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HOW EFFECTIVE IS DFID?

AN INDEPENDENT REVIEW OF DFID'S ORGANISATIONAL AND DEVELOPMENT EFFECTIVENESS

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'How effective is DFID?' Measures of organisational quality suggest that DFID's effectiveness is increasing. But on the basis of DFID's performance assessment systems at the time of the study, it was not possible to provide a complete and confident answer. There is a clear gap between what DFID aspires to achieve, and what it can confidently demonstrate that it has achieved.

MAIN FINDINGS

- DFID seems to have become a more effective development agency since 1997. DFID has improved its policies, processes and resource allocation, and recognises that there is further scope for improvement.
- Performance information available to the study did not provide a reliable picture of performance trends within the bilateral and multilateral programmes. DFID's relatively new performance assessment systems proved an inadequate basis for assessing DFID's overall effectiveness.
- While there are many examples of positive contribution to development progress, there is generally insufficient information on the links between DFID's inputs and interventions on the one hand, and the positive outcomes observed on the other.
- DFID needs to give a higher priority to performance assessment and evaluation if it is to report more reliably on its own organisational effectiveness, as well as better understand its contribution to development effectiveness.

THE REPORT

"....a concise, independent assessment of DFID's overall effectiveness."

This report, the first of its type for DFID, was commissioned in late 2001 to provide a concise, independent assessment of DFID's overall effectiveness. It was largely based on a desk review of performance assessment and evaluation reports produced between 1997 and 2001, supported by interviews with some DFID staff. It was a test of what can be said about DFID's effectiveness based on existing performance assessment material.

Over 1400 reports, including all Project Completion Reports (PCRs) since 1990, were consulted. But the large volume of performance information has not provided as much reliable evidence on DFID's effectiveness as had been hoped.

This report assesses DFID's corporate effectiveness by reviewing:

- how far DFID's policy, processes and resources have improved over the past five years.
- how successful DFID's bilateral and multilateral programmes have been, as evaluated by the main performance assessment systems.
- how far DFID's contribution to observed changes in development outcomes can be identified.

Organisational Effectiveness and Development Effectiveness

DFID, like other international development agencies orientated towards the Millennium Development Goals, faces real challenges in assessing its performance. One of these is the distance between the policies, activities and outputs over which it has relatively more control, and the longer-term, collective development goals to which its efforts are ultimately aimed, but over which it has limited influence.

Performance measures which concentrate on the former - organisational effectiveness - will be direct and attributable, but will say little about all-important development outcomes. Measures which concentrate on the latter - development effectiveness - will be highly relevant, but difficult to connect directly to DFID's activities. This distinction has important implications for performance reporting and accountability.

	What is assessed	Accountability
Development effectiveness	Development outcomes	All governments, international agencies, civil society organisations, and the corporate sector.
	Intermediate outcomes	DFID and partners
Organisational effectiveness	Outputs / deliverables Processes	DFID
	Inputs	

FINDINGS

"...DFID is, overall, managing both to increase the proportion of its bilateral country aid to poorer countries, and to increase the proportion going to countries with a favourable policy environment."

Organisational effectiveness: policy and process

Only tentative conclusions could be drawn regarding the quality of DFID's policy, processes and resources as these were only partly covered by DFID's performance assessment systems at the time of the study. The limited evidence from these and other sources nevertheless suggests that DFID has become a more effective development agency since 1997 as indicated by:

- **Better policy:** a number of positive policy changes have been introduced since 1997, exemplified by the new International Development Bill, and the substantial increase in DFID's budget.
- **Better process:** DFID has brought aid administration closer to local decisions and needs with the opening of more country offices; increased the emphasis on aid co-ordination and on reducing aid transaction costs; given greater prominence to policy influence and partnership; and become a strong proponent of sector programmes and budget support.
- **Better directed resources:** DFID's financial resources are now better deployed than in the mid-1990s. DFID is, overall, managing both to increase the proportion of its bilateral country aid going to poorer countries, and to increase the proportion going to countries with a favourable policy environment. Some programme rationalisation has also occurred, with reductions in the number of sectors and activities supported in some country programmes, and in the number of countries receiving bilateral aid.

