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ON THE EFFECTIVENESS OF AID

The Urgent Problem of LDCs Controlling Their
Own Fate: The Long Run Future of Donor
Planning, Monitoring and Evaluation

(Note by the United States Delegation)

This note is submitted by the United States Delegation as background to Item 2(b) of the Draft Agenda of the informal meeting of DAC Members on the effectiveness of aid on 21st-22nd April. The paper has been prepared by Mr. Robert J. Berg, Associate Assistant Administrator for Evaluation in the US/AID, where it is currently under discussion.

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Planning, Monitoring and Evaluation

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Over the last six months I have had the opportunity of consulting with nine developing country governments on how they view their problem of planning monitoring and evaluation. My most recent visits in Africa have aided my thinking on these problems immeasurably (1).

I believe that the very success of the growth of donor assistance has led to an overall irrational system of development. Each donor tries to act intelligently in its planning, implementation and evaluation efforts. Donors as a group have been more sophisticated and "rational" in their procedures in recent years. But what is intelligent individually is chaos cumulatively. Together, donors are preventing many governments from facing desperate problems. By this I mean that donors command the attention and time of key government officials to assist in numerous visits, design teams, monitoring checkups, and evaluations and that the few people in a position in governments to do more basic thinking are literally picked to death.

This has been a problem for some time. But the seriousness of the problem has grown tremendously of late due to the fact that LDC planners are not now faced with the usual luxury of choosing between new proposals, but due to the need to finance necessary, but increasingly expensive imports (particularly fuels), LDC planners face a crisis in determining what must be cut from existing development activities. The existing OPEC aid, officially reported at about \$4 billion a year, is quite inadequate to finance the extra \$30-\$60 billion in additional energy costs alone faced each year by the LDCs (2). And it is too soon to see if and when the promises made by OPEC members in Caracas will materialize. Debt limits are being approached in several countries (3). Key people must make hard choices, if they have time to think.

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- (1) Earlier I visited in the Middle East and in South and Southeastern Asia. An Australian scholar has supplemented information on some of these countries and provided valuable data on four Latin America countries.
 - (2) These estimates are subject to great error. Saudi Arabia's aid was alone estimated to be \$10 billion/year in the February 27 International Herald Tribune. The key point, however, is that this aid has not usually gone to the "most seriously affected" countries.
 - (3) A recent U.S. private investment bank predicts LDC borrowings of \$200 billion over 1980-82; the same amount LDCs borrowed over the last 6 years.

To analyze the complexity of the task faced by LDC planners, let us consider the following. There are now some 33 bilateral donors, some of whom are themselves recipients. A recent list of multilateral funds numbers well over 60. There are 120 U.S. private and voluntary organizations registered with AID. An additional 336 U.S. NGOs are listed in a recent registry of non-profit organizations with overseas development programs. (A colleague in the OECD Development Training Centre estimates the total number of NGOs in the OECD countries to be over 4,000 with a large number in the overseas development field). To my knowledge Third World PVOs have not yet been counted. What is even more confusing is the fact that many organizations pursue multiple systems. There is no one United Nations system for budgeting, planning, monitoring and evaluation. Rather, each constituent part of the U.N. has its own system and some of these parts also have several systems, e.g., FAO pursues 3 different evaluation systems. Similarly, the various aid branches of the U.S. Government pursue a multiplicity of criteria and management systems (1).

Seen from the side of a typical LDC, the plethora of systems and demands upon central authorities is staggering. UNDP resident representatives tote up the number of donors and projects involving their countries. Sri Lanka currently is assisted by 74 donors. Kenya is assisted by 41 government donors and a huge number of NGOs.

It is common for Ministries of Planning to state that the burden imposed by donors prevents them from doing the most simple kinds of analyses. Many governments know what they want to do, but do not have the time or resources to act as they desire. Donor finance tends to distort rather than reinforce government planning. A high official in a West African government said that while his government had certain minimal criteria for accepting a project, the availability of donor financing could override all other criteria. He and his colleagues in many other countries worry that they are overcommitting themselves drastically beyond their capability to finance the recurrent costs of development. Many LDCs do not now adequately relate their investment and recurrent budgets. The Permanent Secretary of Planning in an East African country told me a dollar in education or health investment budget leads to \$7 - \$8 in recurrent costs over the medium term, yet he can't now really relate his budgets due to the press of other business. He notes he's not sure his country can afford the projects they're now getting.

(1) An important added feature of donor programs, rational in itself, yet cumulatively irrational, is the donor penchant to "end-run" normal governmental entities by setting up special authorities to run donor-assisted projects. These authorities almost literally clutter the public administration landscape of many countries.

Many governments have systems of monitoring and desire systems of evaluation (or have them), but find these systems are undercut by donors. This undercutting takes place both because key people are diverted to fulfill the short-term demands of numerous donors, and through the ignorance of donors about the LDCs' own systems.

