

EFFECTIVENESS OF AID:  
EVALUATION FINDINGS  
OF

The World Bank, The Inter-American Bank,  
The Agency for International Development and the  
Canadian International Development Agency

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## I. INTRODUCTION

The task attempted in this paper is to review and summarize the data developed in their evaluations of their operations by the World Bank (IBRD), the Inter-American Development Bank (IDB), the U.S. Agency for International Development (AID), and the Canadian International Development Agency (CIDA), shedding light on the effectiveness of aid.

### A. Scope of the Report

Both the question of how effective aid has been and that of what lessons have been learned as to how its effectiveness can be increased are considered. The evaluations usually give more attention to the latter subject than to the former. It also seems that their conclusions on how to do better are more comparable and congruent than on how well they have done. This is not really surprising. For an agency responsible for administering an ongoing program, how to improve its performance must be a constant concern regardless of whether its past results have been impressive or not. Moreover, with benefit of hindsight, it is often relatively clear and objective when mistakes have been made. On the other hand the criteria of success are often unclear or even controversial, techniques for measuring it difficult and data scarce and unreliable.

To the extent that time has permitted, special attention has been given to evaluations of activities in the various phases of agriculture and rural development and education. Agriculture and rural development projects are the largest category, particularly in

the poorer developing countries, and these sectors are particularly important in the effort to increase productivity and alleviate the most extreme poverty in developing countries.

We do not attempt to deal with purely technical assistance programs because that is being done more intensively by a separate study. Policy, technology, and management information, expert advisory services and assistance and training are incorporated in some degree in virtually all aid activities, however, and in fact their quality and adequacy are often major factors in the effectiveness of even major capital projects. Moreover, many of the more valuable analyses of the effectiveness of aid projects include technical assistance as well as capital projects. We do therefore include evaluation of the effectiveness of these aspects of aid financed activities.

This paper deals with the specific direct and indirect effects of the activities directly funded by the loans/credits/grants covered and by specific agreements on policy and program incorporated in such operations. It is important to note that this qualifies considerably the extent to which its conclusions indicate the effectiveness of aid programs in which these activities are included. It does not attempt to deal with the whole fungibility aspect - to what extent do the specific activities financed really represent the marginal change in the recipient country's program resulting from the additional outside resources involved? To what extent is the aid program of which these loans/grants are components responsible for permitting/requiring overall recipient country policy and program changes which increase or decrease the effectiveness of its overall

development program? These are essential issues in any effort to determine the effectiveness of an aid program; they are best dealt with on a country basis, however - not by focusing on the effectiveness of specific activities.

The assessment of the effectiveness of aid-financed activities remains an important element in judging the overall effectiveness of aid programs. Fungibility is seldom complete; aid financing often does influence the inclusion and timing of specific activities in the recipient's development program and almost always has some impact on the design of the activity and related policies. It substantially influences (usually complicating) implementation procedures. If aid-financed activities were generally or in definable areas not effective in contributing to achievement of sound development goals it would cast serious doubt on the overall effectiveness of such aid. If policies and procedures for selection, planning and implementation of aid-financed activities can be made more effective, achievement of development goals will be advanced.

The foregoing distinction becomes blurred in dealing with program and structural adjustment loans. Such evaluation of them as has been done has often been in the context of overall country program evaluations or reviews. Such loans/credits are, however, often linked to fairly specific objectives - sectoral or functional - and efforts to evaluate their effectiveness are increasingly being undertaken. An effort to reflect the results is therefore included.

## B. Principal Sources

The principal source for assessments of the effectiveness of aided projects and programs is the output of the evaluation efforts of the aid agencies themselves. In a few cases other sources have been referred to, but these generally themselves rely largely on the evaluation reports and otherwise are short on data that could be regarded as reasonably comprehensive or representative. In the case of the World Bank, reference has been made to its own report, "IDA in Retrospect" and to "Banking on the Poor" by Robert L. Ayres; both relied heavily on Bank evaluation materials and the writers had close contact with Bank Staff. The U.S. Treasury Department Study, "U.S. Participation in the Multilateral Development Banks" was also consulted; this too drew extensively on the evaluation reports of the institutions covered and took advantage of Treasury's active participation in consideration of their policies and activities. A number of U.S. General Accounting Office reports, particularly with respect to U.S.A.I.D. projects and programs, have been reviewed.

Each of the agencies has performed a great many more or less formal evaluations (over 800 in the case of the World Bank) and in many cases the evaluation reports on individual grants/credits are substantial documents - often 100 pages or more. Consequently, primary reliance has been placed on various sectoral and other summaries and analyses by the institutions concerned of the individual evaluations.

The World Bank has produced the most comprehensive more or less consistent series of reports. Beginning in 1973 the Bank's Operations Evaluation Department (OED) has produced Project Performance Audit Reports (PPARs) on all loans (IBRD) and credits (IDA) closed, usually about a year after closing. Earlier a number of similar reports had been prepared for selected loans/credits. Since then the results of these reports have been consolidated and analyzed annually in an Annual Review - the first covering those PPARs completed by March 1975, the second, completions through end-1975, and the third through ninth (the ninth Annual Review was issued in September 1983), completions during the previous calendar year. Meanwhile, the preparation of Project Completion Reports (PCRs) evolved to cover much the same ground. They were increasingly used as the basis for the PPAR. Beginning in 1982 the coverage of PPARs was reduced to about half of the projects closed, with the PCRs being relied upon for data on the rest of the projects. The PPARs and PCRs, being issued shortly after completion of a loan/credit, are in position to report definitively on physical completion of projects and programs and the then-status of institutions, policies, etc., but their estimates of the results over a period of time remain forecasts. The Bank has also produced a number (about 24 through FY84) of later, more thorough studies of the impact of loans/credits after several years. Finally the OED consolidates and generalizes the results of these reports in special studies of the effectiveness, problems and lessons of the Bank's operations in major sectors ("Water Supply and Waste Disposal", "Education", "Agricultural Credit") and

from the standpoint of key functions ("Compliance with Loan Covenants", "Training", "Procurement Issues").

The IDB has evolved more recently a similar pattern of evaluative reporting. The Operations Evaluation Office (OEO) began receiving and reviewing all PCRs in 1981. These are now being received for most completed projects. On a selective basis the OEO then prepares <sup>in depth Operations Evaluation Reports (OER) and</sup> Project Performance Reviews (PPR), <sup>usually</sup> ~~usually~~ <sup>later in the</sup> concentrating on projects involving sectoral or operational issues of current concern. Highlights of the results indicated by these ~~reports~~ <sup>reports</sup> are summarized annually in a Report on Operations Evaluation (Second Annual Report, May 1982). OEO also produces summary reports dealing with sectoral and functional issues (water and sewerage, roads, maintenance, institution strengthening). In addition to the OEO, the IDB has its Office of External Review and Evaluation (ORE, formerly called the Group of Controllers of the Review and Evaluation System), responsible directly to the Board of Directors. In addition to monitoring and advising the Board on the Bank's Evaluation system the ORE has produced a number of evaluative studies of Bank operations itself.

U.S.A.I.D. has produced a range of evaluation studies. The geographic offices, in addition to periodic and ad hoc reviews of the progress and problems of projects in progress, do selective studies including ex post evaluation material. AID's most substantial formal relatively standardized project and program evaluation materials, prepared under the aegis of its Office of Evaluation (recently merged into The Center for Development Information and Evaluation) in the

Bureau for Program and Policy Coordination, are its Impact Evaluations (52 completed to date) covering a project or group of projects in a sector and its Program Evaluations (12) dealing with a broader range of experience and usually based on a number of Impact Evaluations and other studies. In addition there are series of Discussion Papers (20) and Special Studies (19) and two program design and methodology reports. The discussion papers often serve as the background and issues papers for workshops which often lead up to program evaluations. The special studies typically focus on a particular aspect of development experience. Both include a certain amount of evaluative material, usually secondary and/or selective.

The U.S.A.I.D. has not officially issued any across the board estimates of the proportion of its aid activities which were successful or of their average rate of return or degree of success. A few individual efforts to consider the question have been attempted, however. Perhaps the most interesting are two recent studies. One involved assigning numerical ratings for each of eleven factors and an overall rating to 73 A.I.D. projects on the basis of the findings and analysis in 45 of AID's Impact Evaluations 1/. A parallel effort using 52 of the same projects applies a rather elaborate statistical analysis to identify the factors comprising and contributing to project success based on numerical ratings of 55 parameters of each project 2/.

The U.S. General Accounting Office (GAO) also has authority to conduct studies of the efficiency and effectiveness of all U.S. government programs and agencies and has done a number of studies

which are essentially evaluations of selected aspects of A.I.D. projects and programs.

C.I.D.A. produces a considerable variety of evaluative reports. It put out its first summary report of its bilateral evaluation studies in 1981 covering the 1980-81 financial year and is now completing a second "Bilan" which covers the evaluation activities of the two succeeding years. The latter reports on 74 project and 13 country program evaluations. *These evaluations are a rather mixed bag.* Of the project evaluations, 45% were on projects in process of implementation, focussing mainly on implementation progress and problems. 39% were done at completion of the projects and 16% after some time had elapsed. About 27% of the total attempted to deal with the impact of the project. The actual evaluation reports are usually carried out by the C.I.D.A. geographic directorate, often via outside contractors, with the guidance and assistance of the Evaluation Directorate. *An expanded and more systematic post-evaluation has recently been established and is now in full swing.*

Particularly heavy reliance has been placed on the World Bank's evaluation reports in this study because of their comprehensiveness and consistency and the extent to which they have been aggregated and analyzed in relevant ways. The C.I.D.A. evaluation program results, on the other hand, have ~~probably~~ received less attention ~~than they should~~ because the program is relatively new and formative and because the results readily available were relatively limited.

Generally evaluations are retrospective, looking back at completed operations to appraise their success and see what lessons can be learned from them. Supervision and monitoring of progress of

operations under implementation to identify and deal with problems as they arise are distinct activities. In practice, however, the distinction is often less clear. Monitoring of the experience of activities in process can identify problems which serve both to stimulate corrective action to overcome them and to evaluate the effectiveness of actions taken earlier and the lessons to be learned. For the most part this study concentrates on ex post evaluations, but it does not in principle exclude consideration of evaluative material developed in reports and studies on activities during implementation. The latter can be particularly useful when it permits inclusion of experience with operations launched more recently than those which have been completed - often launched eight to ten years earlier, which is especially desirable in considering the lessons to be learned for future guidance. For assessment of performance primary reliance on the record of completed operations is more appropriate because one of the things to be considered is whether monitoring and supervision has been successful in timely identification of emerging problems and their solution.

Aid agencies differ in degree in this respect. C.I.D.A includes reports on projects in process in its tabulations of evaluations. The others generally distinguish rather sharply between evaluation and monitoring and supervision. In their analyses and summary reports, however, all four agencies include material of both sorts. The World Bank's recent major evaluation of institution building, for instance, included a look at a sample of recently approved projects and the AID review of evaluations of agricultural

research drew heavily on periodic reports which had been prepared in progress even when the projects in question had since been completed.

### C. The Quality and Reliability of the Evaluations

Some skepticism is only natural with respect to the objectivity of evaluation by the aid agencies of their own activities. There are good reasons, however, to accept them as generally quite unbiassed. The individuals who conduct evaluation studies are generally different from and independent of those directly responsible for the operations they cover. In many cases outside experts and institutions participate in or conduct the evaluations. Several operating officers in the World Bank feel that the Bank officers engaged in evaluation tend to be more critical than outsiders, because Bank evaluators perceive it as both in their own personal interest and a contribution to the effectiveness of the institution to identify as many problems and opportunities for improvement as possible.

In a number of cases assessments have been made of the evaluation systems and their output. In the past few years the I.D.B. has had a review of its evaluation system by the Office of External Review and Evaluation which is responsible directly to the Board of Directors; it found that the system was basically sound and functioning well. An outside consultant also reviewed the evaluation mechanisms and methodologies. He concluded that they were generally satisfactory while recommending a number of refinements.

C.I.D.A. did a study of the quality of a sample of its evaluations. It concluded that about 61% of the evaluations were "reliable" or "very reliable" with 31% "not very" and 8% "not at all" reliable. As noted above, C.I.D.A.'s evaluations include evaluations of projects in progress as well as those on completion and after some time. Those done on project completion - comparable to the PPARs of the World bank and PCR reviews of the I.D.B. - were judged to be among the more reliable.

The Joint Audit Committee of the World Bank Board of Directors has since 1977 reviewed a sample of each year's PPARs (21 in FY83). In 1983 they found that the PPARs provided an objective and thorough assessment of project implementation and performance.

About two thirds of U.S.A.I.D.'s impact evaluation studies are prepared by teams including non-A.I.D. personnel and all teams are made up largely of individuals not directly involved with the project. Its Program Evaluation reports in addition draw on other material and are usually preceded by a workshop in which the relevant impact evaluations and other materials are discussed by a panel of A.I.D. and outside experts. They seem generally to be well regarded by knowledgeable people in and outside A.I.D.

One question is whether effectiveness of projects as estimated within two or three years of completion may tend to be over-optimistic. The Cohen study of A.I.D. Impact Evaluation reports suggests strongly that this is not generally the case. Projects evaluated more than eight years after completion received the most favorable ratings and those between four and eight years the next

best. There certainly are cases, however, in which projects which look good early on go sour later. Comparisons of World Bank impact evaluations of five agricultural projects in Africa with PPARs which had been done earlier revealed a number of cases in which results had deteriorated seriously. The Benin-Hinvi project centered around cooperatives for growing and processing palm oil, and the Malawi Lower Shire Valley projects focused on cotton. In both cases the Impact Evaluations found the projects largely failures (though not without some successful elements) whereas the PPARs, particularly the one covering the first phase of Shire Valley, had been relatively sanguine. In the other three cases the PPARs do not seem to have been out of line although in each case some elements had improved and others deteriorated by the time of the impact evaluation, and the possibility of further gains and losses was noted. In the case of another project - Papua, New Guinea New Britain Small Holder Development - the Impact Evaluation Report (IER) was able to report a further increase in rate of return because of high oil palm yields and favorable price developments; it also registered successful resolution of some difficulties and the emergence of others. An A.I.D. Program Evaluation Report (No. 12, "A.I.D. and Education", 1984) found that, at least in the education sector, "elements of a project may continue long after donor withdrawal and appear - in retrospect - to be well established, despite apparent shortcomings in project execution."

