IPDET

Handbook

Module 2

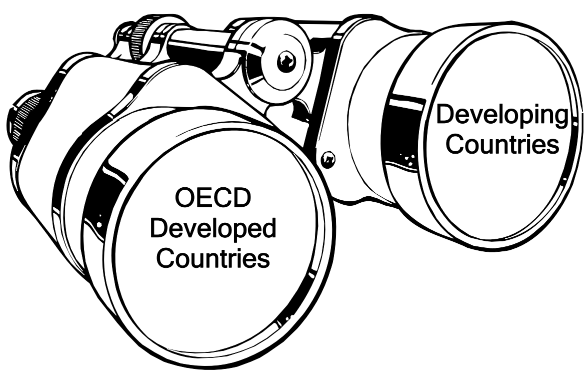
Emerging Issues and Trends

Introduction

There are several issues and trends emerging for development evaluation. These affect both developed and developing countries. It is important for evaluators to understand these emerging issues and trends.

This module has three topics. They are:

- A Look at Evaluation in OECD Developed Countries and Developing Countries
- Emerging Trends: What Are the Evaluation Implications?
- Development Evaluation: Where Are We Today?



Learning Objectives

By the end of the module, you should be able to:

- describe evaluation in OECD developed countries
- describe development evaluation in developing countries
- describe emerging issues and trends in development evaluation.

Key Words

You will find the following key words or phrases in this module. Watch for these and make sure that you understand what they mean and how they are used in the course.

evaluation culture

whole-of-government approach

enclave approach

mixed approach

Millennium Development Goals (MDG)

debt initiative for Heavily-indebted Poor Countries (HIPC)

governance

anti-corruption

anti-money laundering and terrorist financing

Financial Action Task Force (FATF) on Money Laundering

workers' remittances

women in development (WID)

gender and development (GAD)

Private Sector Development (PSD) and investment climate

environmental and social sustainability

A Look at Evaluation in OECD Developed Countries and Developing Countries

As you know, evaluations have been conducted in many different places and for many reasons. In this section, we will look at evaluations that are done in developed countries and developing countries.

Evaluation in OECD Developed Countries

A large majority of the thirty OECD countries now have mature monitoring and evaluation (M&E) systems. Arriving there was neither an easy nor linear process for them. They differ, often substantially, in their paths, approach, style, and level of development. According to a recent survey, Australia, Canada, the Netherlands, Sweden and the United States had the highest "evaluation culture rankings" among OECD countries.[1]

Evaluation culture can be defined according to the following nine criteria:

1. Evaluation takes place in many policy domains.
2. There is a supply of evaluators specializing in different disciplines who have mastered different evaluation methods, and who conduct evaluations.
3. There is a national discourse concerning evaluation in which more general discussions are adjusted to the specific national environment.
4. There is a profession with its own societies or frequent attendance at meetings of international societies and at least some discussion concerning the norms and ethics of the profession.
5. [There are] institutional arrangements in the government for conducting evaluations and disseminating their results to decision makers.
6. Institution arrangements are present in Parliament [or other legislative bodies] for conducting evaluations and disseminating them to decision makers.
7. An element of pluralism exists: that is, within each policy domain there are different people or agencies commissioning and performing evaluations.
8. Evaluation activities [take place] within the Supreme Audit Institution.

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[1] J.-E. Furubo, Ray C. Rist, and R. Sandahl editors (2002). *International Atlas of Evaluation*, New Brunswick, NJ: Transaction Publishers. p. 10.

9. The evaluations done should not just be focused on the relation between inputs/outputs or technical production. Some public sector evaluations must have program or policy outcomes as their object… [2]

The OECD countries have developed evaluation cultures and M&E systems in response to varying degrees of internal and external pressures. For example, France, Germany, and the Netherlands developed such a culture in response to both strong internal and external (mostly EU-related) pressures, while countries such as Australia, Canada, Korea, and the United States were motivated mostly by strong internal pressures. [3]

Interestingly, the pioneering OECD countries were motivated to adopt evaluation cultures mostly because of strong *internal* pressures such as, domestic planning, programming and budgeting imperatives for new socio-economic spending programs, as well as parliamentary oversight.

A number of factors contributed to the adoption of an evaluation culture in the pioneering countries in particular. Many of the earliest adopters of evaluation systems were predisposed to do so because they had democratic political systems, strong empirical traditions, civil servants trained in the social sciences (as opposed to strict legal training), and efficient administrative systems and institutions. *Indeed, building evaluation systems is primarily a political activity with associated technical dimensions.*

Countries with high levels of expenditure on education, health, and social welfare also adopted evaluation mechanisms, which then spilled over into other areas of public policy. “What is involved is a complex mixture of institutional preconditions, political culture, exposure to intellectual traditions, as well as sectoral concerns dominating the political discussion…” [4]

The pioneering OECD countries were also instrumental in spreading evaluation culture to other countries by disseminating evaluation ideas and information, and by launching evaluation organizations, training institutes, networks, and consulting firms.

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[2] Furubo, Rist, and Sandahl editors (2002). *International atlas of evaluation*, New Brunswick, NJ: Transaction Publishers. pp. 7-9.

[3] Ibid.

[4] Ibid, p. 16.

By contrast, many of the latecomer OECD countries, in terms of developing an evaluation culture (Italy, Ireland, and Spain), tended to respond to evaluation issues primarily because of strong *external* pressures, primarily EU membership requirements, including access to EU structural development funds. They were also heavily influenced by the evaluation culture of the pioneers, as well as the evaluation culture, which has taken root in the international organizations with which their countries interact.

Whole-of-Government, Enclave, and Mixed Approaches

The pioneering and the latecomer OECD countries differed also in their approach to creating evaluation systems.

There are essentially three approaches:

- the whole-of-government approach
- enclave approach
- mixed approaches.

The Whole-of-Government Approach

The **whole-of-government approach** was adopted in some of the early M&E pioneer countries, such as Australia. This approach involves a broad-based, comprehensive establishment of M&E across the government.

With the adoption of the Millennium Development Goals (MDG)**,** many developing countries are looking to design and implement comprehensive, whole-of-government, evaluation systems across many sectors and policies. Also, with the growing emphasis on results in international aid lending, more donor governments and institutions will likely also provide support to developing countries to build evaluation capacity and systems.

Oftentimes different ministries are at different stages in their ability to take on the establishment of an evaluation system. The whole-of-government strategy, then, may not be able to move all ministries in tandem; there may be a need for sequencing among ministries in developing these systems. Many times, innovations at one level will filter both horizontally and vertically to other levels in the government.

Enclave Approach

The second approach, the **enclave approach** is more limited. It is focused on one part or sector of the whole government. For example, the approach might focus on one ministry or cabinet of the government as has been done in Mexico, Jordan, and Kyrgyz. Many countries, especially developing countries, may not yet be in a position to adopt such sweeping change in a comprehensive fashion. For this reason, focusing on more targeted approaches makes good sense; for example, by beginning with the local, state or regional governmental levels, or by piloting evaluation systems in a few key ministries or agencies.

Mixed Approach

Interestingly, other countries such as Ireland, have adopted a third, blended, or **mixed approach** to evaluation. While some areas are comprehensively evaluated (projects financed by the EU Structural Funds), other areas receive more sporadic attention. The government of Ireland has moved in the direction of a more comprehensive evaluation approach with respect to government expenditure programs.[5] The mixed approach may also be a valid alternative for some developing countries.

Examples of Evaluation in OECD Countries

We now look at three examples of how evaluation is conducted in OECD countries, including France, the United States, and Australia.

[5] Yoon-Shik Lee (1999). "Evaluation coverage." In *Building effective evaluation capacity: Lessons from practice*. Boyle, R. and Lemaire, D., editors. New Brunswick, NJ: Transaction Publications. pp 78-79.

France: Adopting a New Program Approach to Evaluation

In contrast to other OECD countries, France had been among the group of OECD countries that was slowest to move towards a mature evaluation system. Indeed, France has even lagged behind many transition and developing economies. Various incremental reforms efforts were attempted during the late 1980s and throughout the 1990s.

Then in 2001, the French government passed sweeping legislation, replacing the 1959 financial constitutional bylaw eliminating line item budgeting, and instituting instead a new program approach. The new constitutional bylaw, which will be phased in over a five-year period (2001-2006), has two primary aims:

- reform the public management framework to make it results and performance-oriented
- strengthen parliamentary supervision

As the former Prime Minister, Lionel Jospin, noted:

> "The budget's presentation in the form of programs grouping together expenditure by major public policy should give both members of Parliament and citizens a clear picture of the government's priorities and the cost and results of its action."

Approximately 150 programs have been identified, and financial resources will now be budgeted against them. Every program budget that is submitted to Parliament has to have a statement of precise objectives and performance indicators. Public managers will have greater freedom and autonomy with respect to the allocation of resources, but in return they will be held more accountable for results. Thus, the new budget process will be completely results-driven.

Future budget bills will include annual performance plans, detailing the expected versus actual results for each program. Annual performance reports will also be included in budgetary reviews. Consequently, parliamentarians will have a better ability to evaluate the performance of these governmental programs.

In line with our earlier observations about the political nature of evaluation, this reform initiative will alter some of the political and institutional relationships within the French government. In this context, the Parliament will be given increased budgetary powers. "Article 40 of the Constitution previously prohibited members of Parliament from tabling amendments that would increase spending and reduce revenue. They will now be able to change the distribution of appropriations among programs in a given mission." Parliament will be able to vote on:

- revenue estimates
- appropriations for each mission
- the limits of the number of state jobs created
- special accounts and specific budgets.