For example, in most of the countries I have visited in the last six months we have discovered evaluation operations of the host country which were previously unknown to our AID Missions. This is no adverse reflection on our resident missions, just a comment that previously there has been no reason for our missions to know of the monitoring and evaluation of governments. In visiting one of our largest missions this summer, I was told that the government had no monitoring and evaluation system and that it was needless to even inquire. Subsequently, further inquiries and the help of an outside scholar provided me with the system, including the forms which that particular LDC government uses to monitor its development programs. As a result of that same trip, AID and the World Bank have started to pay serious attention to the major and highly professional evaluation activities of the Government of India.

An added problem is that we often don't respect government systems at the local level, either. During my recent trip to Africa I discovered that we and the World Bank are both assisting a major integrated rural development project. We and the Bank pursue independent annual evaluations. The development authority has an evaluation staff of 110 and is surveying regularly 2,700 families for socio-economic impact. The Bank and we are not integrating our evaluation efforts into the LDC project authority's evaluation efforts. Furthermore, the Ministry of Planning of the government conducts regular monitoring and certain evaluation exercises on key projects in the country, including the integrated rural development project. No donor has sought to integrate that information into its own thinking. Nor have donors fed their own evaluation results to that key ministry in an effort to help advise central policy (1).

In this chaotic situation, will the donors be able to coordinate their activities so that a uniform budgeting, design, monitoring and evaluation system becomes standard practice for all major donors? This is unlikely. We must face the fact that donor coordination has failed even during simpler times when there was greater political unity among

(1) For a most interesting discussion of current local project systems in East Africa, see "Managing Information for Rural Development: Lessons from Eastern Africa" by Guido Deboeck and Bill Kinsey, World Bank, November 1979.

the donors. The growing diversity of donors and their growing sophistication (but never in the same areas!), makes the probability of donor coordination almost non-existent. DAC is the major source of attempted coordination. (A large number of donors are not in any kind of coordination mechanism). Yet, in almost 20 years of OECD meetings there has been a notable lack of progress in gaining true coordination among the Western governmental donors. But DAC does have an important role in sensitizing governments to important issues.

The solution lies not in the donors getting their collective acts together, but in each developing country getting its individual act together. Here an important distinction needs to be made: this paper is concerned with the ability of the center to manage the totality of LDC development resources (development budgets, recurrent budgets, trade credits, private borrowings and private investments). It is of importance to note that this is a different question than whether a country has the capability at all levels to fully manage development resources. Some have both capabilities (a judgment AID has made with regard to its assistance to Israel); some are fully capable at the center and strong at the local level (e.g., India, where AID is fairly well along the path of relying upon Indian feasibility analyses, monitoring, and soon, evaluations); there have been cases of more weakness at the center than at the periphery (Sukarno's Indonesia); while many governments are slightly or much stronger at the center than the periphery (an underlying assumption of many "basic human needs" programs).(1)

(1) It is perhaps worth taking a slight pause from the flow of these points to stress why the above distinctions are important. Too many development solutions have been predicated on a fairly simplistic notion of defining "the" problem and "the" solution. Given the wide variety of country situations, almost by definition a variety of solutions are needed. The Brandt Commission commendably covers a wide variety of solutions, with somewhat of a tilt to non-project assistance. Unfortunately, it did not cover constraints to more efficient use of project assistance, nor problems of absorptive capacity. While it did discuss the problems of donor-recipient relationships, it did so only within the context of the power relationships within multilateral donors. Finally, the Brandt Commission was concerned far more with the efficiency of donors (hence its recommendation of an external monitoring body to "improve the effectiveness of the UN and other international institutions") than with the effectiveness of LDC public administrations. While no commission can be expected to cover all questions in its analysis and recommendations, it is useful to consider the kinds of supplementing recommendations to Brandt which can help to assure a more rational use of existing and potential resources.

But these are difficult times when even well-established centers are extremely strained in many countries. The centers must be particularly strong to manage extraordinary central problems as well as an increasingly complex development portfolio. The question of the moment is how we donors can help accelerate the development of the institutional capability of governments to manage at the central level the totality of their development resources.

The typical donor response is to do this through projects. AID occasionally now supports, and has in the past provided support, through projects to a number of Ministries of Planning and special monitoring offices. This may be an appropriate response in the most backward countries, but in a large number of countries project aid to the center is now inappropriate. Most countries I've visited or have knowledge about have already pretty well defined the systems they need and want. New project aid to the center risks importing experts who, to honor the title of "expert", will recommend new systems when LDCs often can't even operate the systems they have, let alone the systems they want. Several LDC governments told me that the main constraint facing them in bettering their budget-monitoring-evaluation systems is lack of trained manpower and lack of budget for these operations. They would strongly prefer hiring people (local or foreign) willing to owe their loyalty and services to the local government. They also wish to place people in special training settings or import on-the-job trainers.

All donors have a stake in remedying these problems and it is appropriate for all donors to contribute to the solutions since, unwittingly, all donors are part of the problem.

