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Research Report

Bridging the gaps: An integrated approach to assessing aid effectiveness

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Bridging the Gaps: An Integrated Approach to Assessing Aid Effectiveness

Summary

Does aid contribute to development? If so, under what conditions and to what extent? These questions are as old as the field of development policy itself and they have been controversially discussed among researchers and policymakers ever since. Yet, two main trends put questions related to aid effectiveness high on the political agenda again. First, development actors want to understand and improve their contribution to the Sustainable Development Goals (SDGs). Second, populist parties on the radical right fundamentally question the relevance of aid and thereby bring development policy to the fore of public debates in donor countries. In response, donors feel more pressure to demonstrate and communicate the success of aid.

Since the early 2000s, donors' efforts to meet their commitments under the international aid and development effectiveness agenda have contributed to a plethora of knowledge on what works, what doesn't work, and why. In parallel, academics have contributed new insights through the study of, for instance, macro effects, impact measurements and research on donor organisations. Increasingly, though, the debate on aid effectiveness has become compartmentalised and fragmented.

This briefing maps these fragmented discussions and proposes an integrated approach to aid effectiveness in research and policymaking. We argue that only an integrated perspective can match the new demands for why, when and how aid can make a difference.

Typically, policymakers and researchers operate in one or more of four (often disconnected) communities, working on: 1) macro effects of aid; 2) global principles for development cooperation; 3) the structure and instruments of organisations; 4) the impact of individual interventions.

The first community focuses on research comparing the effects of aid across countries, especially regarding the effect of aid on economic growth or other development indicators. Recently, this analysis has extended to subnational levels and development actors who do not report development finance as per Official Development Assistance (ODA) guidelines, such as China.

The second community engages in the promotion of global principles of effectiveness agreed on by "traditional" providers of aid and partner countries. Five principles of aid effectiveness were enshrined in the 2005 Paris Agenda. As a follow-up, the Global Partnership for Effective Development Cooperation (GPEDC) was created in 2011.

The third community is concerned with managing development organisations. Development organisations have increasingly applied results-based management tools to steering operations, accountability, learning and communicating.

The fourth community focuses on development interventions and the effectiveness of specific development projects. There has been a shift towards more rigorous methods for evaluating project impacts and efforts to aggregate evidence through systematic reviews.

The key insight from our analysis is that an integrated approach to assessing aid effectiveness across the four communities can help to leverage synergies and avoid unintended consequences. For instance, it can improve coordination within development organisations and foster joint knowledge creation among researchers. Finally, an integrated perspective can help to clarify the contribution made by aid to the SDGs vis-à-vis that of other policy fields, and can assist in better communicating the effects of aid to the public.

Introduction

Policymakers and researchers are keen to improve the quality of foreign aid in order to maximise its contribution to the SDGs. Due to the rise of right-wing populism in many countries, they are also under pressure to justify development aid more convincingly. Yet, development organisations address effectiveness in a fragmented manner across different departments responsible for geographic and thematic allocation, international dialogue, corporate results management and evaluation, often leading to incoherent policies. Researchers similarly tend to specialise in a sub-field of aid effectiveness, instead of viewing effectiveness in a holistic manner.

Two blind spots persist in debates about aid effectiveness. First, although representatives from low-income countries are engaged with different academic and policy communities working on aid effectiveness, there is still a fundamental bias towards the perspective of aid providers/donors. Second, policy and research debates on effectiveness have turned away from aid effectiveness towards the broader and less clearly defined concept of development effectiveness. This concept importantly acknowledges the role of trade, private investments, taxation and other policy fields in impacting development outcomes. Aid actors also adopt the term development effectiveness in pursuing greater political relevance for their work, yet often at the cost of analytical clarity regarding their contribution and its importance. We therefore argue that a comprehensive understanding of the aid policy field itself is a precondition for its successful integration into the broader context of international policies aimed at supporting sustainable development.

In order to address the fragmented landscape of the assessment of aid effectiveness, we propose an integrated approach that brings together four largely disconnected policy and research communities (Figure 1). Arguably, this can improve the contribution of development cooperation to the SDGs. A more integrated approach can also improve

