The Bellagio Initiative

The Future of Philanthropy and Development in the Pursuit of Human Wellbeing

Commissioned Paper

Evaluating Development Philanthropy in a Changing World

Robert Picciotto
King's College, London

November 2011

Institute of Development Studies
the resource alliance
THE ROCKEFELLER FOUNDATION

IDS is a leading global charity for research, teaching and information on international development. Its vision is a world in which poverty does not exist, social justice prevails and economic growth is focused on improving human wellbeing. IDS believes that research knowledge can drive the change that must happen in order for this vision to be realised.

The Resource Alliance has a vision of a strong and sustainable civil society. It aims to achieve this through building skills and knowledge, and promoting excellence. To help organisations increase their fundraising capabilities, the Resource Alliance provides a range of services and resources, including conferences, international and regional workshops, accredited in-depth courses in fundraising and communications, tailor-made training and mentoring, research, publications, newsletters and award programmes.

The Rockefeller Foundation has a mission to promote the wellbeing of people throughout the world. It has remained unchanged since its founding in 1913. Its vision is that this century will be one in which globalisation's benefits are more widely shared and its challenges are more easily weathered. To realise this vision, the Foundation seeks to achieve two fundamental goals in its work:

1. It seeks to build resilience that enhances individual, community and institutional capacity to survive, adapt, and grow in the face of acute crises and chronic stresses.

2. It seeks to promote growth with equity so that poor and vulnerable people have more access to opportunities that improve their lives.

In order to achieve these goals, the Foundation provides much of its support through time-bound initiatives that have defined objectives and strategies for impact.

Bellagio Initiative

For further information on the Bellagio Initiative:
E-mail: contact@thebellagioinitiative.org
Web: www.bellagioinitiative.org

Evaluating development philanthropy in a changing world

Robert Picciotto, King's College, London

Introduction

This essay explores the development landscape, suggests new policy directions for international philanthropic organisations[1] and examines the challenges involved in evaluating their development assistance efforts. Next, it complies with the well-established development effectiveness criteria of relevance, effectiveness, efficiency, and sustainability issued by the Development Assistance Committee of the OECD[2] in order to sketch an evaluation agenda designed to enhance accountability, organisational learning and responsiveness to stakeholders' concerns within the philanthropic sector.

The development context within which international philanthropies operate is extraordinarily demanding. Pressing human needs are not being met by an official aid system short of resources, catering to multiple interests and hobbled by massive coordination problems. By contrast, private giving for development is growing and has proven nimbler and more results-oriented than official aid. However, the philanthropic enterprise will not fulfil its potential unless it:

i. identifies and taps into its distinctive comparative advantage and coordinates its interventions with other development actors;
ii. embeds evaluation in its processes to achieve operational relevance, effectiveness and efficiency; and
iii. demonstrates that it is accountable and responsive to its diverse stakeholders.

Background

Development prospects are darkening given the rich world's massive debt burdens and the economic slowdown in emerging market countries. Low-income countries are paying a steep price for a global economic contraction that they did not cause. Following food, fuel and financial crises, world trade was affected, foreign investment flows towards developing countries declined and migration opportunities shrank (Coricelli 2010).

More than 53 million fewer people than estimated prior to the crisis are likely to escape extreme poverty by 2020 (World Bank 2010a). Food security is back on the international agenda: famine stalks the Horn of Africa and about 925 million people still go to bed hungry every night.[3] Health problems are not letting up: developing countries still account for 93 per cent of the worldwide burden of disease and only 11 per cent of global health spending (Schieber and Maeda, nd). The

---

1 A philanthropic organisation is a non-profit organisation that supports charitable, educational, religious, or other activities serving the public interest or the common good.

2 www.oecd.org/document/22/0,2340,en_2649_34435_2086550_1_1_1_1,00.html

3 www.worldhunger.org/articles/Learn/world%20hunger%20facts%202002.htm

spectre of global warming is haunting the poorest and most vulnerable countries. In brief, poverty is not being made history.[4]

Faced with these unprecedented challenges, the official aid enterprise is in turmoil. A majority of developing countries are off-track to meet Millennium Development Goals agreed by all United Nations members. The momentum that had been generated by the 2005 Gleneagles Summit leaders' commitment to double aid to Africa and to eliminate outstanding debts of the poorest countries has been interrupted. Official aid statistics for 2010 imply a shortfall of about US$19 billion compared with promises made in 2005.[5] The aid system is more splintered than ever given the advent of new donors operating outside the reach of the rich countries' donor club.[6] Finally and paradoxically, as the need for collaborative action to address global problems has risen, the share of multilateral aid has eroded.

But there is a silver lining in an otherwise dismal picture: private giving for development is growing. This trend has opened up a strategic opportunity for philanthropic organisations. By pooling their resources to address major threats to human wellbeing and by leveraging their resources through broad-based collaborative programmes they are more likely to achieve results than through 'go it alone' interventions.

Churning out large numbers of new programmes and projects, however well intended, would contribute to the fragmentation, inefficiency and incoherence of the overall system. For many philanthropic organisations keen to preserve their freedom of action, this systemic approach will require new policy directions as well as changes in managerial mindsets, behaviours and cultures.

Another long-term challenge facing philanthropic organisations is sustained public support. In a world beset by fiscal stringency the bar for sustaining a tax-exempt status may well be raised and the responsibility to operate in the public interest may have to be demonstrated more stringently. Furthermore, beyond legal requirements, broad-based stakeholder support is critical to the reputation and influence of the philanthropic brand.

Nor is international development philanthropy shielded from the flagging global commitment to international cooperation triggered by the ongoing global financial crisis. Growing public doubt as to whether 'aid works' is contributing to extraordinary risk aversion. As their public profile has grown, so has the scrutiny philanthropic organisations will be subjected to. More than ever, these organisations must show that they are delivering results in the zones of turmoil and transition of the developing world. This is where evaluation comes in.

Evaluation and the non-profit sector

The ballot box delivers a decisive verdict for governments. The market is the ultimate judge of performance for private companies. By contrast, philanthropic organisations are strictly accountable only to their boards and the tax authorities. Yet, the 'value added' of a philanthropic

---

4 The number of people living below the international poverty line of US$1.25 per day fell from 1.82 billion to 1.37 billion between 1990 and 2005. But outside China, poverty increased. Specifically, the number of poor people in India and sub-Saharan Africa rose by 21 million and 91 million people respectively.

