

## 1 Introduction

Over time, programme aid has gained importance in Dutch development cooperation, as well as in that of other donor countries. Arguments for an increased focus on programme aid were disappointing results of project aid, limited absorption capacity of recipients of the latter form of aid, improved capability of governments eligible for programme aid to deal with aid according to their own objectives, and ease and flexibility of disbursement for the Dutch administration.

Therefore, increasingly the need arose to evaluate the effects of programme aid, the efficiency of its administration, and its relation to the overall policy objectives of Dutch development cooperation, visually economic self-reliance, poverty alleviation, women's emancipation and environmental protection.

The Dutch government carried out three bilateral evaluation studies of programme aid in the period 1988-1994 and participated in multi-donor Joint Evaluation Missions (JEMs) under auspices of the World Bank. The general purpose of JEMs was to examine possibilities of harmonization of procurement and disbursement procedures of programme aid.

Evaluation of direct macro-effectiveness of programme aid did not take place in any of the recent Dutch evaluation studies. Instead, the emphasis was on the efficiency of aid delivery. It is therefore impossible to speak of a methodology followed by the Dutch government in evaluations of macro-effectiveness of programme aid. Direct effectiveness of programme aid could only be established at the micro and meso level. JEMs focused on the institutional and operational aspects of programme aid.

With the introduction of Structural Adjustment Programmes (SAPs), the objectives of programme aid shifted from supplying commodity import support under foreign exchange constraints to the objectives related to policy-based lending. Appraisal criteria for providing programme aid were modified accordingly, but evaluation criteria did not change. SAP-related criteria should have been incorporated in evaluation of the effectiveness of programme aid given in the more recent period. These are, in short, the effects of programme aid on the main macro-economic variables and the contributions of programme aid to the building of economic institutions required for the market economy. With further

# Programme Aid Evaluation:

*Dutch Practice and  
a Case for an  
Economic and  
Institutional  
Approach at Multi-  
Donor Level*

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progress in the process of establishing market institutions, programme aid aimed at reducing balance of payments deficits could be slowly reduced. However, programme aid for policy support may continue, freeing funds that can be more directly targeted to achieve the overall objectives of Dutch aid.

It will be argued that an institutional approach to programme aid evaluation should be followed, in addition to quantitative evaluation of macro-effectiveness of programme aid. It will also be argued that an appropriate multi-donor forum should be sought that addresses both the economic and institutional aspects of programme aid.

The remainder of this article is structured as follows. Section 2 describes the main aspects of Dutch programme aid and recent evaluations. In Section 3 it is argued that more clarity should be obtained on what should be evaluated in a wider context of structural adjustment policies. Section 4 describes the issues dealt with in Joint Evaluation Missions. The final section concludes.

## 2 Dutch Policy and Evaluation of Programme Aid

Dutch programme aid amounted to Dfl. 514 million in 1994, or 8 per cent of total aid disbursements (DVL/OS 1995).<sup>1</sup> The Dutch 'Guidelines on Programme Aid' distinguish two broad categories (Eeckhout 1994:9-22): **macro-oriented** programme aid, covering balance of payments (BOP) support and other forms of foreign exchange support (i.e. forex auctions and forex bureaus), general import support, co-financing structural adjustment loans and different forms of debt relief; and **meso-oriented** programme aid, consisting of sectoral import support; food aid and emergency aid (except temporary emergency aid), co-financing of sectoral adjustment loans, financial sector adjustment loans, support to social safety nets, sectoral budget support and debt-swaps or debt conversion.

Of the total amount in 1994, 38 per cent was non-sectoral programme aid (194 mln.), 46 per cent debt relief (235 mln.), and the remaining 16 per cent sectoral programme aid, including so-called 'structural' food aid and emergency aid.

## 2.1 Dutch Policy on Programme Aid

The objective of providing programme aid has changed since the early 1990s, from alleviating acute BOP problems to supporting general economic and social policy within a structural reform programme. Policy agreements on the reform programme have become more important than the specific macroeconomic effects of programme aid (Eeckhout 1994:3). Guidelines for the appraisal of programme aid focus on the following aspects (DVL/OS 1991:298): (a) the recipient country's macro-socioeconomic policy; (b) its institutional capacities; (c) the extent of desirability and feasibility of targeting of financial aid; and (d) the possibility of donor coordination (during formulation and implementation).

