Understanding development effectiveness
Concepts, players and tools

SUMMARY
In the context of the limited availability of development aid, there is an increased demand for effective results. This means that both developing and richer countries must commit to spending and using aid more effectively. Public funding is not enough to cover all needs, but it can leverage initiatives from civil society and the private sector.

The increase in stakeholders and intervention methods, both in terms of numbers and variety, combined with the necessity to address needs in the field more precisely, has led to a global rethinking of how to assess development. High-level forums and stakeholder networks have helped to fine-tune the main principles of development effectiveness and to shift from a donor-recipient relationship to a more cooperative framework. Methods and tools have improved and led to better planning, implementation and appraisal of development projects. The EU has been closely involved in designing and implementing the effectiveness principles. The European Parliament often refers to them, insisting that they must not be sacrificed for the sake of short-term interests.

This briefing is an update of a previous edition from April 2017.

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Definitions and background

The concept of 'development effectiveness' reflects increasing concern over the past two decades about the results of development cooperation.

Choice of words

The concept of 'development cooperation' is now preferred to that of 'development aid', since it better reflects the shift from a donor-recipient relationship to more complex relationships between the various development partners, including NGOs and private philanthropists. Furthermore, while the concept of 'aid effectiveness' refers to the need to clearly assess and improve the impact of foreign aid on developing countries, that of 'development effectiveness' concentrates more on the results – 'development' – than on the particular means to achieve these results. The latter concept captures the idea that public financial flows, and specifically official development assistance (ODA) from OECD member states, are only one aspect of development policies, while remaining a key asset of theirs. In practice, however, 'development effectiveness' is still often used to assess 'development cooperation effectiveness', rather than overall development outcomes.

Increasing concern at global level

Concern about 'effectiveness' has grown in recent decades mainly because of the difficulty to clearly correlate aid with development: some authors have contended that aid is inefficient or mostly profitable to donors. Most aid providers and beneficiaries started giving the issue serious attention in the beginning of this century. In 2000, the UN millennium development goals (MDGs) clearly put the focus on measuring aid effectiveness and set quantified targets to be achieved by 2015. Since 2015, the UN sustainable development goals (SDGs) have provided for the engagement of the whole development community. Successive financing for development conferences (Monterrey, 2002; Doha, 2008; Addis Ababa, 2015) and high-level forums on aid effectiveness (Rome, 2003; Paris, 2005; Accra, 2008; Busan, 2011) gathering a growing number of stakeholders, have helped to outline the main aspects of development effectiveness and to assess progress towards it.

The principles of ownership, alignment, harmonisation, results and mutual accountability, agreed upon in the 2005 Paris Declaration, were reaffirmed in the 2008 Accra Agenda for Action. Reformulated as four 'shared principles to achieve common goals', they form the core of the 2011 Busan Partnership for Effective Development Cooperation: ownership of development priorities by developing countries; focus on results; inclusive development partnerships; and transparency and accountability to each other. Each of the international meetings assessed progress made towards the goals agreed at the previous ones. Each progress report noted gaps between commitments and achievements. On a positive note, more and more stakeholders committed to the objectives and helped to re-focus on the most problematic ones.

Four principles

Ownership and alignment

'Countries should define [their own] development model.' (The Busan Partnership, July 2012)

Developing countries need to be in the 'driver's seat' of their own development. However, full democratic ownership remains a struggle where institutions are weak or development partners have conflicting interests.
Understanding development effectiveness

Using and improving developing countries' institutions and procedures

Successive high-level forums have reiterated the argument that developing countries should decide on their development priorities and design policies adapted to their own requirements. Cooperation programmes should meet those priorities and be based on the recipient countries' institutions and procedures ('alignment'). For example, they should use the developing partner country's systems of procurement and public finance management (PFM). Budget support, i.e. aid transferred and managed using the recipient country's own budgetary procedures, is another example of alignment. The predictability of aid also contributes to respecting partner countries' ownership: well-scheduled disbursements help recipient countries better plan their development priorities in the longer term.