5 Official aid statistics for 2010 imply a shortfall of about US$19 billion compared with promises. Only a little over US$1 billion of the shortfall can be attributed to lower than expected gross national income (GNI) levels. www.oecd.org/document/35/0,3746,en_2649_34447_47515235_1_1_1_1,00.html

6 The Development Assistance Committee (DAC) of the OECD brings together the aid agencies of 24 members (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and the European Union).

organisation lies in the achievement of a valid social purpose. This ‘public value’ is not reflected in a revenue stream. Nor is it mirrored in the results of an electoral process. This is why evaluation plays (or rather should play) a pivotal role in the oversight and management of philanthropic organisations.

Many philanthropic organisations have been taking evaluation seriously for decades. Some have vigorously promoted evaluation capacity building in developing countries. Others have generated evaluation innovations designed to counteract the over-deterministic stance adopted by official aid agencies. The Learning for Social Impact site, part of McKinsey’s Social Sector Office, has compiled 150 tools, methods and best practices for assessing the social impact of philanthropic interventions.[7] A growing number of self-regulation systems and standards that promote good governance, transparency and participation have been proposed. But no universal, comparable and widely agreed performance measures exist in the philanthropic sector, and evaluation functions that are fully independent of management yet not isolated from its operations remain a rarity (Lingan and Hammer 2010). Yet there is no reason why a well-designed development self-evaluation function (backed up by independent evaluation) could not deliver to trustees and the general public the social equivalent of audited financial statements routinely available to profit-making private companies’ boards and shareholders.

It will take time to achieve consistency in evaluation criteria and standards and to make evaluation independence a cardinal principle of good philanthropic governance. Concerns about the organisational damage that may result from misguided or unfair evaluations carried out independently are not irrational since high-quality evaluation skills are rare and the Hippocratic Oath (*First, do no harm*) is not always observed by independent evaluators. Nor are appropriate links between monitoring, self-evaluation and independent evaluation processes invariably forged in order to generate evaluation results that lead to purposeful action.

Thus, expert design of the evaluation function and high-quality skills are essential to generate the right signals and put in place the right organisational incentives so that evaluation aligns authority with responsibility, draws relevant lessons from experience, links the organisation to its stakeholders and helps to deploy organisational assets in effective combinations towards results. Evaluation cannot be expected to pay its way unless it is closely connected to corporate strategy and takes explicit account of the evolving characteristics of the operating context. Thus, at this particular juncture in development history, the implications of an increasingly interconnected global system for human wellbeing must inform strategy design and evaluation priorities.

Development cooperation beyond aid

The eighth Millennium Development Goal laid out the responsibilities of rich countries regarding global poverty reduction: they were tasked to reduce trade protectionism, increase the quality and quantity of aid, accelerate debt reduction and reform the international financial system. Unfortunately, precise indicators and time-bound commitments were not agreed at the time. The playing field of the international market place remains uneven (Picciotto and Weaving 2004).

It follows that international foundations, voluntary organisations and their evaluators should adopt a broad strategic vision of their role. More of them should press for fundamental transformation of the global society and for a fairer set of rules and standards in the international marketplace. This strategic orientation would be consistent with the ‘policy coherence for development’ (PCD) concept endorsed by the G20 Seoul Summit in November 2010.

[7] http://lsi.mckinsey.com/

Specifically, the OECD Secretariat has sketched an agenda that straddles four broad policy domains: sustainable economic growth, economic governance, the environment, and natural resources management and society (OECD 2011). The fundamental rationale for the PCD initiative is that non-aid linkages have become major vehicles of resource transfer in an interconnected world. They are in fact dwarfing the 'money' impact of aid and creating new and powerful connections between rich and poor countries (as well as among poor countries):

- Developing countries' exports (about US$5.8 trillion) are 45 times the level of official aid flows.[8]
- Remittances from migrants (US$283 billion) are 2.2 times greater than official aid flows.[9]
- Foreign direct investment (US$594 billion) is 4.6 times greater than official aid flows.[10]
- Royalty and licence fees paid by developing countries to developed countries (US$27 billion) are over a fourth of official aid flows.[11]
- The huge damage to developing countries caused by climate change as a result of OECD countries' unsustainable environmental practices is getting worse given rapid growth in emerging market countries.[12]

Consequently, for philanthropic organisations as well as their partners, development cooperation should reach beyond aid. Aid alone cannot be expected to deliver on the lofty promises of the Millennium Development Goals agreed with great fanfare at the turn of the century. In an increasingly interconnected world, it is the combination of aid and non-aid policies in support of countries' development efforts that matters to the enhancement of human wellbeing. Another development policy implication of the increasingly interconnected and unstable economic, social and environmental order is the need to manage downside risks.

The human security dimension

The new information and communication technologies have increased the flow of ideas, goods, services, capital, and people across borders. But the very same technologies have increased instability, insecurity and illegality. Economic and financial shocks are now transmitted instantly throughout the world. In this insecure, fluid and interconnected global system the weakest link creates problems for all. This is illustrated by the concentration of contemporary warfare in fragile states and the spillover of violence and illegality across borders. In 18 poor countries, warfare has prevailed for more than half the time during the past two decades (Picciotto, Alao, Ikpe, Kimani and Slade 2005).

Hunger, disease, pollution, climate change, financial stability, regional conflict, international crime and terrorism do not respect national borders. 'Problems without passports' constitute the most

---

8 This is the 2008 level according to WTO. It dipped by 8 per cent in 2009 but more than fully recovered in 2010 according to the IMF. See www.imf.org/external/pubs/ft/weo/2011/01/index.htm and www.wto.org/english/thewto_e/coher_e/mdg_e/development_e.htm

9 Remittance flows to developing countries stood at US$283 billion in 2008 according to the World Bank (Migration and Development Brief 8, November 11, 2008) which projected them to dip slightly in 2009 and more than fully recover in 2010.

10 2008 estimate (World Bank 2010b).

11 This is a World Bank estimate for 2007 included in the *2009 World Bank Indicators* which is compared to aid flows of US$104 billion for that year according to DAC statistics.