On balance it is probably more reasonable to evaluate the effectiveness of a project fairly soon after its completion. In most cases subsequent developments will be affected by many factors beyond

those which the project could reasonably deal with and to credit the project for the results of measures taken to salvage a foundering operation or to blame it for the damage from developments undermining a successful one does not seem legitimate. Only if the later developments were planned or should have been foreseen does it make

sense. Later looks are also useful, however. They can shed light on the effectiveness of post-completion monitoring and follow-up as well as longer run effects.

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## II. EFFECTIVENESS OF AID PROJECTS AND PROGRAMS

Why? | The effectiveness of aid must ultimately be judged in relation to its objectives. For the purposes of this report it may be taken that the purpose of aid is broadly to contribute to the development of the aid recipients. For the donor nations this may not be the sole or in some cases even the major objective of aid programs. Political, security and commercial interests, for instance, may be important both explicitly and implicitly. The World Bank and the I.D.B. are in principle interested mainly in the development of their clients, though they must sometimes take account of other interests of their members, particularly the large contributors. Fortunately the evaluation analyses of all four donors covered have in fact keyed their assessments to the effectiveness of their projects in promoting development, although C.I.D.A. and U.S.A.I.D. sometimes also take explicit account of their impact on other objectives.

Development itself, however, is no simple, objective single-dimensional concept. Many factors contribute to it which are often difficult to quantify and incommensurate. The pattern of its results and their distribution can take many forms and what should be the objective is sometimes controversial. All four of the agencies covered recognize the complexity of aid objectives and endeavor to deal with a number of aspects of effectiveness in their assessments.

In considering the overall effectiveness of aid activities this report devotes quite a bit of attention to estimates of the rate of return (ERR, economic rate of return). Many may think this emphasis misplaced. There are great difficulties in principle and in

practice in arriving at complete and reliable estimates of the rate of return on many types of project. The World Bank does not consider it worthwhile to attempt such estimates for a substantial share of its projects 3/. The other aid agencies covered in this report often do not attempt ERRs in their evaluation materials and do not reflect such estimates in their summary and analytic reports.

There are two main reasons why it seems desirable to go as far as possible in using such ERR estimates as have been made. First, as Mikesell argues (p.76-77), it should in principle be possible to quantify the returns on virtually any activity. In a world of scarce resources we must implicitly or explicitly judge whether results are worth more or less than their costs. The more explicit these judgments can be made the better. Even a poor estimate is better than none. Second, other approaches to judging whether aid projects are "successful", "effective", "satisfactory" or "worthwhile" are subjective and make comparability of assessments moot. The problem arises particularly in this Section in which the objective is to assess how effective aid projects have been. Rating systems and judgments other than estimates of rate of return are seldom entirely clear as to what they mean. Rating systems often relate not to how worthwhile projects are but to how their results compare with those intended. This is explicit in the I.D.B. ratings. But whether a project judged "partially satisfactory" or which "partially fulfilled" its goals was worth more than it cost - much less by how much - can not be determined unless the costs and returns can be quantified in commensurate terms. A project can fall far short of its intended

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And which  
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his view of  
ERRs as  
subjective &  
therefore dif-  
ferent from  
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other "sub-  
jective" evals.*

results and still be worthwhile. Numerical rating systems such as those devised by Cohen and Furstenbusch obviously do not avoid this problem. Indeed it is my strong impression that the seeming differences in their ratings largely represent a heavier emphasis on "satisfactory" as meaning "fully achieving planned goals" on the one hand (Furstenbusch) and "worthwhile" on the other, although Cohen's too are at least partly focused on stated goals. Given the frequently noted tendency for the stated objectives of aided projects to be extremely ambitious, ratings relating achievement to stated objectives are likely to sound less favorable than ones focused on whether the project was worthwhile.

#### A. Overall Results and Rate of Return

The overall picture which emerges from tabulations of the available ratings of the operations of the four aid agencies is generally favorable. On the average and in most cases aided projects and programs produce healthy returns and are clearly worthwhile. Success is far from universal; in each case a significant share of the operations are unsuccessful and in many if not most cases projects take longer to complete, cost more and produce less results than had been hoped. The results of the respective agencies clearly differ somewhat, but the methods and criteria used are not the same so it is not appropriate to average or compare the ratings closely with each other. The apparent divergence between two ratings of an overlapping set of AID evaluations, for example, seems greater than that between

the different agencies. The ratings do present a broadly parallel picture, however, and to that extent tend to reinforce each other.

The World Bank's reports show that all except a very few agreed operations are implemented. The exceptions arise in most cases from force majeure in one form or other and usually little or nothing has been spent on them. Something over 90% of the operations implemented are estimated at audit to yield an ERR (or surrogate) of ten per cent or better or otherwise to be worthwhile. For about two thirds an ERR is estimated and the average project yields about 17%. Weighted by total project cost the average yield is about 20%.

The World Bank's annual Review of Project Performance Audit Results regularly shows for the audits of all Bank loans/credits completed during the previous year the number of projects which had to be abandoned, the average ERR for those projects (70 of the 127 audited in 1982) for which an ERR could be calculated, and the percentage of projects yielding an ERR of 10% or better or otherwise considered to be satisfactory and worthwhile. Results for the past 6 years are summarized in Table 1.

Audits each year cover projects initiated over a period of as much as 13 years centering about eight years before audit.

Table 2 shows the ERR for IDA projects grouped by period when the project was signed rather than when it was audited. Table 3(a) shows the same data for the entire body of IDA evaluations completed through 1983 by geographic region and sector.

Where readily available, data relating to IDA credits only are best for our purposes because IBRD loans are not normally

considered "concessional flows". As Table 3(b) indicates, however, inclusion of all loans/credits does not greatly change the picture. Also, the Table 2 and 3 averages are unweighted by the size of the loans/credits involved. They indicate the return on the average loan rather than the average dollar loaned. This accounts for the generally higher average ERR shown in Table 1 than in Tables 2 and 3. Larger projects tend to produce higher returns, perhaps, as suggested in "IDA in Retrospect" (P.61), because innovative experimental projects are small and, if successful, are then replicated on a larger scale. Perhaps also more attention is devoted to the planning and appraisal of larger projects 4/.

The I.D.B. Annual Report on Operations Evaluation summarizes the assessments of project success in the PCRs which it reviews each year. Of the 142 projects reviewed through 1983 63% were judged to have fully met or exceeded their physical objectives, 33% were "partially satisfactory", "partially fulfilled" or "fair" and three percent were "not satisfactory" or "deficient". I.D.B. does not publish summaries of its estimates of rates of return, but a special tabulation made by OEO last year of the ex-post estimated rates of return on projects which it had evaluated indicated an average of about 22 percent - remarkably close to the results found by the World Bank (see Table 4).

C.I.D.A.'s Review of Bilateral Evaluations: 1981-83 includes a summary of positive, negative and "mitiges" "aspects" noted in 62 project evaluations. With respect to effects on target groups 5/ these findings were preponderantly favorable: 62% positive, 29%

negative and 9% mitigates (Table 5). These judgments, while broadly favorable, are not directly comparable with the World Bank and I.D.B. figures cited above. For one thing the evaluations covered include a substantial share (45%) of studies conducted while the project was still in progress. To that extent critical comments reflect more a judgment that improvements can be made than that the project is not worthwhile. For another the criteria applied do not appear to have elicited judgment on whether the project on balance achieved its objectives in sufficient degree to be considered successful. In its 1982 "Report on Evaluation Activities, 1980-81" C.I.D.A. notes that despite the considerable volume of critical findings on many aspects of a substantial proportion of the projects, termination is suggested in only two cases and in one of these it is recommended only if proposed remedial measures cannot be worked out. This implies that the bulk of the projects were regarded by the evaluators as worthwhile on balance.

The Cohen study of A.I.D. project evaluations rated 82% of the projects as satisfactory or better and 18% marginal or unsatisfactory. The overall average rating (as well as the specific rating under "general impression") was about 7.3 - between "fully satisfactory" and "highly satisfactory" on the rating scale (Table 6).

The Finsterbusch study finds that overall 42% of the projects were successful, 33% marginal and 25% unsuccessful. In terms of attainment of stated goals the projects were rated as follows:

<u>Goal Attainment (%)</u>	<u>Percent of Projects</u>
0-24	7.7
25-49	21.2
50-74	34.6
75-100	32.7
over 100	3.8

This seems to present a less favorable interpretation of essentially the same basic reports. Those familiar with the studies do not believe that the minor difference in coverage could account for any significant divergence. It probably represents a difference in attitude or interpretation of the scales by coders. Possibly the coders in the latter study were thinking more in terms of achievement of desired (doubtless over-optimistic) objectives and those in the former of whether the projects had made a worthwhile contribution.

#### Trend

Available data do not yet reveal any very striking trend in the effectiveness of aided activities, though there are a number of limited indications. The only corpus of data sufficiently extensive and consistent to suggest any overall tendencies is the record of the World Bank's PPARs, particularly as summarized in the Annual Reviews. These suggest a modest deterioration in the proportion of projects which at the time of audit appear likely to produce a ten per cent ERR or otherwise satisfactory results. (Table 1) It is understood that the 1983 audits confirm this trend. The data for IDA projects also show a slight decline in average ERR for those launched since 1970 compared to those started earlier. (Table 2) Cohen's study of AID project evaluations also found that those started in the fifties and sixties were rated somewhat more favorably than those from the seventies generation.

One is tempted to surmise that the more difficult international economic environment prevailing in the late seventies, the rapid expansion of aid programs--particularly that of the World Bank--and the effort by all donors to target projects more specifically to benefit the lowest income groups would have tended to depress ERRs substantially and that better project planning and management, contributed to by evaluation of earlier activities, succeeded in largely offsetting these adverse factors. Unfortunately the data do not really provide much support for such hypotheses, at least for the last proposition, because the results of evaluation programs of anything like the present pattern and extent were very limited before the latter part of the 1970s whereas very few projects evaluated to date were planned much later than 1975.

#### Regional Differences

The World Bank ERR estimates done at the time of PPARs show substantial differences among Geographic areas and sectors (Tables 2 and 3). IDA credits in South Asia (SA) and East Asia and the Pacific (EA&P) averaged over 20% ERR whereas the averages for East and West Africa (EA&WA) were below 15% - about 12% in the case of East Africa. EMENA (Europe, Middle East, North Africa) and LAC (Latin America, Caribbean) were intermediate with the former being just short of 20% and the latter just over 15%. The numerical ratings of A.I.D. projects developed in the Cohen report also show Africa well below the overall average and Asia relatively high in the composite and general

impression ratings. For Latin America, however, they are much more favorable - well above average and near the "very satisfactory" level. This difference may largely reflect the inclusion of a different country mix. The IDA figures would not include projects in the better off LA countries while the A.I.D. ones cover all of LA. Inclusion of World Bank loans (Table 3(b)) raises the LAC average for the World Bank, though it still remains below the global average. Near East and North Africa (NE&NA) come at the bottom of the A.I.D. ranking, averaging about 6, or "satisfactory" on the ten point scale.

I.D.B. does not include geographic breakdowns in its tabulations of degree of attainment of project objectives, but I.D.B. officials confirm that operations are usually more difficult and results less satisfactory in their less developed member countries - Bolivia, Haiti and much of Central America. C.I.D.A.'s "Bilan" report does not include a breakdown of ratings by geographic area; more than half of its sample of projects are African.

#### Sectoral Differences

Sectorally the most noticeable feature of the I.D.A. ERR estimates is that agriculture rates high - significantly above the overall average and second only to telecommunications which accounts for relatively few projects. At the other end of the spectrum power and water supply and sewerage projects yield relatively low ERRs just above 10%. This is largely explained by the fact that for such projects ERRs are not usually calculated by the Bank; Incremental

Insert, p. 10 as para 2 - add "audit cost"

(a)

While agriculture projects on the average have yielded relatively high returns they have also accounted for a disproportionately high share of the projects judged not to have produced satisfactory results overall. Fully 23% of the agriculture projects audited in the past five years were considered unsatisfactory in this sense while only about 2% of the infrastructure projects were unsatisfactory. The other major categories also had fewer unsatisfactory of uncertain ratings than the the overall average of 14% - Transport: 11%; DFC/Industry: 12%; and education: 12%. (IX, p. 26)

As noted above, IDB does not produce sectoral estimates of ERR. Table 4 of the PCRs reviewed in 1981 and 1982 shows that/its infrastructure/~~infrastructure~~ the best record of fully attaining (74%) projects had their objectives/with the other major categories rather closely bunched at about 62-65%. Only 3 of 106 projects were considered unsatisfactory, one each in Agriculture, industry and energy.

Financial Rates of Return (IFRRs) are usually used as a proxy. These, however, often do not fully reflect the real value of the product; rates are controlled and, particularly when prices and costs are rising, are often held well below real value. In many cases a low IFRR reflects an inadequate rate structure rather than failure to achieve satisfactory production at lowest cost.

The Cohen analysis of A.I.D. evaluations found education projects rated highest - "highly satisfactory"; rural electrification, agricultural research, "other", and rural roads (in that order) better than "fully satisfactory"; and potable water and irrigation between "satisfactory" and "fully satisfactory". C.I.D.A.'s Water Supply, Forestry and Environment projects were highest rated - over 80% of the findings were positive and less than 20% negative. These sectors accounted for only 8 of the 62 projects in the sample. Agriculture and education projects were the largest groups; of these agriculture showed average ratings close to the overall average and education somewhat less favorable (Table 5).