In addition, the parliamentary finance committees will have monitoring and supervisory responsibilities concerning the budget.

(Source: *Towards New Public Management* Newsletter, *2001.)*

United States: Evaluation in the U.S. Government – U.S. Government Performance Results Act (GPRA) of 1993

One key development in United States government evaluation in recent years is the U.S. Government Performance Results Act (GPRA) of 1993, which entailed instituting results-based evaluation in all U.S. government agencies. It is directly affecting how evaluation is being deployed across the U.S government. .

Performance measurement in the U.S. began first with local governments in the 1970's, spread to state governments, and eventually up to the federal level with the enactment of the GPRA in 1993. "The US federal government actually joined the performance game later than other governments in the US and abroad." (Newcomer, 2001:338).

> The purposes of [the US Government Performance Results] Act are to:
>
> (1) improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results
>
> (2) initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress
>
> (3) improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction
>
> (4) help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality
>
> (5) improve congressional decision-making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficacy of Federal programs and spending
>
> (6) improve internal management of the Federal Government.
>
> (Source: GPRA, 1993.)

A recent survey of 16 programs across 12 United States government agencies found that

> Many federal programs have already made use of regularly collected outcome data to help them improve their programs…Federal managers have used outcome data in a variety of ways, [including] to[:] trigger corrective action; identify and encourage 'best practices'; motivate [and recognize staff]; and plan and budget…" At the same time, the survey found some continuing obstacles— indeed obstacles that can affect any organization—to the use of outcome data:
>
> (i) lack of authority or interest to make changes
>
> (ii) limited understanding of use of outcome data
>
> (iii) outcome data problems (e.g. old data, non-disaggregated data; lack of specificity, need for intermediate data, etc)
>
> (iv) fear of 'rocking the boat.' [6]

Most recently, GPRA has been extended to the integration of the performance and budget areas. Efforts are also being made across the government to group more closely GPRA strategic and annual planning and reporting.

"Overall GPRA is just 'good business.' Its requirements have provided government Departments with tools for very basic ways of conducting business in sensible ways: set performance goals and measure both long and short-term outcomes. Any organization seeking to provide improved quality of life, greater quantity of services, and enhanced overall quality of customer services must have a vision and a mission, set goals and objectives, and must measure results."[7]

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[6] H.P Hatry, E.Morely, S.B. Rossman, and J.P. Wholey (2003). "How federal programs use outcome information: Opportunities for federal managers." Washington, D.C.: IBM Endowment for the Business of Government. pp 11-13.

[7] Vijaya Vinita Channah Sorah (2003). "Moving from measuring processes to outcomes: Lessons learned from GPRA in the United States." Presented at World Bank and Korea Development Institute joint conference on Performance evaluation system and guidelines with application to large-scale construction, R&D, and job training investments. Seoul, South Korea. July 24-25 2003. pp 5-6, 9.

Australia's Whole-of-Government Model

Australia was one of the early pioneers in developing evaluation systems starting in 1987. It had a number of intrinsic advantages, which were conducive to building a sound evaluative culture and structure:

- strong human, institutional and management capacity in the public sector
- public service known for integrity, honesty and professionalism
- well-developed financial, budgetary and accounting systems
- tradition of accountability and transparency
- credible, legitimate political leaders.

A variety of factors contributed to the success in building strong evaluation systems in Australia. Initially, budgetary constraints prompted the government to look at ways of achieving better value-for-money. Australia also had two important institutional champions for evaluation—the Department of Finance and the Australian National Audit Office.

Australia chose to adopt a whole-of-government strategy (as opposed to an enclave strategy whereby one or two agencies would first pilot the evaluative approach); such a strategy aims to bring all ministries on board—both the leading and the reluctant. It also had the support of Cabinet members and key ministers, who placed importance on using evaluation findings to better inform decision-making.

Australia's evaluation system has evolved from one of tight, central controls imposed by the Department of Finance to a more voluntary and devolutionary principles-based approach. Today, monitoring and evaluation is left up to the individual departments and agencies. The formal evaluation requirements have been relaxed considerably, and departments conduct evaluation based on their own priorities. At the same time, departments are still required to report performance information in budget documents, and to report evaluation findings where available. Additionally, some evaluations continue to be mandated by the Cabinet. The larger governmental departments are particularly active in commissioning formal evaluations and using their findings.[8]

[8] Keith Mackay (2002). "The Australian government: Success with a central, directive approach," in *International atlas of evaluation,* Furubo, Rist, and Sandahl, editors. New Brunswick, NJ: Transaction Publishers.

Evaluation in Developing Countries

Developing countries face challenges similar and different from developed countries in moving towards and building their own evaluation systems. Demand for and ownership of such a system—the most basic requirement—may be more difficult to establish in developing countries. For an evaluation system to be established and take hold in any country, a minimum requirement is necessary. The requirement consists of interested stakeholders and a commitment to transparency and good governance.

Weak political will and institutional capacity may slow progress. So too, difficulties in inter-ministerial cooperation and coordination can impede progress toward strategic planning. Indeed, lack of sufficient governmental cooperation and coordination can be a factor in *both* developed and developing countries.

To emerge and mature, evaluation systems need champions who are highly placed and willing to assume the political risks in advocating evaluation. Sometimes they are present, but in other cases they are lacking. The presence of a national champion(s) can go a long way towards helping a country develop and sustain evaluation systems.

Many developing countries are still struggling to put together strong, effective institutions. Some may require civil service reform, or reform of legal and regulatory frameworks. In this context, the international development community is trying to improve basic building blocks to support them. It can be quite a challenge, trying to build institutions, undertake administrative and civil service reforms, and/or revamp legal and regulatory codes, while at the same time establishing evaluation systems. It should also be remembered that instituting evaluation systems could help inform and guide the government to undertake needed reforms in all of these areas.

Developing countries must first have or establish a foundation for evaluation. Some developing countries are moving in this direction. Establishing a foundation means that they must have basic statistical systems and data, as well as key budgetary systems. Data and information must be of appropriate quality and quantity. Developing countries – like developed ones – need to know their baseline conditions. That is, they need to know where they currently stand in relation to a given program or policy. Many countries may lack the social science tradition and infrastructure necessary to perform development evaluation. This can be a considerable constraint for some countries.

Capacity in the workforce is needed to develop, support, and sustain these systems. Officials need to be trained in modern data collection, monitoring methods, and analysis. This can be difficult for many developing countries.[9]

Developing countries may require technical assistance and training for capacity and institutional development. In this context, there is a critical need to build both a technical and a social science-based evaluation capacity in developing countries. Indeed, donors are often willing to finance and support such activities, and share lessons of best practice.[10] At the same time, donors should try to harmonize their evaluation requirements with recipient countries.

As part of the donor effort to support local capacity in developing countries, donors are also moving to create development networks, such as new on-line computer networks and participatory communities that share expertise and information, including, for example, the Development Gateway. (see Annex II.1).[11] It can still be argued that circumstances in Bangladesh, China, Costa Rica, or Mali are unique and distinct, and that the experience of one country will not necessarily translate to another. But once it is accepted that there is very little generic development knowledge — *that all knowledge has to be gathered and then analyzed, modified, disassembled, and recombined to fit local needs* — the source is immaterial. The new motto is: 'Scan globally, reinvent locally.' (Source: UNDP, 2002:18).

Developing countries also need to be aware that when attempting to adopt an evaluation system, attempts to shed light on resource allocation and actual results may meet with political resistance, hostility, and opposition. In addition, given the nature of many developing country governments, building an evaluation system can lead to a considerable reshaping of political relationships.

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[9] Mark Schacter. "Sub-Saharan Africa: Lessons from experience in supporting sound governance." World Bank Operations Evaluation Department. ECD Working Paper Series, Number 7. (Washington, D.C.: 2000) p 18.

[10] Indeed, "Technical cooperation expenditures totalled US$ 14.3 billion in 1999, according to the Development Assistance Committee (DAC) of the OECD. This is a large amount, almost double the sum in 1969. If personnel and training in investment and other projects are included, the figure would be even larger, $24.6 billion (Baris et al., 2002)." UNDP, 2002: 3-4.

[11] See Annex VI for list of evaluation networks and communities.

To create a more mature evaluation system requires interdependency, alignment, and coordination across multiple governmental levels. This can be a challenge. In many developing countries, governments are loosely interconnected, and are still working towards building strong administrative cultures and transparent financial systems. As a result, some governments may have only vague information about the amount and allocation of available resources. They may also need more information about whether these resources are being used for their intended purposes. Measuring government performance in such an environment is an approximate exercise.

Both developed and developing countries are still working towards linking performance to a public expenditure framework or strategy. If these linkages are not made, there is no way to determine if the budgetary allocations that support programs are ultimately supporting a success or a failure. Furthermore, there would be no means of providing feedback at interim stages. This feedback is needed to determine if fiscal adjustments could be made to alter projects/programs, and thereby increase the likelihood of achieving the desired results.

Some developing countries are beginning to make progress in this area. For example, in the 1990's, Indonesia started to link evaluation to the annual budgetary allocation process. "Evaluation is seen as a tool to correct policy and public expenditure programs through more direct linkages to the National Development Plan and the resource allocation process."[12]

In addition, some developing countries—Brazil, Chile, and Turkey—have made progress with respect to linking expenditures to output and outcome targets. The government of Brazil also issues separate governmental reports on outcome targets.[13]

[12] R. Pablo Guerrero. "Evaluation capacity development: Comparative insights from Colombia, China, and Indonesia," in Richard Boyle and Donald Lemaire, editors, Building effective evaluation capacity: Lessons from practice (New Brunswick, NJ: Transaction Publishers, 1999) p 5.