12 United Nations Framework Convention on Climate Change (2007) *Impacts, Vulnerabilities and Adaptation in Developing Countries,* Bonn: UNFCC Secretariat.

serious threats to human wellbeing in the twenty-first century. Given these trends it is not surprising that the concept of human security should have become more influential[13] or that fragile states should have become a key preoccupation for development cooperation. Since private philanthropy is less hindered by political considerations than official aid agencies, it can better ‘connect the dots’ of development knowledge, build platforms for international cooperation and focus its interventions on shared international peace and prosperity objectives.

The emerging aid architecture

Gone are the days of the North-South divide when the developing world could be conceived as a single block of poverty-stricken countries. The rich industrialised world is now the epicentre of financial crises that used to originate at the periphery. The centre of gravity of the global economy has shifted towards the emerging market countries. The economic and social prospects of low-income countries have become increasingly differentiated. The resulting complexity of international economic relations underlies the institutional patchwork of the development system.

Growing global economic interdependence has not been matched by closer international cooperation. The system of international regimes, norms, laws and networks (both formal and informal) has become gridlocked. Multilateral institutions have not adapted to the rise of the new economic juggernauts and have failed to acquire adequate legitimacy and transparency or the capacity to reconcile increasingly diverse interests.

Until the global multilateral system reforms, the world must make do with multiple ‘coalitions of the willing’ that fall short of universality – ‘minilateralism’. There are already more than 260 multilateral agencies, including a rapidly growing number of ‘vertical’ funds, that bring together official, private and voluntary agencies and deliver aid on a regional or global basis with a highly specialised focus (HIV/AIDS prevention, disaster preparedness, new vaccines, etc.).

An amazing diversity of foundations, faith-based organisations, voluntary agencies and corporations that are (or claim to be) socially responsible is channelling substantial resources to the developing world. With the spread of the internet, online giving by private individuals has also emerged as a significant aid delivery mechanism (Desai and Kharas 2010). Whereas non-core funding for diverse ad hoc development coalitions is surging, the share of core multilateral aid in official development assistance is eroding.

No reliable estimates of aid volumes outside the DAC data system are available. However, there is no doubt that they are large and growing. According to the World Bank, aid flows from government donors that operate outside the umbrella of the OECD Development Assistance Committee reached a minimum of US$12–15 billion in 2008.[14] In the same year another US$53 billion may have been provided by civil society organisations and philanthropic sources – more than ten times the amount early in the decade (World Bank 2011). This means non-DAC aid, which already exceeds a third of total aid, may see its share exceed 50 per cent in a decade or two (Fengler and Kharas 2010).

The proliferation of development actors has contributed to aid fragmentation, overlapping mandates, coordination problems, rising transaction costs, lack of transparency and waste. Aid-funded programmes delivered under different rules have undermined domestic institutions and increased transaction costs for donors and recipients alike. Without agreed international

---

13 Canada has stressed the protection of human rights (freedom from fear) while Japan (and the UNDP) have emphasised the economic and social development dimension (freedom from want).

14 Twenty non-DAC donors report to the OECD. They contribute about half of non-DAC official aid flows.

guidelines, violations of social and environmental safeguards (e.g. regarding resettlement, indigenous peoples or natural resources use) have become more likely.

These challenges notwithstanding, the new private actors have generated incremental aid resources and they have tested new ways of doing business. Their diversity of viewpoints has enriched the development dialogue. Their focus on results has induced all development partners to reconsider their practices (Center for Global Prosperity 2011). Some of the new players have favoured vertical cross-border programmes focused on specific goals. Others have focused on strengthening domestic civil society organisations or promoting social entrepreneurship. Still others have used information technology solutions to reach the poor directly. These innovative approaches have opened up new horizons for development assistance. As a result the donor framework has become more open and inclusive.

The larger foundations have demonstrated a distinct comparative advantage in providing platforms for international cooperation in agricultural research, health and vaccine research. They have brought together scattered energies towards the achievement of specific development goals and they have stood for creativity, innovation and diversity in development cooperation. But many of them have not given sufficient attention to levelling the playing field of the global marketplace, to building capacities from the ground up or to amplifying the voices of the poor and underprivileged so that development is equitable and sustainable.

Looking ahead, rather than delivering results one project at a time, development effectiveness at the systemic level should become a major preoccupation of all the new philanthropists. Furthermore, so that the voices of the poor are heard by the decision-makers who command the heights of the global system, international development philanthropies should coordinate their activities with other development partners and promote fulsome involvement of developing countries' governments and communities in global development initiatives. This would be in line with an emerging global development paradigm – human wellbeing.

Changing conceptions of development

By specifying a wide range of socioeconomic indicators, the Millennium Development Goals displaced economic growth as the dominant objective of development. This shift in emphasis was consistent with the growing recognition that national income is an unsatisfactory indicator of economic and social progress. It fails to capture highly valuable services provided within the household. It does not measure the environmental losses, the inequities or the social disruptions associated with unbridled growth. It is quality growth (and not economic growth per se) that constitutes the overarching economic, political and ethical imperative of the contemporary development enterprise. How to achieve it is no longer considered straightforward in the wake of an unprecedented financial crisis that has turned decades of economic orthodoxy on its head.

Thus, development thinking is evolving. The goals, principles and practices that have long governed development cooperation can no longer be assumed to provide a sound basis for the future. Specifically, the profile of risk management should rise and conceptions of human development should at long last be informed by what the poor have to say about their predicament. The reality of poverty encompasses economic, social, cultural, institutional and subjective factors that reach well beyond material deprivation. Indeed, Amartya Sen, the Nobel laureate, has equated development with freedom (Sen 1999).

In the same vein, the three dimensional (3D) model proposed by Allister McGregor and Andy Summer offers a timely analytical tool that captures the material, relational and perceptual characteristics of human aspirations and social progress and provides a convenient framework for assessing philanthropic development interventions whether focused on improved capabilities or more favourable enabling conditions (McGregor and Sumner 2010).

Evaluation methodologies and practices have always adapted to reflect shifts in policy paradigms and to serve evolving social policies. For philanthropic organisations concerned with development today the matrix below points to the diverse and complementary evaluation disciplines, approaches and concepts that will have to be marshalled to do justice to the holistic conception of development embedded in human wellbeing aspirations.