#### Agriculture and Rural Development

As noted above the World Bank's agriculture projects have generally had good overall rates of return, though, of course, they have varied widely individually. For those audited in 1981 and 1982 the unweighted average rate was about 16% each year while the averages weighted by project cost were 21.5 and 23% respectively. Increased food production was the major specific output expected from most of

the projects. At audit a substantial measure of success appeared likely. In the 1981 audits half of the projects for which estimates were feasible were expected to meet fully or exceed their appraisal goals and total increased output of 5.3 million tons of food a year were expected from the 33 projects for which estimates were possible. In the 1982 audits the projects for which estimates of production were feasible were expected to increase output annually by 12.5 million tons, even though only 15 of the 37 projects for which data were available at completion attained or exceeded their appraisal estimates.

Agricultural credit programs consistently show the highest returns in the World Bank's PPARs. Without questioning their value, however, one must note that their return estimates are not really comparable with those for most other types of project. They usually do not reflect all the costs of the lending operation or the costs of necessary complementary programs needed if they are to be productive, and they involve problems of fungibility and diversion which generally are not possible to overcome completely or even to estimate realistically. In most countries they also have repayment problems which in some cases are sufficiently severe as to limit the viability of the competent intermediaries and thus of the scale of operations.

Irrigation accounts for the largest share of Bank lending for agriculture. Irrigation projects have major difficulties - technical, implementational, operational and maintenance-wise. They are particularly subject to time and cost over-runs (especially large scale projects). Effective utilization and output increases

frequently involve institutional difficulties. Exploitation of their opportunity by beneficiaries is often much slower than seems reasonable. Nonetheless Bank irrigation projects have generally shown good rates of return and account for a large share of the increases in agricultural production attributable to Bank-aided projects.

Irrigation projects audited in 1982 had an estimated average rate of return of 24% and accounted for more than half of the estimated increase of food production from projects audited. A study of 40 Bank irrigation projects financed 1961-76 6/ showed ERRs over 10% for all but eight, over 15% for more than half. Nineteen exceeded their ERRs estimated at appraisal; higher than estimated prices for crops in more than half the cases and greater output in 18 cases more than offset completion delays and cost over-runs which respectively affected 24 and 25 of the projects.

Other donors appear to have had somewhat less favorable experience with agricultural projects generally and irrigation in particular. The agricultural projects covered in the IDB PCRs reviewed during 1981-83 were judged just about average in reaching their objectives - 63% satisfactory, 33% partially satisfactory and 4% unsatisfactory (Table 4). The ex-post estimated rates of return for a sample of irrigation projects averaged only 12.1% - little more than half the appraisal estimate. In 1982 I.D.B. did an intensive study of small and medium scale irrigation projects in four countries 7/. The projects had been completed at least 2-3 years earlier. In three of the four countries production increases had occurred and in the fourth was still likely, though well below what had been expected. Farm

income per hectare increased in most cases. Because of higher cost, lower acreage served and smaller increases in yield than anticipated, rates of return were quite low. In one case a sample of seven specific sub-projects yielded estimates ranging from -9 to +5.5%; in another 8 of 14 subprojects generated rates of less than 12%; the rate for a third project was estimated at between 3.8 and 6.2%; in the fourth case three of four subprojects studied were expected to achieve a rate of at least 12%. In general it was found that both the capital cost per acre and the cost of water provided was higher and the efficiency of water use lower for storage dam than for pumping systems.

The same study also included a survey of available information on 22 later programs including 14 still in progress, and showed a more favorable picture. Project preparation was further advanced at time of approval and better done; the quality of economic evaluations of appraisal were, all but one, considered good (7) or fair (14). Irrigation acreage for the eight completed programs was estimated at 85% of target and the number of families incorporated 90%. It was too early to estimate overall ERRs, but they are obviously likely to be much better than in the case of the earlier sample.

AID evaluations also reflect difficulties with irrigation programs. The Cohen study indicates that in A.I.D.'s impact evaluations they received the least favorable overall rating of the six sectoral groups covered, though that still placed them on average about half way between "satisfactory" and "fully satisfactory" at 6.5 on his ten point rating scale. A program evaluation of A.I.D.'s

Irrigation experience 8/ supports the World Bank conclusion that irrigation projects take longer than expected and cost more. Their potential is seldom fully attained. The study did not attempt estimates of ERR. It found that in many cases significant increases in production and yields had clearly resulted, but noted that other factors also contributed to such increases. Farm costs usually increased also, but in at least a number of cases farm income clearly improved significantly. Impact studies, in the case of irrigation projects, have usually been done too soon after project completion to reflect results fully; both full exploitation of potential benefits and emergence of difficulties, particularly drainage and maintenance problems, often take a number of years to become clear. Despite the problems, the A.I.D. study concludes that irrigation programs can have and usually have had a favorable impact on the farm. A special GAO study of A.I.D.'s irrigation assistance 9/ focuses particular attention on the need for effective operation and maintenance of facilities constructed if the potential benefits are to be achieved and sustained, finding that such needs have often been neglected in project planning and not adequately supported or planned.

Particularly since the early seventies there has been renewed interest in developing countries and aid agencies in multifaceted rural development programs. There had been some disappointment in the earlier Indian model community development programs, largely because of their lack of emphasis on and success in raising agricultural production and income. The renewed interest largely resulted from the desire to reach and improve directly the lot

of the poorest and least developed groups in the developing countries. These groups often seemed to be bypassed by narrower, more specialized agricultural programs which benefited primarily larger, better off farmers who were better equipped to take advantage of them.

The World Bank has actually been involved in rural development projects, particularly in Africa, right along. It has produced a series of major studies dealing with the problems of such projects 10/.

In 1978 a special analysis was done 11/ based on 18 PPARs on rural development projects in Sub Saharan Africa - 8 in East Africa and 10 in West Africa. All were appraised and approved before 1973. Overall these had produced reasonably satisfactory results - an average ERR of about 15% which was about the same as other projects in the region. The individual projects varied widely, however. Over half yielded results well below appraisal estimates and a sizeable group (6) produced results that were quite poor (below ten percent) while another group were among the best - eight of the 18 yielding twenty percent or better.

Since the early 1970s, the Bank has encouraged and supported rural development projects with a strong poverty orientation. In the past several years, some of these new-style projects have begun to reach the PPAR stage. The results of rural development projects aimed at raising small farmer incomes and output have been mixed. Economic rates of return, particularly in Africa in which most of these projects have been located, have been relatively low. The 1979 PPARs showed an average ERR for 5 East African area development projects of only 4% although two West African ones showed very good results. The

1981 Audits again showed an average rate of only about 6% despite inclusion of two projects with very good results. Projects audited in 1982 looked better. While none of the nine area development projects audited exceeded its appraisal estimate, the average was a satisfactory 16% and the group with satisfactory rates included six "new style" poverty-oriented projects. Only one of these (Mauritius Rural Development) was in East Africa, however, and three were in Nigeria. (Seventh, Eighth and Ninth Annual Reviews)

IDB's rural development lending has gone through three phases, partly reflecting the shifting emphases of the development community noted above. In its early years and through 1967 it encouraged multi-sector rural loans including particularly colonization and agrarian reform projects. They included - as did quite a few single sector rural loans - substantial amounts for social infrastructure. From 1968 to '74 there was a heavy emphasis on the directly productive; single sector rural lending was stressed - both agricultural and non-agricultural. Integrated agricultural development loans were favored and less than 5% of multi-sector loans was allocated for social infrastructure. Since 1974, with the renewed emphasis on overcoming poverty, rural lending has been directed in larger proportion to the poorer Group "C" and "D" countries and to poorer regions within countries 12/. The attention to social infrastructure has been renewed, particularly in the context of multi-sector projects.

The IDB Group of Controllers in 1977 did a study of 28 multi-sector rural development projects which the Bank had agreed to support through 1977 13/. Some of course were still under

implementation, particularly those authorized since 1974. The report concluded that the impact of these projects had varied widely. About half had had good or reasonable results, some mixed and some poor. In most cases it was difficult to make firm quantitative estimates of economic output. Most of the completed projects can be said to have achieved their physical targets although in quite a few cases these had to be adjusted during project execution. Verifiable production increases came mostly from extension of acreage rather than increased productivity. The most successful from this standpoint were projects favorably located in relation to major markets and 13 projects which involved bringing new land under cultivation. The projects mostly incurred unusually extended delays and required in some cases substantial replanning in process.

### Education

Education programs seem to have high economic productivity as well as being important from a social and equity standpoint 14/. It is not surprising that evaluations have generally found that support for education projects and programs has been effective, though in some cases unusual difficulties have been encountered in planning and carrying out aided education operations.

In its early years the World Bank took a narrow view of the kinds of education activities that it could appropriately finance. It concentrated on secondary technical and scientific education and financed mainly facilities and equipment. The scope of its activities

has progressively broadened, however, particularly since 1968, and it is now prepared to support all phases of economic relevance including particularly education system planning and cost-effective expansion of basic primary education.

In its evaluations the Bank does not generally attempt to estimate rates of return for the education activities it supports, despite Prof. Ed. Mason's recommendation that it should do so in his 1968 report which contributed to the broadening of the Bank's educational program. Recent annual reviews have noted that the typical PPAR comes too soon to permit assessment of the full impact of education projects. It often takes some time to build up even the quantitative output of new or expanded facilities to full capacity after they are functioning. And to assess the effectiveness of curriculum and teaching methods innovations one must often wait several years longer to see what becomes of the flow of students after they graduate. Moreover the earlier projects still coming through audit generally did not provide for much monitoring of results or tracer studies of graduates. Nevertheless the PPARs generally find that the quantitative results (places and enrollment) are approximately met or overshot in all but a few cases. Qualitative results are more mixed and in some cases the audits consider that the objectives were over-ambitious. In most cases, however, significant progress was reported. The Ninth Annual Review reported on the first two projects completed which had been designed to assist in developing techniques to meet basic needs in education in the poorest countries where even a relatively large share of the budget cannot provide

conventional schooling for more than a small proportion of the children. The effort in these cases (rural youth training centers in Upper Volta and a study in Mali) did not produce very hopeful results.

In the few cases in which information was available on the experience of those completing training intended to be terminal the results were disappointing. Relatively few found employment of the type expected, a substantial proportion were unemployed and a considerable number were continuing as students.

An earlier (1978) in-depth study of 55 Bank projects in the sector 15/ concluded that many of them contributed substantially to the internal efficiency of the aided institutions, cutting dropouts and increasing pass rates markedly. A considerable number of cases were found, however, in which graduates of aided programs were unemployed or in which enrollment had been cut back. In general efforts to forecast needs for specific skills had not been very successful.

Long delays in developing proposed projects and exceptionally severe problems in procurement, utilization and maintenance of laboratory and teaching equipment were frequently reported.

IDB also concentrated its early education activities - in this case largely on higher education. Partly in response to recommendations of a study by its Board of Controllers, it also adopted a much broader focus in 1972 and extended further in 1976. In 1977 the Board of Controllers was asked to review the trends in the

Bank's activities in relation to the new policy orientation. The Board's 1978 report 16/, though focussed mainly on programming policy and priorities, also reflected a general survey of the 43 loans and 60 TC projects made 1971-72. This survey did not pretend to be a comprehensive evaluation but did assemble considerable information on effectiveness and problems. It concluded that "Unquestionably, the impact of these operations [the Bank's education loans] on socio-economic development has been beneficial, and the Group has seen some tangible positive results...." The main shortcomings it highlighted were in program planning - project identification and design, serious maintenance problems and insufficient monitoring and evaluation of completed projects.

OEO's analysis of the PCRs received in 1981-82 showed that all education loan projects (14) either fulfilled or partially fulfilled their physical objectives, not differing much on the average from the overall total.

The CIDA project evaluations analyzed in the 1981-83 Bilan included 16 in the education sector. They were rated somewhat less favorably than the average for all projects on their effects on target groups. (See Table 5) The most frequently noted negative aspect concerned the prospect for self support of the project after CIDA's withdrawal.

AID made substantial and rather broad contributions to education programs in its early years. This support dropped sharply in the mid-seventies and was increasingly focussed on education needs directly related to other AID-supported activities. A series of

project impact studies covering 12 substantial projects covering the main regions and types of project was undertaken during 1980-81. When they were completed a conference was held in April 1982 to discuss them and their conclusions. Finally the Program and Policy Evaluation Division Chief produced a report 17/ highlighting the findings and lessons for the future which emerged. Participants the conference in addition to many AID education and program officers included representatives of other interested U.S. agencies, education experts from private institutes and universities, the World Bank, UNDP and education officials in five African governments.

The impact studies generally confirmed the broadly favorable assessment of the effectiveness of AID's support for education shown in the earlier impact evaluations analyzed in the Cohen Report. (See Table 6) They were considered to have had "positive impact on educational and socio-economic development in the countries and communities where implemented," and to have been especially effective in developing host country institutional capacity and in training host country education officials. Projects aimed at assisting at a number of critical points based on an assessment of the education system priorities seemed to do better than ones dealing with a single aspect. Projects providing continued support over a period of years were more successful and more likely to be continued effectively after project completion than shortlived ones. The report emphasizes that the projects covered were not a random sample and that their selection criteria probably resulted in some bias toward relatively successful projects.

Program Lending

The evaluation programs of our four aid agencies have produced relatively little on program lending. The World Bank is the only one which has done a significant number of evaluations on program loans and it has not produced any synthesizing reports, although it has produced several PPARs which cover more than one of a series of credits to the same country. Most IDA program credit PPARs audited through 1982 dealt with South Asian countries 18/.

Program loans are always intended to be quick disbursing in order to provide quick balance of payments support. Sometimes an important purpose is to finance specific imports considered to be of special importance, sometimes a principal objective is the generation of incremental non-inflationary financial resources for key development needs and usually a primary objective is to support significant development program or policy improvements. The specific mix of objectives has varied widely between countries and over time. More recently most program loans have been made under the rubric of structural adjustment; while the detailed content is still highly country-specific these do tend to have a more uniform pattern.

In some cases an important function of the Bank's program assistance is to assist in mobilizing such assistance from other donors as well in a more or less coordinated total program of support for a level of imports and development program considered essential - usually in relation to agreed program and policy plans.

