TERMS OF REFERENCE OF THE EVALUATION STUDY ON THE IMPLEMENTATION OF THE SECTOR-WIDE APPROACH IN DUTCH BILATERAL AID.

1. Introduction

The 2003-2007 programming for the Policy and Operations Evaluation Department (IOB) states that bilateral development cooperation is a key area for IOB and that a new and coherent evaluation programme will be worked out for it. It also identifies the sector-wide approach as a priority and announces that it will be evaluated. The Minister for Development Cooperation, Agnes van Ardenne, announced the evaluation during the debate on the Ministry of Foreign Affairs' budget on 17 December 2003.

Evaluation is desirable for several reasons. The policy changes made upon the introduction of the sector-wide approach prompted a great deal of discussion both inside and outside parliament. The sector-wide approach also had consequences for the organisation and structure of bilateral aid in the recipient countries. Now that four years have passed since the policy's introduction, the evaluation can contribute to reporting on its implementation and results to parliament, and to the development of bilateral aid policy.

2. Aim of the evaluation and evaluation questions

2.1 Aim and evaluation questions

The aim of the evaluation is to help account for the disbursement of Dutch bilateral aid funds in the 19+3 countries in the period 2000–2003 and in particular for the extent to which the policy intentions and desired results of the sector-wide approach were achieved. The evaluation will concentrate on whether and to what extent the introduction of the sector-wide approach has improved conditions for achievement of the main objective of Dutch development policy, namely poverty reduction. To this end, the following key questions have been formulated:

1) *To what extent have the desired changes in Dutch policy been achieved and what explanatory factors can be given for the findings?*
2) *To what extent have the desired changes in the aid recipient country been achieved and what were the most influential factors?*

1. Policy changes

The main desired policy changes can be identified from a reconstruction of the policy. The evaluation of the policy changes will concentrate whether they have actually been achieved or not.

The following questions have been formulated to determine whether the desired policy changes have been achieved:
1.1 **Selectivity**: Is aid being granted to the poorest countries that meet the criteria for aid effectiveness?
1.2 **Concentration on countries**: Is bilateral aid being concentrated on a more limited number of countries?
1.3 **Concentration on sectors**: Is bilateral aid being concentrated on a maximum of three sectors in the 19+3 countries?
1.4 **Choice of sector and sectoral support**: Are the choice of sector and the sectoral support in line with the preferences and priorities of the recipient country's government?
1.5 **Fewer earmarked forms of aid**: Is sectoral programme aid increasing as a proportion of total sectoral aid?
1.6 **Donor coordination**: What is the scope and intensity of the Dutch efforts at donor coordination within the sectors?
1.7 **Donor harmonisation:** Is the conditionality of Dutch financing being reduced in favour of a joint approach and the transfer of donor responsibilities to the recipient government?
1.8 **Long-term commitment:** Is the desired long-term commitment being shown to the 19+3 countries?

A quantitative study would be a good source of general answers (i.e. for the 19+3 countries) to these questions. The study will be comparative in that the values awarded for each indicator will be compared with each other over time. *Selectivity* (1.1) will be evaluated by determining whether the criteria were appropriate and applied consistently. The values awarded for each criteria will be checked and compared with the values awarded for indicators from other international databases. The values awarded to the selected countries will be compared with those awarded to other groups of countries, e.g. countries that have not been selected or the Least Developed Countries. The relationship between the values awarded for the indicators and the allocation of resources will also be studied.

The *concentration* (1.2 and 1.3) of aid on countries and sectors will be determined by analysing the changes in the commitment and expenditure in the selected countries and sectors.

A more qualitative approach will be needed to evaluate the concurrence between the *choice of sector and sectoral support* (1.4) and the recipient government's priorities. The extent to which and the way in which the missions made the required preparations for the choice of sector and sectoral support will be studied. The choice of sector and allocation of the aid within the sectors will be compared with the priorities set in the recipient country's sectoral policy and other policy documents and in the PRSP.

The use of *fewer earmarked forms of aid* (1.5) will be evaluated by calculating the amount of sectoral programme aid as a proportion of total sectoral aid and the decline in project and earmarked programme support.

Donor coordination and harmonisation (1.6 and 1.7) will be evaluated by means of indicators developed during IOB's study of donor coordination and sectoral support in Uganda. The amount of joint financing as a proportion of sectoral support will be an important quantitative criterion.

Long-term commitment (1.8) will be determined by analysing expenditure, commitments for 2000–2003 and projected allocations for subsequent years.

2. The required changes in the recipient country

An important assumption in the sector-wide approach is that placing ownership with the recipient government (subject to certain conditions) will facilitate poverty reduction. This will require an increase in the recipient government's capacity to formulate and implement poverty reduction policy. This assumption underlies the formulation of the questions that will be used to evaluate the desired changes in the recipient country.

