

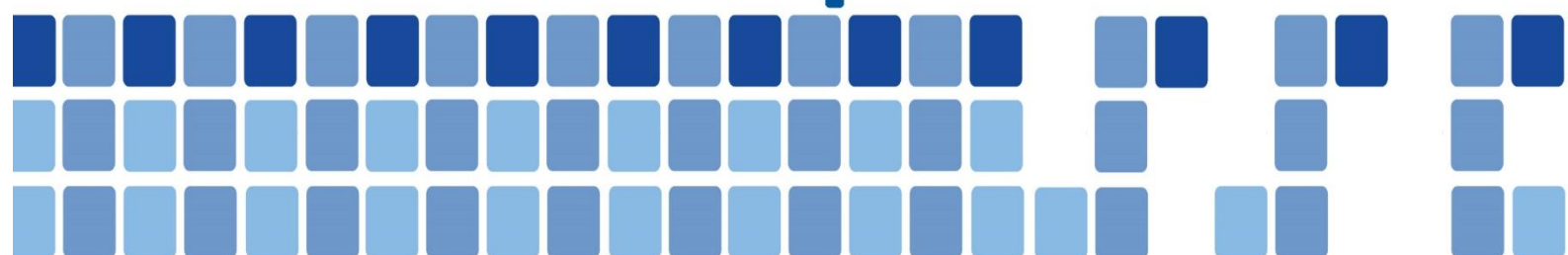


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# **International Development Evaluation: China's Approach and Trends**

## **Discussion Paper**

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# Introduction

South-South cooperation (SSC) is growing rapidly, yet little is known about SSC providers' institutions and structures, particularly regarding how development outcomes are evaluated. At the request of Chinese Academy of International Trade and Economic Cooperation (CAITEC), UNDP China commissioned a research paper (the "Study") focusing on international development evaluation approaches of selected South-South cooperation providers and comparing them with a selection of Development Assistance Committee (DAC) members of the Organization for Economic Cooperation and Development (OECD).<sup>1</sup> The Study provides the Chinese government with evidence-based research on SSC approaches to evaluating development cooperation, and draw out policy-relevant insights for best practices.

The four SSC providers examined in this study are Brazil, Mexico, India and Russia. Key findings of their evaluation approaches include:

- Evaluation practices in these non-DAC countries are still evolving and tend to be *ad hoc*;
- There is strong interest in evaluating SSC against SSC principles but consensus on best practice has not been reached;
- There is significant interest in incorporating some DAC standards into the design of SSC evaluation systems;
- Main challenges to introduce systematic evaluation approaches for non-DAC countries include lack of staff capacity, decentralized and diverse institutional structures, and the difficulty of measuring outcomes given the diverse range of SSC activities.

Evaluation in DAC countries is formalized, mandated and strongly embedded in development aid projects as a key function for both learning and accountability. The two DAC countries studied are Australia and Japan, as points of comparison:

- The five DAC criteria for guiding evaluation, generally accepted by traditional donor countries, include Relevance, Effectiveness, Efficiency, Sustainability and Impact;<sup>2</sup>
- DAC countries' respective evaluation standards are drawn from these DAC criteria but the methodologies are tailored to specific initiatives.

The current evaluation environment in the Southern sphere provides interesting learning opportunities, as it brings to light some of the common and different perspectives of both DAC countries and SSC providers on what constitutes effective international development and how it can best be evaluated. The Study finds that SSC represents distinct understandings of development success. Rather than prioritizing results for beneficiaries and mandating objectivity in evaluation, SSC tends to promote principles of reciprocity and shared responsibility. The SSC providers tend to frame development cooperation more as win-win partnerships with mutual benefits, rather than the DAC's emphasis on outcomes and impacts. In addition,

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<sup>1</sup> The Study is available from: <http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/Research-Paper-on-Non-DAC-Evaluation/>

<sup>2</sup> More details about the five DAC evaluation criteria are available from: <http://www.oecd.org/development/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

as can be seen throughout the Evaluation Study, each SSC provider has its unique institutional structure, political environment, and approach to SSC. All of these factors influence how the respective evaluation structures are constructed.

Nevertheless, all of the SSC provider countries in the Study agree that evaluation is a necessary and useful part of the development cooperation process. While considering certain principles and criteria within the DAC evaluation toolkit useful for the evaluation of SSC, Brazil, Mexico, India and Russia are all making deliberate efforts towards developing evaluation systems that they see are appropriate to SSC in its scope and design.