It is apparent in reviewing these PPARs that the evaluation of these credits in isolation is peculiarly difficult and in many cases quite artificial. Only when the specific import financed or the local currency use for which the proceeds are allocated is the principal objective or when agreement on very specific, time-bound policy measures is formally incorporated is it at all plausible to evaluate its effectiveness outside the context of the total country program. In very few cases are specific imports or counterpart uses a main goal and never for more than a small proportion of the total credit.

Rapid disbursement and support for imports was achieved in virtually every case, in a few cases after some early teething problems (e.g. the first credit to Bangladesh).

No ERRs were attempted in the appraisal or evaluation of these credits. In the case of the India, Pakistan, Bangladesh and Sri Lanka credits, however, a major purpose was to provide imported inputs needed to permit existing industrial capacity to be more fully used - essentially the Marshall Plan sort of rationale. Subject to questions of fungibility and marginal impact, which, of course, cloud the claim of aid to responsibility for any specific activity and result, such imports should be expected to result in output increases several times their scale. Such claims are soft-pedalled in the evaluations, even though in most cases in which it is considered utilization of capacity did improve. In several cases the balance of payments situation improved markedly during implementation; in two cases (Columbia and

Zambia) in which very low export prices (of coffee and copper, respectively) had occasioned the loans, substantial portions were cancelled when prices recovered. In several cases, particularly India and Bangladesh, the limit on output of several industries was found to hinge mainly on other factors than imported input supply - infrastructure, markets, costs, efficient capacity, etc. These considerations plus the fact frequently noted by the evaluators that increases in national income achieved are affected by many other factors as well as by particular aid operations support caution in efforts to quantify precise results.

The results of the policy reforms to which these credits were related - to the extent they were effectively implemented - would be expected usually to emerge over a somewhat longer period and would be even more difficult, in most cases, to disentangle from the effects of many other factors. In the case of the Pakistan 1972 and '73 credits, the policy measures involved were extremely comprehensive and extensive. The Performance Audits note that they do appear to have contributed to substantial improvement of the balance of payments. OED comments, however, that the effectiveness of such broad measures "is more appropriately dealt with in the normal course of the Bank's economic work"(IV, p.67). In most other cases the audits found that the results were likely to flow over a longer time frame or that it was not possible to isolate them.

The structural adjustment loans introduced in FY 1980 are only now coming to the point of performance audit. However, the Bank has produced a series of reports monitoring the progress in

implementing these programs and attempting to assess their results to date and likelihood of success. The most recent report is particularly interesting 19/. It reviews the progress in implementing the structural adjustment programs in each country and specific results discernable to date. Generally it finds somewhat uneven but good progress in carrying out program and policy shifts, but emphasizes that these must continue over a period of time and for the most part will produce results gradually. Meanwhile, however, the objective of sustaining the level of economic activity while adjustment is taking hold seems to be being achieved in most cases. The SAL countries in 1981-83 are estimated to have averaged GDP growth of over 4.5% per year while oil-importing developing countries as a whole managed less than 2%. At the same time the SAL countries were able to reduce current account deficits from 7.8% of GDP in 1980 to 4.4% in 1983 - a somewhat sharper decline than that registered by the whole group. (Ibid., Table 5)

AID is turning its attention to the evaluation of its program assistance - or CIPs (commodity import programs). It has undertaken somewhat experimental studies of the CIPs in Somalia and Zimbabwe. Reportedly a study of the much larger program in Egypt is also under way.

The Somalia report 20/ deals with two agreements, one entered into in 1982 and the second in 1983. Only the first had been substantially implemented by the time the study was done. The report is clear and straightforward. It finds that performance on the importation and sale or use of the commodities financed and the

"policy dialogue" aspects of the grant were superior and on the generation and use of local currency "fully satisfactory." It notes the acute foreign exchange shortage prevailing in Somalia and does not agonize over fungibility problems. It finds that the imports financed in many cases were extremely important - spares restoring much needed construction equipment to service, essential raw materials permitting productive employment of many artisans and factory workers. It does not attempt to total the increased production or employment resulting. The local currency counterpart was deposited without problems and programmed smoothly for investment credit and other development programs. Policy understandings mainly related to Somali implementation of a recently negotiated standby agreement with the IMF. There were a number of supplementary undertakings relating to increasing the private sector role in agriculture and agro-industries, encouragement of foreign and domestic private investment, establishment of a World Bank-led Consultative Group of donors, and periodic consultation on CIP implementation. Such consultations were effective and the Consultative Group was established, but little specific progress was reported on the other subjects. Performance under the IMF standby was considered satisfactory during the first year and a second CIP grant was authorized. The measures did not prove sufficient to control inflation or overcome balance of payments problems and the government was not able to agree with the IMF on an extension of the standby. As of the time the report was prepared it remained to be seen whether and on what terms the second CIP grant would be implemented; its terms had specifically required adherence to the program agreed upon with the IMF.

The report on the Zimbabwe CIP grant attempts to put it in the context of similar assistance from a number of other donors including the World Bank made available to help in the restoration of the economy from the disruption in the immediate post-independence period. It found that accurate comprehensive information was not available and that there had been considerable delays in the initial stages in implementing the CIPs. The government experienced difficulty in matching priority import needs efficiently with the various CIPs and its own foreign exchange resources. It reports a number of cases in which relatively low priority needs were met and in which the use of tied U.S. and other aid resulted in substantially delayed delivery and high prices. It notes, however, that despite the difficulties, the use of CIP aid was far quicker than other aid and that with experience utilization was being substantially speeded. The report says nothing about the local currency proceeds of CIP imports nor about any related policy dialogue. In considering the effect of the programs it discusses only the incremental production and employment which can be attributed to them and the increased debt burden which will result to the extent that they are in the form of loans. It makes some calculations of the effects on GDP and employment based on past relationships between GDP and imports and between employment and use of raw materials and capital goods. It makes abundantly clear in discussion, however, that these relationships are extremely crude and unstable and emphasizes that "In short, there is no accurate way of assessing the employment effects of CIP funds except by analysing the impact on a case-by-case basis ...

And even then, to the extent that the funds provided are fungible, this method could well prove problematic."

AID officials advise that they are currently in the process of trying to develop guidelines and specifications for more systematic evaluation of program aid.

#### B. Impact on Poverty

Beginning in the early seventies most development aid agencies and many developing countries became increasingly concerned to ensure that development programs being aided should not only contribute to growth of national output and income but should also directly help the poorer groups in developing societies to increase their productivity and incomes and improve their welfare. Virtually all the evaluations covered by the analyses available were done since this increased concern emerged, so they generally consider the subject. The bulk of the projects evaluated, however, were launched - and even more developed - before then. Many did not explicitly emphasize such objectives and did not provide for generation of much information to facilitate evaluation of their effectiveness in this respect. The projects now coming through the evaluation process which were developed since then were in many cases experimental and involved novel and untried methods for achieving such results. Efforts to judge the success of aided projects from this standpoint must therefore be considered quite preliminary and tentative.

It is clear that all four agencies now emphasize these concerns in their program and project planning and evaluation of the effectiveness of their projects.

Poverty orientation affects the various sectors and types of project differently and is much more of a factor in some than in others. The bulk of the very poor are rural and they are the principal focus, though the concern extends also to urban slum-dwellers and other disadvantaged groups, often including women.

Poverty orientation has had its greatest impact on agricultural and rural development projects. It has not only substantially influenced the character of projects in the sector, but probably also helps to account for the increase in the share which agriculture claims in the total allocation of the financing of most aid agencies, particularly IDA. Poverty orientation has had an impact on the characteristics of projects in other sectors as well, of course; the shift in emphasis in education projects, e.g. toward primary education, is probably particularly significant.

Beginning in FY 1974 the World Bank applied a rather strict specific set of criteria in categorizing poverty oriented rural development projects. Special measures were included to assure that at least half the project benefits were to accrue to groups below a defined poverty threshold. The Bank had supported programs designed to reach small and low income farmers before, but the new category was considerably narrower.

Of the World Bank's projects audited in 1981, 40 were in agriculture. For the 32 of these for which information is available

beneficiaries were expected to total 850,000 families or about 4.5 million people. Seven of the projects specifically designed to reach smaller farmers account for 88% of the prospective beneficiaries; their ERRs averaged about 22% - slightly above average for the sector. Beneficiaries' real incomes rose by between 10 and 600 per cent in the 12 cases in which estimates could be made, in seven cases exceeding the appraisal estimate largely because of substantial increases in real prices. The 31 projects for which estimates could be made created over one million permanent man years of additional employment, mostly through the credit and irrigation projects (VIII, 33-37).

The Bank's report on 1982 PPARs summarizes the results of 13 new-category rural development/poverty oriented projects and contrasts them with 15 other agriculture projects also approved in FY 1974 and later. The new style projects were smaller - less than half the cost - than the others. There were no failures in the group, ERRs ranging from 10 to 27%. Average ERR was 16%, lower than for the others which averaged 30% overall or 20% if two large Mexican credit loans are excluded. The cost per beneficiary (\$248) was almost exactly the same as the average for the other projects and over 70% of the beneficiaries were in the target poverty groups. Fragmentary figures indicate that the poverty oriented projects did as well or better than the others in terms of increasing food production, employment creation, and raising farm and family income. Probably largely because of their smaller size, cost over-runs were considerably greater (average 29%) and costs of supervision were 2 1/2 times as high per dollar of investment 20/.

Equity considerations, to the extent they have been targeted in education projects, have been approached mostly in terms of improving the usually very unbalanced opportunities for women and by seeking a better geographic distribution of facilities to reduce the disadvantages of rural and backward regional and ethnic groups. Expansion of education opportunities, particularly at the lower end of the pyramid, certainly increases those for relatively low income students since the well to do are usually already accommodated. As basic primary education is extended towards universal coverage the poor are the principal beneficiaries.

The World Bank's PPARs for education projects have shown that efforts in some of its projects to improve opportunities for girls have had a fair degree of success, though targets have not always been met completely. Also, largely because of their location, a number of secondary school projects have attracted students mainly from low-income families. Nonetheless in urban schools middle and upper income groups often continue to be disproportionately favored and the attrition rate is usually highest among the lowest income children (Rpt. 2321, p. 49).

Cohen's analysis of AID impact evaluations shows that education projects were rated above average in "helping the poor." The "AID and Education" report cites several projects in which AID provided broad sector support or made a major contribution to teacher training which could claim to have contributed to a substantial increase in the percentage of children in school and improvement in their achievement. A number of other projects seem to have been

reasonably successful in providing skills training to low-income rural adults which enabled them to increase their earning power. Of the twelve projects covered by the study, nine benefited rural children, four rural adults and seven included special attention to opportunities for women. As in the case of the World Bank, however, AID's efforts to develop innovative systems either technologically or institutionally to reduce significantly the cost of basic education to bring it within the range of the poorest countries have not yet had much success.

Nothing is said of their impact on poverty in most audits of program loans. To the extent that increased supplies of mass consumption goods or inputs required by small farmers and businesses result or that employment is increased a general case of favorable impact could probably be made, but this would clearly be incidental to the primary purpose in most cases.

The question arises more pointedly in relation to structural adjustment loans which normally involve an element of austerity in the measures designed to increase mobilization of resources, particularly reduction of subsidies of farm inputs and consumer necessities including food. The Bank's progress report (op. cit., pp. 29ff.) argues strongly in general that successful structural adjustment is likely to be more favorable to the poor than the more disruptive crises they would face otherwise. It is also likely to involve changes favorable to small farmer incentives and to higher employment as well as to wider availability of basic public services. The report recognizes, however, that short term adverse impact on the poor is

likely to be a visible and politically difficult effect and that amelioration of transitional costs must be given attention.

C. Institution Building and Support for  
Policy and Planning Improvement

Most aided projects involve substantial institutional and policy aspects. Experience, including the findings of many past evaluations, has moved aid agencies to broaden and intensify their attention to such issues. They have learned that project effectiveness depends not only on the institutions and their policies for implementing and operating projects - e.g., the power corporation to plan, build and operate a power plant and its accounting practices and rate structure, or a complex of institutions to provide extension services and supply improved seeds, equipment and credit. They must also be concerned with institutions for the analysis of power demand prospects, system planning and project planning. They must be concerned with farm product marketing and pricing arrangements, adequacy of adaptive research, availability and pricing of inputs, etc. All donors have learned that organizations and funding for operation and maintenance of major facilities need early attention, particularly in the case of investments such as roads and irrigation systems in which operations are often handled by different institutions than the ones responsible for building the major units.

Institution Building

It is difficult to generalize about the effectiveness of such efforts. It is intrinsically an area of high risk in which total quick success is rare. The IDB evaluations frequently note that experience with institutional aspects of projects is often more difficult and less successful than with the physical aspects. To the extent that they are successful, however, they often have favorable impact beyond the scope of the immediate project. The IDB's review of its rural development projects, for instance, found that their impact on national policy and programming and contribution to improved institutional coordination and strengthening were among their most important results, in some countries.

Of the 229 projects audited by the World Bank in 1981 and 82, 202 involved significant components and undertakings designed to help strengthen and improve institutional capabilities and policy. About 36% of the projects audited in 1981 having such elements were substantially successful and 38% in 1982. Partial success was achieved by 51% and 47%, respectively, and 13% and 15% were judged to have had negligible results. CIDA reports that its evaluations have found the planning and management capacity of the host country institutions is generally improved by Canada's interventions though rather less than had been hoped. The Cohen study rated AID projects somewhat better with respect to effect on government institutions than on policy, but in both cases the average rating was between "satisfactory" and "fully satisfactory."

There is a strong consensus in the evaluations that much greater success is likely in this area when there is a continuing association over a substantial period of time. There is also substantial experience to confirm that insistence on and support for special institutions to implement a particular aided project or program may sometimes be necessary and be more effective in the short run but that the likelihood of achieving lasting benefits and spread of the benefits beyond the immediate project is better if improvement of the permanent structure can be initiated from the start.

In 1982, both AID and IDB issued studies of their experience in institution building - the former very comprehensive and the latter somewhat selective 21/. The AID study found that the results were generally about half positive and half negative. The IDB study concluded that the objectives of ID (institutional development) operations are seldom fully achieved, but that in cases in which IDB had stuck with the institution over a series of operations major achievements can often be seen. The evaluations summarized in CIDA's 1981-83 "Bilan" included predominantly favorable comments on the impact of the projects on the planning capacity of the host country institutions, 60% favorable and 40% unfavorable effects on their capacity for management and 67% unfavorable on their self-reliance at the time of CIDA withdrawal.