Ownership implies that recipient countries have functioning and reliable institutions. In this respect, capacity-building programmes are of prime importance, in particular in fragile states, where aid is the least effective. Understandably, tackling corruption was one of the main commitments assumed by participants in the Busan high-level forum on aid effectiveness, as there is empirical evidence that corruption directly hinders development. The participation of recipient countries' national parliaments in the design and oversight of development policies also increases ownership. Similarly, civil society organisations can act as watchdogs for commitments, while also identifying needs and delivering development aid as close to populations otherwise at risk of being neglected as possible.

In practice, there is no 100 % ownership or pure alignment. Critics argue that donors, having greater bargaining power, often tend to put forward their own agenda. In some cases, country priorities need to be validated by the donors: for instance, before providing loans, the IMF or the World Bank assesses the aided country's poverty reduction strategy with precise benchmarks.

Tied aid

Donors should refrain from delivering loans or grants on the condition that they are spent to procure goods or services from specified suppliers or countries ('tied aid'). In 2016, nearly €25 billion of global ODA was reported as formally tied. Not only does this negate the free will and ownership of the recipient country but it also increases costs by as much as 15-30 %, according to the OECD. The OECD development assistance committee (DAC, see 'Partnerships for development' below) recommends untying all ODA supplied to least developed countries or heavily indebted poor countries. Countries that are not DAC members may have different views: China, for example, clearly presents its aid modalities as 'mutual benefit and win-win': among other things, these consist of infrastructure projects involving a proportion of Chinese materials and staff.

Though formally untied, procurement procedures can result in a more favourable treatment of donor countries' firms. A network of European civil society organisations reports that every other call for tenders for ODA contracts rewards companies from the country issuing the call.

Focus on results

'Having a sustainable impact should be the driving force ... in development policy making.' (The Busan Partnership, July 2012)

More than just rough results, effectiveness is mostly about bringing improvement to people's lives. Indicators have been designed to measure this more precisely, but making all of the information about the use of resources and their impact available remains a challenge for many stakeholders. As the OECD puts it: 'Today, what counts is not so much how many clinics have been built, but whether citizens' health has improved'. More than 200 indicators measure progress towards the SDGs. However, they measure trends at country, regional or global level, but are not designed to capture the precise impact of specific development projects.

The focus on results at project or programme level has led to the use of concepts and tools borrowed from project management methodologies: from informing the decision to support a project
(strategic planning, impact assessment) to appraising results (outcome evaluation, reporting to the public), by means of monitoring implementation (risk management, progress monitoring).

A 2006 working paper by the Center for Global Development noted that development evaluation often neglects to assess the sustainability of the impact of a project, the possible negative impacts of a project or whether the actual beneficiaries are those initially targeted. To tackle these issues, the International Initiative for Impact Evaluation (3IE) NGO funds research on impact evaluation, and feeds a repository on ‘what works, for whom, how, why and at what cost.’ The UN evaluation group has developed guidelines to integrate human rights and gender equality in evaluations.

Experimental methods to assess the effectiveness of development projects

Rather than discussing whether development cooperation as a whole is effective or not, several researchers have studied the impact of aid in specific geographic or policy areas.

In 2005, Jeffrey Sachs’ team intervened in 10 African villages in view of achieving the UN MDGs (2000-2015) through a set of interconnected education, health and agriculture projects linked to infrastructures, training and food provision, and collectively called the Millennium Villages Project (MVP). Ten years later, the development outcomes of this project were assessed against the outcomes in comparable villages. On average, the MVP had had positive effects on 30 in 40 surveyed outcomes, notably in agriculture and health, but had not succeeded in significantly reducing poverty, nutrition problems and education gaps. However, the MVP seriously failed in some villages, notably because, according to critics, the MVP team had not taken sufficient account of local knowledge and circumstances. Lessons learned from the MVP could nevertheless help implement the SDGs, J. Sachs argues.

Esther Duflo, Abhijit V. Banerjee and Michael Kramer’s laboratory (J-PAL) has developed a methodology (adapted from clinical research randomised controlled trials, RCTs) to empirically compare the effectiveness of various options of development projects on randomly selected groups of beneficiaries: for example, to study whether preventive health products are put to better use when provided for a small fee rather than for free. The team were awarded the 2019 Prize in Economic Science in Memory of Alfred Nobel for their contribution to understanding the impact of interventions addressing poverty. Some critics however point out that these trials focus too much on individual behaviour and pay little attention to structural factors of poverty, and that their findings are difficult to mainstream.