## 2.2 Macro Versus Sector, or the Dilemma of Targeting

The policy intention is to provide as much programme aid without 'any strings attached' in the form of conditionality or targeting (DVL/OS 1991:298). However, in practice there are a number of reasons for choosing another instrument than unconditional macro support. For example, a particular system is in use in a specific country and has been approved and tested by the coordinated donor community. Or, more substantially, the reform policy is making uneven progress and some policy areas are clearly lagging behind. In that case an extra incentive can be given by emphasizing sectoral import support or sectoral budget support.

## 2.3 From the Balance of Payments to the Budget

The reform policies have brought about more liberal systems of foreign exchange allocation and of import procedures in general, reducing Dutch and other donors' concern with the specific use of the foreign exchange. (Even the World Bank has recently relinquished its import support documentation requirements). The focus of Dutch programme aid has now shifted to budget support (DVL/OS 1996). This involves detailing the mechanism of financing via the budget and focusing on allocations to social services. It is recognized that fungibility is a serious risk in budget

<sup>1</sup> According to the 1991 White Paper 'A World of Difference': 'in essence, programme aid amounts to general financial support for a developing country

(macro or sectoral) through the balance of payments or the budget' (DVL/OS 1991:298).

support. Therefore, light conditionality on sectoral programmes and gradual takeover of financing by the recipient country is advocated. The donor community should avoid the trap of seeking illusory control over the specific use of countervalue funds in specific programmes. The impact of the support can be derived from the (improvement of) the quality of the sector policy and can be operationalized in monitoring indicators that will be agreed upon beforehand.

## **2.4 Bilateral Evaluation Studies of Programme Aid**

This section presents the main features of the three evaluation studies of Dutch programme aid conducted since 1988 and describes the methodologies adopted. General evaluation criteria derive from the overall objectives of Dutch development policy of (a) enhancing economic self-reliance, (b) alleviating poverty, (c) enhancing women's emancipation, and (d) protecting the environment. Furthermore, the effectiveness of aid in reaching its specific objectives is evaluated and the efficiency of aid delivery is investigated. The contribution to poverty alleviation can be demonstrated indirectly at most. According to the literature it is virtually impossible to demonstrate a causal link between programme aid and the incidence and distribution of poverty.

In order to determine the effects of programme aid, a proper evaluation methodology should distinguish between the effects on macro, sectoral and sometimes micro (firm) level. The evaluation reports will be assessed on the distinction in these three levels of analysis.

## **2.5 Evaluation of Commodity Import Support**

The evaluation study of Dutch commodity import support by the evaluation unit IOV (DGIS/IOV 1989) follows a sequence from the micro to the meso and macro level, with gradually less emphasis on effectiveness.

Direct effectiveness of programme aid could only be established at the micro and meso level. At the micro level the evaluation methodology consists of an analysis of key features of a sample of enterprises

that received import support from the Netherlands. At the sectoral level, information was collected on magnitude and structure of sectors, their position within the national economy, economic efficiency, government policy on prices and subsidies and the allocation of foreign exchange.

At the macro level, the evaluation consists of an analysis of data concerning: the nature of development of the recipient country and the role of internal and external factors therein; major aspects of its economic policies; the forex situation and the system of forex allocation. The effectiveness of programme aid at the macro level was not evaluated systematically, although attempts were made to incorporate the overall economic policy stance of particular countries (mostly referring to the WB/IMF opinion on the quality of reform policies). However, no independent macroeconomic analysis was carried out on the influence of programme aid on the quality of the reform policies. The possible contribution of programme aid to the transformation towards market based institutions has not been discussed.

## **2.6 Evaluation of Programme Aid to Tanzania, India and Mali**

More recently, overall bilateral aid to three countries was evaluated.<sup>2</sup> The main evaluation questions concerning programme aid were: (a) to what extent did import support alleviate bottlenecks in the production structure and reduce deficits in the trade balance? and (b) to what extent did budget support contribute to poverty alleviation at the local, regional and/or sectoral level? The first question conforms with the evaluation study discussed above, but misses the macro-aspect. The second elaborates on the (indirect) effectiveness of programme aid in alleviating poverty.

## **2.7 Evaluation of Programme Aid to Eight Major Recipient Countries**

In 1993 the Dutch audit office evaluated programme aid to eight major recipient countries of Dutch programme aid: Bangladesh, India, Kenya, Mozambique, Pakistan, Tanzania, Zambia and Zimbabwe (Algemene Rekenkamer 1994). The evaluation took place in cooperation with the National Audit Office of the UK and the Riksrevisionsverket

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<sup>2</sup> DGIS/IOV (1994b,c,d). For a summary, see DGIS/IOV(1994a).