[13] OECD, PUMA. "Overview of results-focused management and budgeting in OECD member countries." Twenty-third annual meeting of OECD Senior Budget Officials. Washington, D.C. June 3-4, 2002. pp 5-7.

Many developing countries still operate with two budget systems—one for recurrent expenditures and another one for capital/investment expenditures. Until recently, Egypt had its Ministry of Finance overseeing the recurrent budget and its Ministry of Planning overseeing the capital budget. Consolidating these budgets within one ministry has made it easier for the government to consider a broad-based evaluation system to ensure that the country's goals and objectives are met.

Given the particular difficulties of establishing evaluation systems in developing countries, adopting an enclave or partial approach, by which a few ministries or departments first pilot and adopt evaluation systems, may be preferable to a whole of government approach. Attempting to institute a whole-of-government approach toward evaluation – as in Australia, Canada and the United States—may be too ambitious for developing countries.

For example, in the Kyrgyz Republic, a World Bank 2002 readiness assessment recommended that the Ministry of Health – where some evaluation capacity already exists—be supported as a potential model for eventual government-wide implementation of an evaluation system.

Examples of Evaluation in Developing Countries

We look next at three developing countries: Malaysia, Uganda, and China.

Malaysia – Outcome-Based Budgeting, Nation-Building and Global Competitiveness

Among developing countries, Malaysia has been at the forefront of public administration reforms, especially in the area of budget and finance. These reforms were initiated in the 1960's as part of an effort by the government to strategically develop the country. The public sector was seen as the main vehicle of development, and consequently the need to strengthen the civil service through administrative reform was emphasized.

Budgetary reform focused on greater accountability and financial discipline among the various government agencies entrusted to carry out the socio-economic development plans for the country. In addition to greater public sector accountability and improved budgetary system performance, the government undertook a number of additional reforms including improving: financial compliance, quality management, productivity, efficiency in governmental operations, and management of national development efforts.

Most recently, Malaysia's budget reform efforts have been closely linked with the efforts at nation building and global competitiveness associated with the program Vision 2020—a program aimed at making Malaysia a fully developed country by the year 2020.

With respect to budgetary reform, Malaysia adopted the Program Performance Budgeting System (PPBS) in 1969 and continued to utilize it until the 1990's. The PPBS replaced line item budgeting with an outcome-based budgeting system. While agencies used the program-activity structure, in practice implementation still resembled the line-item budgeting and an incremental approach.

In 1990, the government introduced the Modified Budgeting System (MBS) to replace the PPBS. Greater emphasis was placed on outputs and impact of programs and activities in government. Under the prior PPBS system, there were minimal links between outputs and inputs. As such, policies continued to be funded even when no results were being systematically measured.

The MBS approach was further modified in 2001 when the country embarked on another complementary reform by adopting a two-year budgeting system. The effect of this system will be known in several years time.

Although Malaysia has been at the forefront of public administration and budget reforms, these reforms efforts have not been smooth or consistent over the years. Nonetheless, the MBS was a bold initiative on the part of the Malaysian government, demonstrating foresight, innovativeness, dynamism, and commitment to ensure value for money in the projects and policies being implemented.[14]

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[14] World Bank. "Outcomes-based budgeting systems: Experience from developed and developing countries." November 6, 2001. (Washington, D.C.: World Bank, 2001)

Uganda and Poverty Reduction – Impetus toward Evaluation

The government of Uganda has committed itself to effective public service delivery in support of its poverty-reduction priorities. The recognition of service delivery effectiveness as an imperative of national development management is strong evidence of commitment to results, which is also evident in several of the public management priorities and activities that are currently ongoing.

Over the past decade, Uganda has undergone comprehensive economic reform and has achieved macroeconomic stabilization. Uganda developed a Poverty Eradication Action Plan (PEAP) in response to the Comprehensive Development Framework, and it is now incorporated into the Poverty Reduction Strategy Paper. The PEAP calls for a reduction in the absolute poverty rate from 44 percent (as of the late 1990's) to 10 percent by the year 2017.

Uganda was the first country to be declared eligible and to benefit from HIPC. Most recently, Uganda qualified for enhanced HIPC relief in recognition of the effectiveness of its poverty reduction strategy, consultative process involving civil society, and the government's continuing commitment to macroeconomic stability.

Uganda has introduced new measures to make the budget process more open and transparent to internal and external stakeholders. The government is modernizing its fiscal systems, and embarking on a decentralization program of planning, resource management, and service delivery to localities. The Ministry of Finance, Economic Planning, and Development (MFPED) is also introducing output-oriented budgeting. In addition, government institutions will be strengthened and made more accountable to the public.

The country is still experiencing a number of coordination and harmonization difficulties with respect to evaluation and the PEAP. "The most obvious characteristic of the PEAP M&E regime is the separation of poverty monitoring and resource monitoring, albeit both coordinated by the MFPED. The two strands of M&E have separate actors, reports, and use different criteria of assessment. Financial resource monitoring is associated with inputs, activities and, increasingly, outputs, whereas poverty monitoring is based on analyzing overall poverty outcomes." Other evaluation coordination issues revolve around the creation of a new National Planning Authority, and among the sector working groups.

Regarding future evaluation, Uganda faces the challenge of keeping track of and learning from its progress toward poverty reduction via the PEAP/National Poverty Reduction Strategy. Evaluation cannot be isolated from the decision-making practices and incentives that underpin national development systems and processes.[15]

[15] Arild Hauge. "Strengthening capacity for monitoring and evaluation in Uganda: A results based perspective." World Bank Operations Evaluation Dept. ECD Working Paper Series, Number 8. (Washington, D.C.: 2001) pp 6, 16.

Evaluation in China

Evaluation is a relatively new phenomenon in China. Indeed, before the early 1980's, it was almost unknown. This unfamiliarity with evaluation reflected the orientation of the social sciences at that time, the virtual absence of any evaluation literature published in Chinese, and the lack of systematic contacts by Chinese with those practicing evaluation in other parts of the world.

The Chinese did conduct some activities that resembled evaluation, including: policy analysis, economic and management studies, survey research, project completion reviews, and summarizing of experience. Social science institutional and technical/analytical capacity exists at some economic policy and research institutes.

It was not until 1992 that key central agencies, including the State Audit Administration, the Ministry of Finance, and the State Planning Commission began to develop and put forth specific proposals for building performance monitoring and evaluation capacity to the State Council.

With capital and development assistance going into China over the last twenty years, the country has seen an increase in capability in, and understanding of, technological and engineering analysis, financial analysis, economic analysis and modeling, social impact analysis, environmental impact analysis, sustainability analysis, and implementation studies.

The driving force for evaluation in China is the massive and sustained surge in national development and economic growth.

The annual GDP has increased at over 7.8 percent per year for the last nine years. The attention and capability of the country to address evaluation questions comes from this concern with development. Most central agencies, including the China International Engineering Consulting Company (CIECC, a government-owned consulting firm), the Ministry of Construction, and the State Development Bank, have now established evaluation capacities at the highest levels of these organizations.

Although most evaluation is ex post project assessment, there is increasing recognition that evaluation issues are also embedded in all stages of the development project cycle. For this reason, there is growing awareness within China that the evaluation function is applicable to all stages of the project cycle. There is now interest in linking evaluation to project and program formulation and implementation, and some ongoing evaluation has already been undertaken, though comprehensively doing so is still infrequent.

One notable exception is that in 2006, China, for the first time built a systematic M & E component into its Five-Year Plan. In the ten previous five-year plans, China had no formal M & E system, but the 11th five-year plan has embedded a detailed M & E system. This new system is based on the "10 Steps" elaborated on in the book by Kusek and Rist (2004)[16].

[16] Kusek and Rist (2004). *Ten steps to a results-based monitoring and evaluation system.*. Washington, D.C.: The World Bank.

China is building a foundation for evaluation; however, there is no grand edifice in place. In the Chinese governmental structure and administrative hierarchy, several key tasks appear necessary at this time if evaluation is to continue to develop. These include:

- the need to establish a strong central organization for overall evaluation management and coordination
- the need to establish formal evaluation units, policies, and guidelines in all relevant ministries and banks
- recognition that the time is right for provincial-level and local governments to start their own evaluations
- the need to set up in the State Audit Administration an auditing process of the evaluation function so that there can be ongoing oversight and auditing of the evaluations undertaken within line ministries and the evaluation policies and guidelines issued by the central evaluation organizations, the relevant ministries, provinces, and the banks
- the need to develop advanced evaluation methods across units and organizational entities
- the need to strengthen the monitoring and supervision function in investment agencies
- the need to develop a supply of well-trained evaluators for the many national ministries, provinces, and banks moving into the evaluation arena. [17]

[17] Adapted from Hong Houqi and Ray C. Rist, "Evaluation capacity building in the People's Republic of China," in *International atlas of evaluation*, Furubo, Rist and Sandahl, editors. (New Brunswick, NJ: Transaction Publishers, 2002) pp 249-259.

Emerging Trends: What Are the Evaluation Implications?

Michael Q. Patton[18] begins a discussion of recent trends in evaluation by identifying evaluation as a global profession. He describes the growth of professional organizations, associations, and societies for evaluation around the world. He also identifies the increasing number of professional organization in evaluation and the standards and guidelines being established by these organizations. Patton also identifies the development of over 100 new, distinct models for evaluation as an emerging trend.