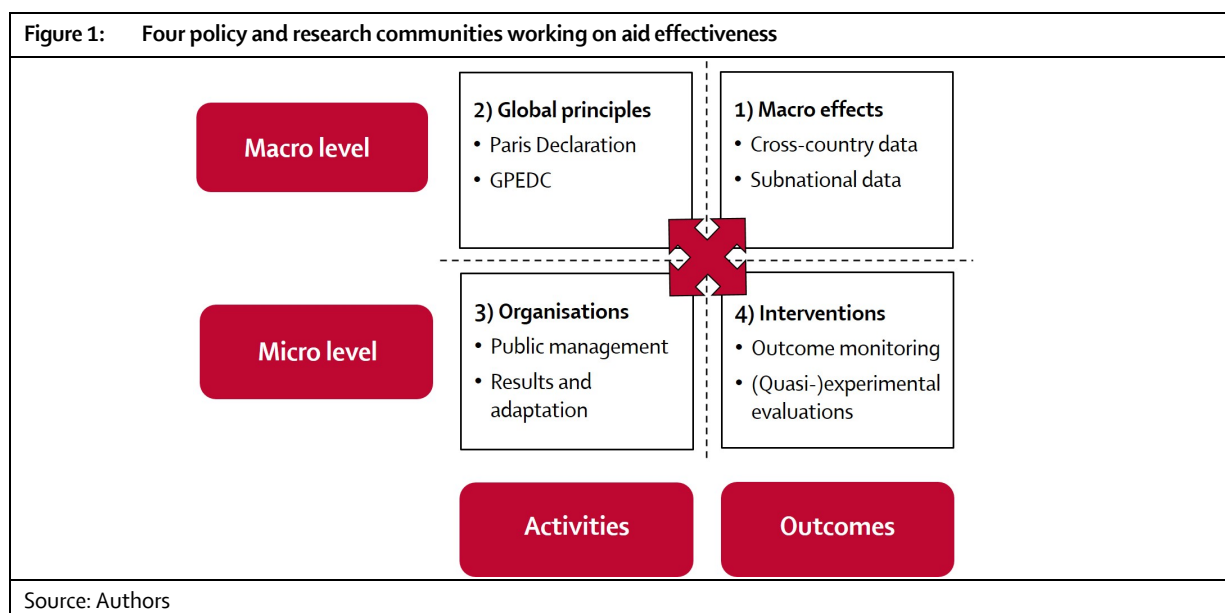
policy coherence between aid, assessments of its effectiveness, and other policy areas. The figure displays these four key communities according to their level of investigation – macro or micro – and predominant focus: activities or outcomes.

1) Macro effects

In this community, researchers have traditionally carried out cross-country studies analysing the effects of aid on economic growth and other development indicators such as poverty or investment, in order to understand the contribution of aid to socio-economic development at country level. In addition, the (unintentional) side effects of aid and factors impeding aid effectiveness (e.g., aid fragmentation, Dutch disease) have been studied extensively. Generally, the narrow focus on economic growth appears outdated. Economic analysis has shown that in the 21st century human prosperity increasingly depends on the provision and protection of global public goods. This is also reflected in the multidimensional 2030 Agenda and in the prominent role of global public goods in the SDGs. More recent macro studies employ subnational data, in order to identify more precise effects of aid. For instance, subnational outcome data enables researchers to evaluate the effects of aid on inequality within countries. Furthermore, the effectiveness of development finance by emerging economies such as China has been studied intensively in recent years.

2) Global principles

Policymakers attempted to translate macro-level findings into a set of best practices, prominently enshrined in the 2005 Paris Principles. The underlying assumption was that changes in terms of activities, such as reducing aid fragmentation and improving the division of labour among donors, could increase the developmental impact of aid. Moreover, development actors agreed on a common framework for assessing progress towards these principles and conducting regular reviews. However, as documented



by research, the implementation of the principles did not live up to expectations. Two key obstacles are the complexity of aid relationships and the failure to address political economy considerations, both on the part of donors and of partner countries. In an attempt to re-popularise the effectiveness principles, the Global Partnership for Effective Development Cooperation (GPEDC) was created in 2011 as a multi-stakeholder platform, bringing together governments, bilateral and multilateral organisations, civil society and the private sector. Yet, promoting effectiveness principles remains an uphill political battle in a global environment of increasing orientation of aid towards national interests.

3) Organisations

At the micro-level, a different discussion about aid effectiveness encompasses development bureaucracies and ways to manage them. This debate is mostly centred on links between donor organisational behaviour and aid effectiveness. Several public management tools are used by donor organisations to organise their work, in order to improve results and find out “what works”. In 2005, when the Paris principles were agreed, however, policymakers hardly drew on these findings. It can even be argued that this dimension of “donor effectiveness”, i.e., how management practises in donor organisations influence the effectiveness of aid, was a missing link in previous aid-effectiveness debates (Gulrajani, 2014). The current debate is about finding an appropriate balance across the four basic functions of results-based management: direction, accountability, learning and communication. In particular, the use of results for internal learning and flexible planning is being acknowledged as a neglected area.