Human wellbeing and evaluation

Evaluation characteristics	Material wellbeing	Relational wellbeing	Perceptual wellbeing
Major discipline	Economics	Sociology	Psychology
Dominant evaluation approach	Cost-benefit analysis	Participatory evaluation	Empowerment evaluation
Investment focus	Physical capital	Social capital	Human capital
Main unit of account	Countries	Communities	Individuals
Main types of indicators	Socioeconomic	Resilience	Quality of life

Beyond income, other indicators that will have to be identified through collaborative research include health conditions, housing, employment, social cohesion, environmental quality and quality of life. Taking such dimensions of human progress into account will provide more reliable assessments of policy and programme performance within and across countries. Of course, the time and resources needed to secure broad-based agreement on a comprehensive set of human wellbeing indicators (let alone measure them and use them for policymaking) should not be underestimated. It is a long-term endeavour involving statistical agencies, international organisations and academic institutions that philanthropic organisations are exceptionally well placed to promote.

The strategic relevance challenge

It should be clear by now that the changed development landscape, the new aid architecture and the emerging human security and wellbeing consensus imply a *relevance* challenge for the operational and evaluation agendas of philanthropic organisations engaged in international development. Meeting the relevance challenge means ‘doing the right things’, i.e. tackling specific threats to development, defining one’s privileged mandate within the new aid architecture and aligning strategic agendas to emerging priorities and stakeholders’ concerns.

Adequate priority to *policy coherence for development* will be needed across a wide range of issues: economic management; trade; investment; financial regulation; science, technology and intellectual property; taxation; anti-corruption and money laundering; international crime and illegal trafficking; climate change; food security; water security; energy security; violent conflict; employment; health; education; and migration. Improved collaboration among philanthropic organisations will be needed to avoid overlap, ensure that cross-cutting concerns are addressed and facilitate involvement in global policy networks dealing with these issues.

Four dimensions of policy coherence will have to be distinguished (Picciotto 2005).

i. *internal coherence*: the consistency between goals, objectives, modalities and protocols of a single cluster of policies or programme;

ii. *intra-country coherence*: the consistency among several policies pursued by the public, private and voluntary sectors of a single donor country in terms of their development impact;

iii. *inter-country coherence*: the consistency of aid and non-aid policies across several donor countries;

iv. *donor–recipient coherence*: the alignment of development cooperation policies as a whole with the policies and aspirations of a recipient country.

These four aspects of coherence are interrelated. The trade-offs and synergies among them need objective assessment. Evaluators tasked with the review of programmes and projects have tended to focus on type (i) coherence (the alignment of goals and means of a single policy, programme or project). They have done so with such standard evaluative tools as the results chain and cost-benefit analysis. Experimental methods are now being brought to bear to isolate the impact of discrete interventions. However, these methods face severe limitations in the real world and can only answer relatively narrow questions. In order to be relevant, evaluators will have to broaden the scope of their work and use a variety of evaluation methods that are fit for purpose. This will require joint evaluations and putting developing countries' evaluators at the centre of development effectiveness reviews.

With respect to monitoring, the vast United Nations and World Bank apparatus that has been tracking the first seven Millennium Development Goals (which largely point towards the performance of developing countries) will have to be matched by similar oversight mechanisms regarding the eighth Millennium Development Goal that lays out (albeit in very broad terms) the reciprocal obligations of developed countries. Within it and of special interest to philanthropic organisations is the fourth dimension of policy coherence – the consistency between the goals pursued by external partners with those valued by individuals and communities within developing countries.

Whose results should philanthropic organisations manage?

The alignment dimension needs privileged attention since a dominant critique of the aid industry has been that it has not been responsive to the needs of the very people it has been mandated to help (Roche 2009). Some aid critics have argued that, especially within highly aid-dependent countries, aid delivery processes have undermined the social contract between developing countries' governments and their citizens by shifting the focus of government accountability away from voters towards public as well as private donor organisations focused on their own commercial, political or ideological interests.

Other critics have pointed to an alleged myopia regarding the impact of donor countries' trade, migration, environmental and foreign investment policies on poor countries. Still others have stressed that donors have all too often ignored the political and social dynamics within aid recipient countries that are wracked by corruption and/or lack the institutional capacity to manage development programmes. Finally, development scholars have highlighted the unintended consequences of managing for results in complex interventions characterised by uncertainty and/or distorted by donors' preconceptions.

In particular, tight management reporting systems imposed on reluctant recipients or reliance on performance indicators that assume a linear relationship between inputs, outputs and outcomes when a host of other influences have been at work are bound to encourage opportunistic behaviour and to spread cynicism (Eyben 2008). But except in fragile and rapidly changing situations that call for real-time adjustments in the design of development interventions, these risks to development effectiveness can be managed by skilled and experienced professionals, provided resource allocation processes make room for piloting and incubation of development interventions before they are replicated on a major scale.

Strategic relevance of the philanthropy sector also implies growing resort to social accountability mechanisms and social networking tools that empower poor people in society, reduce the distance between individuals, local communities and decision-makers, and help share development experience among communities and organisations. For philanthropic organisations, this means nurturing effective and principled partnerships with like-minded development actors. It also implies a commitment to a broad conception of development that embraces human wellbeing.

Finally the current operating context underlines the need for international philanthropies to use evaluation practices and design frameworks that embed these strategic goals within the organisation, adopt evaluative processes that involve domestic constituencies, and respect the fundamental values implicit in the human wellbeing agenda. In particular, the relevance challenge cannot be tackled unless programme goals are shared and defined in a participatory fashion. Partners are bound to subscribe to distinct theories of change. Unless these differences are confronted and resolved before launching a development intervention, serious implementation problems are bound to arise.

Taking these considerations into account appropriate corporate goals must be set and effective management tools must be deployed so that (i) global policy dysfunctions as well as national and local threats to human wellbeing are taken into account; (ii) principled coalitions for change are assembled to strengthen the capacity of development constituencies in recipient countries; and (iii) evaluation mechanisms that address global policy coherence and allow communities and individuals within recipient countries to hold all public, private and voluntary sector partners to account are put in place. This is where collective action dilemmas that hinder development effectiveness come into play.