2.1 **Promoting ownership**: To what extent have responsibility for decision-making on and the management of Dutch aid in the sectors supported by the Netherlands been assumed by the recipient country's government and how can their quality be evaluated?
2.2 **Strengthening the recipient government's implementation capacity**: Has there been an increase in the recipient government's capacity to formulate and implement sectoral policy in the sectors supported by the Netherlands?
2.3 **More efficient management of aid**: Has the desired increase in aid efficiency been achieved?

The question on promoting *ownership* (2.1) relates to the transfer of responsibility for Dutch aid. To what extent is Dutch aid consistent with the recipient government's procedures, regulations and management frameworks? In part, this can be expressed quantitatively. The quality of management can be expressed by giving scores on a number of indicators of the quality of reports and the monitoring of sectoral support.

Strengthening the recipient government's implementation capacity (2.2) can be evaluated by means of Public Finance Expenditure Reviews, and existing indicators and criteria taken from manuals on the monitoring of the PRSPs. Important criteria for this will be expenditure and the policy's poverty focus.

The *efficiency* (2.3) of aid management will be evaluated, as in the aforementioned IOB evaluation in

Uganda, by studying changes in the transaction costs of the aid. The extent to which those changes increase the aid's effectiveness should be reflected in changes in the policy's poverty focus and expenditure in the sectors being evaluated.

2.2 The evaluation framework

As noted above, the sector-wide approach and its application are fairly narrowly defined. For some parts of the policy, such as the use of different forms of aid, concrete verifiable criteria are available. They were be used in a preliminary study to work out a provisional evaluation framework.

If a log frame approach is preferred, the policy can be treated as input, the policy changes as outputs and the desired changes in the recipient country's government as outcomes. The questions can then be answered by indicating the extent to which the changes in the recipient country (the outcomes) are due to the changes in policy (the outputs).

The evaluation framework determines how the desired changes can be evaluated and what sources of information are required. Wherever possible, the precise descriptions and definitions are taken from existing policy documents. On completion of the policy reconstruction and the analysis of available information, the evaluation framework can be worked out in further detail, particularly with regard to the outcomes.

2.3 Evaluation criteria

The applicable evaluation criteria are effectiveness and efficiency.

Effectiveness: to what extent can the identified outcomes be attributed to the outputs of the intervention? In evaluating effectiveness it will frequently be impossible to separate the Dutch contribution from that of other donors. This need not be a problem if the scale of the Dutch contribution to the activities and financing undertaken jointly with the other donors can be specified.

Efficiency: The implementation of Dutch policy can be evaluated by studying changes in transaction costs. The outcomes will be evaluated in the same way by studying the changes in aid transaction costs for the recipient country's government.

In view of the relatively short period of time in which the sector-wide approach has been implemented the evaluation will not consider its *impact.* Moreover, a different evaluation structure and approach would be needed to consider impact, with the results being evaluated at the level of the target groups and preferably in cooperation with other donors. The findings of this present evaluation are expected to form an important reference point for the planning and organisation of a future evaluation of effectiveness and impact in terms of poverty reduction.

3. Evaluation methods and definition

3.1 Methods and structure of the evaluation

The evaluation's structure and approach will have three components.

a) *Policy reconstruction*

The first stage of the evaluation will consist of a more detailed reconstruction of the policy. Attention will also be paid to development of the policy. The policy can be reconstructed by studying relevant policy documents and interviewing members of staff. It is also proposed that a workshop be organised to discuss a draft of the policy reconstruction with the former members of the now defunct Sector-wide Approach Support Group and other members of staff at the ministry who were involved in policy formulation and implementation.

b) *Study of the implementation of the policy in the 19+3 countries*

Selectivity will be studied by means of a quantitative analysis using existing databases. The results of this analysis will be verified by interviews and talks with policy officers who were involved in the selection and country screenings. To evaluate implementation of the policy changes, a database has been constructed with relevant quantitative data on all 22 countries. A standard fiche will be made for each country showing the most important scores and complementary qualitative assessments. This database can serve as a starting point to evaluate concentration, allocation, aid forms and long-term commitment. This study will be principally a desk study; the information on each country can be verified with the missions by means of email. Where possible, staff who were actively involved in the sector-wide approach at the missions during the period in question will be interviewed.

c) *A number of case studies* of the policy implementation process and the desired outcomes. Country studies have been chosen so that attention can be paid to the influence of environmental factors on achievement of the desired results and the concurrence between the sector-wide approach and the development of policy in the recipient country. Factors that influence more than one sector should also be considered, as should the macro level. Fungibility is an important theme and the extent to which changes in the government's budget are a result of aid being concentrated on a limited number of sectors must be determined. The decision to use country studies does not mean that sector-specific analyses cannot be made and the findings compared where possible with those from other countries. At a later stage, the terms of reference for specific countries will determine whether the study of the desired outcomes should be limited to one or more sectors.