Bilateral and multilateral performance

Different measures of activity performance give different results. Analysis of Project Completion Reports (PCRs) indicates that around 75% of interventions exiting during 1999 and 2000 reported satisfactory achievement. Other sources provide a less favourable picture of effectiveness. Overall, it is not clear whether performance has improved or deteriorated since 1990.

No comparative rating of DFID country programme performance was possible on the basis of the reviews available to the study. Annual reviews were hampered by the limitations of Country Strategy Papers (CSPs) as frameworks for performance assessment. A new system of Country Assistance

Plans (CAPs) and reviews has since been introduced.

Detailed, external country performance reviews completed for four country programmes (Brazil, Ukraine, Russia and Ghana) indicated variable performance, both within and between country programmes, but positive impact overall.

The process for assessing multilateral programme performance also suffered from weaknesses in the strategy papers, limiting the basis for systematic assessment of DFID's effectiveness, including the quality of its contribution and partnership (as distinct from the effectiveness of the multilateral institution itself). New guidance for preparation of multilateral partnership strategies has since issued. Over time, the allocation of DFID's resources requires a more objective and explicit (and preferably multi-donor) assessment of the organisational and development effectiveness of the multilateral institutions themselves, as well as of the effectiveness of DFID's contribution.

DFID's contribution to development progress

There is good evidence that substantial development progress has been made over the last decade, albeit unevenly, and that development assistance has, overall, made a positive contribution.

Assessing DFID's contribution to global progress is extremely difficult. Attribution is a major problem for DFID, as it is for all development agencies.

Demonstrating the causal link between DFID's activities and changes in any of the Millennium Development Goal indicators is virtually impossible. The MDGs are of limited use, by themselves, as

performance measures for individual agencies such as DFID.

Assessing DFID's contribution to national development outcomes is

more feasible, but still challenging. In most cases, changes in development outcomes in a specific country cannot readily be attributed to aid in general, let alone to an individual donor. The evidence on development impacts is patchy, and generally lacks sufficient information on the links between DFID's inputs and interventions on the one hand, and the positive outcomes observed on the other. Logic suggests that DFID needs to match its assessment ambition and methods to the context, and to make greater use of intermediate performance measures in countries where DFID is a minor donor and/or aid a minor factor.

"...Assessing DFID's contribution to national development outcomes is challenging. DFID needs to make greater use of intermediate performance measures in countries where it is a minor donor and/or aid a minor factor."

CONCLUSIONS

"...DFID needs to recognise that a long term approach to both design and implementation is essential for success."

'How effective is DFID?' On the basis of DFID's performance assessment systems at the time of the study, it was not possible to provide a complete and confident answer. Measures of organisational quality suggest that DFID's effectiveness is increasing. Better policy, better strategy, better process and better-directed resources should, other things being equal, be leading to better results. There are also many examples of positive impact and indications of DFID's positive contribution to development progress.

There is, nevertheless, a clear gap between what DFID aspires to achieve, and what it

can confidently demonstrate that it has achieved. This gap is to some extent an inherent feature of development assistance. However, until DFID gives a higher priority to performance assessment and evaluation, this gap will remain larger than it need be. DFID needs to be more confident about independent verification and assessment by its partners and others, and to increase the resources allocated to evaluation. Equally important, but more difficult, will be to increase the incentives for openness, learning and accountability within the organisation.

"...DFID is more strategic than it was. but is DFID a sufficiently strategic organisation?"