Another recent trend Patton credits to Rist, is that of going beyond studies to streams[19]. Rist describes how evaluation is now relying on systems, not individual evaluators to produce evaluative knowledge. He describes evaluative streams as being multiple and that most evaluative information is now being produced by non-evaluators. Another characteristic is that monitoring and evaluation are beginning to emerge.

Patton uses an analogy to help illustrate this concept. In the past, evaluators followed a kind of "recipe" in doing evaluations.. To illustrate this Patton describes the simple recipe process as:

- the recipe is essential
- recipes are tested to assure replicability of later efforts
- no particular expertise is needed, knowing how to cook increases success
- recipes produce standard products
- certainty of same results each time.

[18] Michael Q. Patton (2006). *Recent trends in evaluation*. A presentation to International Finance Corporation, May 8, 2006.

[19] Ray C Rist, and Nicoletta Stame editors. (2006). "From studies to streams. Managing evaluative systems." New Brunswick, New Jersey: Transaction Books.

But recipes do not get standard results anymore. Evaluators need to adapt to changes. Patton describes the trend now to going beyond recipes, to a more complex model, one where the evaluator needs to react to complex questions. His analogy for the emerging trend in development evaluation is that of raising a child. Compare following a recipe to raising a child. A recipe is a step-by-step process. Raising a child is a very complex process where you use knowledge to help you make decisions and react to new situations.

Patton also describes the trend in development evaluation to move to more formative like situations. He describes:

- intended and hoped-for outcomes specified with measurement being piloted
- a model for attaining outcomes hypothesized and being tested/refined
- implementation not yet standardized, it is being studied and improved as problems are worked out
- attribution being formulated with the possibility of testing of causality part of the challenge.

The development agenda will change in response to emerging issues. Among current issues are: globalization; the growing incidence of conflict around the world; terrorism and money laundering; the widening gap between the world's rich and poor; an increasing number of players on the development scene, the drive toward debt reduction, the focus on improved governance, etc. These challenges and developments in turn place new demands on the evaluator. What happens in development affects evaluation.

The global drive toward comprehensive, coordinated, participatory development and demonstration of tangible results presents new challenges to the development evaluation community. There have been significant shifts from partial to comprehensive development, from an individual to a coordinated approach (partnerships), from growth promotion to poverty reduction, and from a focus on implementation to a focus on results. With respect to comprehensive development, for example, bilateral and multilateral "donors must now position each project within a larger context and examine its sustainability and potential effects on society, politics and the broad economy."[20]

> Development theorists have also come to believe that the most important factor for economic development is not capital but appropriate policies and institutions. This shift was caused by the tremendous impact that economists such as North…, Stiglitz… and Sen… had on the discipline of economics, including development economics. These developments resulted in the current situation where the central theme of international development assistance is poverty reduction in a broad sense which includes the expansion of human dignity and political and economic freedom for people in developing countries."[21]

The Millennium Development Goals are one concrete manifestation of this new thinking in development. Indeed, the recent World Development Report focused on what governments can do to create better investment climates in their societies, and measured countries' progress through sets of indicators designed to tap elements of business climates. The report recommended institutional and behavior improvements: through well-designed regulation and taxation, reducing barriers to competition, improving business incentives, tackling corruption, fostering public trust and legitimacy, and ensuring proper implementation of regulations and laws.[22]

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[20] *Global ODA since the Monterrey Conference*, Foundation for Advanced Studies on International Development (FASID), International Development Research Institute, Japan, Editors, Akiyama Takamasa and Kondo Masanori, 2003, p. 6.

[21] Ibid, 2003, p. 5.

[22] World Bank. *World Development Report 2005* "A better investment climate for everyone," (Washington, D.C., 2005) p 25.

Many of the new trends and issues in development assistance involve multiple bilateral and multilateral development partners. This calls into play the increasing need for conducting joint international evaluations. Such joint evaluations can be conducted at the project, country, sector, or process level. There may be efficiencies of cost and scale, as well as harmonization of evaluation methods that can be captured in doing joint evaluations.

What follows is a brief survey of the most important items on the international development agenda and their implications for evaluation. The items covered here include:

- Millennium Development Goals (MDG)
- Debt Initiative for Heavily-Indebted Poor Countries (HIPC)
- The Emergence of New Actors in International Development Assistance
- Conflict Prevention and Post-conflict Reconstruction
- Governance
- Anti-Money Laundering and Terrorist Financing
- Workers' Remittances
- Gender: From Women in Development (WID) to Gender and Development (GAD) to Gender Mainstreaming
- Private Sector Development (PSD) and Investment Climate
- Environmental and Social Sustainability
- Global Public Goods.

Millennium Development Goals (MDGs)

In the year 2000, 189 United Nations member countries and numerous international organizations adopted the Millennium Declaration, from which the MDGs were, in part, derived. The MDGs consist of a series of development goals for the international community, involving both the active participation of developed and developing countries alike to achieve by the year 2015. These are ambitious goals aimed at poverty reduction, human development, and the creation of global partnerships to achieve them. Further, they represent a shift away from the earlier emphasis in the development community on economic growth, when it was hoped that achieving economic growth would be able to lift those living in poverty. The MDGs specifically target a series of measures aimed at poverty reduction and better living conditions for the world's poor.

Millennium Development Goals (MDGs)

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

The eight MDGs include a detailed set of 18 targets and 48 indicators by which to measure progress (see Annex II.2). The MDGs are outcome/results-based goals which must be measured, monitored and evaluated accordingly. In this context, the MDGs pose major challenges to evaluation systems on the part of *all* countries.

However, many developing countries lack the capacity to perform evaluation, and will require technical assistance and support from donor countries and organizations.

> The MDGs symbolize a focus on results… The new development paradigm emphasizes results, partnership, coordination, and accountability… [It] combines a results-orientation; domestic ownership of improved policies; partnerships between governments, the private sector, and the civil society; and a long-term, holistic approach that recognizes the interaction between development sectors and themes.[23]

The MDGs are driving developing countries to build evaluation capacity and systems. Donors are being called upon to provide technical assistance and financing for these evaluation systems. As we saw earlier, many developing countries are in the early stages of building evaluation systems, and are slowly working their way towards the construction of results-based systems which will help in determining whether or not the MDGs are being achieved.

Assessing success towards meeting the MDGs will require the development and effective use of evaluation systems. The evaluation system will in turn need to be integrated into the policy arena of the MDGs so that it is clear to all why it is important to collect the data, how the information will be used to inform the efforts of the government and civil society to achieve the MDGs…."[24]

The 2004 *Global Monitoring Report* focuses on how the world is doing in implementing the policies and actions for achieving the MDGs and related development outcomes. It is a framework for accountability in global development policy.

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[23] Robert Picciotto, "Development cooperation and performance evaluation: The Monterrey challenge," World Bank, 2002, p. 3.

[24] Jody Zall Kusek, Ray C. Rist, and Elizabeth M. White *"How will we know Millennium Development results when we see them? Building a results-based monitoring and evaluation system to give us the answer.* World Bank Africa Region Working Paper Series, Number 66, May 2004, pp. 17-18.

The report highlights several priorities for strengthening the monitoring exercise. These include:

- Strengthening the underlying development statistics, including timely implementation of the action plan agreed among international statistical agencies…
- Conducting research on the determinants of the MDGs, on critical issues such as effectiveness of aid, and on development of more robust metrics for key policy areas such as governance and for the impact on developing countries of rich country policies
- Deepening collaboration with partner agencies in this work, building on respective comparative advantage and ensuring that the approach to monitoring and evaluation is coherent across agencies.[25]

Debt Initiative for Heavily-Indebted Poor Countries (HIPC)

In 1996, the World Bank and the IMF proposed the Highly-Indebted Poor Country (HIPC) Initiative, the first comprehensive approach to reduce the external debt of the world's poorest and most heavily-indebted countries. The Initiative is designed to reduce debts to sustainable levels for poor countries that pursue economic and social policy reforms. It is used specifically in cases where traditional debt relief mechanisms will not be enough to help countries exit from the rescheduling process. Therefore, HIPC will reduce debt stock, lower debt service payments, and boost social spending.

HIPC was endorsed by 180 countries, and includes both bilateral and multilateral debt relief. External debt servicing for HIPC countries is expected to be cut by about $50 billion. At the time of this writing (2007), 27 countries are receiving debt relief under the HIPC initiative.

HIPC is linked to the larger comprehensive national poverty reduction strategies. In 1999, the international development community agreed that National Poverty Reduction Strategies (PRSPs) should be the basis for concessional lending and debt relief. These strategies include agreed-upon development goals over a three-year period, with a policy matrix and attendant set of measurable indicators and a monitoring and evaluation system by which to measure progress. As a condition for debt relief, recipient governments must be able to monitor, evaluate, and report on reform efforts and progress toward poverty reduction.

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[25] IMF and World Bank. *Global Monitoring Report 2004*

HIPC is also driving the creation of evaluation capacity and systems in developing countries. Countries attempting to become part of HIPC must commit to a process that involves accountability and transparency through monitoring, evaluation, and achievement of measurable results. For example, Uganda made progress in evaluation and qualified for enhanced HIPC relief. In other cases, however, lack of capacity for evaluation has been a particular problem for participating HIPC countries such as Albania, Madagascar, and Tanzania. These countries will require technical assistance to develop their evaluation capacity.

