

9. Challenges in Building National Evaluation Capacity When Receiving Aid

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INTRODUCTION

The Sustainable Development Goals (SDGs)²²⁰ move focus from the donor-recipient perspective to global challenges. While the Millennium Development Goals focused on developing countries, all countries will report on progress towards the SDGs. In line with this, the 2030 Agenda for Sustainable Development calls for systematic follow-up and review of the implementation of the SDGs. To ensure that all countries are able to document their own progress and identify areas for improvement, national evaluation capacity is key.

In this paper, national evaluation capacity is defined as a country's ability to monitor and evaluate progress towards its own development objectives. Ability in this context refers to having the financial, human and cultural capital and institutions necessary to ensure that progress towards national development objectives can be measured and evaluated. Hence the extent to which a country has sufficient evaluation capacity will depend not only on access to qualified staff and money, but also on culture and national institutions.

In this paper, we will discuss potential challenges that may arise for the development of national evaluation capacity when a country has limited funds and to some extent relies on development assistance. In particular, we argue that due to increased aid dispersion, donor-partner relations could undermine national evaluation capacity if donors' reporting requirements cater mainly to donor needs for information, rather than to partner needs in

220 According to the SDG declaration (resolution 70/1) adopted by the United Nations General Assembly in 2015, the SDG agenda should be implemented globally by mobilizing all available resources, including foreign aid (p.11). To promote accountability towards citizens, information on progress should be published on common indicators, but also on "national targets guided by the global level of ambition (...) taking into account national circumstances". The declaration also emphasizes the need to build evaluation capacity in developing countries, "to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts."

order to improve the programme/achieve own development objectives. On the flip side, increased focus on monitoring and evaluation capacity may also have a positive effect on national evaluation capacity as this may increase attention and funds given to monitoring and evaluation activities.

OFFICIAL DEVELOPMENT ASSISTANCE AND NATIONAL EVALUATION CAPACITY

Over the last decades, development aid constitutes an increasingly lower share of inflows compared to other financial flows to developing countries (i.e., foreign direct investments and remittances). The aid (i.e., official development assistance) share of total funds to the least developed countries has decreased from 47 percent to 36 percent in the period from 2000 to 2015.²²¹ Savedoff²²² demonstrates that the share of foreign aid compared to recipient gross national income (for low-income countries), while fluctuating, is at the same level in 2012 as it was in 2000, albeit considerably lower than at the all-time high in 1995.

While foreign aid continues to be important for many low-income countries, aid appears to have become more fragmented, meaning that an increasing number of donors are working within the same sector in one partner country. The average number of donors per recipient country has in fact increased from three to 30 during the 50-year period between 1960-2010.²²³ Aid is also said to become increasingly more proliferated, meaning that each donor is involved in an increasing number of countries. The Paris Declaration on Aid Effectiveness focused on the negative effects of aid dispersion, i.e., the combination of fragmentation and proliferation, when too many donors are funding too many activities in too many countries.

Aid dispersion is unfortunate for many reasons. One is that it could lead to an increase in transaction costs, i.e., costs related to the acquisition of foreign aid. This includes what Hagen²²⁴ calls policing and enforcement or in other words, reporting requirements which sole purpose is to ensure information to tax payers in donor countries.²²⁵ This excludes monitoring and evaluation mainly undertaken for learning purposes, or to ensure accountability to beneficiaries. An example of such reporting requirements would be the collection of data that demonstrates that disbursements have achieved donor objectives but provides information of little relevance for the partner. It may be important for Norway to establish how many lives it has saved due to an intervention, however officials in the partner country may for example care more about the improvement in development overall.

221 For country examples see: <http://www.oecd.org/dac/stats/beyond-oda.htm>.

222 Savedoff, W., Blog post: 'Is Foreign Aid (a) Shrinking (b) Stagnating or (c) Growing?', 2015.

223 Bastøe, P. Ø. and S. Hansen, *New challenges and new roles: development financing in the 21st century*, Oslo Z-forlag, 2015, p. 14.

224 Hagen, R. J., 'Concentration difficulties? An analysis of Swedish aid proliferation', Stockholm Expertgruppen for Biståndsanalys, 2015, p. 14.

225 OECD, 'Trends in In-country Aid Fragmentation and Donor Proliferation: An Analysis of Changes in Aid Allocation Patterns between 2005 and 2009', i U. Bürcky (ed.), Report on behalf of the OECD Task Team on Division of Labour and Complementarity, 2011, and Hagen, 2015.