4) Interventions

The fourth community working on aid effectiveness focuses on the impacts of development interventions. In this context, effectiveness has been mostly analysed in terms of establishing causal relations between specific interventions and socio-economic outcomes at the micro-level. Before impact evaluations started to grow rapidly in the first decade of this century, outcomes were monitored merely by applying so-called results indicators.

However, monitoring efforts without adopting proper evaluation designs militates against the attribution of changes in outcomes to individual interventions (attribution problem). With the rise of experimental and (quasi-)experimental designs, in particular randomised controlled trials (RCTs), considerable progress has been made in this regard. Building on that, systematic reviews have collected and systematised the evidence in the different sectors. An important challenge in this field is how to transmit this knowledge to policymakers and practitioners and ensure uptake. Besides the possibility of direct interaction with policymakers, knowledge products

such as evidence portals have gained momentum in the last decade (White, 2019).

An integrated approach to assessing aid effectiveness

These four communities have developed in parallel, and the aid-effectiveness debate has become increasingly fragmented, as a result. Paying heed to an assessment of certain development measures by one of the four communities while ignoring the insights and results generated by the others may lead to suboptimal policy decisions. By contrast, an integrated perspective helps to increase effectiveness and, as a consequence, the contribution of aid to achieving the SDGs.

An illustrative example for missed learning opportunities is the reporting of development outcomes and impacts. At the organisational level, there are strong incentives to introduce indicators and aggregate results at the outcome or even impact level. Yet, insights from the other communities reveal that such an undertaking is problematic. Researchers working on impact assessments at the intervention level emphasise that outcomes can only be attributed to certain aid interventions by employing rigorous (quasi-) experimental evaluation designs. Further, research on the macro effects of aid indicates that unintended macroeconomic side effects of aid need to be taken into account in order to identify the actual impacts of aid at the country level. An integrated approach can lead to more precise and coherent monitoring and results reporting that is better geared towards communicating with the public. Another benefit could be a more active and reciprocal collaboration among the different organisational units within development organisations – such as monitoring, evaluation, data management, and strategic planning units – thereby leading to an adjustment of aid policies and interventions.

A second example that illustrates the positive effects of an integrated approach is the development community's effort to achieve SDG 10 on reducing inequalities, and the overarching principle of the 2030 Agenda to leave no one behind. Macro research on the geographic locations of development projects can inform development agencies about their geographic coverage of poorer areas within countries, and this may lead them to change their subnational allocation of aid. However, aid projects targeting poorer areas do not necessarily benefit the poor people in these areas. Research on the geographic allocation of projects therefore needs to be complemented by evaluations of the beneficiaries of each project. Both aspects may be discussed at international development platforms, such as the GPEDC, and considered for inclusion in their monitoring framework. Moreover, development organisations striving for a more significant impact on inequality and poverty may integrate such assessments of project targeting into their regular monitoring and evaluation activities.

A final example is the choice of aid modalities. The Paris Principles briefly brought budget support and other programme-based approaches to the fore. However, domestic politics in donor countries, and worries over misuse of funds, have marginalised the use of programme-based approaches in recent years. Yet, existing evaluations of budget support demonstrate the positive effects of programme-based approaches on public financial management in partner countries. Complementing these studies with research on the political economy of aid can lead to a better understanding of the factors driving the adoption of certain aid modalities. Such research can then inform the design of new aid modalities that take more account of the incentive structure and political restrictions of donors and partner countries. In sum, a holistic assessment that considers effectiveness on the organisational and political, as well as on the micro and macro, levels can yield insights into how to better finance the implementation of the SDGs.

Conclusion

For policymakers, an integrated approach to aid effectiveness can lead to better coordination within development organisations, better coherence with other policy fields relevant to sustainable development, and an

improved communication of development cooperation results to the public. For researchers, this approach can help to reach a broader audience (including practitioners), connect with related knowledge communities and enhance inter- and transdisciplinary research on aid effectiveness.

An integrated effectiveness perspective can also help to prepare development policy actors for upcoming disruptions. The rise of emerging economies and non-government actors has changed the global aid architecture into a more complex web of networks. In this context, aid in the form of official development assistance, predominantly used as a financial resource, has continued to lose relevance across many countries of the Global South (Janus, Klingebiel, & Paulo, 2015).

In such a “beyond aid” context, development cooperation needs to fundamentally re-evaluate its goal systems and its instruments. Here, an integrated effectiveness strategy can help to integrate aid into a broader context of international policies aimed at sustainable development, and to bring about the transformation necessary to achieve this. More specifically, knowledge generated by practitioners and scholars working on aid effectiveness could be exchanged with colleagues working in other policy fields that are also aiming to achieve the SDGs and provide global public goods.

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