Transparency and mutual accountability

‘Development cooperation must be transparent and accountable to all citizens.’ (The Busan Partnership, July 2012)

To measure the effectiveness of a development policy, the expected effects must be defined, and all partners need to commit to achieving them. All development partners have to be mutually accountable; this involves in particular sharing the same objectives, in line with the developing country’s national development strategy, where available, and monitoring progress with reporting tools and indicators agreed by all partners. Aid providers and recipient governments are also accountable to their own citizens regarding the way they spend and use development aid, through parliamentary oversight and the involvement of local governments and civil society organisations.

Accountability implies transparency, which is harnessed by sound data collection and management. Mutual accountability requires data that are consistent and presented in a standard format. The International Aid Transparency Initiative (IATI), launched in Accra in 2008, aims to facilitate access to data on development projects in a unified format; to date, 1,072 organisations, including EU bodies and Member States’ agencies, have published their data on the IATI datastore. Transparency is also at the core of the SDGs, as sharing standardised data on development outcomes (including through the IATI) makes it possible to exchange best practice and define the efforts needed at global level to achieving the goals. In 2018, the Aid Transparency Index – which is independent from the IATI – assessed 45 major international donor agencies (including the EU’s) and found that most of them publish information on aid spending at least four times a year (only three do not publish in
the IATI standard). However, it also found that the completeness and quality of data is all too often insufficient to assess the impact made by projects.

Partnerships for development

‘Development depends on the participation of all actors, and recognises the diversity and complementarity of their functions.’ (The Busan Partnership, July 2012)

Fragmentation and harmonisation

Development players sometimes target the same countries with very similar projects. This can result in each donor spreading their aid too thinly among a vast portfolio of recipients, and, in the field, in a hodgepodge of projects that are not sustained in the medium or long term. For countries receiving aid, this leads to difficulties with coordinating and reporting. Meanwhile, some developing countries are neglected by the development community and are often referred to as ‘aid orphans’. This approach has long been identified as an obvious obstacle to effectiveness. In 1960, the largest public donors, at the time all of them OECD members, decided to coordinate their policies within what would become the Development Assistance Committee (DAC).

Since that time, the development cooperation world has become much more diversified. Major new aid providers have appeared, with widely differing profiles: from emerging countries, such as Brazil and China, to private donors, topped by the Bill and Melinda Gates Foundation (BMGF). Furthermore, the need for harmonisation in the definition of development priorities, their implementation and reporting between aid providers and recipient countries requires a coordination mechanism broader than a donors’ club. The issue of harmonisation was at the core of the first high-level forum on aid effectiveness in Rome in 2003. However, in 2011 in Busan, the costs of the fragmentation of aid were again highlighted as ‘significant and getting worse’.

Since then, efforts have been made to streamline cooperation and address the steady increase in development stakeholders, in particular through the Global Partnership for Effective Development Cooperation (GPEDC). The GPEDC brings together the widest possible range of development players: donor and recipient countries, multilateral agencies and banks, parliaments, local authorities, civil society, the private sector and the academic world. In 2016, GPEDC stakeholders reaffirmed their commitment to effectiveness as a means to achieve the SDGs and specifically SDG17, which aspires to ‘revitalise the global partnership for sustainable development’. This commitment is not binding but is monitored by the GPEDC (see box below).

Multilateral development finance

When it comes to ODA, ‘multilateral development finance’, as opposed to bilateral aid, refers to funds entrusted to multilateral organisations such as the UN Development System (UNDS). Multilateral development finance is supposed to facilitate coordination and improve the outreach of aid. However, multilateral organisations are not entirely free to decide how best to pool and use this aid, as donors often earmark their contributions – i.e. they entrust them to multilateral channels for the attainment of a precise objective. In 2017, 71% of the multilateral aid channelled through the UNDS was earmarked. A 2018 OECD study shows that, in the case of the World Health Organisation (WHO), earmarking represented 66% of its resources in 2014-2015 and was allocated to already overfunded areas of the WHO’s work programme, making it difficult for the organisation to achieve its other priorities. The effectiveness of multilateral aid delivered through the UNDS is also questioned by some authors, the UNDS being itself split up between 31 specialised agencies, funds and programmes.