In July 2014, UNDP China organized a workshop to disseminate the results of the Study among partners from DAC countries and SSC provider countries. Representatives from DAC countries including Australia, New Zealand, US, UK, Japan and Korea, and SSC providers such as Brazil, India, Mexico and Russia, and a partner country representative from Burundi were invited to give accounts of their respective country experiences and perspectives regarding international development evaluation. At the workshop, it was largely agreed that independent evaluation and transparency are important components, but that the evaluation of SSC is much more complicated than that of traditional aid projects. SSC involves non-aid and intangible components such as trade and Public-Private Partnerships, making it difficult to integrate all of them into the final evaluation. The workshop provided a valuable opportunity for DAC countries and SSC providers to exchange views and share experiences, and posed many questions to be further explored.

As the Study was intended for a Chinese audience, China's approach to international development evaluation was not the focus thereof. Nevertheless, China's experience and progress in evaluation is critical. On one hand, as China emerges as one of the major SSC providers over the decade, it is increasingly seeking to learn from other development partners, as a way to improve its aid management. On the other, China's approach to evaluation and current initiatives offer important lessons learned and implications for the broader development community. This is therefore a continuing mutual learning process. This discussion paper complements the Study by providing information on China's evaluation approach, its current initiatives, and implications for China and the international community.

## China's approach to international development evaluation

China's Ministry of Commerce (MOFCOM) is authorized by the State Council to oversee development cooperation. MOFCOM is responsible for the formulation of international development policies, regulations, overall and annual plans, examination and approval of development aid projects, and management of project execution. MOFCOM's Department of Foreign Assistance (DFA) manages over 90% of bilateral development funds allocated by the Ministry of Finance (MOF). Financial resources provided by China for development cooperation mainly fall into three types: grants, interest-free loans and concessional loans. The first two come from China's state finances, while concessional loans are provided by the Export-Import Bank of China (Eximbank) as designated by the Chinese government.<sup>3</sup> While the majority of China's SSC is provided on a bilateral basis, China is piloting "trilateral cooperation" with third parties, and increasingly

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<sup>3</sup> White Paper on China's Foreign Aid (2011). Available from: [http://news.xinhuanet.com/english2010/china/2011-04/21/c\\_13839683.htm](http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm).

contributes to multilateral development agencies.<sup>4</sup> Under the framework of SSC and based on the principles of mutual benefits and win-win partnership, China's development cooperation is designed to not only benefit the partnering country, but also promote economic growth and poverty reduction at home.<sup>5</sup>

Similar to the other non-DAC countries previously examined in the Study, China is still in the early stage of developing an evaluation system. China has in the past mainly focused on measuring the completion and quality of projects, rather than the actual impact/results on local communities. For example, all the complete projects (also known as "turnkey" projects)<sup>6</sup> will undergo a quality review before they are handed over to the partner countries. Although MOFCOM is the overall administrator of China's foreign aid, MOFCOM and the Eximbank conduct evaluation separately. Due to limited staff capacity, MOFCOM only conducts evaluation for selected large-scale projects supported by grants and interest-free loans while the Eximbank evaluates selected projects funded by concessional loans. Usually, independent consulting firms are hired through an open or partly-open bidding process<sup>7</sup> to conduct implementation and quality evaluation, with minimal focus on impact. Although the consulting firms are asked to follow the five DAC evaluation criteria, evaluation has not been focused on outcomes and impact. During the actual evaluation of complete projects, consultants usually visit the local Chinese embassy, the project sites, the implementing company and the relevant government agencies of partner countries, but not other stakeholders. For other types of aid projects such as training, an evaluation is generally conducted after the programme, usually in the form of a questionnaire that tracks participants' feedback.

As the scale and scope of China's international development cooperation expand, both partner countries and the Chinese domestic public are increasingly expecting China to be more accountable for its overseas development undertakings. As a result, China is increasingly paying attention to the results and impact of its SSC activities. MOFCOM has put in place for the first time a set of Measures for the Administration of Foreign Aid (the "Measures") that took effect from December 15, 2014.<sup>8</sup> This constitutes part of the Chinese government's effort to reform its aid management system which began in March 2014, in the larger context of the growing volume and importance of China's international development cooperation. In these Measures, MOFCOM's leading role as the administrator and coordinator of China's foreign aid projects is officially established, and its responsibility for developing an evaluation system is mandated. China recognizes that evaluation has been a relatively weak part of the aid management cycle and is seeking to draw lessons learned and good practices from other development partners.<sup>9</sup> The Measures also focus on other parts of the aid management cycle, namely, project initiation, planning, budgeting, implementation, data collection, and longer-term policy planning. Following the release of the Measures, MOFCOM will make further efforts towards formulating new standards for the overall aid management reform.<sup>10</sup> The Measures

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<sup>4</sup> White Paper on China's Foreign Aid (2014). Available from: [http://news.xinhuanet.com/english/china/2014-07/10/c\\_133474011.htm](http://news.xinhuanet.com/english/china/2014-07/10/c_133474011.htm)

<sup>5</sup> For example, Eximbank's concessional loans are in many cases commodity-backed.