(RVV) of Sweden (see also RVV 1994). The two questions central in the evaluation concerned the efficiency of programme aid and the knowledge of the Dutch Ministry of Foreign Affairs on the effectiveness of programme aid (Algemene Rekenkamer 1994:8). Given the main mandate of the Dutch audit office, the emphasis was on efficiency of aid. In fact, the audit office evaluated the objectives of programme aid, guidelines, procedures, assessment criteria, evaluations, the feedback of evaluations to policy and aspects of personnel management of DGIS at the Ministry of Foreign Affairs.

Macro-effectiveness was investigated in a very limited way and described only in very general terms. The audit office only investigated whether the various Dutch agencies and actors were sufficiently informed about the progress in macro policies. Incidentally, the evaluation of effectiveness was pursued at the sectoral level, in particular with respect to supply of fertilizer. According to the audit office, after 1988 the micro-level effects of targeted programme aid have only been evaluated in Tanzania (*ibid.* 1994:12). It concludes that the view of the Ministry on the effectiveness of programme aid is mainly limited to the effect at the macro level and that the view at the micro and meso level has to be improved.

## **2.8 Observations on the Methodologies Used**

The studies of the IOV and Algemene Rekenkamer have concentrated on the micro and meso level. At the micro level the evaluation methodology is relatively straightforward and concentrates on the utilization of the additional resources for higher production, capacity utilization, and productivity. The evaluation of the macroeconomic aspects of effectiveness of aid instruments has been replaced by the appraisal of conformity of the policies of the receiving government with the general Dutch aid policies and efficiency of aid delivery.

Given the admitted lack of understanding of the causal connection between programme aid and macroeconomic consequences, the common procedure is to assume that the World Bank and the IMF know what they are doing and leave the assessment of the macroeconomic policies, the programme aid, and their consequences to these institutions. In Dutch aid circles more information on the macro-

economic consequences of programme aid has been requested from the World Bank and IMF.

Thus, at the macro level no adequate methodology was developed. The Dutch evaluators are not alone here. This problem is shared between all donors of programme aid. The next section will argue that, in addition to quantitative evaluation of macro effectiveness of programme aid, an institutional approach should be followed, particularly in the context of the changing conditions before, during and after structural adjustment.

## **3 Programme Aid in the Context of Structural Adjustment**

The objectives of programme aid should be understood in the context of the economic conditions and policies prevailing in the receiving countries. The main objective of structural adjustment policies has been to implement a transition from an administered economy toward a market-based economy. This transition has affected all main economic parameters of the countries involved and, more fundamentally, involved changes in their economic institutions. This section deals with both the institutional and more direct economic effects of programme aid and discusses the relation between possible effects of programme aid and Dutch general aid policies.

### **3.1 Programme Aid and Market-based Economic Institutions**

In most countries that have received programme aid it is possible to distinguish three periods: (a) the pre-adjustment period characterized by an administered economy, including administrative allocation of foreign exchange and accompanied by general foreign exchange shortages; (b) the early adjustment period aimed at stabilization of the economy; and (c) the later adjustment period with an emphasis on a transition toward a more market-oriented economy and further adjustment of important macroeconomic variables.

The changing role of programme aid in these periods is discussed in White (1996a) and White (1996b). Briefly: (a) in the early adjustment period, programme aid aimed at supplying the foreign exchange required for stabilization, largely under the prevailing economic structure and institutions; and (b) during the later adjustment, it was aimed

more at support for establishment of sustainable market institutions, in particular for the markets for foreign exchange and credit. The role of counter-value funds in the government budget also became more important (see Maxwell 1996).

The evaluation of the effectiveness of programme aid must include criteria on how programme aid has contributed toward stabilization, the establishment and better functioning of market institutions, reducing the importance of the parallel market and corruption, the functioning of the revenue and expenditure system, the custom system and the financial system.

Finally, one of the institutions that will have to be reconsidered is aid itself, particularly in the form of programme aid. Because of the rather long tradition of large volumes of aid, the socioeconomic system adjusts itself to the volume of aid: 'structural aid accommodation'. This fact has had consequences for the nature of industrialization and agricultural development, the size of the government sector, the nature of demand, and the resulting prices of goods and services.