One solution might be to recognize that there is a cost to administering donor assistance. The proper overhead cost involves the central government's cost of analyzing the feasibility and budget implications of donor-supported proposals and the monitoring and evaluation of such assisted activities. Beyond this, and most important now, are the opportunity costs, i.e., when the central government must cope with a multiplicity of donor demands, it often lacks an adequate opportunity to analyze, monitor and evaluate other activities, including major policy questions. These opportunity costs are so high in some countries (e.g., Tanzania) that external studies are being halted while governments cope with their budget emergencies. In other countries, governments simply can't afford to pay attention to much of what is now happening internally while they worry about next week's fuel bill.

It should become legitimate for donors to help defray these direct and opportunity costs. In fact, it would be healthy for donors to help pay such costs since we would all be more inclined to pay attention to host-country systems. It is proposed that the question of the adequacy of LDC budget analysis, project reviews, monitoring and evaluation become part of the regular agenda of consultative groups or UNDP-led donor groups (1). In many countries it might well be constructive for consultative groups to propose a bargain whereby in return for donor contributions to defray these direct and opportunity costs, LDC governments would commit themselves to regular, progressive improvement of their central budgeting, analysis, monitoring and evaluation processes. The payment could take the form of a set-aside of an appropriate fraction (probably no more than one-half of one percent) of all donor aid which would be paid off the top of each donor agreement to the Ministry of Planning (or equivalent function) for use by that ministry and other parts of the government for the functions noted. A more sophisticated variant of this payment scheme would be a regressive fee scale which would more accurately reflect the fact that, proportionately, small assistance packages cost more to administer than large packages.

Not all countries would need this kind of assistance. For example, India has sufficient manpower and systems in place so that all that is probably needed is for donors to fully respect those systems and benefit from them. But almost all other LDCs need assistance to adequately handle these central functions.

Again, there is some urgency to this. The adjustments necessary in LDCs will require many people of high caliber giving uninterrupted thought to these questions. Donors must switch from becoming part of the problem to investing in the solution.

The general issue and this proposed approach are raised at this meeting of the Development Assistance Committee since DAC has recognized the general problem,

(1) I well recognize that only half of bilateral aid is connected with consultative groups.

but with more traditional proposed solutions(1). But, of course, it will be important for major donors to agree that payment to governments to support their central overhead costs be an eligible cost for financing under all agreements. At the moment there is no particular reason to believe that such a proposal will get easily adopted. Governments could assure the removal of one possible stumbling block, however, by seeing to it that there is no major internal legal or legislative prohibition to this kind of financing. A discussion on the general feasibility of the proposal, or course, would be most welcome.

It is also proposed that discussion take place at the local level, by governments with their main donors. DAC Members could be key in supporting such discussions, if nothing else, to make sure the general problem is openly on the international agenda. As background for both DAC and field discussions and in order to better plan the role and necessary extent of donor evaluation activities, it is suggested that donors try to become more familiar with the current and desired future host-country planning, budgeting, monitoring and evaluation systems. The aim should be to reinforce and, where necessary, supplement valid systems rather than (as in too many cases currently) implicitly undercut such systems.

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- (1) The following is from DAC's 1979 Review: Development Cooperation, published November 1979: "Given the importance of strengthening recipients' administrative capacity, DAC Members have agreed to examine more closely with recipients the administrative implications of development programmes in general and resulting needs for technical and financial assistance ... Specific proposals for action include: direct training for administrators and counterpart personnel, the setting up of administrative training facilities, the provision of administrative management advice, and the provision of financial support for the hiring of consultants to do the research and data collection required for the preparation of development initiatives. In the informal meeting with senior officials from developing countries, participants mentioned that the most appropriate role for donors lay in the provision of short-term technical expertise and training for recipient country nationals. Assistance could also be provided through the setting up of training programmes, especially to train trainers to work at secondary and tertiary levels of developing countries' administrations. Since experience has demonstrated that experts from developed countries are not always familiar with local conditions, and that this unfamiliarity has in many cases reduced the effectiveness of technical assistance, several DAC Members have untied their technical assistance to permit the financing of third country experts". (pp. 106-7, emphasis added)

In the meantime, there are several standard or more conventional approaches which can be used in the conduct of evaluations. A progression of steps for evaluation during implementation can be seen:

Old way: Donor evaluates and sends a copy to host country.

"Progressive" Current Practice: Donor leads evaluation and host country is invited to participate in the study and attend the donor-chaired review (1).

Next step: LDC leads the evaluation and donor takes a supplementing role.

Ultimate step: LDC carries out competent evaluation and sends donor a copy. Donor reserves right for independent or joint evaluation during and after project "life".

We'll never get far down this list until a fairly sharp break is made with past practice. Of course, more than donor evaluations are at stake in the questions raised in this note; but to the extent we evaluators can support rather than unwittingly erode LDC public administration, we become more valuable to LDCs and to the general development effort.

(1) Current official AID guidance.