<sup>6</sup> According to the 2011 White Paper on China's Foreign Aid (WP I), complete projects or "turnkey" projects are a major form of China's foreign aid. They refer to productive or civil projects constructed in recipient countries with the help of financial resources provided by China as grants or interest-free loans. The Chinese side is responsible for the whole or part of the process, from study, survey, to design and construction, provides all or part of the equipment and building materials, and sends engineers and technical personnel to organize and guide the construction, installation and trial production of these projects. After a project is completed, China hands it over to the recipient country. Full text of the WP I is available from: [http://news.xinhuanet.com/english2010/china/2011-04/21/c\\_13839683.htm](http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm)

<sup>7</sup> A partly open bidding process means MOFCOM pre-selects some firms based on their country or project knowledge and experience, and the process is not open to all.

<sup>8</sup> The full text of the Measures for the Administration of Foreign Aid (in Chinese) is available from: <http://www.mofcom.gov.cn/article/b/c/201411/20141100799438.shtml>

<sup>9</sup> Press conference on the Measures held by MOFCOM on Dec 8, 2014. Available from (in Chinese): <http://www.mofcom.gov.cn/article/ae/slfw/201412/20141200824824.shtml>

<sup>10</sup> Ibid.

also state that China upholds the principle of country ownership and will increasingly engage partner countries in the implementation of SSC projects, which may imply that partner countries will share the responsibility of evaluating China's development projects, though their capacity to do so may be limited.

Added to this, China is facing similar challenges to the other SSC providers examined in the Study. Without an overarching development agency, progress towards implementing a holistic evaluation system has been slow due to MOFCOM's limited staff capacity. Compliance by other ministries and coordination among ministries also constitute main challenges for a government-wide evaluation system to be implemented. Other technical challenges include selecting independent consultants with relevant expertise in both economic development and SSC, and incorporating different factors, such as trade, investment, and Public-Private Partnerships into the evaluation process, as required by the diverse nature of SSC projects.

## **China's evaluation: significance, trends and opportunities**

From a UNDP perspective, evaluation can help development agencies and actors achieve greater results and accountability, and facilitate learning from past experience with objective evidence. Evaluation addresses what works and why, what does not work and unintended outcomes, which provides strategic lessons to guide decision-makers and inform stakeholders. Evaluation results can also be used by partner countries to identify future development priorities and feed into national planning processes as well as provide the general public and national parliaments the opportunity to carry out an oversight role. UNDP's evaluation policy is in place in order for the organization to follow key international principles of effective development cooperation - i.e. delivering results for human development, transparency, country ownership and inclusivity. It is crucial for countries to identify and test the evaluation criteria best suited for their own context and which can best promote developmental benefits for the partner countries. China is seeking to learn more from other DAC and SSC partners, such as their definition of foreign aid, methodologies used for evaluation and financial and institutional arrangements, all of which are crucial for China to identify best practices and potential challenges in developing an evaluation system. The release of the Measures lays the regulatory foundation for the development of an evaluation system and therefore marks a significant step forward in China's foreign aid system reform.

The Study provides useful information to development policy-makers in China and the broader development community regarding evaluation systems. It illustrates the divergent interpretations of development cooperation between DAC and SSC, and highlights the commonalities within the two groups. However, a more nuanced analysis is needed when it comes to the comparison between DAC and SSC. While it is evident from the Study and the subsequent workshop that differences exist in perspectives and practices between DAC and SSC, that does not mean that there are no variations across DAC countries and SSC providers. In fact, SSC providers are very different from one another in terms of institutions and political systems, and are at very different stages towards developing an evaluation system; there is little consensus regarding what evaluation systems should look like. DAC countries are not unanimous in evaluation practices either. Moreover, some SSC providers are currently using or considering using some DAC criteria in their evaluation system, which indicates increasing convergence of some DAC and SSC practices. In addition, the DAC is also increasingly focusing on fostering more technical assistance, trade and other types of inclusive development partnerships, which look more like SSC and generally represent a move away from



the traditional discourse of aid and donor-recipient relationships.<sup>11</sup> Therefore, the line between DAC and SSC approaches to evaluation may become increasingly hard to draw.

The recent trends in China serve to illustrate this point. The Measures provide a binding mandate for MOFCOM to standardize and strengthen the management of every stage of foreign aid projects, and the development of an evaluation system constitutes an important part of this larger reform. It can be seen that a major part of the Measures drew from internationally agreed standards and that DAC countries have also used similar measures for enhancing development cooperation. This convergence of approach is by no means coincidental, as China and other development partners have been learning from one another on foreign aid practices. While from the Measures it is still unknown to what extent China will focus on impact/outcome evaluation, given that both DAC and SSC provider countries are increasingly focusing on impact and outcomes, China's evaluation policy may over time converge with global trends.

