectiveness.

Conclusion and further research

As interest grows, it is likely that development effectiveness will gain more attention internationally: there are already indications that it will feature in discussions at the Seoul HLF. While CSO momentum is clearly strong, a successful international agenda on development effectiveness

will also depend on the active engagement of developing country governments and official aid agencies, and on their willingness to reformulate the current aid effectiveness agenda.

Also required is an appropriate forum where stakeholders can debate the issues, and ultimately move to joint commitments. While the 2011 HLF provides the most obvious starting point, the other possibility is the UN Development Cooperation Forum. The DCF aims at multi-stakeholder participation, and at ensuring a voice for all countries. At its first meeting, it addressed many aspects of development effectiveness outlined in this Brief, including donor policy coherency across aid and non-aid sectors, and responses to internationally agreed upon development goals, including gender equality, the environment, and human rights. A development effectiveness approach could be an appropriate lens for the DCF to adopt in addressing its key work areas (mutual accountability, South-South cooperation and aid policy coherence) in the lead-up to its 2010 High Level Meeting.

The creation of a development effectiveness agenda also depends on at least some level of agreement on what is meant by the term. This Issues Brief has suggested four categories of understandings of development effectiveness. More research is required to address this in more detail and to explore the views of official aid agencies and Southern stakeholders. Further study is also warranted on whether the four categories are valid and can be improved on, in order to deepen the discussion of development effectiveness and further understand how the concept can be put into practice.

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Notes

¹ We reviewed official documents of OECD-DAC donor countries, multilateral agencies and CSOs. We also considered non-DAC donors, but public information on their aid and development effectiveness policies was limited. Developing country perspectives have not been analyzed in any depth, owing in part to the predominance of literature on development effectiveness emanating from developed countries. This represents a gap in the research and could be addressed through further study.

² See Stern et al. 2008.

³ See Quibria 2004.

⁴ See UNDP 2001.

⁵ http://www.cgdev.org/section/initiatives/_active/cdi/

⁶ See ISG, 2008.

⁷ See Reality of Aid, 2009

⁸ See Better Aid 2009.

⁹ See OECD 2007.

¹⁰ See Flint et al, 2002.