To a large extent this aid dependency through structural aid accommodation is also the responsibility of the donors. Imbalances have persisted for many years. Stabilization and adjustment processes are supposed to deal with these imbalances. The irony and contradiction is that programme aid makes these adjustment policies less urgent as it allows for imbalances to persist. The extent of structural aid accommodation should form an important part of the evaluation.

### **3.2 Programme Aid and Direct Economic Effects**

The direct macroeconomic effects of programme aid should be studied as well. As elaborated in White (1996), programme aid will affect the exchange rate, the rate of growth, the budget deficit and exports. These effects may be both positive (relief of forex constraints) and negative (Dutch disease effects). An evaluation methodology will have to include an assessment of these effects and their operation.

The balance of these two conflicting tendencies will determine the overall effect of programme aid, and depend critically upon whether the economy is supply or demand constrained. Therefore, the first question an evaluation of programme aid will have to

pose is whether there is a supply constraint caused by foreign exchange shortages. The second, related, question is to which extent the appreciation caused by the inflows of programme aid has contributed to eliminating excess demand, if any, by negatively affecting the demand for domestic production.

In relation to this point, an evaluation of the volume and composition of investment, including export-oriented investment, should be an important component of evaluations concerned with the direct effects of programme aid. In addition to the possible appreciating effects of programme aid, SAPs have influenced the size and nature of investments.

Particularly in most African countries, foreign investment is hardly forthcoming, private investment is in trade related activities, privatization proceeds slowly and few investors are interested, whereas export-oriented investment is discouraged by Dutch disease effects of aid. Thus the foreign gap is to a large extent the excess of domestic consumption over domestic income. The related foreign savings are to the same extent used for the purpose of financing consumption expenditure, of which only the incentive goods may be argued to have a positive effect on local production (although this argument had its strongest claim during periods of great shortages).

In any case, foreign exchange shortages are a result of market inefficiency or of missing markets. With the creation of efficient foreign exchange markets, by definition there will be no more shortage and the direct argument for programme aid - for import support, not for debt relief - disappears. Put differently, the institutional rationale for programme aid must be that the market for foreign exchange still needs to be established or is not (yet) efficient. When the market is becoming more efficient, the volume of programme aid can be gradually reduced.

### **3.3 Indirect Effects and Overall Objectives of Dutch Aid**

The objectives of programme aid under structural adjustment should be understood as contributing to a transition to market institutions. These contributions can be both positive and negative. Positively, the new market institutions for foreign exchange could not have survived without sufficient donor support, because of the structural imbalances in the economy.

In a negative sense, by withholding aid tranches, donors have induced governments to implement structural adjustment reforms. Both the need for and power of donor support are expressions of structural aid dependency of recipient governments.

Given the support for structural adjustment policies and the instrumental role of programme aid in inducing governments to initiate adjustment policies, the Dutch government should evaluate the extent to which the transition to a more market-based system will contribute to its overall objectives of aid. However, the relation of programme aid to these objectives is at most indirect: the assumption must be that in the long run a market-based system can better provide goods and services than an administered system. Specifically, the working hypothesis should be that the objectives of alleviating poverty, enhancing women's emancipation, and protecting the environment would be better attainable with growth that would be forthcoming under the new policies.

However, a single policy instrument cannot be expected to contribute to all objectives. More targeted complementary measures would be required to achieve the general policy objectives. Nevertheless, the assumption will have to be maintained that the complementary instruments would be more effective in a market-based economy. If this assumption does not hold, a major effort will have to be initiated by the Dutch government to rethink the internal consistency of its aid policies and priorities.

#### **4 Joint Evaluation Missions**

In the previous section it was argued that the institutional changes to which programme aid may contribute are not properly evaluated, if recognized at all. At one platform however, the Joint Evaluation Missions (JEMs), the institutional aspects have been evaluated, albeit in a limited way and with an emphasis on matters of accounting and control procedures.

With unconditional programme aid, both direct and indirect effects of programme aid cannot be

assessed for individual donors separately, since the foreign exchange flows into a common pool and cannot be traced.<sup>3</sup> Thus, there is a strong case for jointly evaluating programme aid. JEMs, initially at least, concentrated on operational matters, rather than on evaluating the effects of programme aid on the creation of market institutions. Interestingly, by pursuing these pragmatic questions, the JEMs have come across issues and questions of great relevance for the institutional evaluation of programme aid under structural adjustment. However, these latter issues have never been the explicit focus of these missions. Attempts to elevate the discussions in the JEMs to higher policy relevance by, amongst others, the Dutch government have not been successful. It may be argued that the initial objectives and the type of expertise available do not allow these wider policy questions to be addressed by the JEMs.