Weak institutions for project planning and management have repeatedly been identified as one of the major contributors to Africa's poor record in project effectiveness and in development progress generally. The World Bank Operations Evaluations Department

therefore recently undertook a major study of the Bank's activities designed to support institutional development in Africa 22/. This entailed review of the findings of earlier PPARs of projects, several previous more comprehensive studies dealing with aspects of the question, six special in-depth case studies of countries in which an effort had been made to support major institutional change in agriculture or transportation, special studies of eight ID projects currently in progress and desk review of ID features of projects approved in 1983 or under preparation. The study covered both free standing ID projects and substantial ID elements in other projects. It concentrated on cases in which the intention was to help with permanent improvement of the country's institutions, not cases in which help was provided only for the purpose of implementation of a particular project.

To the extent the PPARs included reasonably clear assessments of the effectiveness of ID operations /23, they showed that the record was poor. Most were reported as having "major" implementation problems; only 2 of 116 were "trouble-free;" less than one third were reported completed during project implementation; over half were considered to have had little or no impact and only about one in ten was considered to have had very great impact. In summary, "the Bank's past efforts in these sectors have generally not been very effective..."(iv).

Policy and Planning Improvement

Policy improvement and institutional strengthening are often intertwined and difficult to distinguish. Some "policies" have - or need to have - little impact beyond the operations of a particular project or institution. These might include accounting and pricing for public utility or irrigation services. Others may have wider sectoral or even macroeconomic impact. Examples would be policies on prices and price relations among agricultural products, taxes, tariffs and interest rates. Aid agencies and developing countries have generally recognized the importance of appropriate policies directly affecting project operations. Agreements with respect to them are routinely worked out, and more or less effectively implemented. The importance of the broader sector context has been recognized increasingly. Efforts to deal with such issues through project lending have often encountered problems and have frequently not been successful.

A review of efforts to promote such sector policy objectives in the World Bank projects audited in 1981 found that they were included in about one third of the projects, particularly in public utility and agricultural projects. It found that "success in achieving sector objectives has often been limited." Where the Bank through its projects supports sectoral objectives which have been firmly adopted by the government, its assistance can contribute to success in achieving the objectives, but when it seeks through project operations and understandings to bring about significant changes in

sector policies which the government does not fully accept results are less successful. In several of the cases considered lending was suspended in an effort to induce agreement without success. In other cases less extreme measures were taken, but success was also limited. The Bank evaluators concluded that individual projects are not effective instruments for inducing policy change. They can be effective in reinforcing policy agreements, and a series of related projects can facilitate an effective dialogue concerning improvement of the sectoral context (VIII, 19-20).

As noted above, AID's impact evaluations rated the success of the projects covered at the low end of the satisfactory to fully satisfactory range - low in relation to the ratings of overall effectiveness or success in institution building.

In considering the reasons for lack of success in changing sectoral policies in connection with a sample of the Bank's agricultural projects the evaluators found several: in some cases assistance in dealing with several aspects of the sector was needed; the project was too narrow to provide the necessary range of help. In some cases the scale of the Bank's lending was too small in relation to the sector problems to provide effective leverage. In one case the evaluators considered that the Bank had not exerted its potential influence with the vigor and persistence that it could have to persuade the government of Malawi to adopt price policies better related to production targets. Finally, one sobering case was noted in which the Bank pressed for adoption of an enclave approach to a rural development project in Rwanda despite experience in Rwanda and

Bank experience elsewhere indicating that a more comprehensive approach would be better (VIII, 62-66).

Policy and program improvement has been an important aspect of most program lending. The relationship has been increasingly formalized, particularly in the current structural adjustment operations.

Available evaluations in this area are almost entirely by the World Bank. IDB does not make program loans; the C.I.D.A "Bilan" report does not deal with policy impact; and only one AID program loan evaluation refers to the subject. As noted above (Section II, A), the single aid case produced limited and uncertain results.

Earlier program loans differed greatly in extent and focus of the reforms considered as well as in their specificity. In a number of cases the credits were related to reform programs which had been adopted earlier. Examples are the Pakistan credits of 1972-73 and the Sri Lanka 1974 credit. In some cases, particularly in the extended series of industrial import program credits (IIPCs) to India, the policy changes explicitly related to the loans were minor. Indeed, in one case (IIPC X), the GoI emphasized in its comments on the PPAR that no policy commitments were entailed. In several cases in which the policy packages were quite broad (Kenya, Tanzania), the auditors found that some measures had been taken, but that the agreements were not sufficiently specific to permit objective judgment as to whether they had been effective. In some other cases implementation of the necessary policy adjustments was limited, particularly when the situation evolved so that further measures

beyond those explicitly agreed upon were needed to achieve the desired results (Guyana, Jamaica, Sri Lanka).

An important feature of many program loans and now of most structural adjustment loans is the inclusion of studies of important policy and program issues - often sectoral - as a basis for formulation of agreed programs where there is need for improvement but either uncertainty or disagreement on what is needed. These studies in the case of India were judged to have been generally useful both to the government and the industries involved though it was difficult to assess the extent of resulting action. In the case of Bangladesh, substantial action was taken on action programs developed for the jute and cotton textile industries and some clear improvement in results were achieved, though rather less, at least in the short run, than had been hoped. The report on SALs indicates that such studies have made important contributions to specific reform measures incorporated in the later phases of the structural adjustment program in several cases.

The policy and program adjustments agreed upon in relation to SALs are generally considerably more explicit and systematic. While tailored to individual country circumstances, they generally include measures designed to improve the balance of payments, usually primarily by increasing export earnings; increase domestic resource mobilization; increase efficiency, particularly in agriculture and energy; and institutional reform, particularly in public planning and management and support for agriculture. The reform programs are generally intended to be phased over 5 to 6 years and to be supported by a series of SALs.

The Bank's review of progress to date in carrying out the reforms called for seems on the whole quite impressive. The report concludes generally that "while in some areas implementation of agreed changes has been inadequate, by and large, governments have implemented agreed reforms"(op. cit., p. 2). In one case (Pakistan) the economy was quickly found to have been reoriented sufficiently to permit termination of the SAL program. In three other cases (Guyana, Bolivia and Senegal), the governments were not willing to proceed with the reform measures considered necessary and the programs were terminated.

Of the low income African countries involved, the reform progress in Kenya is generally good with a few areas of difficulty; Ivory Coast has accomplished several important changes; Malawi - after a slow start - has made good progress; Mauritius has taken significant steps in all major areas, with some delays, but a number of difficult problems remain for action; Togo - a relatively recent (1983) SAL - had some initial delays in reform implementation, but has now made significant progress sufficient to warrant release of the second tranche of its first SAL.

#### Agricultural Research and Extension

An area of institutional development which is of critical importance to most developing countries, particularly the least developed in sub-Saharan Africa, is agricultural research and extension (R&E). The World Bank OEO produced in 1983 a major study (#4684) covering 128 projects in this field in ten countries

(including four sub-Saharan). It included both free-standing R&E projects and R&E components in other projects.

While it found that the Bank's support in this area had been "significant and worthwhile," the report makes abundantly clear throughout that success had been partial and limited and that a great deal remains to be achieved, particularly in Africa. It is also clear that in most cases a major cause for limited achievement has been an environment unfavorable from a number of standpoints.

In the absence of effective well articulated national research and extension systems with programs well related to priority objectives, key problems and resources available, the Bank has often included in projects research and extension elements specifically designed to meet the needs of the particular project. The report finds that this was often the only practical possibility for meeting these needs, but does not meet the longer run need for a soundly planned and organized program related to overall national priorities.

Particularly with respect to research, country policymakers have often been unable to give adequate support and to face the need to establish priorities for the national research system. The Bank, on the other hand, has sometimes been unrealistic in its consideration of the overall level of support which the country could reasonably provide on a continuing basis and has been more successful in supporting development of physical facilities than in improving the planning and management of the research program and application of its results.

Extension components were often effective in bringing to small farmers an integrated package of technology, including credit, technical advice, inputs and other services. They often tended to concentrate on input supply and services at the expense of their educational role, however. Sometimes the farmers were aware of the necessary technology; but where the extension was really needed, there was sometimes an inadequate supply of adequately trained extension personnel.

Broader projects to build up the national extension service and program were often disappointing in several respects: they were often unrealistic in terms of the time and sustained support necessary for reorganizing and upgrading a system to cover a wide area involving large numbers of personnel; they often overestimated the supply and underestimated the need for training of specialized personnel; and (in contrast to the extension component tendency noted above) they sometimes pressed for separation of the extension function from the supply of inputs and services without sufficiently considering the adequacy of alternative sources of needed supplies.

AID too did a special review of project evaluations on its support for agricultural research /24. This was strictly a study of available evaluation reports, not a full-fledged Evaluation Report. The evaluation reports used were mainly routine periodic reports on projects in process, not in depth Impact Evaluations; 103 reports on 39 projects were considered. They did not permit any definitive assessment of project effectiveness. The report was mainly designed to identify concerns and problems which had arisen in



implementing the projects. Nonetheless a number of aspects of project effectiveness were reported.

While 21 of the projects were specifically intended to help small farmers or were concerned with crops grown by small farmers, efforts to reach small farmers were impeded by the established orientation of the implementing institution to the concerns of larger operators. In several other cases the priority of meeting growing urban and export demand for food limited the attention given to small farmer interests. Explicit consideration of small farmer constraints was attempted in only eight projects and in even fewer did researchers attempt to monitor the effects of project research results on the users. Effective on-farm testing was carried out in only seven projects and actual farmer participation in the planning and implementation of the research took place in only eight. In 15 of the projects the research design involved problems including lack of sound priorities and low quality research. Cases of excessive concentration on low priority tasks and even of failure to disseminate technology for which additional research was unnecessary were noted. Sometimes unrealistic timing and failure to adjust to delays led to termination before worthwhile results could be achieved. Finally, in 16 cases transmission of research results via extension to the farmers was weak.

#### Education

Education projects quite generally include institutional development elements, both for project execution and more generally.

Both the AID's and the World Bank's evaluations report fairly good success in this area, but a mixed record on some of the more ambitious efforts. The World Bank reports that project implementation units have proven successful with very few exceptions and in a number of cases have been continued to handle additional Bank and other donor projects. In some they have been integrated into the Ministry structure permanently. Projects aiming at development of new institutions and procedures for planning and managing education programs and new types of educational institutions have varied in their results. Planning institutions supported have generally been strengthened, though not always as much or as solidly as hoped. New types of teaching institutions have been highly successful in some cases and in others have not been carried out effectively or completely or have gone downhill after project completion.

AID impact evaluations gave high marks - better than "highly satisfactory" - to education projects for effect on institutions and host government policy. The 12 probably relatively successful projects covered in the "Aid and Education" report were found in every case to have helped to establish or significantly strengthen institutions and institutional practices. The institutions established were all still in operation. In six cases whole sections of the national education administration were created with project assistance at both national and local levels. In three cases innovative institutions, though still functioning, have not received vigorous support and appear to have uncertain futures.

#### D. Replication and Spread of Benefits

An important aspect of many - perhaps most - development projects is the potential for multiplication of its contribution by extending its influence beyond the specific project. This extension can take many forms running from simple replication of the same sort of project to other areas, through application of improved technical, managerial and policy aspects to other operations already in process or planned, and follow-on activity improving and expanding the initial program. The importance of ensuring that costs are compatible with realistic resource availability for programs intended to be replicated is clear; a number of projects, reasonably satisfactory in themselves, have been without issue on this score.

A considerable proportion of the projects of most aid agencies, particularly in agriculture, now represent continuations or follow-ons from earlier projects. Of the 56 World Bank agricultural projects audited in 1982, for example, 17 were the first of a series of related Bank operations and 10 others were themselves follow-on projects. Evaluation reports frequently find that the results of follow-on projects average well above those of initial or isolated ones and that serious failures are much less common among them.

Spread of beneficial effects beyond directly aid-financed operations is important, but more uncertain. A 1976 World Bank study, "The Diffusion of Innovations from Bank-Supported Projects," showed that innovations with potential for wider application do in most cases spread. In some cases they have not done so even when it was

intended; in other cases they have spread though it was not part of the plan for the project and no special measures to encourage spreading were taken. The report's strongest conclusion was that diffusion benefits had been slow in coming - much slower than expected in cases in which they had been planned on. Ten years was not unusual from initial project approval to the beginning of significant diffusion benefits.

The Cohen study of AID impact evaluation reports found that the average rating of the projects covered on "replicability" (defined in terms of application of project features in other locations without AID assistance using the project in whole or part as a model) was about 7.6 on his ten point scale - between fully and highly satisfactory. AID's recent review of 12 education projects found a variety of cases in which techniques and institutions developed were multiplied in the country and several in which they were adopted or strongly influenced programs in other countries. On the other hand probably as many innovations either disappeared or were not widely accepted. This was particularly true of several substantial curriculum reform efforts.

The World Bank's recent review of education operations found that its university projects have generally been successful in attracting emulation and have been able to provide technical assistance to others. In many cases building design, equipment lists and curricula have been used in planning subsequent projects. An important innovation supported by the Bank has been the diversification of secondary schools. Of nine countries which

initially included such schools eight have included them also in a subsequent project. Consistent with AID's experience, changes in curriculum and teaching practices have proven more difficult and have often had little lasting impact.

### III LESSONS FROM EVALUATION - FACTORS AFFECTING EFFECTIVENESS

A substantial degree of convergence and consensus emerges from the evaluation studies of the four agencies, and, indeed, of aid agencies generally, as to many of the key factors which make for effective aid activities.

#### A. General

The Expert Group on Aid Evaluation of the OECD Development Assistance Committee (DAC) has recently completed a report (DAC(84)11) on "Lessons of Experience Emerging from Aid Evaluation" which reflects the results of the evaluation programs of the four agencies dealt with here as well as those of other DAC members and development aid agencies. The following section is based on the findings of that report relating to specific aid activities 25/.