However, evaluation does not stand as an isolated component of development cooperation. A comprehensive evaluation system requires rigorous data collection and analysis, and accompanying institutional capacity. The Measures stipulate the establishment of a statistical system and MOFCOM's role in data collection, which are prerequisites for developing a comprehensive evaluation system. Access to data, or transparency, is also closely related, as it is important for recipient countries to be able to obtain and use evaluation results to feed into national planning and government oversight processes. There is strong demand from recipient countries for China to increase transparency about its foreign aid, and the release of two White Papers on Foreign Aid (2011 and 2014)<sup>12</sup> already indicate China's increased willingness and capacity to provide more information. Global initiatives such as the International Aid Transparency Initiative (IATI)<sup>13</sup> and the Global Partnership for Effective Development Cooperation (the "Global Partnership")<sup>14</sup> are supporting countries to track and disclose more information about aid flows. For instance, the most recent monitoring exercise carried out under the Global Partnership saw an increased number of recipient countries reporting aid flows, including 11 countries that reported Chinese aid in 2013.<sup>15</sup> While there is growing demand from recipient countries and the broader international community for access to development cooperation data, a major challenge for China is to determine which types of data can fully reflect the diverse nature of its SSC.

Under the Memorandum of Understanding (MOU) between UNDP and China in 2010, UNDP and China are piloting trilateral cooperation, including the China-Cambodia-UNDP project which seeks to help Cambodia increase cassava production and export capacity with China's knowledge and technology. This project is scheduled to be completed by March 2015, and will be assessed based on international standards but also drawing links to China's own standards. UNDP is now working closely with MOFCOM to scale up trilateral projects. For example, four trilateral projects in Burundi, Malawi, Ghana and Zambia will soon launch. More

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<sup>11</sup> In the latest progress report of the Global Partnership for Effective Development Cooperation, one of the four common principles that form the foundation for effective development is Inclusive Development Partnership which promotes openness, trust, mutual respect and learning in support of development goals and recognizes the different and complementary roles of all actors. OECD/UNDP, Global Partnership for Effective Development Cooperation 2014 Progress Report, "Making Development Cooperation More Effective". Available from: [http://www.keepeek.com/Digital-Asset-Management/oecd/development/making-development-co-operation-more-effective\\_9789264209305-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/development/making-development-co-operation-more-effective_9789264209305-en#page1)

<sup>12</sup> See footnote 3 and 4.

<sup>13</sup> The IATI was launched at the High-Level Forum on Aid Effectiveness in Accra in 2008 and was designed to support donors in meeting their commitments to transparency. It provides a common data format for countries willing to release information about current and future aid spending in a reliable way. UNDP is heading the secretariat for the IATI.

<sup>14</sup> The Global Partnership was created following the Fourth High-Level Forum on Aid Effectiveness in Busan, Korea. The Global Partnership monitoring framework was then agreed which includes indicators that focus on strengthening developing country institutions, increasing transparency and enhancing accountability, among others.

<sup>15</sup> See footnote 11.

aid-related research work, similar to the Study, is also lined up in partnership with Chinese research institutes. By continuing to work closely together in these ways, UNDP and China will be able to learn more about and share each other's approaches to development, including approaches to evaluation and monitoring change. In addition, UNDP can serve as the knowledge broker for others to learn about and better understand China's approaches and latest initiatives on evaluation. In this way, the cooperation between China and UNDP will further contribute to China's overall aid management reform process.

## Conclusion

China has emerged as a major SSC provider over the past decade. As a result, there is increasing demand from both partner countries and China's domestic public for China's development cooperation to openly demonstrate more results. Evaluation is an important part of this, and critical for improving the development cooperation process and the effectiveness of decision-making. However, like other SSC providers, China's evaluation has in the past emphasized implementation, rather than outcomes or impact. The newly released Foreign Aid Measures clearly mandate the development of an evaluation system, which is a major step. What evaluation criteria China will eventually adopt, and how and to what extent China is able to collect the data and information required remain to be seen. Based on the results of the Study and the workshop, China will likely draw on the evaluation approaches of other SSC providers and DAC countries to determine these details of the evaluation system, tailoring them all to fit the Chinese context. And UNDP - with its experience and expertise in evaluation, and in related fields such as data collection, transparency and institutional capacity building - will continue to work with China on its development cooperation, enabling further mutual learning and greater knowledge-sharing among development partners.