The argument of this section is that JEMs have evaluated progress made in creating and adjusting market-related institutions and problems experienced with good governance, by scrutinizing the manner in which new institutions handled the donor funds, including counterpart funds. In addition, JEMs have contributed to the operationalization of procedures and systems to improve the working of these institutions. Though, given their mandate and corresponding expertise they could not deal systematically with these issues.

#### **4.1 Objectives and 'Standard' Issues**

The initial objectives of the JEMs derived from the objectives of the Special Programme of Assistance (SPA) of African countries undertaking SAPs.<sup>4</sup> Main objectives of the SPA are to increase efficient use of financial adjustment assistance, to accelerate disbursements and to reduce the administrative burden of recipient countries by untying assistance from donors and harmonizing their procurement and disbursement procedures. To foster these objectives, donors participating in the SPA group decided in 1989 to undertake joint evaluations, in collaboration with the recipient countries, to examine possibilities for further harmonization of procedures. Participation

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<sup>3</sup> Sometimes the timing of the support of an individual donor may have a certain effect, e.g. when despite sufficient commitments the receiving government has temporarily run out of foreign exchange. This, however, is more often the exception than the rule.

<sup>4</sup> See also SPA Working Group on Import Support (1992).

in JEMs was restricted to donor countries giving import support and the major multilateral institutions. Leadership was provided by the World Bank.

Criteria for programme aid were further influenced by the principles on programme aid formulated by the OECD Development Assistance Committee: (a) wherever possible, policy-related programme aid should be untied; (b) donors' procurement procedures should be consistent with recipient countries' trade and exchange rate reforms; (c) there should be standardized international competitive bidding (ICB) procedures and country-specific thresholds; a system should be put in place for pre-shipment inspection (PSI) of quality, quantity and price of imports; and (d) there should be improved local coordination between donors and recipient governments, including information sharing.

In this context, early JEMs emphasized the following 'standard' issues: (a) procurement on the basis of ICB for orders above a certain threshold (typically in the order of \$US 1-2.5 mln); (b) procurement procedures under the ICB threshold for both public and private buyers; (c) PSI arrangements; (d) disbursement procedures; and (e) donor coordination and harmonization of procedures. Both (a) and (b) were to ensure value for money. Later JEMs have gradually incorporated additional concerns.

## 4.2 Additional Concerns

JEMs took place to Ghana (1991), Kenya (1990), Mozambique (1989, 1990, 1991, 1993), Tanzania (1990, 1992, 1993, 1995), Uganda (1990, 1992, 1995), Zambia (1990) and Zimbabwe (1991). All JEMs summarized their findings in so-called aide memoires. In the process of improving the operationalization of programme aid, increasingly wider issues were discovered in the rest of the system that were linked to the operationalization of the support (see Table 1).

The interlinkages in the economic system implied that even for the evaluation of the operational aspects of programme aid various economic institutions and government organizations would have to be assessed. The methodology in these cases relied on interviews and expert reports and cannot be said

to be conclusive. This observation combined with the level of detail of the recommendations, the relative lack of expertise of many participants on many of the issues at stake, and the short duration of the JEMs (between one and two weeks) would lead to the criticism that at least from an academic point of view the conclusions reached by the JEMs were not always very sound. In addition, the methodology is not explicitly discussed.<sup>5</sup>

Moreover, the JEMs always assessed the operational requirements of the institutions that are to deal with the efficient processing of the support, but never explicitly addressed the role of aid in creating and sustaining these institutions.

## 4.3 JEMs and Evaluation Criteria

The argument of this section has been that although originally instituted to evaluate the operational aspects of programme aid, JEMs have assessed the progress made in institution building for a market economy and the effects of donor funds on the working of these institutions. In addition, JEMs have contributed to operationalization of procedures and systems to improve the working of these institutions.

The methodology of such evaluations has been to review the detailed operations of the institutions involved, including interviews with most of the participants. While this has created much insight in the actual problems of the various institutions in relation to their handling of aid flows, the effects of aid on these institutions have not been explicitly evaluated. Thus, from the experiences of JEMs no clear methodology can be derived for establishing causal relationships between the amounts of donor funds disbursed and the evolution of the free market for foreign exchange, and between the amount of counterpart funds involved and the degree of slackness on the revenue side including the mismanagement of the customs system.