The study offers three other general conclusions:

- DFID needs to be more realistic in what it sets out to achieve, and to recognise that a long-term approach to both design and implementation is essential for success. This applies as much to support for sector wide approaches and Poverty Reduction Strategies as to projects.
- DFID is more strategic than it was. But is DFID a sufficiently strategic organisation? There is no single, overall strategic plan which guides the allocation and deployment of DFID resources, and some uncertainty about how the different statements of objectives should be operationalised. Clarity at this level is required both for strategic resource allocation and performance assessment.
- Partnership is an increasingly important theme across DFID. There is a need for greater clarity and consistency about what partnership means; about how partnership performance is assessed; and about how resources are to be allocated among partners. This in turn highlights the need for a systematic approach to assessing the relative effectiveness of all its partners - governments, multilateral institutions and NGOs - and for building up partners' monitoring and evaluation capacity upon which DFID will become increasingly reliant for evidence of its ultimate impact.

Assessing effectiveness better

DFID's performance assessment and evaluation systems have evolved significantly in recent years, and have a number of strengths. However, the study found that systems at the time of the study were not yet adequate as a basis for corporate management, performance reporting and accountability. Project and programme-level performance information was insufficiently reliable, while the country- and institutional-level systems were new and did not yet provide the basis for assessing DFID's overall performance. Compared with some other agencies, DFID spends a much lower proportion of its budget on independent evaluation, and evaluates a much lower proportion of its activities.

Quality and utility are concerns. Individual systems have been added and developed over time, but to a different timescale from changes in policy and practice. The result is a complex historical accretion of systems, not all of which fully inform, nor fully connect with, current objectives and planning systems.

The way forward needs to start with a clear policy and strategic plan for performance assessment and evaluation within DFID, with systems designed or re-designed to meet clear, specific and consistent objectives. An overall, reliable picture of corporate effectiveness can only be derived from linked systems and an appropriate range of methods. Multiple sources of evidence, and multiple methods, are required. DFID needs to ensure that

- a credible performance 'ladder' is in place, based on a solid foundation of individual activity and process assessment, which spans organisational and development effectiveness, and which links its work to higher order development impacts
- clear distinctions are drawn between DFID's performance and that of its partners
- quality and credibility are enhanced by providing increased support and training for operational staff

Evaluation lessons

Evaluation reports provide clear evidence of the positive evolution of DFID's approach over the 1990s. There has been a significant improvement in the understanding of poverty reduction with associated improvements in project design. There has also been a significant shift in project approaches towards a more holistic, and broader focus, both in the range of their outputs and in demonstrating a better understanding of institutional, social and economic factors.

Important lessons contained in 44 independent evaluation reports produced since 1997 include:

- long-term engagement is key. Over-ambition and unrealistic expectations, coupled with insufficiently long programmes and the pressure to comply with the latest policy, are recurring criticisms.
- The need for an appropriate balance between support for social and other sectors, and between different approaches to poverty reduction.
- The benefits of sector programmes compared to project interventions need to be tempered by a critical appreciation of what is required for the success of different instruments.

Criticisms contained in the reports include insufficient interdisciplinary teamwork; weak monitoring and evaluation systems; and the observation that gender and environmental rhetoric has generally been significantly in advance of practice.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the UK government department responsible for promoting development and the reduction of poverty. The government first elected in 1997 has increased its commitment to development by strengthening the department and increasing its budget.

The central focus of the Government's policy, set out in the 1997 White Paper on International Development, is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date. The second White Paper on International Development, published in December 2000, reaffirmed this commitment, while focusing specifically on how to manage the process of globalisation to benefit poor people.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society, and the research community to this end. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Community.

The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa. We are also contributing to poverty elimination and sustainable development in middle income countries in Latin America, the Caribbean and elsewhere. DFID is also helping the transition countries in central and eastern Europe to try to ensure that the process of change brings benefits to all people and particularly to the poorest.

As well as its headquarters in London and East Kilbride, DFID has offices in many developing countries. In others, DFID works through staff based in British embassies and high commissions.

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