The effectiveness challenge

The advent of new official and private donors has expanded the development assistance constituency and reinvigorated the debate regarding aid strategies and delivery methods. But incoherence and inefficiency now plague a development scene populated by a huge number of agencies that all march to their own drummers. As international private giving has grown the number of foundations, private voluntary organisations, non-governmental organisations, educational institutions and religious organisations focused on development has exploded. Small foundation giving has grown faster than the rest. The aid landscape now includes thousands of privately funded non-governmental organisations and hundreds of thousands of civil society and community-based organisations.[15]

Philanthropic organisations often involve civil society organisations in their operations.[16] They are well placed to give voice to the voiceless and to conceive of development interventions as opportunities for dialogue and learning. They offer more choice to developing countries and this does not prevent them from managing their operations for results assuming they have given due weight to the views of all stakeholders when settling on the results that matter. But some of them are still on a steep learning curve and suffering the same growing pains that DAC donors endured during their formative stage. While some private philanthropic organisations are more finely attuned to the circumstances of their development partners than traditional donors, others are still using archaic technical assistance modalities poorly adapted to domestic capacity needs.

Private donors have favoured support to specific and innovative global or regional initiatives but they have had difficulty coordinating their activities with those of sector ministries and official aid agencies. Administrative, fundraising and advocacy costs have grown. A rapid rise in field offices and project implementation units has boosted salary levels well above those of civil servants, thus draining talent away from government agencies. Domestic administrations already overwhelmed by the administrative burdens imposed by official aid donors have had a hard time coping with the coordination requirements imposed by the upsurge. The problem has been getting worse.

Accordingly, the time has come for philanthropic organisations to recognise the Paris Declaration (2005) for what it was – a milestone in development history. Through principled efforts and shrewd development diplomacy the Declaration tackled a collective action dilemma that had previously been swept under the carpet. An unprecedented consensus about aid delivery principles was forged. This might not have occurred without another path-breaking agreement on the Millennium Development Goals (MDGs) reached at the United Nations Financing for Development Conference (Monterrey, Mexico, 2002):

- By specifying a wide range of socioeconomic indicators, the MDGs replaced economic growth as the core objective of development with a *holistic human development framework* adapted to the circumstances of individual countries. In turn, the Paris Declaration highlighted that donors should align their support with partner countries' national development strategies.
- By stressing the concept of *ownership*, the MDGs shifted the primary locus of responsibility for development effectiveness to aid recipients. Similarly, under the Paris Declaration donors undertook to respect developing country government leadership and to help strengthen their capacity to exercise it responsibly and efficiently.
- By drawing a distinction between country ownership and government ownership, poverty reduction strategy paper guidelines prescribed participatory processes involving civil society and the private sector (*partnership*). Equally, mutual accountability was central to the Paris Declaration which encourages participation of civil society and the private sector.[17]
- By setting up elaborate mechanisms for monitoring the progress of developing countries towards the MDGs the Monterrey Consensus consolidated the *results orientation* of the development agenda. Along the same lines, the Paris Declaration emphasised managing for results and identified indicators of aid quality applicable to all donors.

[15] Homi Kharas, *The New Reality of Aid*, siteresources.worldbank.org/INTPREMNET/Resources/EP49.pdf

[16] www.un.org/partnerships/.../Foundations_DECCapitalFlowsDec06.pdf

[17] This may have discouraged fulsome involvement of countries that insist on state dominance over the development process (e.g. China).

These principles are as relevant to philanthropic organisations as they are to official donors. The common interest would be well served if the new philanthropic actors reached beyond discrete programme interventions towards a more systemic approach that relies on partnerships and includes capacity building dimensions so that developing countries can be safely installed in the driver's seat of development programmes. Endorsement of Paris Declaration principles would also help fill information gaps and contribute to reduced aid fragmentation and volatility. It would induce proactive involvement with DAC donors and facilitate principled agreement with them regarding updated development cooperation norms.

The implications for evaluation are easy to draw. Externalities are not captured by project-level evaluations that focus exclusively on securing intended results. A broader approach is required that takes account of:

i. harmonisation indicators that measure the extent to which private donors coordinate, simplify procedures and share information to avoid duplication;

ii. alignment indicators that measure the extent to which private donors make use of developing partner country financial and budget systems and utilise domestic implementation capacities instead of relying on higher-cost expatriates;

iii. predictability indicators that measure the extent to which aid is disbursed according to agreed schedules; and

iv. efficiency indicators that aim at to keep delivery overheads low and ensure that aid providers selected for particular endeavours focus on their comparative advantage.

The time has also come for international philanthropic organisations 'to do things right' as responsible development partners. It is currently difficult to assess the size and content of aid programmes funded by private aid donors given the scarcity of official data about their operations. Among philanthropic organisations only the Gates Foundation has agreed to provide DAC with data. To increase aid transparency, the DAC Secretariat is now pursuing reporting from other large private foundations and international NGOs. In parallel, a voluntary programme (the International Aid Transparency Initiative) is seeking donor commitments to share aid information. Only two privately funded collaborative programmes (the Global Alliance for Vaccines and Immunisation and the Global Fund to Fight AIDS, Tuberculosis and Malaria) and one foundation (Hewlett) have become signatories so far.

The efficiency challenge

Beyond anecdotal evidence, the proposition that private philanthropic organisations invariably generate large benefits at low cost through small, innovative interventions that spur social entrepreneurship, build domestic capacities and generate development models that can be implemented on a major scale has yet to be established. This hypothesis needs systematic testing through independent and rigorous evaluation. Hard-won experience, e.g. by the International Fund for Agricultural Development, suggests that results achieved through small-scale interventions are not necessarily replicable and that tailor-made alliances with mainstream institutions willing and able to shoulder the scaling-up risks are needed to move from the pilot phase to large scale implementation.[18]

[18] www.ifad.org/evaluation/public_html/eksyst/doc/corporate/innovation.htm

Carrying out such evaluations in the non-profit sector one project at a time or even one agency at a time would be inefficient and counterproductive since it would inevitably lead to ‘evaluation bombardment’. Given the relatively small size of individual private donations and interventions at local level it would make sense for philanthropic organisations to work together to evaluate their joint contributions to priority development objectives at country, regional or global level. Meta-evaluations that take due account of contextual factors also call for joint approaches so that generic policy findings can be identified and disseminated.