The HIPC initiative proposes that those countries with very high levels of debt distress be given concessional loans or grants. This would help mitigate the risk of future debt crises by preventing further indebtedness. Providing grants raises new issues and questions for evaluators. How would grant, (as opposed to loans which must be repaid) effectiveness be evaluated? According to what criteria? It is likely that the evaluation criteria for grants would be less strict than for loans. Again, this raises new challenges for development evaluators.

The Emergence of New Actors in International Development Assistance

Foundations have emerged as important players in international development.

> The US Council on Foundations counts 56,000 private and community foundations in the US, distributing $27.5 billion dollars annually. The European Foundation Centre found some 25,000 foundations in nine EU countries spending over $50 billion annually.[26]

Several large foundations tend to dominate the global scene. Examples of these large foundations are:

- The Bill and Melinda Gates Foundation
- The Ford Foundation
- The Buffet Foundation
- Soros Foundation/Open Society.

[26] "Foundations muscle into aid arena," *Oxford Analytica*, August 10, 2004.

The Soros Foundation/Open Society Institute network is an influential foundation player on the international development scene, with programs in more than 50 countries. Programs provide support for: education, media, public health, women, human rights, arts and culture, and social, economic, and legal reforms.[27]

Indeed, a recent OECD study "… attempted a serious estimate of the amount of funds distributed by 15 of the largest philanthropic foundations with some international giving, for 2002. The total was almost $4 billion dollars and the total international giving was about $2 billion dollars. This represents about 4% of all development aid and is about one-half of the contributions attributed by the official Development Assistance Committee to …NGOs as a whole (a group which includes the foundations)."[28]

The large-scale contributions[29] and activities of foundations constitute another challenge to development evaluators. Foundations are now part of the dialogue over global/country/sector-wide projects, programs, and policies. Participatory development and evaluation means that foundations must become part of the entire development process from project/program/policy inception to design and implementation of evaluations.

Conflict Prevention and Post-Conflict Reconstruction

In the post-Cold War period (1990-present) there have been 56 different major armed conflicts in 44 different locations. Conflict currently affects over 1 billion people. Most conflicts have proved difficult to end, with the majority having lasted seven years or more. The global costs of civil wars in particular are great. "By creating territory outside the control of any recognized government, armed conflicts foster drug trafficking, terrorism and the spread of disease."[30]

Poverty is both a cause and a consequence of conflict. Sixteen of the world's 20 poorest countries have experienced a major civil war over the past 15 years. On average, countries coming out of a war face a 44 percent chance of relapsing in the first five years of peace.

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[27] Soros Foundation, http://www.soros.org/

[28] "Foundations muscle into aid arena," *Oxford Analytica*, August 10, 2004.

[29] When taken together, the financial support by foundations on an annual basis now equals/exceeds that of many multilateral development institutions.

[30] Paul Collier, *Breaking the conflict trap,* World Bank, 2003.

Dealing with post-conflict reconstruction involves the coordination of large numbers of bilateral and multilateral donors. For example, 60 donors were active in Bosnia-Herzegovina, 50 donors in the West Bank and Gaza, and 82 donors in Afghanistan. Rebuilding after a conflict has placed renewed strains on aid coordination mechanisms to ensure that needs are met and that duplication and gaps in aid are avoided.

Post-conflict reconstruction is not “business as usual.” It is not only about rebuilding infrastructure. Reconstruction involves support for such activities as: institution-building, technical assistance, democracy and elections; NGOs and civil society; civilian police forces; budgetary start-up and recurrent costs; debt relief; balance of payments; de-mining; refugees and internally displaced people, children and youth; gender; and demobilization and reintegration of ex-combatants.

Because of concerns about corruption and the need to leverage ODA (Overseas Development Assistance), post-conflict reconstruction has often entailed the creation of new donor lending instruments and mechanisms. In the case of the West Bank and Gaza, a multilateral donor trust fund was created to support start-up and recurrent budgetary expenditures for the new Palestinian administration. Such instruments and mechanisms are now commonplace in post-conflict regions in other parts of the world.

Increasingly, bilateral and multilateral donors are looking at the economic causes and consequences of conflict, and are seeking ways to *prevent* conflict. Conflict analysis and sensitivity to conflict are becoming key to donor programs. As such, there is a greater emphasis now on: social, ethnic, and religious communities and relations; governance and political institutions; human rights; security; economic structures and performance; the environment and natural resources; and external factors.[31]

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[31] Conflict Prevention and Reconstruction unit, World Bank http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/ConflictPreventionandReconstruction

Post-conflict reconstruction brings a new level of difficulty and scale to evaluation.[32] These reconstruction programs are multi-sector programs that cost billions of dollars, and are funded by 50-80 bilateral and multilateral donors. Evaluators must examine the impact that such heavily front-loaded development approaches have on post-conflict reconstruction and reconciliation. Evaluators are challenged in new ways to examine a donor coordination process that brings together such a large and diverse group of supporters.

New projects and programs in untraditional areas of development assistance, such as de-mining and demobilization and reintegration of ex-combatants, must also be evaluated. So too, evaluators are now being required to evaluate new types of donor mechanisms and lending instruments, such as multilateral donor trust funds. And evaluators must look at what is and can be done in the development context to actually *prevent* such conflicts from erupting.

Governance

While often implicitly acknowledged behind closed doors, the issue of governance and corruption came publicly to the forefront of the international community's attention in the mid-1990s. Since then, there have been a number of key international conventions signed to deal with the problem of corruption around the world. The UN and the OECD have adopted conventions on corruption including provisions pertaining to: prevention, criminalization, international cooperation, asset recovery, anti-bribery measures, multinational corporations, and implementation.

Multilateral development banks have also instituted anti-corruption programs. Lending is directed toward helping countries build efficient and accountable public sector institutions. Governance and anti-corruption measures are addressed in country assistance strategies.

[32] See OED Precis, "Post-Conflict Reconstruction," which details the evaluation findings of nine post-conflict countries, or full study, "The World Bank's Experience with Post-Conflict Reconstruction, by Alcira Kramer, et al. Report No. 17769, 1998. http://wbln1023.worldbank.org/oed/oeddoclib.nsf/View+to+Link+WebPages/9A6F0021CEFF9E89852567F5005D9176/$File/169precis.pdf?OpenElement

Specifically, governance programs seek to promote:

- anti-corruption
- public expenditure management
- civil service reform
- judicial reform
- administration, decentralization, e-government and public services delivery.

Transparency International (TI), an NGO whose aim was to put "corruption on the global agenda," was created and launched in the early/mid-1990s. TI publishes an annual "Corruption Perception Index" that ranks approximately 140 countries by perceived levels of corruption among public officials, as well as an annual "Bribe Payers Index" that ranks exporting countries according to their incidence of bribery. TI has chapters in 88 countries, and works with local, national, regional and international partners (governmental and non-governmental) to combat corruption.[33] Some estimates attribute more than $1 trillion dollars as lost to corruption annually.

Measuring corruption and the costs of corruption has been a challenge for the international community. But the "increasing availability of survey and polls by many institutions, containing data on different dimensions of governance, has permitted the construction of a *worldwide governance databank*."[34] "Utilizing scores of different sources and variables, as well as a novel aggregation technique, the databank now covers 200 countries worldwide, and contains key aggregate indicators in areas such as rule of law, corruption, regulatory quality, government effectiveness, voice and accountability, and political instability."[35]

Donors and evaluators can use these data as a measure of aid effectiveness. Findings suggest that where corruption is higher, the possibility of aid being wasted is also commensurately higher.

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[33] Transparency International, http://www.transparency.org/

[34] See: http://www.worldbank.org/wbi/governance/data.html

[35] "The Data Revolution: Measuring Governance and Corruption," World Bank, http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20190210~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html

Results-based management is being used to identify and monitor the most vulnerable determinants and institutions in a country's governance structure. The data help to demystify and treat more objectively issues of governance that were previously obscured. The data generated will also aid evaluators in compiling more quantitative research related to the lessons learned. At the same time, evaluating investment climates and business environments will involve difficulty and thorny concepts (see section below on private sector development). This is a new area that is evolving quickly and will require that evaluators address new developments and data in a timely fashion.

Anti-Money Laundering and Terrorist Financing

Money-laundering and terrorist financing are part of the broader anti-corruption landscape.

> Money laundering is the act of converting or transferring proceeds of criminal activity [drug trafficking, smuggling, embezzlement, corruption, organized crime, etc.] with the intent to conceal or disguise the illicit origin of the property.[36]

With an estimated US$1 trillion (or 2-5% of world gross domestic product)[37] being laundered annually, this is a serious and growing international problem – affecting developing and developed countries alike. Globalization and the opening/easing of borders have facilitated transnational criminal activities and attendant illegal financial flows. Further, global anti-money laundering initiatives have taken on new importance with the spread of terrorism.

[36] "Money laundering," http://ifchq14.ifc.org/ifcint/aml.nsf/Content/Money+Laundering.

[37] IMF estimate.

Money laundering can take an especially heavy toll on developing economies/ countries.