It remains therefore an untested hypothesis that donor funds have made possible the development of the free market for foreign exchange. The reasoning that a withdrawal of donor funds from the foreign

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<sup>5</sup> One of the authors, Peter de Valk, participated in two of the JEMs (Tanzania 1993, 1995), where he was able to form judgements on the methodology followed.



*Table 1* Concerns of Joint Evaluation Missions in African Countries, 1990-95

| Key concern  | Main aspects covered   |
|--|--|
| Foreign exchange market  | Move from CIS to OGL (with positive list), OGL (with negative list), forex auctions and, finally, interbank system and concurrent unification of various exchange rates and closing gap official/parallel market rates of crucial importance for mode of channeling donor funds; move implied that donors no longer had information on how funds were spent  |
| Reimbursement system   | Development forex market and prevailing mismanagement of customs system and tax authorities considerations of its introduction; ensured at least a substantial volume of goods being imported according to official procedures; but, 'illusory' control of donor funds; no guarantee of efficient use of funds entering forex market; findings PSI agencies involved in implementation of reimbursement system revealed extent of evasion of taxes and duties  |
| Government revenue (particularly JEMs Tanzania 1995; Uganda 1992, 1995)  | Recommendations on improving customs and revenue system; fungibility of donor funds is an important concern, particularly at the micro and sectoral level; indirect displacement effects of aid as well if increased availability of countervalue funds reduces revenue collection effort (unofficially through corruption and mismanagement and/or officially through reduced levels of tax or reduced efforts to increase the tax base)  |
| Financial system   | Involvement of commercial banks in collection of counterpart funds and later in interbank market has shifted concern to functioning of financial system; financial restructuring implied delinking mostly government-owned commercial banks from protection and subsidies of government; effectiveness of programme aid in creating sustainable foreign exchange markets also dependent on ability and efficiency of commercial banks in processing paperwork involved in various transactions   |
| Capital market   | (Particularly in JEM Tanzania 1995) initiative of the Central Bank to raise capital from the public through open market operations by issuing bonds; first start with capital market development can only be viable if the open market financing requirements of the government remain within certain limits   |
| Restructuring and adjustment of manufacturing sector (in later JEMs Tanzania and Mozambique)                       | Concern derived from fact that manufacturing sector in most countries: (a) one of main beneficiaries of import support, (b) has high import intensity, making it an important client of new foreign exchange systems, (c) seriously affected by structural adjustment policies and needed further support in eyes of some donors; sector's problems rooted in past protectionist policies coupled with fast liberalization that did not allow much time for adjustment of productive efficiency; Dutch disease effects of large aid inflows (increased competition from imports and reduced potential to export); local producers disadvantaged by lack of customs control that allowed vast quantities of imports to enter domestic markets without paying appropriate duties and taxes |
| Establishment of donor coordination and monitoring committees (JEMs Mozambique 1993 and Tanzania 1992, 1993, 1995) | Improving implementation of the recommendations; JEM of Tanzania (1995) even recommended the establishment of a joint management committee consisting of donors and Tanzanian officials under the direction of the World Bank; progress made with implementation of detailed recommendations will form input in assessments for continuing programme aid   |



exchange markets would have led to a collapse of these markets seems plausible but cannot be tested. Similarly, the reasoning that vast amounts of counter-part funds have led to slackness in the revenue efforts, a collapse of proper customs procedures, tax evasion, and corruption cannot be empirically corroborated.

## 5 Conclusions

The emphasis of recent Dutch evaluation studies is on efficiency of aid delivery. Evaluation of direct macro-effectiveness of programme aid has not taken place. It is therefore impossible to speak of a methodology followed by the Dutch government in evaluations of macro-effectiveness of programme aid.

With the introduction of Structural Adjustment Programmes, the main objective of programme aid became support for economic reforms or, more

specifically, development of market institutions. Therefore, in addition to quantitative evaluation of macro-effectiveness of programme aid, an institutional approach should be followed.

With unconditional programme aid, both direct and indirect effects of programme aid cannot be assessed for individual donors separately, since the foreign exchange flows into a common pool and cannot be traced. Thus, there is a strong case for jointly evaluating programme aid. An existing forum of multi-donor evaluation is that of Joint Evaluation Missions. These, however, have concentrated on more operational matters, rather than on evaluating the effects of programme aid on the creation of market institutions. What is required is a multi-donor forum that addresses both the direct economic and the institutional aspects of the macro-effectiveness of programme aid.

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