In other words, the same Paris Declaration effectiveness principles that address aid delivery should govern how evaluations are programmed and carried out. This inevitably implies that the privileged unit of account for evaluating interventions should be at the higher plane of the country or the multi-country sector or thematic programme. It also means that evaluation capacity should have priority and that joint evaluations should become the norm rather than the exception. In setting up such evaluation processes special efforts are needed to rectify the power imbalances that influence the interplay of ideas and may distort evaluation findings.

The sustainability challenge

Sustainability of the philanthropic enterprise implies durable public confidence. Recent evidence suggests that trust in public and voluntary bodies hinges above all on their responsiveness.[19] Complex quantitative measures tailored to the needs of senior managers are frequently perceived as confusing by beneficiaries and members of the public. They wonder whether they are getting the whole story. They are especially wary when ‘talked down to’ by experts or ignored by decision-makers. While judicious metrics and multiple benchmarks are needed for management, they fall short as reliable markers of public accountability since they are often perceived as complex, opaque and subject to manipulation.

Trustees of philanthropic organisations experience similar frustrations. A report about effective foundation governance issued by *The Center for Effective Philantropy* confirms that the quality of social impact assessments and of foundations’ reports that track progress against strategic goals is a source of deep trustee dissatisfaction (The Centre for Effective Philantropy 2005). On the one hand, the survey ranked engagement in strategy development and impact assessment second only to appropriate board members’ skills and utilisation as factors of board effectiveness. On the other hand, adequacy of information regarding foundation performance received the lowest rating of the entire survey. While trustees valued quantitative targets they were deeply divided as to whether the monitoring information they were currently receiving was meaningful.

In terms of management responsiveness to board concerns, one trustee complained that boards are ‘too often put in the position of just rubber-stamping predetermined strategies and grant-making decisions’. In terms of evaluating impact, another trustee thought that ‘the real challenge is figuring out what are indicators of progress that you want to be looking at in order to understand what the contributions of the foundation are’. Still another highlighted the need for ‘better evaluation tools to independently assess whether we are doing as well as we think we are’.

It follows that results-oriented management should be combined with participatory evaluation processes that empower beneficiaries at the bottom of the pyramid. These arrangements should be combined with independent verification of performance assessments and visible evidence that philanthropy delivers results. Such are the ingredients of institutional credibility but, as

---

19 www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=16156:report-reveals-how-an-overreliance-on-accountability-data-may-undermine-the-publics-confidence-in-its-institutions&catid=155:nonprofit-newswire&Itemid=986

importantly, public trust rests on the readiness of philanthropic managers to listen to and taken account of trustees', citizens' and service users' ideas, respond to their concerns and behave ethically.

A well-designed evaluation system should therefore be credible and responsive not only to the demands of trustees but also to the concerns expressed by stakeholders and beneficiaries. This is where the advent of social networking without borders is coming in handy. The rapid spread of mobile telephony to the weakest and most vulnerable members of society and the rising power of social networks to act as evaluative and recuperative mechanisms is bound to have major implications for the future delivery of philanthropic aid in line with the progress made in closing the digital gap.

First, the new technologies will strengthen the linkages between philanthropic organisations and the people that they intend to help by bringing real-time citizen involvement and reliable information to bear on philanthropic decision-making. Second, they will increase the quantity, speed and accessibility of evaluation data and reduce the transaction costs of sharing databases and evaluation findings. Third, they will allow instant connectivity to thousands of programme beneficiaries suddenly able to make their voices heard.

The performance challenge

Most philanthropic organisations rely on partnerships to achieve development outcomes. This is the right thing to do but it also blurs accountability unless evaluation generates the right signals. Incentives matter: what does not get measured does not often get done. Hence, evaluation methods and practices should be designed so that qualitative development dimensions are captured in the evaluation of development interventions. Furthermore, performance assessments should take explicit account of partners' distinct accountabilities and obligations. Unless they do, moral hazard is bound to prevail.

Evaluations that simply answer the question of whether an individual programme has 'worked' (or not) distort organisational incentives. This is all that experimental and quasi-experimental impact evaluations (widely touted as rigorous and scientific) can do. They do this exceptionally well in well-defined circumstances and they should therefore have a place in the evaluator's tool kit but they are very costly and face serious limitations in the real world. They also do little to enhance organisational accountability and may have unintended effects unless they are enriched by other evaluation approaches through the use of mixed methods.

On the one hand, results-based evaluations induce excessive risk aversion if programme or project failure (if it occurs) can be ascribed entirely to the philanthropic organisation so that programmes that fail to meet goals are abandoned irrespective of the reasons why – thus forsaking the opportunity of adapting them so that they can succeed. If, on the other hand, joint responsibility for outcomes and unpredictable exogenous factors are relevant risk factors, responsibility for programme failure may be shirked altogether by attributing it to poor partner performance.

Conversely, responsibility for success may be captured in full by the philanthropic organisation – whether its actual contribution justifies it or not. These problems do not arise in goal-free evaluations and the limitations of results-based approaches can be minimised through evaluations informed by complexity science that take due account of the critical role of initial conditions and of the non-linear system effects prevalent in many development contexts (Ramalingam and Jones 2008).

Evaluations should go beyond answering the question of whether a particular programme works or not, i.e. whether the results can be attributed to the intervention and respond not only to the attribution question but also to the contribution question – how well did the individual development partners perform towards the achievement of programme or project objectives?

This means that a combination of evaluation methods and performance indicators should be used in order to:

i. give equal attention to the quality of inputs, outputs, outcomes, and impacts;
ii. focus on results at the portfolio and programme level rather than using the individual project as the privileged unit of account in recognition of the fact that high rewards may require responsible risk taking; and
iii. take account of changes in the operating context and examine the performance of individual partners in terms of their distinctive accountabilities and reciprocal obligations.

To facilitate monitoring, judicious indicators should be selected for inclusion in corporate scorecards consistent with results-based management principles. To be sure, the contractual model of the aid relationship assumes that the inevitable conflicts among partners about goals and means have been resolved in a fair and consensual manner and that power imbalances have not been allowed to distort the process. It follows that levelling the playing field of the aid relationship should be a dominant objective of philanthropic involvement in the development process. Hence, empowerment evaluation that provides the weaker party in the relationship with evaluation knowledge should be a privileged evaluation approach for development philanthropies (Fetterman and Wandersman 2005).