> Emerging financial markets and developing countries are ...important targets and easy victims for money launderers, who continually seek out new places and ways to avoid the watchful eye of the law. The consequences of money laundering operations can be particularly devastating to developing economies. Left unchecked, money launderers can manipulate the host's financial systems to operate and expand their illicit activities...and can quickly undermine the stability and development of established institutions.[38]

The United Nations General Assembly adopted the "Convention Against Transnational Organized Crime" in November 2000.[39]

> One hundred forty-seven countries have committed to criminalize the act of money laundering and create national regulations requiring financial institutions to identify customers, keep records and report suspicious transactions to deter and detect all forms of money laundering.[40]

The OECD's Financial Action Task Force on Money Laundering (FATF) was created in 1989 by the G-7, and is now comprised of 31 member countries and territories and two regional organizations. It is an intergovernmental, policy-making body aimed at developing and promoting national and international policies to combat money laundering and terrorist financing.

> The FATF monitors members' progress in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. [41]

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[38] "Anti-Money Laundering," Second Edition, International Federal of Accountants, March 2004, p. 5.

[39] See "UN Convention Against Transnational Organized Crime and its Protocols," http://www.unodc.org/unodc/en/crime_cicp_convention.html

[40] "Money laundering," IFC, http://ifchq14.ifc.org/ifcint/aml.nsf/Content/Money+Laundering.

[41] Financial Action task Force on Money Laundering, http://www1.oecd.org/fatf/AboutFATF_en.htm

The FATF issued a set of forty recommendations, which serve as the international framework for anti-money laundering efforts. These recommendations have been updated over the years to account for new developments in anti-money laundering. After the September 11, 2001 attacks, the FATF issued an additional eight special recommendations aimed at combating terrorist financing.

Monitoring and evaluation of implementation is a part of the FATF mandate, and is carried out multilaterally, by peer review, and by mutual evaluation. For example, the monitoring and evaluation process entails the following:

> Each member country is examined in turn by the FATF on the basis of an on-site visit conducted by a team of three or four selected experts in the legal, financial and law enforcement fields from other member governments. The purpose of the visit is to draw up a report assessing the extent to which the evaluated country has moved forward in implementing an effective system to counter money laundering and to highlight areas in which further progress may still be required. [42]

The FATF also has a series of measures to be taken in the event of non-compliance.

Workers' Remittances

A recent study tracking the rising trend of global remittance over the past decade found that annual global remittances sent by migrant workers to their countries of origin have now outpaced the volume of annual overseas development assistance (ODA). Indeed, workers' remittances have been rising dramatically, from $60 billion a year in 1998 to $80 billion a year in 2002 and an estimated $100 billion a year in 2003/4 – as compared with approximately $50-60 billion/year in ODA and $143 billion dollars in private capital flows in 2002. Remittances tend to be more stable than private capital flows.[43]

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[42] Financial Action task Force on Money Laundering, http://www1.oecd.org/fatf/AboutFATF_en.htm

[43] Data from this section are derived from the *Global Development Finance 2003,* The World Bank, and "Remittances fund investment growth," *Oxford Analytica*, 7 September 2004.

Remittances through the banking system are also likely to rise, as restrictions on informal transfers increase because of:

- more careful monitoring regulations to stem financing to terrorist organizations (see below) through informal mechanisms
- a decrease in banking fees as a result of increased competition in the sector to capture the global remittance market.

Global remittances have been found to have a strong impact of poverty reduction. "On average, a 10 percent increase in the share of international migrants in a country's population will lead to a 1.9 percent decline in the share of people living in poverty ($1.00/person/day)." [44] Global remittances help to fund local consumption in housing, agriculture, industry, and in the creation of new SMEs in the recipient country.

Donor countries and organizations are cognizant of these trends and are now seeking to find ways of capitalizing on these flows for investment purposes. A recent G-8 Summit Plan called on members and developing country governments to:

> Facilitat[e] remittance flows from communities overseas to help families and small entrepreneurs [businesses], including by: encouraging the reduction of the cost of remittance transfers, and the creation of local development funds for productive investments; improving access by remittance recipients to financial services; and enhancing coordination.[45]

G-8 countries also called on multilateral donor organizations and developing countries to do further work to improve data on remittances flows, in an attempt to capture informal, private flows. In addition, the G-8 called for the promotion of "…better coherence and coordination of international organizations that are working to enhance remittance services and heighten the developmental impact of remittance receipts in developing countries."[46]

[44] "International Migration, Remittances and Poverty in Developing Countries," Richard H. Adams, Jr. and John Page, *World Bank Policy Research Working Paper 3179, December*, 2003, p. 1.

[45] *G-8 Plan of Support for Reform,* Sea Island Summit, June 2004, p. 7.

[46] *G-8 Action Plan: Applying the Power of Entrepreneurship to the Eradication of Poverty*, Sea Island Summit, June 2004, p. 1.

Tracking global remittances and funneling them to new types of investments and funds will again pose new questions and issues for evaluators. As development practitioners have not yet devised ways in which remittances can be captured and leveraged for poverty reduction, evaluators will watch this area with great interest. Evaluation data, design, methodology, and implementation issues for studying the impact of remittances on developing countries have yet to be fully thought through and tested.

Gender: From Women in Development (WID) to Gender and Development (GAD) to Gender Mainstreaming

Gender refers to the socially constructed roles ascribed to females and males. Gender analysis examines the access and control men and women have over resources. It also refers to a systematic way of determining men and women's, often differing, development needs and preferences and the different impacts of development on women and men. Gender analysis takes into account how factors of class, race, ethnicity or other factors interact with gender to produce discriminatory results. Gender analysis has traditionally been directed towards women because of the gender gap: that is, because of the gap between men and women in terms of how they benefit from education, employment, services, and so on.

Women comprise half of the world's population, and play a key role in economic development. Yet their full potential to participate in socio-economic development has yet to be realized. Indeed, women and children still comprise the majority of the world's poor.

> Women produce half the food in some parts of the developing world, bear most of the responsibility for household food security, and make up a quarter of the workforce in industry and a third in services… Yet, because of more limited access to education and other opportunities, women's productivity relative to that of men remains low. Improving women's productivity can contribute to growth, efficiency and poverty reduction-key development goals everywhere.[47]

[47] "Enhancing Women's Participation in Economic Development," The World Bank, http://www.worldbank.org/gender/overview/enhance.htm

Women's access to education, health, financial/credit services, and land is still limited in many developing countries. Gender is also an important part of the Millennium Development Goals (MDGs), e.g. to promote gender equality and empower women, improve maternal health, and so on.

Recent trends regarding the role of women in development have evolved away from the traditional "Women in Development" (WID) approach to Gender and Development (GAD), and now to a more comprehensive "Gender Mainstreaming" approach. The early WID strategy regarding gender focused on women as a special target or interest group of beneficiaries in projects, programs, and policies.

> WID recognizes the women are active, if often unacknowledged, participants in the development process, providing a critical contribution to economic growth…as an untapped resource, women must be brought into the development process.[48]

The Gender and Development (GAD) approach focuses on social, economic, political, and cultural forces that determine how men and women participate in, benefit from, and control project resources and activities. It highlights women and men's often different needs and preferences. This approach shifts the focus of women as a group to the socially determined relations between men and women.

Progress in gender equality and the empowerment of women is embodied in the MDGs, including specific goals, targets, and indicators for measuring and evaluating progress. OECD's Development Assistance Committee (DAC) has also produced a number of key and auxiliary guiding questions to assist managers in the evaluation of development activities.

Questions include:

- Has the project succeeded in promoting equal opportunities and benefits for men and women?
- Have women and men been disadvantaged or advantaged by the project?
- Has the project been effective in integrating gender into the development activity? [49]

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[48] Caroline O.N. Moser (1995). "Evaluating Gender Impacts," in *Evaluating Country Development Policies and Programs: New Approaches for a New Agenda,* Number 67, Fall 1995. Robert Picciotto, Ray C. Rist, editors. Jossey-Bass Publishers. p. 107.

[49] OECD DAC, Gender Tipsheet, Evaluation, http://www.oecd.org/dataoecd/2/13/1896352.pdf

Gender budgeting is another way of implementing and assessing how much of the national budget may benefit men and women.

According to another approach, a different way to measure and evaluate assistance is by examining the extent to which development assistance benefits sectors

> …that involve women, help women, empower women, and generate results for women. Literacy, health, population and micro-credit are key areas to measure.[50]

Given the current emphasis on comprehensive approaches and partnerships, it is important to note that evaluation of gender mainstreaming policies must also be conducted, integrated and coordinated *within* and *between* development partner countries, organizations and agencies.

Private Sector Development (PSD) and Investment Climate

There are a whole host of issues contained within Private sector development (PSD) and investment climate, including: the role of the private sector and foreign direct investment in poverty reduction; privatization; private participation in infrastructure services; public-private partnerships; creation of micro-, small- and medium-sized enterprises (SME); support for micro and SME finance; and stimulating entrepreneurship.

Private sector or foreign direct investment has become increasingly important in reducing poverty in the developing world. In 1990, private sector investment in developing countries was about $30 billion a year, while development assistance amounted to about $60 billion – or twice that of the private sector. By 1997, private sector investment in developing countries had reached $300 billion, while development assistance had fallen to $50 billion. In other words, PSD has grown from half of the size of development assistance to six times the size in the space of less than ten years. While still sizeable, private sector investment has declined somewhat. In 2003, official development assistance totalled about $50-55 billion; private sector investment in developing countries was $160 billion. Table 2.1 and Figure 2.1 show these data.

[50] Bimal Jalan (2000). "Reflections on Gender Policy," in *Evaluating Gender Impact of Bank Assistance*, World Bank Operations Evaluation Department, p. 75.