Highlights and special aspects emphasized in the evaluation studies of the four agencies covered in this report are drawn on to illustrate, emphasize, supplement or qualify the general findings. First the general conclusions are summarized, then comparable summaries from our agency evaluation reports are listed for comparison, including some more specific findings relating to particular sectors and situations.

The distinction between planning and implementation is often blurred at the margin in aid administration, but there is general agreement in virtually all evaluation studies that the seeds of success or failure are usually sown at an early stage. The following aspects are often found to be important:

- Congruence with country development and policies and sectoral plans;

- Clear explicit goals, targets;
- Adequate advance study of physical conditions (soils, climate); economic conditions and prospects (prices of inputs, outputs, and alternative products; markets and costs of transport); interests and social structure of target groups affecting manner and extent of their cooperation (local hierarchy, family structure and roles of women); technical alternatives; adequacy of institutions for implementation and operation;
- Consideration of other donor programs - opportunities for complementarity, danger of overlap or conflict, need for coordination;
- Careful consideration of the appropriate roles of non-governmental organizations and of private enterprise in achievement of project objectives;
- Thorough understanding and firm commitment by host country agencies involved - especially to project objectives, concept, implementation and operation responsibilities, and policy and institutional development support required. Achievement of such commitment may often require active participation in project planning;
- Realism and caution in deciding on scale and technology - use of small trials for projects involving unfamiliar technology, new products and new institutions;
- Realism in project scheduling - recognition that projects requiring new institutions or substantial strengthening and change of existing ones and projects dependent on enlisting voluntary cooperation by large numbers of private beneficiaries should allow considerable time for achieving stable acceptance and effectiveness in new responsibilities and techniques;
- Anticipation of operation and maintenance requirements - funding, institutions, cooperation by beneficiaries; may require active involvement of beneficiaries in planning;
- Provision for adequate training and expert advice in developing host country institutions for planning, executing and running new and expanded projects and programs;
- Insistence on adequate and complete design and realistically timed work plans for major project elements before beginning project implementation - or even final project approval.

Factors repeatedly identified as important to successful implementation include the following:

- Technically competent, managerially effective people who can deal skilfully with host country officials and others, both in advising and training roles under projects and in monitoring and supervision roles;
- Minimizing rigid unfamiliar procurement, contracting and other procedural requirements, and training and assisting host country officials in handling those which are necessary;
- Close monitoring, continuous dialogue with all concerned and readiness to adjust and reconsider project elements promptly when called for by developments during implementation;
- Intense and continuing attention during project implementation to plans and provisions for maintenance programs and to training of project operations and maintenance personnel;
- Timely recording of baseline data on output, target group income and welfare and social conditions and close monitoring of project operations and impact not only during but after project completion to permit prompt identification of opportunities to improve its sustained effectiveness.

The Cohen and Finsterbusch analyses of AID's impact evaluations are of interest in this connection. Cohen looks particularly at the relationships between duration and beneficiary participation and the success of projects. He found that the projects actively supported for over ten years were generally the most successful, those between five and ten years next and those under five years least. The longer lasting projects were also rated more effective in each of the eleven aspects of success he considered, except that relating to influence on policy. In that area the shorter

lasting projects were judged most successful. To his expressed surprise the category in which beneficiary participation was rated high averaged the lowest in overall effectiveness, pronouncedly lower than the medium or low participation groups. The low participation group averaged about eight on his ten point scale and the high participation group just over six.

Finsterbusch correlates ratings on 36 project characteristics (gleaned from the literature and the evaluation reports) with the overall project effectiveness rating and then applies factor analysis to group the factors and weigh their importance. As he observes, his results are generally compatible with other catalogues. The factors to which overall success seems to be most strongly related are (in descending order) quality of implementation involving competence and motivation of implementors and good management; strong demand for the products of the project involving strong desire for the project's results by the beneficiaries and their ability to take advantage of it; understanding and endorsement of the project by cooperating institutions and beneficiaries involving effective host government commitment and adequacy of financing; favorable "macro context," particularly market factors (economic policies not affecting markets and non-economic policies seemed much less commonly critical); and adequate maintenance - both long and short term - strongly related to local availability of equipment and maintenance capability. He too finds relatively low, though positive, correlation between beneficiary participation in design, implementation, and maintenance and project effectiveness. He

also finds a fairly strong positive relationship between effectiveness and active AID participation in design, monitoring and advising.

Both analysts hypothesize that the rather low average weight which shows up for "beneficiary participation" reflects differences in type of project and capability of the beneficiaries to participate effectively. Finsterbusch finds a positive correlation between per capita income of the country and the importance of participation. This suggests that literacy, productivity and resources available - presumably closely related to per capita income - add to the capability of beneficiaries to contribute to project effectiveness and therefore to the importance of their participation. He did not find any consistent pronounced relationship between project sector and the importance of participation, however, at least not between the three rather broad categories he used (Roads and electrification; Irrigation, water and agricultural research; and Housing, education, health, and general development). Clearly understanding and agreeing with project goals and instruments is very important; it would seem that participation in planning and implementation must contribute to understanding in many cases, but apparently other methods are also often effective.

A tabulation of the leading factors accounting for the failure of 24 IDA credits (based on the "Summary of Project Results" included in the five most recent "Annual Review" Reports) is also instructive. By far the most common, each noted in 16 cases, were failure in design and appraisal and inadequate support or incompatible policy on the part of the host government. One or both of these

factors were reportedly involved in each of the 24 cases. Other important factors identified and their frequency were the following: adverse climate conditions - 7; inadequate supervision - 7; delays and cost over-runs - 5; unsuitable technical packages - 4; ineffective technical assistance - 4; institutional problems - 4; labor constraints - 4; political factors - 4; infrastructure problems - 4; weak project management - 2; adverse international price movements - 2; inflexible bank procedures - 1; and sociological/cultural factors - 1. There is obviously considerable subjectivity involved in any such listing, particularly when it has been filtered through several screenings. Delays and cost over-runs are present in virtually all these projects - indeed in most successful projects as well. Deciding whether they are a principal cause of project failure or incidental intermediate effects of bad planning or weak administration can be a nice distinction. The importance of good planning and of compatibility with host country priorities, policies and capacity is clearly emphasized, however. The low incidence of weak management noted is an apparent anomaly; it is probably explained by overlap with some more specific headings including delays and over-runs, inflexible procedure, and inadequate supervision.

#### B. Agriculture

The World Bank has developed over the years a list of eleven important and frequent lessons from its audits of agricultural projects (IX, 68). This is entirely compatible with the DAC Expert

Group's findings. It particularly underlines the importance of the sector context to project success, the need on the one hand for adequate and complete design and on the other for flexibility to adapt to changed circumstances during implementation, the need for adequate technical expertise in project management and supervision, the need to adapt and test technological packages before attempting to transfer them on a large scale, the importance of close supervision and continuing dialogue between the Bank and the borrower on objectives and the means for achieving them, and the need for greater emphasis on training of local staff and arrangements for post-project maintenance.

The World Bank did a special study of water management in 20 bank supported irrigation projects 26/. The study concluded that management was good in only 9 of the 20 cases, thus severely limiting the realization of potential project returns. Farmer understanding and acceptance of how the project was supposed to work was essential; institution building and training for operation and maintenance, inadequate staffing and sometimes financing were all important and in ten cases were made more critical because appraisal estimates of water availability proved over-optimistic. Problems mostly reflected inadequate attention to these issues in project design and appraisal.

The AID report on agricultural research projects generally emphasized the importance of relating research to a sound overall assessment of the priorities and potentials for research needs with full host government commitment to the research priorities and program, the importance of careful planning and understanding and agreement by all concerned on the linkage between research and

extension, and assurance that adequate budget, manpower and training is assured for the extension service. The need for realistic time phasing and adjustment to delays was stressed. Ineffective AID supervision resulting from lack of adequate technical knowledge, particularly important in such projects, and frequent turnover was faulted in nine cases. Insufficient and unrealistically scheduled participant training resulted in gaps and loss of continuity when technical assistance personnel left in 13 cases even though there had been delays in the arrival of technical assistance personnel in 14 cases. In seven cases qualifications of technical assistance team members were inadequate. The report emphasized particularly that there is a big difference between formal government acceptance of a project plan and effective commitment to it. The latter is essential and requires thorough understanding and agreement not only by some authorized officer but by the key agencies and officials whose active cooperation will be needed to make it effective.

The World Bank report sums up succinctly five main factors which have accounted for limited effectiveness of agricultural research and extension projects:

- (i) lack of clarity in country objectives for agriculture and of priority among them;
- (ii) limited country input in the design of R&E components or projects along with unclear connections between R&E activities supported by the Bank and other activities in the sector;
- (iii) limited sector- or economy-wide work on issues affecting R&E;
- (iv) institutional separation of research and extension; and
- (v) lack of clarity in or agreement on the definition of various stages in the process of technology development and transfer.

### C. Education

The evaluations of education projects indicate that several factors are especially important and take particular form in this sector. There seems to be a close consensus between the AID, World Bank and IDB studies on most of these points.

All stress the importance of ensuring that education projects are planned in the context of and contribute to a balanced, feasible strategy for the education system. When appropriate, donors should include support for planning and for country planning institutions. The CIDA "Bilan", though it does not elaborate, finds that its evaluations often are critical of the rationale of its education projects; together with low ratings on viability, this suggests need for better articulation with a national strategy.

Because of the importance and sensitivity of education it is essential that there be complete mutual understanding with and between the host government agencies involved on the goals and methods of aided activities. The best way to ensure this in most cases is by engaging these agencies actively in planning and implementation of the activities. This is particularly true when new types of educational institutions, curricula and teaching methods are to be introduced which are expected to have wide application.

Because most education programs require government budget support it is important to ensure that the budgetary implications for

the future are understood and accepted before launching programs intended to build up to major scale. The apportionment of costs among levels and agencies of government should be considered and agreed upon by all concerned.

Training programs designed to prepare students for specific employment need to be developed in close cooperation with prospective employers - public or private. A considerable proportion of programs in vocational, technical and agricultural fields have not been well related to job opportunities.

Projects intended to assist with significant institutional, curriculum and teaching methods development should plan realistically for support over a considerable period, and necessary technical assistance and training should be carefully planned and thoroughly agreed upon at the outset. Close monitoring and flexibility in adjusting plans are often essential during implementation and should continue after completion of the assistance period for some years 27/.

#### D. Institutional Development

In relation to the key function of institution building, the World Bank in its eighth review of PPA results commented succinctly:

The ingredients of success in institutional development were the same in this group as in those reviewed in previous years. These included a program developed in full understanding and agreement between the Bank and the borrower, implemented over time, and sensitive to the problem of staffing and the need for training of local staff at different levels. (VIII, 12)

The Bank's recent in-depth review of "Institutional Development in Africa" (R. No. 5085, 5/84) also underlines and illuminates some of these key factors. It particularly stresses that most problems arise from the early stages of project development. Design factors were cited more often than any other - in about 70% of the projects studied - as having influenced project effectiveness. Many of the other factors cited were considered also to stem from inadequate preparation and appraisal or lack of agreement on objectives (p. 17). A frequent source of difficulties is failure to recognize constraints on what can be achieved arising from conditions beyond the reach of the project including overall shortage of trained manpower and financing or conflict with broader national policies. Unrealistic attempts to accomplish institutional development objectives in too short a time are frequent, particularly when the institutional development relates to a specific development project. Common design shortcomings include: lack of clear and distinct definition of objectives; excessive reliance on partial or inappropriate measures, e.g. covenants or the appointment of a few key people; deferral - and often delegation to consultants - of preparation of the institutional development measures in projects until after project approval; lack of complete cooperation between Bank, borrower and consultants in project implementation, particularly because the borrower's institutional weakness makes it difficult for it to diagnose and resolve its problems; and finally the particular essentiality in institutional development that the borrower fully understand and subscribe to the objectives being sought and the means

to be used to reach them, which in this area at least means that the borrower should participate as fully and actively as possible in the analysis of need and in design and implementation of remedial measures (iv, v).

#### IV. UTILIZATION OF EVALUATION FINDINGS

An important aspect of the effectiveness of aid agencies and their programs is the degree to which they succeed in bringing to bear the lessons of past experience in working with their beneficiaries on program and project planning and implementation. Past experience includes much more than the formal products of evaluation, of course, but they are a particularly important element of this element of this experience because they are relatively objective, systematic and carefully recorded. Are policy makers, program and project planners and operation managers made adequately aware of evaluation findings and lessons? Are the lessons given sufficient effect in planning and operations? If so, why are mistakes still made similar to ones which have been identified in earlier evaluations?

##### A. Dissemination of Evaluation Lessons

Lack of institutional memory and failure to learn from experience on the part of aid agencies can be a serious problem. It is often alleged by critics and sometimes by the evaluators themselves.

Unquestionably in the past such lack of memory was extensive. Particularly since the evolution of the current evaluation systems, however, major lacunae have been progressively filled. The aid agencies now have recorded and analyzed a substantial and increasing range of their experience in permanent and accessible form.

Ready availability of evaluation studies is essential but not sufficient to ensure that they will be widely read and digested by busy officials. In 1983 the OED did a survey of the extent to which operating officials of the Bank received and made use of PPAR reports and found that few--particularly at intermediate levels--had time to read reports which did not deal specifically with the countries and sectors which were their direct concern.

Knowledge of the major results of evaluation programs is certainly more widespread than this might imply, however; all four agencies considered have systems for ensuring that the results of their evaluation studies are communicated to agency operating and planning officials to whom they are relevant. These systems have been progressively strengthened and refined.

In the first place all agencies pull together the results of the evaluations of individual operations in annual, sectoral and functional summaries and analyses. These not only make the results of individual studies more readily available but also make it easier to guard against the danger of overreacting to an isolated atypical case and highlight cases in which experience is clear and consistent on the one hand and those which illustrate important distinctions on the other. It is on such consolidated studies that principal reliance is placed for generating changes in policy and procedure reflecting evaluation findings. They are limited in number, widely known, and readily available when needed.