For trustees and for the general public, regular provision of independently validated information as to how the philanthropy is using its funds, whether the interventions it funds are addressing key priorities and whether they are delivering results is essential. This implies that all major spending programmes should be tracked and that accurate evaluation information should be published on a regular basis so that stakeholders have access to clear, regular and credible information about the effectiveness of philanthropic aid.

This is a demanding task and it requires a good internal monitoring and self-evaluation system complemented by independent assessments that carry out spot checks and attest to the validity of self-evaluation claims. Just as financial auditing requires the prior production of verifiable accounts, independent evaluation of philanthropic aid should be reliant on the capacity of management to carry out reliable self-evaluations of its operations.

To avoid confusion, principled cooperation should be nurtured between the independent and the self-evaluation functions. In turn this calls for common evaluation concepts, effective quality oversight and regular professional interchanges. Without a coherent interface between the two functions, including protocols of professional interaction, incoherence and duplication may well result.

To achieve a results orientation a vast cultural change may be necessary. Development philanthropic organisations often lack clear goals, verifiable objectives and adequately funded monitoring and evaluation arrangements. In such cases the first gap that needs to be filled often lies in programmes that are well intended but not evaluable: unfortunately, data on initial conditions and intended outcomes cannot be generated *ex post*. Evaluation must be built into the design of interventions. Hence, the first order of business is to ensure quality at entry of interventions, including proper baseline studies and *ex ante* appraisals where appropriate.

Tapping organisational learning benefits

In a learning organisation, evaluation uses monitoring to trigger timely remedial action and monitoring uses evaluation to make sure that programme aims and approaches are still valid. Monitoring focuses on ‘doing things right’. Evaluation combines ‘doing things right’ and ‘doing the right things’. These are demanding and interrelated tasks that can only be implemented over time. They may imply changes in the managerial culture and adaptation of operational practices at all levels of the organisation. Hence, senior managers and trustees must be fully committed to move ahead with the set-up of a results-oriented monitoring and evaluation system conceived as a flexible management instrument.

Organisational learning calls for real-time feedback to managers. It involves collecting timely information on key indicators that measure progress towards agreed goals. It measures outcomes and impacts as well as inputs and outputs in order to assess the extent to which the results observed and the social value created were caused by the intervention and whether alternative intervention designs and/or implementation processes might enhance its relevance, efficacy, efficiency and/or sustainability. Monitoring tracks inputs and outputs as well as leading indicators of outcomes and impacts.

Organisational learning works best if development interventions are conceived as social experiments, action learning or cooperative inquiries. Setting objectives for these learning models should be the by-product of a *theory of change* and the effects intended should be measured through judiciously selected qualitative and quantitative indicators. Targets should be adaptable and set through a participatory process. Indicators have more chances of being used to good effect when the suppliers and users of the information are involved in its creation. Good indicators include information at the delivery point of programme services. The beneficiaries should be exposed to the information if they do not originate it.

In addition, information on the key processes that generate the services should be secured and these should be sufficient to track the effectiveness and efficiency of the delivery processes. Indicators may be quantitative or qualitative. They may describe the *context* or capture salient characteristics of one or more stage of the *results chain*, i.e. they may measure the extent of resources mobilised, the inputs used, the outputs produced, key quality markers, effects and side effects of the intervention, intended results achieved or a combination of such variables.

Setting up a good monitoring and evaluation system involves an assessment of *validity*, the *integrity* of the programme logic, the *priority* of needs to be fulfilled, the *strategy* adopted and the *means* to be mobilised. It also includes an assessment of *coherence* – the relevance and consistency of policy, programme or project goals, content and targets in relation to those of other interventions. Finally it is concerned with *feasibility* – the consistency of targets with the measures to be taken and resources to be mobilised under the intervention.

At its best monitoring is geared to policy, programme or project evaluation and reappraisal. This means that monitoring is critical to management. But it also means that evaluation adds value to monitoring by: applying criteria and standards to the empirical findings and examining the merit and worth of results; explaining deviations from plans; taking account of changes in the context; reconsidering the assumptions on which the original intervention was based; ascertaining the continued justification of the intervention; guiding decision-making regarding its adaptation to new circumstances; addressing unintended consequences; realigning roles and responsibilities of partners, etc.

Selection of the most relevant indicators is an art not a science. Not all indicators are useful throughout the organisation and at all levels of an organisation. Expert support and endorsement of the process and its outcome by the top of the hierarchy are advisable. Testing of indicators should be carried out before they are rolled out. A relatively small number of indicators should be used. Multi-sector, multi-objective programmes may induce the production of cumbersome and unwieldy sets of indicators. In such circumstances, one may resort to generic indicators that combine elementary, derived and compound indicators in ways that are plausible as markers of a particular policy outcome.

Organisational learning is enhanced when evaluations are formative as well as summative. Philanthropic organisations should work with public, private and voluntary sector partners to jointly define goals and theories of change (that may or may not comply with the logical framework of the results chain). These mental models should be systematically tested through critical feedback and learning processes. This contributes to evaluation capacity building. Valid and useful evaluation lessons are based on judgements that weigh all relevant factors, including the needs of users and the nature of the evidence.

But it is important for evaluators not to oversell their conclusions. The validity of an evaluation claim is usually limited to a given context. In other words, the lessons drawn from an evaluation may be valid internally (i.e. the evaluation may confirm that the outcomes observed result from the intervention and/or that experience confirms its main causal assumptions), while being invalid externally (i.e. the conclusions drawn may not be predictive or reliably generalised to other circumstances, programmes or places).

Drawing useful lessons does not imply coming up with comprehensive or precise recommendations. Some useful advice to management may well emerge naturally as the spinoff of an evaluation but it is not appropriate to expect evaluations to generate specific action plans since this requires detailed local knowledge and a range of skills that are the province of managers and experts. In particular, pressing evaluators to get into such a management mode is undesirable since it undermines their independence. Thus, it is best to use the evaluation process as a trigger for stakeholder debate about what needs to be done by whom, when and how.

Effective reporting of findings is important for organisational learning. Evaluation reports should be clear, convincing, informative and if possible surprising. The data displays should be easy to absorb. Illustrations and graphs can help get messages across. Communicating evaluation results to stakeholders should be done in a way that will induce utilisation, i.e. it should comply with explicit ethical guidelines, be sensitive to stakeholders' concerns and need; be timely, clear, concise and user-friendly; and it should use modern data visualisation techniques and rely on the new communications technologies.