Public-private partnerships

Cooperation projects can also take the shape of public-private partnerships (PPPs), where the private party delivers a service or a product on behalf of the government, often with a combination of private and public funding. New financing instruments also combine public grants with public or
private loans (blended finance). There are many legal forms of PPPs; in 2013, a systematic literature review found that they often achieve good value for money (efficiency), while there is limited evidence of their effectiveness. In 2016, another study concluded that multi-stakeholder partnerships between civil society organisations, businesses and public donor agencies had not yet proven effective because of the lack of donor agency engagement in the coordination. The Kampala principles for private sector engagement, adopted by the GPEDC in 2019, extended development effectiveness principles to private development partners. For the time being, private-sector development stakeholders are not monitored by the GPEDC (see box below).

Tracking development partners’ progress to development effectiveness

The GPEDC provides for a monitoring mechanism to track progress towards development effectiveness at country level. Its 2019 progress report, assessing 86 countries, international organisations and multilateral agencies, banks and funds, found that the respect of development effectiveness principles is uneven:

− national development strategies have improved a lot and now focus on results in line with the SDGs;
− the alignment on developing country priorities by development partners (except multilateral banks) has decreased, partly because of the lack of government data. A notable improvement in public financial management systems has not translated into a significant increase in their use by development partners. In addition, the predictability of aid beyond one year is decreasing;
− transparency and mutual accountability have improved between development partners thanks to the evolution of reporting tools;
− partnership with a variety of stakeholders (whole-of-society approach) is taken on board in countries’ development priorities. However, accountability to parliaments is on the decline, because more funding remains outside the budget and is therefore not subject to scrutiny. Moreover, restrictions on civil society have intensified, making it difficult for them to express their views on or participate in development projects.

The EU toolkit

Better coordination and commitments to the effectiveness principles are central in the new European Consensus on Development, and equally so in the development policy frameworks and operational guidelines that guide the EU and its Member States’ development cooperation.

Development finance – EU institutions and Member States together provided €74.4 billion in development aid in 2018. While this roughly accounts for half of global development aid, it is below the commitment to collectively spend 0.7 % of EU gross national income (GNI) on aid. This amount is the sum of Member States’ ODA and EU ODA, itself spread over the EU budget (mainly the development cooperation instrument, DCI) and the off-budget European Development Fund (EDF, dedicated to the sub-Saharan African, Caribbean and Pacific group of countries and EU overseas countries and territories, except Greenland).

The diversity of funding channels and their specific geographic or thematic remit constrain EU development cooperation interventions; the European Commission has proposed to regroup all EU funds for external policy from the EU budget and the EDF into a single Neighbourhood, Development and International Cooperation Instrument (NDICI) for the 2021–2027 period, thus allowing for more flexibility and a quicker response to third countries’ needs – provided a strong coordination architecture is put in place.

Partnerships – The new Commissioner in charge of development cooperation is now the ‘Commissioner for international partnerships’; this change in title highlights the shift towards a relationship going beyond development assistance, in particular within the new Africa-EU alliance.
To complement public financing, the EU supports the **private sector** through several initiatives aimed at **leveraging investments** in developing countries. One such initiative is the **European Fund for Sustainable Development** comprising three pillars: i) provision of financing (blending and financial guarantees to private investors); ii) provision of technical assistance to investors and companies; and iii) improving the business climate in partner countries. The EU also supports the involvement of **civil society** in the development agendas of third countries and is strongly committed to **addressing the global clampdown** on civil society in this respect.

Building partnerships begins within the EU, as development policy is a **shared competence**: the EU and its Member States can act concurrently. To avoid **costly duplication** and to foster effectiveness, several coordination mechanisms have been tested. Examples include joint programming and entrusting the coordination of EU development programmes in a given country or sector (‘division of labour’) to an individual Member State. Despite encouraging results, **this coordination remains limited** because some Member States are reluctant to delegate control over development cooperation, considered a key asset of their national diplomacy.