Table 2.1: Comparison of Private Sector Investment and Overseas Development Assistance

	1990	1997	2003
Private Sector investment in developing countries	$30 billion	$300 billion	$160 billion
Overseas development assistance to developing countries	$60 billion	$50 billion	$50-55 billion

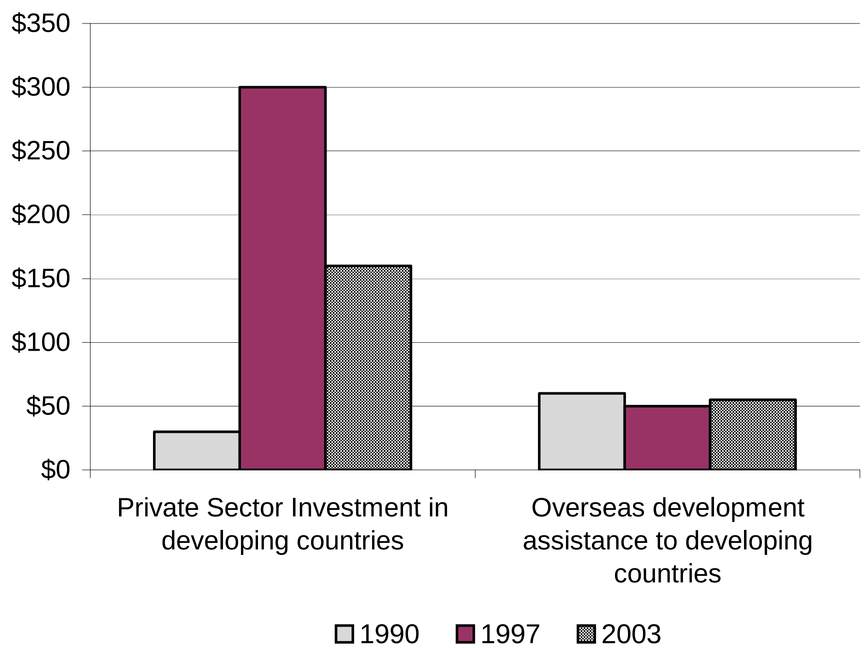

Fig. 2.1: Comparison of Private Sector Investment and Overseas Development Assistance

Privatization of state-owned enterprises was a particularly strong theme in the 1990s, as many countries sought to move from socialist to market-oriented economies. It is still a major force in many countries, where the state continues to own and operate many economic assets.

> More than 100 countries, on every continent, have privatized some or most of their state-owned companies, in every conceivable sector of infrastructure, manufacturing and services… an estimated 75,000 medium and large-sized firms have been divested around the world, along with hundreds of thousands of small business units… Total generated proceeds are estimated at more than US$735 billion.[51]

Privatization is controversial in many respects; there are downsides and tradeoffs. The debate over if and when, and how best to go about privatization continues. It is not a panacea for economic ills, but has proved to be a useful tool in promoting net welfare gains and improved services for the economy and society.

There is a potentially large role for *private participation in infrastructure*, especially in developing countries. Traditionally, the public sector delivered infrastructure and related services for electricity, energy, telecommunications, transport, and water and sewerage in most developing countries. Government monopolies provided such services from the 1950's until the 1990's. Progress was slow, and in the 1990's, many governments began to look to the private sector to play a larger role in financing, building, owing and/or operating infrastructure.

Public-private partnerships aimed at facilitating the provision of infrastructure services are becoming increasingly important in many developing countries.

> Similarly, infrastructure investments which cross sovereign borders, such as cross-country pipelines, dams, telecom and transport networks are becoming increasingly common; nearly all [of them]… involved large scale private financing to complement public funding.[52]

Such partnerships can take a variety of forms, including: contracting out services; joint ventures; build-operate-transfer (BOT) schemes; and build-own-operate (BOO) arrangements.

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[51] John Nelllis"Time to Rethink Privatization in Transition Economies?" IFC Discussion Paper Number 38.

[52] "About Private Participation in Infrastructure," http://www.worldbank.org/infrastructure/ppi/

Public-private partnerships use and leverage the best of both sectors.

> The private sector can contribute its innovativeness, its management skills, its efficiency, its finance and investment potential; whilst government can continue to meet its responsibilities to its citizens, to ensure the provision of public services, to regulate areas of the economy and to shoulder risks which private sector entities cannot bear.[53]

Donor support for the creation and sustenance of the small and medium-sized enterprises sector has grown along with the recognition of the significant contribution that SMEs can make vis-à-vis innovation, economic growth, job creation, and ultimately poverty alleviation. SMEs comprise the majority of companies in the private sector of most developing countries. At the same time, many SMEs face ongoing obstacles in obtaining access to financing and global markets. Governments can do more to reform legal and regulatory environments to enable the SME sector to flourish. A recent OECD meeting adopted a declaration on “Fostering Growth of Innovative and Internationally Competitive SMEs.”[54] Evaluations in this area have focused on various forms of technical assistance and advisory services to the SME sector.

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[53] *Public-Private Partnerships: A New Concept for Infrastructure Development.* United Nations,1998, p.1.

[54] “The Istanbul Ministerial Declaration on Fostering Growth of Innovative and Internationally Competitive SMEs,” OECD, June 2004. http://www.oecd.org

Micro-enterprise development and micro-credit are a related area of high interest in the development community. Micro-enterprise development targets traditionally very small, self-employed *entrepreneurs*, and/or family-owned businesses (including those started/owned by women) that do not have access to formal credit institutions. Over 500 million poor people are engaged in profitable micro-enterprise activities with the support of micro-credit provided by the development agencies and NGOs.

Demand for micro-enterprise development and credit is very high. Over one billion poor people still lack access to these and other financial services necessary to create micro-enterprises. The **Consultative Group to Assist the Poor (CGAP)**, a consortium of 28 public and private development agencies, was created to address the financial services needs of the poor and serve as a global resource center for micro-enterprise development.[55] CGAP also conducts assessments and evaluations, and has published many evaluation studies of micro-enterprise development.[56]

Micro-enterprise development and credit have done much to improve socio-economic conditions in poor countries.

> Microfinance is a proven, effective tool in the fight against poverty. The poor have displayed a capability to repay loans, pay the real cost of loans, and generate savings that are reinvested in their business. Income earned through micro-enterprises enables families to increase their spending on education, health care, and improved nutrition.[57]

In 2006, Muhammad Yunus of Bangladesh and the Grameen Bank were jointly awarded the 2006 Nobel Peace Prize. Mr Yunus founded the Grameen Bank, which is one of the pioneers of micro-credit lending schemes. Mr Yunus set up the bank in 1976 with just $27 from his own pocket. Thirty years on, the bank has 6.6 million borrowers, of which 97% are women[58].

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[55] CGAP, http://www.cgap.org/

[56] See CGAP assessment and evaluation, http://www.cgap.org/publications/assessment_evaluation.html

[57] "IFC and Microfinance."

[58] Grameen Bank, more information found at their website at: http://www.grameen-info.org/

Responding to PSD Initiatives

Within private sector development, we have examined private sector and foreign direct investment, privatization, public-private partnerships, SMEs, micro-enterprises, and credit. How has the development evaluation community responded to these initiatives? How does one go about evaluating these kinds of activities? On a general level, one may look at four possible indicators:

- business performance
- economic sustainability
- environmental effects
- private sector development.

A recent *World Development Report (2005)* highlighted investment climate surveys and business environment and firm performance surveys, which can determine how governments can create better investment climates for firms of all types– from farmers and micro-entrepreneurs to local manufacturing companies and multinationals. The surveys covered 26,000 firms in 53 developing countries, and 3000 micro- and informal enterprises in 11 countries.

These surveys allow for the comparison of existing conditions and the benchmarking of conditions to monitor changes over time. The survey instrument is composed of a core set of questions and several modules that can be used to explore in greater depth specific aspects of the investment climate and its links to firm-level productivity.

Questions can be categorized into three distinct groups:

- those generating information for the profiling of businesses
- those used for the profiling of the investment climate in which businesses operate
- those generating indicators of firm performance.

Indicators used were:

- policy uncertainty (major constraint, unpredictable interpretation of regulations)
- corruption (major constraint, report bribes are paid)
- courts (major constraint, lack confidence courts uphold property rights)
- crime (major constraint, report losses from crime, average loss from crime as percentage of sales).

Other sources of investment climate indicators included: a business risk service; country credit ratings (Euromoney Institutional Investor); country risk indicators (World Markets Research Center); Country Risk Service (Economist Intelligence Unit); Global Competitiveness Report (World Economic Forum), and so forth.

Multilateral development banks, international financial institutions, donors, and the private sector are all involved in such surveys, providing valuable information and advice.[59]

There are also ongoing and periodic assessments and evaluations of investment climates in countries around the world. One notable example is the "Doing Business Database," which provides objective measures of business regulations and their enforcement. Indicators are comparable across 145 economies. They indicate the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity and growth.[60]

Environmental and Social Sustainability

Corporate social responsibility (CSR) involves actively taking into account the economic, environmental, and social impacts and consequences of business activities. Private sector companies, organizations, and governments are looking at new ways of ensuring that business activities and services do not harm the economy, society, and environment in the countries and sectors in which they operate. For example, the British government has adopted various policies and legislation to encourage corporate social responsibility in general, and environmental and social sustainability in particular.

> The Government sees CSR as the business contribution to our sustainable development goals. Essentially it is about how business takes account of its economic, social and environmental impacts in the way it operates—maximizing the benefits and minimizing the downsides…The Government's approach is to encourage and incentivise the adoption and reporting of CSR through best practice guidance, and, where appropriate, intelligent regulation and fiscal incentives.[61]

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[59] World Development Report 2005: *A Better investment climate for everyone*. Co-publication of World Bank and Oxford University Press.