Various systems are used to facilitate reference to individual evaluation reports relevant to particular problems. The World Bank publishes a "Concordance" giving references to individual

PPARs under 24 major headings and about 250 sub-heads. Plans are in process to restructure the classification to reflect better the needs of operating officials and to expand and improve the computerized memory and retrieval system.

AID too has a computerized information retrieval system, but the coding and recording of evaluation material into it is far from complete. Efforts to improve it are under way and methods by which it can be made easily and quickly accessible to operating officers--including those in the field--are under consideration.

IDB also prepares an index of the issues and recommendations emerging from its reports which is circulated to operating officials to help them locate reports relevant to their problems.

Operating units of the agencies also have their own systems for being sure that their staffs are informed on evaluation results as well as other relevant experience. In the World Bank, for instance, the Agriculture Department has for some years circulated "Lessons Learned" memoranda to its own staff and to others (e.g. in the country departments) concerned with agricultural projects. These summarize significant findings and recommendations from each agricultural project PPAR. Several other departments are adopting this practice. Others prepare summaries of similar content dealing with evaluation results and/or hold periodic seminars to review and discuss recent evaluations.

The major sectoral and functional summary reports become widely known in several ways. Often they are preceded by seminars and discussions in which interested agency personnel (and others)

participate. As noted above (I.B.) this is the normal practice in AID. Then the draft report is widely circulated and discussed and the formal comments of regional and sectoral offices concerned are secured. In many cases responsible officials of the host countries are also consulted and asked to comment on the drafts. Finally the completed report is normally the focus for one or more, commonly several, seminars and discussions. The World Bank Education Department, for instance, conducted a series of seminars on various aspects of the 1978 "Review of Bank Operations in the Education Sector."

In both the World Bank and IDB the evaluation offices follow up and report in their annual reports on progress in approval and implementation of the recommendations in such reports. In IDB the Operations Evaluation Office reviews all new loans coming up for Board approval and advises on whether they seem compatible with relevant evaluation findings and recommendations.

In general it seems unlikely that lack of awareness of the agency's evaluation results can be a major cause of "recurrent failings." Unquestionably the systems for recording, analyzing and disseminating agency experience can be further improved, particularly in making easier to locate and retrieve the results of individual project evaluations relevant to a particular current issue. But the general system is now quite effective, particularly in the IDB and IBRD; certainly the major annual, sectoral and functional reports now cover a broad range of experience and are quite accessible.

Most of the lessons learned in agency evaluations are relevant to the concerns of other development agencies, developing country institutions in the same field and to the development community generally. AID and CIDA evaluation reports are generally available in principle to the general public. IBRD and IDB reports are mostly restricted; they can be obtained formally by officials of member countries (via their Executive Directors) and informally are often made available directly to officials who have use for them. Often non-official scholars and specialists can also secure them informally when they have good reasons for wanting them.

In practice there is considerable awareness in the aid agencies of the results at least of each other's major sectoral and functional studies. It is quite common to find reference to the findings of other agencies in evaluation reports. Mutual awareness of major summary reports of findings is probably quite good. Awareness of and ability to secure easily relevant individual project evaluations is much less likely. As the indexing and retrieval systems of the agencies progress, however, effective interchange will become easier. One can envisage a not too distant day when an aid official considering a problem will be able to call up relevant findings from the evaluation reports of all aid agencies from a terminal at his desk or in the next room. In the meantime the work of the DAC Experts Group on Evaluation provides a useful supplement to bilateral interchange. In addition to its general report on the lessons of experience it has sponsored a series of sector syntheses of the evaluation results of its members and associates.

Developing country planners are exposed to evaluation results to the extent that they participate in preparation of or comment on reports and when agency officials invoke evaluation findings in working on new operations. It is probably rather difficult for them to learn about and secure other studies, particularly those dealing with operations in other countries.

Academic and private organizations in the development field often manage remarkably well in securing significant reports. AID evaluation officials report that outsiders sometimes seem to be the most alert and avid audience for AID reports. Of course their ability to identify and secure such reports depends on their physical location and contacts in the agencies.

In the case of the IDB the Annual Report on Operations Evaluation is available to the public and the World Bank last year published a somewhat edited version of its Annual Review of PPARs. Findings emerging from evaluations are also often reflected in the considerable range of publications issued by the Banks - the WDR, reports on sector operations and approach, etc.

Thus the spread through the community of the full results of the agency evaluation programs is somewhat selective, but on the whole quite substantial. Whether it can be made more extensive and systematic without compromising the objectivity and frankness of the reports should perhaps be reconsidered from time to time.

B. Are Policies and Methods Improved as a Result of Evaluation Experience?

If aid agency policies and administration have been improved in response to evaluation findings and other influences, one might suppose that better results from aid operations should be evident - fewer failures, objectives more completely realized and higher ERRs. Unfortunately that is not the picture which has been emerging, as indicated in section II.A. above; if anything results of aided activities, while still quite respectable on the average, have been deteriorating in recent years. This might be partly explained by the time lag: there has not been time for projects developed in accordance with improved policies adopted as a result of evaluation findings to have reached the evaluation stage. There is something to this point generally, but it is clearly not a major factor. It could not in any case explain a deterioration. Moreover it would no longer be valid for projects now under implementation, particularly in the World Bank. Yet the evidence is clear that performance is still sagging. The World Bank's "Ninth Annual Report on Project Implementation and Supervision" 28/, for instance, shows that from 1980 to '83 the proportion of projects under implementation having major problems increased substantially - from 9 to 13 per cent. The report also makes clear that the main reason for this is the global recession the impact of which has adversely affected many countries' policymaking processes, financing for development, managerial environment and solvency of financial institutions and public and private

enterprises. It has forced reduction of new investments, reducing or even cancelling projects already started. It is only surprising that aided projects have not been worse hit.

Nevertheless the evidence that the lessons from evaluation and other experience have resulted in substantial improvement in policies and methods is very strong. It is best documented in the cases of the IDB and the World Bank. IDB management decides formally on the recommendations of the Evaluation Summary reports. OEO then circulates the decisions through the agency along with the reports and follows up on their implementation. In the Annual Report progress on implementation is reviewed. In almost all cases the recommendations have been approved and in most effective implementation is reported. In many cases implementation involves internalizing the recommendations in the Bank's operating policy and regulations, e.g. in guidelines for preparation of projects in the various sectors. The World Bank's system is similar though the decisions on audit report recommendations are not taken before the report is distributed. They are summarized and implementation followed up and reported in the OED Annual Report on Operations Evaluation. Here too in most cases the recommendations are approved. There is often some modification or qualification. Since there is no opportunity for reconciliation of recommendations with decision before publication this is probably not surprising.

While the specific details of evaluation findings and recommendations are tailored to the particular conditions of the specific agency and vary greatly in small ways, there is considerable parallelism, as in the case of lessons learned, between the main lines of change which have been adopted by the agencies.

In all cases increased consideration is being called for to the broader context of proposed projects - priority sector goals and policies, relevant national and international price trends and national price policies, extent of competition for needed resources such as finance and skilled manpower.

AID has rediscovered the importance of the macro-economic and sectoral context of its people-oriented projects and the need for policy dialogue. CIDA and IDB have increased markedly their insistence on the integration of project rationale with sector policies and priority goals. The World Bank has intensified its economic and sector work and, particularly in its structural adjustment lending, is endeavoring to increase its support both for improvement of macro-economic policies and key sector problems which are difficult to deal with in the context of individual projects. The macro-economic objective is to make the policy dialogue more precise and explicit and put it in a more realistic time frame than had been practical in most earlier program lending.

Greater attention to and support for needed strengthening of sector and subsector institutions, in addition to those directly responsible for implementation of specific projects.

Ensuring thorough understanding and support for project objectives and components both on the part of institutions and beneficiaries. The World Bank emphasizes full involvement of participating agencies in project planning, particularly when institution building is involved. IDB and AID have both taken steps to increase and improve the social analysis and survey element in assessing feasibility.

Greater attention to post-completion viability. AID and IDB have both greatly intensified their insistence on advance planning and provision for project maintenance. The World Bank is giving increased attention to financial viability and cost recovery in irrigation and a broad range of other services.

The World Bank in particular is gearing its agricultural projects in Africa to the realistic implementation of host countries and the availability of technical packages of proven productivity in local conditions and acceptability to prospective beneficiaries. This implies in many cases emphasis on strengthening institutions and intensive testing and research before large capital outlays.

#### C. Reasons for "Recurrent Failings"

Critics commonly complain that aid agencies have no institutional memory and keep repeating their errors. Knowledgeable aid officials, particularly evaluation officers, often make the same charge. The DAC Experts Group on Aid Evaluation report notes the "large and well established body of knowledge on project design and implementation ... much of which has been incorporated into "agency regulations and manuals; etc., but says that they "have frequently not been applied in practice." The report refers repeatedly to "recurrent failings."

Further improvement can no doubt be achieved in capturing, systematizing and communicating the lessons of experience. But the current performance in this regard is quite good - certainly greatly improved over the situation ten years ago. A great deal of recent

experience becomes common knowledge in professional and institutional circles without benefit of formal channels. That has always been true. In addition, however, the evaluation systems now seem to be functioning reasonably well to dig out, codify and make widely and permanently available this experience. The products of the World Bank's OED, IDB's OEO and AID's Program and Policy Evaluation Division have achieved a breadth of coverage and quality that is increasingly respectable, and the CIDA evaluation system seems to be well launched. It does not seem likely that the main reason for many of the serious difficulties and shortcomings of current aided activities can be simple lack of awareness of the lessons of previous experience.

The DAC Experts Group also concludes that the main causes of recurrent failings lie elsewhere. The experts find themselves "increasingly drawn into issues related to the environment of policy and programming within which aid projects and programmes are designed and implemented." They observe that these factors have been much less systematically studied and recorded formally in evaluation reports and find that they must rely on confidential information and their own experience and impressions in dealing with them. They urge the need for substantial additional work.

Some of the major factors they "discover" in this context seem quite well established in the evaluation materials; additional analysis is hardly needed to spell them out. They emphasize that "project identification and selection is more likely to be effective if it takes place on the basis of comprehensive country and sectoral assessments," the importance that non-project aid, particularly, be

"linked to a policy framework and undertaken in concert with appropriate developing-country policies," and the importance "that an effective dialogue with recipients take place in the identification of activities for financing." They stress that many failures "result from inappropriate recipient policies." It may be that they are right that these factors are not dealt with as fully as they should be in all evaluation studies, but they are all emphasized in most of the recent substantial evaluation reports reviewed for this paper.

The experts also identify, however, an additional group of rather disparate donor-related factors which they believe often adversely affect aid effectiveness. These really are not often identified and analyzed in evaluation materials. These include: financial and budgetary cycle pressures; general statutory regulations with respect to accounting, contracting and procurement which do not work well in the aid context; structural and institutional deficiencies such as budget uncertainty, special interest pressures, internal bureaucratic coordination and cooperation; inadequate staff; poor management; domestic economic considerations distorting programming procurement, etc.; political motives - internal and external - distorting aid allocation and timing and sometimes causing policy instability; and generally lack of flexibility.

There is no question but that these factors operate. How much and how often they have impaired aid effectiveness is the question and it is certainly true that there is little mention of them in the evaluation materials. Anyone who has participated in administration of aid programs can testify to their reality and can probably recall one or two cases in which they were damaging. In many

cases, however, they are overcome or circumvented. The pressure for timely commitment of funds, for instance, certainly has a powerful influence on when funds are committed. One has only to plot the timing of commitments over the year to observe this. But in many cases there is room for considerable variation as to exactly when in the project preparation and negotiation process formal commitment takes place; it may affect very little the process of working out agreement on project details and implementation plans or the timing of implementation. One can only endorse the Expert Group's plea for more extensive consideration of such questions in the evaluation program.

Another sort of problem upon which considerable stress is placed by the Expert Group is that of coordination among aid agencies. The experts point to a number of possible adverse consequences of poor coordination. They do not really indicate how serious its effects have been beyond commenting that "there appears to be little substance to the prevalent view that coordination will happen automatically where it is needed. Evaluators can point to examples of shortcomings because the need for coordination had not been respected and acted upon." Here the evidence from the evaluation materials considered for this report is not very helpful. There too there are occasional general references to the need for coordination, but cases in which lack of coordination has significantly reduced aid effectiveness do not often appear.

There is no doubt that coordination of donor programs is important. Donors working at cross purposes at any level will clearly be less effective. My impression from personal experience and from

this review of the evaluation findings of the four agencies is that there have been very few cases in which lack of coordination has had real serious consequences beyond some embarrassment to those involved. The dangers of conflict at the project level seem likely to be relatively slight and easy to deal with. 29/ At the macro-economic level, de facto coordination has often been achieved by general support for the lead role of the IMF which has usually been involved when such issues were important. With the increasing concern for sector policy and priorities and for such issues as the danger of overtaxing or unbalancing the allocation of scarce host country resources--both financial and managerial--need for effective coordination is likely to increase which requires more advanced planning and different handling.

There does not yet seem to be much experience in the evaluation record considered in the present study that sheds light on the extent of this problem or how well it has been met. Probably it would arise more appropriately at the country program level.

To the extent that failings really are recurrent--and history in this area never precisely repeats--the evaluation record suggests increasingly that a principal cause lies elsewhere than in lack of awareness of earlier problems and failure to adopt appropriate policies and practices to reduce the danger. Often the cause arises from the unavoidable need to choose between courses of action, none of which is risk-free. At its most basic it comes down to the need to act in a world in which perfect certainty does not exist. Somewhat more specifically, in the development area, the acuteness of the need for progress demands action even when risks are considerable.

Even more specifically, the lessons learned from past experience including evaluation studies do not always point in the same direction when applied to practical situations. This is implicit in many evaluation studies and comes out explicitly in some recent analyses.

Given the basic facts of the condition of many developing countries, particularly the least developed and especially in Africa, the various lessons which have been learned from evaluation of earlier efforts and from experience generally are often not readily compatible, at least not in the context of acute and urgent need calling for doing promptly anything which can be done with reasonable confidence that it will improve the situation.