Evaluators should work with their clients to make use of evaluation findings. They should remind them of the original purposes of the exercise. They should be even-handed and should not take sides in disputes. They should be prepared to listen and be open to critical feedback but they should stand their ground when criticisms are unfounded or unfair. They should explain the methods they have used to get reliable answers. They should facilitate agreement among stakeholders regarding follow-up. Use of senior panels of reputable personalities, workshops, press conferences and attractive web entries contribute to getting results out of the M&E system.

Lessons drawn are not necessarily lessons learnt. Different actors learn in different ways. Independent advisers can facilitate internal learning processes. Evaluators should not expect too much too soon. The use of evaluation findings is typically enmeshed in political and administrative dynamics that generate complex, subtle and often delayed or unpredictable reactions. For example, while evaluation findings may be brushed aside in the first instance they can trigger public debate, management scrutiny and a fresh understanding of programme potentials and limitations that eventually lead to revisions of programmes or policies – and sometimes to improved performance. In other cases, evaluation may be used to legitimise decisions already taken. Or it may infiltrate the thinking of decision-makers through a gradual process so that attribution may be hard but perhaps not impossible to trace.

Finally, evaluation practices must include a management response process that is systematically tracked under the aegis of the trustees. It should inform regular strategic reviews, budgetary cycles or other business processes. It should feed into knowledge management and professional development and it should be disseminated to relevant audiences outside the organisation. Achieving 'double loop learning'[20] that combines individual learning with business processes and strengthens the linkages between the organisation and its stakeholders is the acid test of a good monitoring and evaluation system.

Recommendations

As increasingly influential partners of the global development enterprise, philanthropic organisations should subscribe to the Paris Declaration. They should also contribute to aid transparency by providing relevant data about their operations to the Working Party on Aid Effectiveness.

Stakeholders are entitled to clear, regular and credible information about the effectiveness of philanthropic aid. To this end, judicious programme goals should be set in consultation with the ultimate beneficiaries. They should encourage global policy adjustments geared to equitable and sustainable development.

Progress towards improved wellbeing should be tracked through evaluative tools embedded in the organisation and deployed to guide programme design and monitoring. Indicators should be selected to attest to the capacity building impact of philanthropic interventions and to the efficacy of coalitions for change tasked with their implementation.

With full involvement of statistical agencies, international organisations and academic institutions, philanthropic organisations should design and adopt common evaluation metrics that reflect the multidimensional reality of poverty and capture the material, relational and perceptual characteristics of human wellbeing at individual and community levels.

In order to promote accountability, evaluation should go beyond attribution (whether an individual programme has 'worked' or not) to ascertain contribution (how individual development partners have performed towards the achievement of shared objectives). This implies a focus on results at the portfolio and programme level rather than at the individual project level. It also calls for a mix of qualitative, quantitative and participatory methods.

Philanthropic organisations should be responsive to the views and concerns expressed by beneficiaries. The new social networking technologies can help. By connecting to the weakest and most vulnerable members of society, evaluation can act as a timely feedback mechanism to help shape and guide the effective delivery of philanthropic aid.

---

[20] Double loop learning occurs when error is detected and corrected in ways that involve the modification of an organisation's underlying norms, policies and objectives.

References

Center for Global Prosperity (2011) *Index of Global Philanthropy and Remittances, 2011,* Hudson Institute

Coricelli, Fabrizio (2010) *The Crisis and the Developing Countries*, May, www.voxeu.org/index.php?q=node/4980

Desai, R.M. and Kharas, Homi (2010) 'Democratizing Foreign Aid: Online Philanthropy and International Development Assistance', *International Law and Politics*, 14 July

Eyben, Rosalind (2008) *Power, Mutual Accountability and Responsibility in the Practice of International Aid: A Relational Approach*, Working Paper 305, Brighton: IDS

Fengler, Wolfgang and Kharas, Homi (eds) (2010) *Delivering Aid Differently, Lessons from the Field*, Washington DC: The Brookings Institution

Fetterman, David M. and Wandersman, Abraham (eds) (2005) *Empowerment Evaluation Principles in Practice,* New York: Guilford Press

Lingan, Jeannet and Hammer, Michael (2010) *Empowering Citizens: Realising Service User Involvement in UK Third Sector Organisations through Accountability Principles in Self-regulation Initiatives,* London: One World Trust

McGregor, Allister and Sumner, Andy (2010) 'Beyond Business as Usual: What Might 3-D Wellbeing Contribute to MDG Momentum?' *IDS Bulletin* 41.1, January

OECD 50 (2011) *Better Policies for Development: Better Policies for Better Lives*, Paris

Picciotto, Robert (2005) 'The Evaluation of Policy Coherence for Development', Evaluation II.3, Thousand Oaks and New Delhi: Sage Publications: 311–30

Picciotto, Robert and Weaving, Rachel (eds) (2004) *Impact of Rich Countries' Policies on Poor Countries: Towards a Level Playing Field in Development Cooperation*, New Brunswick and London: Transaction Publishers

Picciotto, Robert; Alao, Charles; Ikpe, Eka; Kimani, Martin and Slade, Roger (2005) *Striking a New Balance, Donor Policy Coherence and Development Cooperation in Difficult Environments*, Background Paper for the Senior Forum on Development Effectiveness in Fragile States, OECD, January

Ramalingam, Ben and Jones, Harry (2008) *Exploring the Science of Complexity: Ideas and Implications for Development and Humanitarian Efforts,* Working Paper 285, Overseas Development Institute, October

Roche, Chris (2009) *Promoting Voice and Choice: Exploring Innovations in Australian NGO Accountability for Development Effectiveness*, Australian Council for International Development, November

Schieber, G. and Maeda, A. (nd) 'Health Care Financing and Delivery in Developing Countries', *Health Affairs* 18.3: 193–205

Sen, Amartya (1999) *Development as Freedom*, Oxford: Oxford University Press

The Center for Effective Philanthropy (2005) *Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance*, Cambridge, MA

World Bank (2011) *Global Monitoring Report 2011: Improving the Odds of Achieving the MDGs*, Washington DC

World Bank (2010a) *Global Monitoring Report*, Washington DC

World Bank (2010b) *Global Development Finance 2010: External Debt of Developing Countries,* Washington DC, February