Increased aid dispersion constitutes a challenge for the development of national evaluation capacity to measure progress on the SDGs. Donors face the dilemma of whether to prioritize their own need to provide information to tax payers or partners' needs for information. Below we argue that if donors prioritize their own need for information, this could constitute a challenge for the development of national evaluation capacity and nationally relevant results information. The main reason for this is that donor and partner needs for monitoring and evaluation information and capacity do not match perfectly.

THE EFFECT OF THE DONOR-PARTNER RELATIONSHIP ON NATIONAL EVALUATION CAPACITY

Aid is different from commercial financial flows or remittances, in that those financing the aid, i.e., ultimately taxpayers, are not affected by the development outcomes of aid. In addition, beneficiaries have little say over donor funds. For this reason, monitoring and evaluation is argued to be more important in development than in other sectors given that monitoring and evaluation can mend the broken feedback loop both to tax payers and beneficiaries. Such information can empower beneficiaries and ensure that both the funding agency and implementing partners are held accountable and that national governments receive relevant information available to ensure progress on for instance the SDGs. However, donor and partner needs for information do not necessarily match as the donor's focus may be on what their funds have achieved, while the partner may be more interested in overall results of programmes, not depending on who funded which part of it.

Donors,²²⁶ whether bilateral or multilateral, provide partners with funds, normally in exchange for reporting on results. We argue that the nature of this relationship can affect national evaluation capacity in the partner country in at least three ways: firstly, through the nature of reporting requirements, secondly through capacity-building²²⁷ and thirdly through the type of funding contract.

REPORTING

Reporting requirements are information on results that the partner is obliged to deliver to the donor and can include both monitoring and evaluation (M&E). Reporting requirements are sometimes demanded as part of the donors' financial regulations and sometimes directly related to the nature of what is funded. For example, an M&E system may be set up to continuously improve or change the project, or funding could depend on reporting. Reporting may be highly technical and may be directly aimed to respond to the donors' own requirements, or it could be more flexible and based on the recipient country's system.

226 By donor we mean a multilateral, international non-governmental organization (NGO), a donor agency or an NGO. A recipient could be a multilateral, international NGO, NGO or a national government.

227 Capacity-building in this context means the transfer of skills/knowledge of monitoring and evaluation. Capacity-building can go both ways. Payment of education or courses will in this context be funding of evaluation capacity (rather than capacity-building).

Donors may implement similar reporting requirements on different projects in order to allow for an aggregation of results of their own aid to their own taxpayers. This way, focus may be on what the donor has contributed to in a specific programme or project, and not necessarily to document progress towards general development (and the SDGs overall) in the country. This may not constitute a problem if all commit to the SDGs, as these are common goals. However, it may mean that information is not sensitive to national needs and the local context.

For the Norwegian aid administration, the combination of an increased focus on results²²⁸ and a high number of agreements and partner countries²²⁹ may make it challenging to be sensitive towards partner needs, yet the increased focus on results may increase demands for results frameworks and monitoring data. In addition, evaluation may focus on how the donor could learn (about progress on projects and whom and what they should fund) and not necessarily on the needs of national governments. Given that aid proliferation appears to be a global trend²³⁰ this may increase reporting costs for partners. The latter is what Hagen calls transaction costs in the aid industry; i.e., costs related to receiving aid, without being directly related to the effectiveness of the programme.

Conversely, a reporting system that prioritizes partner needs would rely on existing indicators important to the recipient to measure development progress overall in the country. While this sounds good in theory, this is not uncomplicated. Donor projects and programmes are likely to be smaller than national programmes and projects, and when programmes are slightly different, they may require different types of results information than what is available from the national system. If the donor relies too heavily on partner systems, this may mean that the donor ends up with results information that cannot be used to detect the effects of the donor-funded programmes. Lacking, or inadequate, results information could make the donor vulnerable to domestic criticism (and ultimately in a reduction of funds for development aid). In 2014, the Evaluation Department of the Norwegian Agency for Development Cooperation published a report criticizing the Norwegian aid administration for not being able to document the effects of Norwegian aid.²³¹ While improved results data may make Norwegian aid more effective, the overall effect on development outcomes is unclear as this could simultaneously increase transaction costs for partners. This may pose a particular problem for partners with many donors.

228 Bastøe, P. Ø. and I. Lindkvist, 'The results paradox', (draft chapter for book), in M. Palenberg and A. Poulsen (eds.) *The pursuit of impact (draft title)*, forthcoming.

229 The Norwegian Government announced an increased focus on concentration of agreements and countries in 2014, but it is too early to assess the effect of this.