The country studies will be organised around the following themes:

1) context and environmental factors that have a direct bearing on achievement of the aims of Dutch bilateral aid;
2) aims and composition of bilateral aid in the period before the introduction of the sector-wide approach;
3) the implementation process and the achievement of the desired policy changes on the part of the Netherlands;
4) the achievement of the desired outcomes.

A substantial part of the general information on the desired outcomes can be derived from existing sources, many of which are available electronically. Much of this material was collected during the preliminary study.

Missions lasting several weeks have been planned to carry out the following activities for the country studies:

a) a desk study of Dutch policy and its implementation;
b) background talks and interviews with embassy staff to obtain further information and to verify preliminary findings;
c) a study of available budget analyses of the sectors supported by the Netherlands and, where necessary, additional studies;
d) the collection of supplementary information on policy and its implementation per sector;
e) a limited number of interviews with key informants at other donors, government policy officers and civil society organisations.

When the preparations have been completed, separate terms of reference will be drawn up for the organisation and methods of each country study.

3.2 Definition and selection of country studies

Number of cases

Five case studies will be carried out: four field studies and one desk study. This number has been chosen for two reasons:

a) the evaluation must consider a sufficient number of cases for it to cover a significant proportion of expenditure: 20–25% of the total;
b) the evaluation's feasibility, based on the estimated time and effort required. Some questions might be answered using the results of other evaluations (such as those carried out by other donors and the products of joint monitoring and evaluations, e.g. the joint sector reviews and the public finance expenditure reviews) so that the evaluation to be carried out in the countries concerned can concentrate on the Dutch role and contributions.

Selection criteria

The countries were selected on the following criteria:

a) an uninterrupted aid relationship during the period evaluated: the introduction of the sector-wide approach was not seriously impeded by violent incidents;

b) a spread of countries receiving varying degrees of sectoral programme aid (as a percentage of total aid);

c) geographical spread: two countries in Africa (one in West Africa and one in East Africa), one in Latin America and one in Asia;

d) diversity of the sectors.

This resulted in the following selection.

Provisional list of countries for desk and case studies

Country/ Sector	H	E	RD	GG	Water	Other sectors	Sectoral programme aid as a percentage of total sectoral aid	Amount of sectoral aid 2000–2002 in millions of euros
1. Zambia	x	x	x (ec dev.)				57%	67.6
2. Bolivia		x	x	x			47%	45.2
3. Bangladesh	x	x			x	Rural electrific ation	23%	61.6
4. Burkina Faso	x	x	x				10%	48.3
Desk study: Uganda		x		x		Legal sector	82%	49.9
Total	3	5	3	2	1	2		272.6

Key: H = Health, E = Education, RD = Rural Development, GG = Good Governance

The evaluation will concentrate on the period since 2000. It will consider previous years if necessary to make comparisons with the situation before the introduction of the sector-wide approach.

3.3 Representativeness

Since the evaluation is made up of several components, all relating to different indicators and groups of countries, its desired representativeness can be summarised as follows:

a) the evaluation of selectivity will consider the 19+3 countries as a whole;

b) with regard to the quantitative indicators, the evaluation of policy implementation will consider all sectors in the 19+3 countries. For a number of indicators, information is available on only a smaller number of sectors and/or countries;
c) a comprehensive and qualitative analysis of the implementation can be made only as part of the case studies. In this case, the findings will relate to 16 of the 68 sectors in total and to 24% of the sectoral expenditure in the 19+3 countries;
d) the evaluation of the desired changes in the recipient countries will consider a combination of countries, sectors and entities. Precisely how many sectors the case studies will cover will be decided at a later stage. In view of the great diversity between the countries, it will only be possible to generalise the findings on the outcomes per country to a limited degree, if at all. Depending on the underlying evidence, the findings on Dutch policy and its implementation may be indicated in more general terms.

4. Structure of the evaluation

4.1 Implementation and assistance

The Policy and Operations Evaluation Department (IOB) will be responsible for organising and carrying out the evaluation. The inspector will be responsible for the evaluation's design and implementation and for the final report. A research officer has been appointed for the evaluation. A preliminary study of the country selection and allocation will be carried out by the Institute of Social Studies.

A senior consultant from the SEOR research institute has been appointed to coordinate and conduct the country studies. Together with the inspector, he will be responsible for planning, implementing and reporting on the country studies. The senior consultant will be involved in at least three of the four studies. Another consultant will be engaged for the individual country studies. A reference group has been appointed to monitor the evaluation. It has two external members and two members from the ministry. The United Nations and International Financial Institutions Department (DVF), the Social and Institutional Development Department (DSI) and the missions in the countries in which the case studies will be conducted will be regularly consulted on the evaluation's findings.

4.2 Reporting

The evaluation's findings will be set out in a final report. Working documents will be issued on individual studies where possible.

4.3 Planning

The aim is to begin preparations for the country studies as soon as possible once the terms of reference have been approved. The start of the first country study is planned for April 2004. The study will be completed as far as possible in the opening months of 2005. The draft final report can then be expected around mid-2005.