[60] See World Bank, Doing business: Economy profile reports, http://rru.worldbank.org/DoingBusiness/

[61] "Corporate social responsibility: Policy and legislation-UK," http://www.societyandbusiness.gov.uk/ukpolicy.shtml

A recent example of an international environmental and social sustainability effort is the 2003 signing of the Equator Principles. The Equator Principles are an industry approach for financial institutions to determine, assess, and manage environmental and social risk in project financing.

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, and some 20 (and growing) leading commercial banks (in Europe, North America, Japan and Australia) have voluntary adopted common environmental and social standards in their financing of projects around the world.

The institutions are seeking to ensure that the projects they finance are developed in a socially responsible manner and reflect sound environmental management practices.

The Equator Principles are intended to serve as a common baseline and framework for the implementation of individual, internal environmental, and social procedures and standards for project financing activities across all industry sectors globally.

In adopting these principles, the institutions undertake to review carefully all proposals for which their customers request project financing. They pledge to not provide loans directly to projects where the borrower will not, or is unable, to comply with their environmental and social policies and processes.

Standards cover environmental, health and safety, indigenous peoples, natural habitats, and resettlement.[62]

Global Public Goods

Another emerging issue is the notion of global public goods. Global public goods are those where the consumption of the good by one person does not reduce the amount for another person. Everyone depends on public goods – neither markets nor the wealthiest person can do without them. Examples of global public goods include:

- clean environment
- health
- knowledge
- property rights
- peace and security.

[62] The equator principles: A milestone or just good PR? http://www.equator-principles.com/principles.shtml

According to Picciotto, at the global level, evaluation is:

> …largely absent. Collaborative programs designed to deliver global public goods are not subjected to independent appraisal and, as a result, often lack clear objectives and verifiable performance indicators. In addition, the impact of developed country policies on poor countries is not assessed systematically even though aid, debt, foreign investment, pollution, migration patterns, and intellectual property regimes are shaped by the decisions of developed country governments.[63]

Controlling the spread of and ultimately eliminating HIV/AIDS is another example of a global public good that is at the top of many international agendas. In this context, the impact of globalization on the poor has yet to be assessed. In short, development evaluation needs to become "…more indigenous, more global and more transnational."[64]

Within a few years, there will be very likely be new issues which push the bounds of current thinking about international development and development evaluation. This highlights the notion that we would like to emphasize, that development and evaluation are a continuous learning exercise.

Development Evaluation: Where Are We Today?

"The new development paradigm emphasizes results, partnership, coordination and accountability."[65]

The analytical, conceptual, and political framework of development has changed dramatically. The new development agenda calls for broader understandings of sectors, countries, development strategies, and policies. It emphasizes learning and continuous feedback at all phases of the development cycle.

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[63] Robert Picciotto, "Development Evaluation as a Discipline" p. 7.

[64] Chelimsky and Shadish, editors (1997). *Evaluation for the 21st century: A handbook*. Thousand Oaks, CA: Sage.

[65] Robert Picciotto, Development Evaluation as a Discipline," p. 6.

Indeed, development evaluation can be considered a kind of public good.

> … evaluation extends beyond the boundaries of any single organization. A good evaluation study can have positive spillover effects throughout the development community. Development evaluation has the characteristics of an international public good.[66]

As the development agenda has grown in scope and complexity, development evaluation has followed suit. Development evaluators have moved from traditional implementation-focused evaluation models to results-based evaluation models. The primary evaluation unit of analysis has shifted from the project to the country, sector, theme, policy, and global levels. The process of development has changed from an emphasis on individual projects, or a partial approach, to a more comprehensive approach.

Development partnerships are another important factor that evaluators must take into consideration. Given the growing number of partnerships involved in development assistance, the performance of individual partners now needs to be evaluated according to their respective contributions and obligations. With the advent of a more demanding, fragmented, and participatory approach to development, evaluation has also become more difficult to design. It encompasses more intricate methodological demands and sets very different standards for establishing impacts.

Indeed, evaluation tools and methods need to be adapted to a more difficult, complex environment. For example, quantitative methods are becoming more sophisticated, and qualitative methods are becoming more prevalent in development evaluation. The increasing use of joint evaluations means that organizations and institutions will need to come together to form coherent evaluations. Joint evaluations, while beneficial in many respects, is also adding to the complexity of development evaluation.[67]

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[66] Robert Picciotto and Ray C. Rist, "Introduction: Evaluation and development," in *Evaluating country development policies and programs: New approaches and a new agenda.* Jossey-Bass Publishers, Number 67, Fall 1995, p. 23.

[67] See OECD DAC, joint evaluations, http://www.oecd.org/document/51/0,2340,en_2649_34435_2501555_119808_1_1_1,00.html

Demand for new evaluation approaches and a different mix of skills goes beyond economics and draws again from the social sciences. For example, the special problems of the environment call for new and innovative evaluation approaches. The scope of environmental problems, multinational consequences, difficulties in obtaining comparable measurements, and persistent evidence of unanticipated consequences all necessitate a complex and multi-method approach to evaluation.

> It may well be that no single discipline can be expected to dominate in an endeavor that deals with the multiple challenges, hopes, and exertions of the majority of humankind. In the absence of a single intellectual rallying point, trespassing across disciplinary boundaries is common and evaluators are increasingly eclectic and venturesome in their use of social science instruments.[68]

Study of cultural context, institutional change, and of means of empowerment are but three examples of the kinds of topics that need to be considered by development evaluators. More attention is needed to issues of implementation, to documenting different strategies of local participation and empowerment, to ensuring that the voice of the people is heard in assessing a development initiative, and to studying the cultural context of development initiatives.

The creation of independent evaluation units trained in development evaluation practices and methods is a considerable challenge facing many developing countries. This IPDET course is aimed at addressing this challenge by seeking to build and enhance capacity in development evaluation around the world.

Evaluators are increasingly thinking about and exploring new evaluation architecture, exploring ways that can bring together donor countries and institutions, recipient countries and entities, the UN system, civil society, the private sector, NGOs, etc. to focus on results in meeting the challenges of reducing poverty on a global scale. The creation of national and regional evaluation associations and inter-linkages between them can help move the development community in this direction.

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[68] Picciotto and Rist (1995). *Evaluating country development policies and programs: New approaches and a new agenda*. p. 169.

Summary

In this module you have learned about current and emerging issues and trends in development evaluation. From the following checklist, check off those items that you can complete, and review those that you cannot.

- ❑ describe approaches to building evaluation systems in developing and developed countries
  - – the whole-of-government approach
  - – enclave approach
  - – mixed approaches
- ❑ describe development evaluation in developing countries
- ❑ describe emerging issues and trends in development evaluation
  - – Millennium Development Goals (MDG)
  - – Debt Initiative for Heavily-Indebted Poor Countries (HIPC)
  - – The Emergence of New Actors in International Development Assistance
  - – Conflict Prevention and Post-conflict Reconstruction
  - – Governance
  - – Anti-Money Laundering and Terrorist Financing
  - – Workers' Remittances
  - – Gender: From Women in Development (WID) to Gender and Development (GAD) to Gender Mainstreaming
  - – Private Sector Development (PSD) and Investment Climate
  - – Environmental and Social Sustainability
  - – Global Public Goods

Quiz Yourself

Answer the following multiple-choice questions to help test your knowledge of current and emerging trends in development evaluation.

You will find the answers to the questions on the last page of this module.

1. Which of the following is a description of the **whole-of-government approach?**
   a. a total approach
   b. a more limited or cooperative-focused approach
   c. a broad-based, comprehensive establishment of M&E across the government
   d. a blended approach
2. Which of the following is a description of the **mixed approach**?
   a. a total approach
   b. a more limited or cooperative-focused approach
   c. a broad-based, comprehensive establishment of M&E across the government
   d. a blended approach
3. Which of the following initiatives is described as "**a series of development goals for the international community, involving both the active participation of developed and developing countries alike, to achieve by the year 2015**"?
   a. Environmental and Social Sustainability
   b. Debt Initiative for Heavily Indebted Poor Countries
   c. Private Sector Development and Investment Climate
   d. Millennium Development Goal
4. Which of the following initiatives is "**designed to reduce debts to sustainable levels for poor countries that pursue economic and social policy reforms**"?
   a. Environmental and Social Sustainability
   b. Debt Initiative for Heavily Indebted Poor Countries
   c. Private Sector Development and Investment Climate
   d. Millennium Development Goal

Reflection

Think back about previous evaluations with which you have been involved.

- How have approaches to evaluation for development changed?
- What effects have you seen from current trends in development?
- How do the current trends in development affect your evaluations?

Further Reading and Resources

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Conflict Prevention and Reconstruction Unit, World Bank
http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/ConflictPreventionandReconstruction

The Equator Principles:
http://www.equator-principles.com/ga1.shtml

Financial Action task Force on Money Laundering,
http://www1.oecd.org/fatf/AboutFATF_en.htm

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http://www.worldbank.org/gender/overview/enhance.htm

Transparency International: http://www.transparency.org/

UK Policy: Corporate Social Responsibility: Policy and Legislation-UK:
http://www.societyandbusiness.gov.uk/ukpolicy.shtml

UN Convention Against Transnational Organized Crime and its Protocols:
http://www.unodc.org/unodc/en/crime_cicp_convention.html

Answers to Quiz Yourself

1. c
2. d
3. d
4. b

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