230 OECD, 2011, and Hagen, 2015.

231 NORAD Evaluation Department, 'Can we demonstrate the difference that Norwegian aid makes? Evaluation of results measurement and how this can be improved', *Evaluation Report 1:2014*, Oslo, Norad, 2014.

CAPACITY-BUILDING

Capacity-building related to reporting is here understood as transfer of skills and or knowledge of monitoring and evaluation through interaction between the donor and partner. This can go both ways, and can be provided through day-to day interaction or by offering courses on monitoring and evaluation as part of the follow-up of disbursements of funds.

If the donor mainly practices accountability towards taxpayers, we can expect to see capacity-building on how to report on specific partner requirements. For example, in 2014, the Norwegian programme for capacity development of higher education institutions (NOR-HED) invited all institutions receiving funding from the programme, in effect several hundred academics from all over the world, to Addis Ababa to a workshop to teach participants traditional tools for how to manage and report on development projects. The Norwegian aid administration trained participants in monitoring and results reporting, including how to manage risk. Discussions among participants included how to develop results frameworks and on understanding the difference between input and outcomes in a results framework. Almost no part of the conference was dedicated to how to build capacity in higher education institutions, i.e., the main purpose of the programme. While the domestic Norwegian debate on how to build capacity of higher education institutions is also dominated by indicators and how to measure academic quality (i.e., for example the number of academic articles produced and the importance of the journal in which they are published), a discussion of the difference between input, output and outcomes is mostly absent from the national discussion. This is not to say that results data, if followed by learning and course correction, cannot improve the programme; however, if the main purpose is to report in exchange for funds, then this can make the transaction costs for receiving funds very high indeed.

While basic training in reporting requirements may be useful for programme officers, a plethora of different research and evaluation methodologies exists. A risk for the partners'

TABLE 1. DONOR-PARTNER RELATIONSHIP DEPENDING ON ACCOUNTABILITY TYPE

THE THREE CHANNELS	ACCOUNTABILITY TOWARDS	
	TAXPAYERS	BENEFICIARIES
Reporting requirements	Same for all recipients/across projects Focus on donor interests/needs in terms of indicators and reporting Seminars and results reporting is mainly to tax payers	Relies on recipient system and existing indicators important to the recipient
Capacity-building	Focus on learning how to report on donor's results needs	Focus on what the partner needs
Funding	No funds or funds restricted for donor reporting	Funds different types of capacity-building depending on what the recipient needs, varies between countries

national evaluation capacity is that the development of knowledge and skills may not match the monitoring and evaluation needs of the country. In addition, evaluation knowledge may be spread too thin and focused on the slight differences of different donors rather than gaining deep knowledge of methods relevant for the country's own monitoring and evaluation needs.

While it is easy to criticize capacity-building for reporting to the donor, it is likely to be necessary for accountability purposes. Given the increasing focus on results, the pressure to document is not likely to go away. That said, this is not necessarily a problem if programmes and projects are not too many, are aligned with the partner's own development objectives and evaluation and monitoring are of high quality.

Table 1 displays how the donor-partner relationship could look like depending on whom the donor is accountable to. This is usually not black or white and the donor would probably be placed somewhere in between.

THE FUNDING CHANNEL

The funding channel refers to the provision of funds for monitoring and evaluation, either by supporting these activities directly or by funding evaluation capacity within partner institutions. Funding agreements can also be made contingent on reporting, in which case larger monitoring systems are sometimes implemented and verification procedures may be introduced. The latter could result in more accurate results data and competence and ability to report, however it could also influence the quality of data negatively given the incentive for positive reporting.²³²

When the donor mainly caters to its own needs for information, we expect less funding of general evaluation capacity, unless the donor prioritizes evaluation capacity as a development objective. Instead, funding of evaluation capacity or funding for evaluation and reporting will be made only if this is directly related to donor reporting requirements. Donors may also require partners to fund monitoring and evaluation.

CONCLUDING REMARKS

When looking at potential effects donors have on national evaluation capacity, it is tempting to argue that the solution is to go back to Paris. That means to reiterate the commitments made to the Paris Declaration on Aid Effectiveness. However, in the discussion above we have demonstrated that this is not necessarily so easy for donors, especially when aid is proliferated (donors have engagements in many countries and possibly also with many partners). Proliferated aid, combined with the Paris Declaration and prioritization of donors' own needs for information, might cause administrative costs for the donor to skyrocket. Alternatively, the donor may end up collecting results information but without the administrative resources to use this information.

232 Lindkvist, I. and P. Ø. Bastøe, 'Results-based financing has potential but is not a silver bullet – Theory-based evaluations and research can improve the evidence base for decision making', *Discussion paper*, Evaluation Department Norad, 2015.