The Bank's recent report on agricultural research and extension 30/ clearly recognized that there is often a dilemma between the desirability of involving and relying primarily on host country agencies to establish priorities among program objectives and for project preparation and evaluation and the fact that host country institutions do not have the experience or technical capacity to perform these functions. If reasonable plans to meet urgent needs are to be laid the Bank must often play the principal role even though it clearly adds to the danger that host country commitment may prove weak and unstable (viii).

As long ago as the 1978 report on operations in the Education Sector 31/ it was reported that despite general awareness that thorough borrower understanding and agreement with project goals, design and implementation plans is important and that active borrower participation in design and planning can help generate such agreement

and frequently despite explicit intent to strengthen the borrowers' capacity for active participation, the weakness and slowness of borrowers' planning efforts often resulted in the Bank playing the primary role in project development with predictable adverse effect both on commitment to the project and on the confidence and morale of the responsible local institutions. In one case the sixth of a series of projects was still being identified and prepared by the Bank/UNESCO (vi).

Other important lessons which may at times conflict relate to the precision and firmness of project planning. On the one hand there is abundant evidence of the risks involved in proceeding with projects before detailed plans and cost estimates have been completed. On the other hand there is also fairly frequent experience of the importance of flexibility in being able to adjust implementation schedules and procedures and even project design and detailed objectives in the light of experience. This is particularly true in the case of extended institution building activities. The recent AID report on Education notes cases in which successful projects developed quite differently than had originally been planned. It calls for being prepared to experiment with alternative approaches in cases in which innovation is being considered. Sometimes pilot projects and research may be feasible and desirable, but where substantial achievement is considered urgent and large scale feasibility is an issue greater risks may be worthwhile.

The World Bank's Education Report found that the preparation of education projects took on the average longer than those in any

other sector, yet in many cases the process did not achieve full prior understanding with the government on objectives, strategy and measures. In the ninth Annual Review of PPARs this point is nicely put:

...A conclusion which remains evident throughout the series of Annual Reviews is the importance of project design for successful project implementation. In a large number of cases, implementation delays or projected failures could be traced back to lack of appropriate project design, including detailed implementation planning. ... Nevertheless, there is a fine balance here. Project design should be sufficiently well developed to facilitate immediate and straightforward project implementation but flexible enough to allow for adaptation without causing wasted expenditures or cost increases. This is well appreciated by Bank staff in principle, but the specific applications of the principle often cause problems.

In short, the planning of development policies, programs and projects--and of programs of assistance to support them--involves many difficult physical, technical, economic, organizational, social and political issues. Information is never perfect and frequently minimal. Issues are seldom susceptible of simple yes or no answers. Situations are never precisely the same as in prior cases in which similar issues have been encountered. Decisions normally involve trade-offs and probabilities.

Systematic knowledge and analysis of prior experience can make an important contribution to such decisions, and evaluation programs are an important source of such knowledge. They can help increase awareness of and clarify the issues and trade-offs involved, narrow the range of uncertainty and probability within which choices are made and suggest specific options for consideration. But they can never eliminate uncertainty, much less determine the degree of risk

which it is appropriate to incur, particularly in the context of acute and urgent need. The World Bank's Ninth Annual Review puts the point well, pointing out that if the Bank were to cut down its lending for agricultural projects in Sub-Saharan Africa--particularly livestock projects--it could reduce its project failures markedly. Since livestock development represents the main known hope for progress in many areas, however, "the Bank must continue to meet the challenge to identify and successfully solve the technical, social and managerial problems" involved.

Evaluation programs are performing important functions. They confirm that by and large aid projects and programs have produced substantial positive results. They document areas in which relatively great risks of failure have been experienced and shed light on important factors which tend to contribute to success and failure. The lessons of evaluation are being widely disseminated and to a considerable extent being applied in aid program administration. Their quality and effective utilization can no doubt be further improved. Meanwhile, as one of the most experienced of the evaluators 32/ recently observed, one of the most important lessons to be learned from the record is humility in prescribing answers to development issues - even when based on lessons from evaluation.

Table 1

Results of World Bank Project Performance Audits  
(Averages weighted by Total Project Cost)

Year of Audit	ERR Estimate (Average for Projects for which done)	Percent of Projects Yielding 10% or more ERR or Otherwise Judged Worthwhile	No. of Projects Not Completed
1978	22	94	2
1979	20	94	2
1980	19	93	2
1981	18	92	1
1982	21	89	5

(Source: World Bank, Report No. 4720, "Ninth Annual Review...", 1983.)

Table 2

IDA Credit  
Economic Rates of Return  
(Average by Project; Estimation of Audit)

	Year of Credit Agreement				
	1961-65 PPAR	1966-70 PPAR	1971-75 PPAR	1976-80 PPAR	1961-80 PPAR
<u>Geographic Regions</u>					
E. Africa	13.4	12.8	11.9	--	12.3
W. Africa	10.0	16.6	13.9	16.0	14.8
EMENA	22.0	17.5	20.6	12.0	19.0
LAC	--	13.9	16.9	7.5	15.2
EA & Pac.	--	26.5	17.6	--	21.5
S. As.	12.0	25.5	21.9	36.5	22.8
Total	13.9	18.3	16.8	16.8	17.2
<u>Sectors</u>					
Trans.	13.3	16.3	17.4	24.0	16.8
Ag.	15.5	19.9	17.4	26.3	18.3
Power	--	11.0	12.7	3.8	10.6
Ind.	--	25.0	11.7	--	13.6
Telecom.	--	24.5	17.8	--	21.1
Water	--	9.5	12.0	--	10.8
Total	13.9	18.3	16.8	16.8	17.2
No. of Credits	7	73	127	5	212

(WDR VI)

Table 3(a)

IDA Credit  
Economic Rates of Return - 1961-81  
(Average by Project Estimated at Audit)

Geographic Area	E.Af	W.Af	EMENA	LAC	EA&P	SAs	Total	No. of Credits
<u>Sector</u>								
Trans.	15.8	16.2	19.6	24.6	16.6	14.3	16.8	63
Ag.	10.5	14.2	22.8	12.0	23.2	28.5	18.3	118
Power	13.0	9.0	7.0	12.4	10.0	--	10.6	12
Ind.	3.0	--	--	--	25.0	13.4	13.6	7
Telecom	--	--	--	--	29.0	20.0	21.1	8
Water	12.0	9.0	11.0	--	--	--	10.8	4
<u>Total</u>	12.3	14.8	19.0	15.2	21.5	22.8	17.2	212
No. of Credits	51	49	18	20	30	44	212	

Table 3(b)

IDA/IBRD Loans and Credits  
Economic Rates of Return - 1961-1981  
(Average by Project Estimated at Audit)

Geographic Area	E.Af	W.Af	EMENA	LAC	EA&P	SAs	Total	No. of Credits
<u>Sector</u>								
Trans.	14.5	20.1	18.6	22.6	21.9	22.2	20.0	185
Ag.	9.7	15.4	18.0	12.7	21.7	27.7	16.8	221
Power	14.0	12.7	15.8	11.7	13.2	30.0	13.5	62
Ind.	3.0	--	16.3	13.6	25.0	14.3	14.6	21
Telecom	14.0	--	26.0	18.0	19.1	19.9	19.9	28
Water	9.1	9.9	10.0	6.7	5.0	--	8.4	21
<u>Total</u>	11.7	17.4	17.6	15.8	20.1	23.7	17.3	538
No. of projects	78	92	85	138	92	53	538	

Table 4

IDB Loan Operations  
1981 & 82 PCR's Reviewed by OEO

	<u>Attainment of Physical Objectives</u>					
	<u>Satisfactory</u>		<u>Partially Satisfactory,</u>		<u>Not Satisfactory,</u>	
	<u>or fulfilled</u>		<u>partially fulfilled</u>		<u>not fulfilled</u>	
	<u>No.</u>	<u>%</u>	<u>or fair</u>		<u>or deficient</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Agriculture	15	63	8	33	1	4
Industry	8	62	4	31	1	8
Infrastructure	17	74	6	26	0	-
Preinvestment	1	17	5	83	0	-
Energy	10	71	3	21	1	7
Social & Urban Development	17	65	9	35	0	-
Total	68	64	35	33	3	3

(Source: 1982 and 1983 Annual Report on Operations Evaluation)

Table 5

CIDA Project Evaluations  
Impact on Target Groups

<u>Sector</u>	<u>No. of Projects</u>	<u>Percentage of Total (234) Findings</u>		
		<u>Positive</u>	<u>Mitige</u>	<u>Negative</u>
Agriculture & Rural Dev.	15	64	4	32
Water Supply	3	74	10	16
Forestry	3	89	--	11
Education	16	52	9	39
Health	3	62	13	25
Cooperatives	1	25	25	50
Energy	2	67	--	33
Trans.	4	62	3	35
Mining	2	33	33	33
Environment	2	88	--	12
Others	11	53	23	25
Total	62 <sup>a</sup>	62	9	29

a) 33 Africa; 18 Latin America; 11 Asia.

(Source: CIDA, "Bilan des Evaluations Bilaterales, 1981-83, Table 6, Vol. III, p. 2-29).

Table 6

Overall Rating of AID Project Impact

<u>Geographic</u>		<u>Sectoral</u>	
<u>Region</u>	<u>Rating<sup>1</sup></u>	<u>Sector</u>	<u>Rating<sup>1</sup></u>
Africa	6.45	Ag. Research	7.37
NENA	6.21	Irrigation	6.55
LAC	7.88	Rural Elec.	7.82
Asia	7.50	Rural Roads	7.14
		Education	7.99
		Potable Water	6.60
		Other <sup>2</sup>	7.21
Total	7.28	Total	7.28

<sup>1</sup> Scale: 1- Project terminated for course; 2- Significant net negative impact; 3- Very Unsatisfactory; 4- Unsatisfactory; 5- Marginal; 6- Satisfactory; 7- Fully Satisfactory; 8- Highly Satisfactory; 9- Superior; 10- Outstanding.

<sup>2</sup> Health, Nutrition & Area Development, especially.

(Source: R. Cohen, "A Numerical Rating of A.I.D. Projects Covered in A.I.D. Impact Evaluation Reports, AID/PPCE/DIU, April 1984.)

## Footnotes

- 1/ R. Cohen, "A Numerical Rating of A.I.D. Projects covered in A.I.D. Impact Evaluation Reports," PPC/AID, 1984.
- 2/ K. Finsterbusch, "Statistical Study of 52 AID Projects: Lessons on Project Effectiveness," Office of Evaluation, PPC/AID, 1984.
- 3/ ERRs were reestimated at audit for 70 of the 122 completed projects for which PPARs were prepared in 1982.
- 4/ Large projects (over \$20 million A.I.D. funding) also gained the most favorable ratings in the Cohen study of A.I.D. evaluations (p. 46); the middle sized group (\$10-20 million), however, had the poorest ratings with the smaller projects in between. No reason for this pattern is presented and the small sample (there were only eleven projects in the middle sized group) could permit anomalies.
- 5/ The C.I.D.A. reports include findings on a wide range of developmental and operational "themes" and sub-themes. "Effects on Target Groups" which combines "Satisfaction of basic needs," "Social and Institutional Effects," and "Economic Growth," seems the closest to an assessment of overall effectiveness.
- 6/ Hotes, I.L., "The [Irrigation] Experience and the World Bank," in "Aid for the Development of Irrigation," I.D. Carruthers, ed., OECK 1983, p. 138.
- 7/ "Summary of Ex-Post Evaluation of Small and Medium-Scale Irrigation Projects...", 1982.
- 8/ Program Evaluation No. 8, "Irrigation and A.I.D.'s Experience," 1983.
- 9/ "Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance," 1983.
- 10/ e.g.: J.D. de Wilde et al, "Experience with Agricultural Development in Tropical Africa," 1967 and Uma Lele, "The Design of Rural Development; Lessons from Africa," 1975.
- 11/ Report No. 2242, "Rural Development Projects: A Retrospective View of Bank Experience in Sub Saharan Africa," 1978.
- 12/ Lower income IDB members entitled to concessional Special Fund aid.
- 13/ "Rural Development and IDB Multi-Sector Lending," 1978.
- 14/ A. Krueger & V. Ruttan, "The Development Impact of Economic Assistance to LDCs," pp. 7-13ff, summarizes the literature.
- 15/ Report No. 2321, "Review of Bank Operations in the Education Sector," 1978.

- 16/ "IDB Operations in the Education Sector: An Updating," 1978.
- 17/ AID Program Evaluation Report No. 12, "AID and Education," Jan. 1984.
- 18/ All except one each for Bolivia and Tanzania.
- 19/ CPD, "Structural Adjustment Lending - Progress Report," Draft, April 1984).
- 20/ IX, 89-96. Adjustments in scope to offset cost increases are less feasible for smaller projects. Large credit programs can usually avoid overall over-runs simply by limiting the number of sub-loans.
- 21/ AID, Program Evaluation Paper No. 11, "Effective Institution Building;" IDB, "Summary of Ex-Post Evaluations of Technical Cooperation Operations for Institutional Strengthening."
- 22/ Report No. 5085, "Institutional Development in Africa:...", 1984.
- 23/ Apparently reflecting a general tendency to give low priority attention to such aspects, their coverage in the PPARs was found often to be cursory.
- 24/ Program Evaluation Discussion Paper No. 13, "AID Experience in Agricultural Research:...", 1982.
- 25/ The report also deals with a number of issues relating to constraints and pressures on aid agencies and country programming issues, not covered by our study.
- 26/ Report No. 3421, "Water Management in Bank-Supported Irrigation Systems," 1981.
- 27/ World Bank, "Review of Bank Operations in the Education Sector," esp. pp. v-xi; AID, "AID and Education," esp. pp. vii-x; "Evaluation Report on IDB Operations in the Education Sector," esp. pp. ii-vi.
- 28/ Report R84-28, February 1984.
- 29/ Cofinancing cases are special; harmonization can be important and difficult here, and must be marked out in each case.
- 30/ op. cit.
- 31/ Ibid.
- 32/ Mr. Mervyn Weiner, recently retired Director-General, Operations Evaluation Department.