**Ownership and alignment** – The EU is bound to observing the principle of **policy coherence for development** (PCD), which seeks to ensure that no EU policies have negative effects on developing countries. However, the EU is increasingly linking its development policy to **security considerations** and **migration management** purposes. This trend presents a challenge to the PCD principle, as it might create misalignment both with beneficiaries’ and other EU objectives (for example, increased **border control** in Niger hinders African regional integration). EU assistance to third countries is also conditional on their respect for fundamental values, such as human rights, the rule of law and non-discrimination, and agreements often include a sanction mechanism for failure in this respect. This political conditionality is one of the most hotly debated issues as regards development effectiveness: some development professionals **criticise** it for not delivering the expected effects in fundamental rights and democracy, while others argue that the suppression of such clauses would erode parliamentary, media and civil society **oversight** of aid delivery.

**Transparency/focus on results** – Over the years, the EU has strengthened its monitoring tools to better report on development cooperation results. A new series of quadrennial reports provides examples of EU and Member States actions **‘supporting the Sustainable Development Goals across the world’** (first issue: July 2019)

**Effective development cooperation: does the EU deliver?**

The European Commission commissioned an assessment of 1 756 EU institutions’ and Member States’ development projects in more than 70 partner countries. A **preliminary summary of results (July 2019)** examines the EU’s contribution to development effectiveness with regard to two principles ‘ownership and alignment’ and ‘transparency and accountability’, based on the 2019 GPEDC monitoring report (see above ‘Partnerships for development’). It shows a fluctuating trend between 2016 and 2018:

+ As a rule, the EU respects partner countries’ ownership of their development strategies and aligns its actions to their objectives. The EU as a whole stands above the average level attained by GPEDC development partners in this respect.

- The EU tends to make lesser use of partners’ frameworks to monitor projects, and the involvement of partner countries in the project evaluation process is on the decline and below the GPEDC average.

+ Most EU aid (92 %) is untied.

- The share of EU aid recorded in partners’ budgets (and often subject to national parliaments’ scrutiny) has dropped in two years. This is a general trend, but the decrease in the case of the EU is the most significant.

- The medium-term predictability of EU aid (scheduled disbursements) has declined in line with a general GPEDC trend – for EU institutions, this is partly because the current multiannual financial framework comes to an end in 2021.

+ Several EU countries have made better use of partner countries’ audit and procurement systems (but poor results of other Member States reduce the overall EU performance).  

- The EU often fails to use partners’ financial reporting systems.

+ The EU performs well as regards transparency, notably by maintaining a good level of reporting to the IATI (however, reporting to OECD has worsened)
2019). The series is based on the EU results framework that aims to measure the EU’s contribution to development outputs in partner countries (number of teachers trained with EU support; number of health clinics equipped with EU support; etc.). The European Parliament has oversight of how funds from the EU budget and the EDF are spent. By contrast, EU trust funds, designed to provide a quick and flexible response to situations of fragility, present a challenge to parliamentary scrutiny, since they are established outside the national budgets or the budget of the EU, while at the same time being funded by them.

**European Parliament's position**

The Parliament frequently refers to the concept of development effectiveness in its resolutions, often to draw attention to the commitments made by the EU in the high-level forums. In its resolution of 22 November 2016 on increasing the effectiveness of development cooperation, it insists that sufficient funding be allocated for reaching this goal. For this purpose, it urges the EU and its Member States to meet their commitment to devoting 0.7% of GNI to aid. This resolution also requests the Commission to regularly report on the implementation of commitments to effectiveness. In its resolution of 14 April 2016, the Parliament acknowledges the role of public-private partnerships in financing development, provided the Busan principles were respected. In its resolution of 27 March 2019 on the NDICI, the Parliament insists on incorporating the objective of poverty eradication in this future financial instrument, and on placing the requirement that at least 95% of NDICI expenditure fulfil the ODA criteria.

The Parliament calls for respecting the alignment with partner countries’ priorities (resolution of 17 April 2018) and highlights the role of national parliaments in improving ownership and transparency (resolution of 4 October 2016). It also advocates for a better coordination of EU donors and for the adoption of a legally binding instrument in this respect (resolution of 14 February 2017).

The Parliament has often pointed out that EU development policy should primarily address poverty reduction. Reminding the policy coherence for development principle, Parliament insists that this objective should not be second to other purposes – such as strengthening security (resolution of 3 April 2014) or migration control (resolution of 7 June 2016) – that would put at risk the principle of respecting developing countries’ ownership over their development priorities.