

Evaluation in the context of global public goods

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Introduction: the roots of turbulent times

This conference aims to address challenging subjects: turbulent times and crises that endanger our future: those of food, fuel and finance. My aim will be to weave these together into a third, overarching crisis, namely the slowly encroaching crisis of rising global public costs, which is caused by the careless way in which humanity continues to deplete natural resources and to treat our environment as an endless bounty for looting and spoiling.

In March I attended a meeting in Manila on how the International Financial Institutions had coped with the global credit crisis.¹ One common element that emerged out of evaluations was that only a few experts had foreseen the crisis and basically those who should did not listen to them. One common recommendation emerging from these evaluations was to listen better. The second part of that meeting I had a captive audience when I had the opportunity to present evaluative findings of the Global Environment Facility and I used this golden opportunity to tell the audience that not just a few experts, but hundreds and thousands of them, foresee three other emerging major global crises which we need to confront. The first is known to all: climate change. The second is the mass extinction of species caused by human behavior. The third and least known is the unfolding drama of poisonous chemicals, threatening environmental and human health. In Manila I told the audience that now they had been forewarned. Experts are convinced that these three global crises, of climate change, mass extinction of biodiversity and poisonous chemicals are endangering a prosperous and equitable future. To translate this into economic terms: these three crises are leading to dramatically increasing global public costs. They undermine achievements in development and poverty alleviation in the longer run.²

Yet international institutions and governments have spent billions to solve the global credit crunch without paying much attention to the unfolding three global environmental crises. Some even say that to spend money on solving environmental problems is a luxury we cannot afford at the moment. Instead the money went to bailing out banks and ensuring funding is available for “business as usual”. When the disastrous economic effects of the credit crisis became clear, many of us desperately hoped for “business as usual”. However, my contention is that “business as usual” is causing the three global environmental crises.

Global Gross Domestic Product has risen substantially over the past fifty years, from just a few trillion US\$ in 1970 to more than 60 trillion in 2008, with a slight downturn recently due to the credit

¹ Evaluation Cooperation Group, Special Session 1 on "Crisis Response by MDBs: Preparedness and Response", March 16, 2011, Manila, The Philippines

² Evaluation Cooperation Group, Special Session 2 on "GHG implications of MDB energy assistance"

crisis.³ I will argue that the growth of global GDP has come with a dramatic increase in global public costs – and that using relatively scarce public resources to solve problems in the private financial sector means that there are hardly any resources left to solve global public problems. We are getting richer all the time and yet we are facing a global crisis of funding for public issues.

The role of public funding: public goods and costs

The first part of this paper will tackle the role of public funding in tackling public goods and costs. The focus in the discourse about global and national economies has for the past few decades been on how to strengthen and extend the role of markets, so let us go back to some fundamental principles and re-establish these issues. Public goods are defined in economic terms as “non-rival” and “non-excludable”. In other words: these are goods that are almost impossible to trade. The air that you breathe is available for everybody, and the fact that you breathe does not make it impossible for anybody else to breathe. It is rather difficult to exclude anybody from breathing and put a price on it – although I assume that part of the conference fee for IDEAS went into assuring that we would meet in a well-ventilated conference room.

Public goods are strongly related to another economic concept: that of externalities, which point to costs and benefits that are created in markets that are additional and external to the product that was produced for and bought on the market. Of these externalities, the benefits usually do not pose a problem – it is the costs that concern us. Many economists tend to speak of external costs in terms of “market failure”. The most recent and famous example I can give concerns climate change. When Nicholas Stern, a former Chief Economist of the World Bank reported to the UK government on the costs of climate change, both on preventing it and adapting to its consequences, he noted that climate change is a result of “the greatest market failure the world has seen”. His conclusion was that “those who damage others by emitting greenhouse gases generally do not pay”.⁴ There is controversy over whether Stern and his team correctly calculated the damages and the costs of preventing them, but the point he raised concerning market failure was not disputed.

In general, governments have three ways to tackle market failures and ensure public goods. They can criminalize the behavior which leads to the external costs. They could change the behavior through regulation to such an extent that the external costs no longer appear. Lastly, they can recover the costs through taxation which aims to bring the external costs back into the market, for example through a tax on pollution or emission of greenhouse gasses or on energy consumption. However, there are some who would argue that general taxation should be sufficient to ensure public goods and meet public costs. One could argue that public goods and costs are the foundation of taxation and of public spending.

There is no general agreement on this. After the Second World War the economic discourse focused on how “the public purpose” could be served by strengthening the role of government and public funding. Perhaps John Kenneth Galbraith’s publication “Economics and the Public Purpose” of 1973 can be highlighted as the culmination of this perspective. Over time the neo-classical school of economics gained ascendancy and questioned the role of governments, and instead focused on improving the functioning of markets to solve problems in society. Both market regulation and taxation are deplored as distortions that prevent markets from becoming fully efficient.

³ World Bank, World Development Indicators, last updated April 1, 2011

⁴ Interview with Nicholas Stern in the Guardian, Thursday November 29, 2007 at guardian.co.uk

To many of us the financial crisis demonstrated the dangers of market fundamentalism, showing the need for governments to regulate markets. However, many Republicans in the United States continue to disagree and claim that it was actually government interference with the markets that caused the subprime lending crisis. The debate is far from over. But let us move from a national to a global perspective.

Transboundary issues: the role of global public goods

Much of the discourse on public goods, the role of governments and the efficiency of markets considers what should happen in one country. However, many of the externalities of markets are of a transboundary nature. If a company emits greenhouse gasses, these gasses will not care about any political boundaries and they will influence the global climate, not a local micro-climate. The globalization of the world, and especially its economy, is of course a thoroughly discussed phenomenon and opinions differ wildly on whether it is beneficial or a challenge. However, the transboundary costs of markets are a fact and many local actions now have global consequences.

At the same time we need to recognize that there is no global government that can ensure the global public purpose. There are many elements that go in the direction of global governance: we have the United Nations as a forum for nations to discuss what needs to be done; there are several international treaties which define criminal acts between nations; likewise there are several international conventions that aim to regulate transboundary issues. There are even some minor examples of international taxation, but they do not amount to much. If there is a global public purse, it is filled by donations and grants of rich nations, and some of it is channeled through the United Nations, but most of it either goes directly from country to country or through the International Financial Institutions: IMF, the World Bank, and many regional and sub-regional banks, that have a role in development, reconstruction or transformation, and more recently through so called “vertical funds”, of which the Global Fund to Fight AIDS, Tuberculosis and Malaria is probably the best known example.

The financial crisis has led to substantive increases in both capital and funding of many International Financial Institutions. The Asian Development Bank increased its capital in March 2009 from about \$65 billion to about \$165 billion. The International Bank for Reconstruction and Development, part of the World Bank Group, received a boost in capital of \$86.2 billion in April 2010. The European Bank for Reconstruction and Development achieved a 50% increase in its capital, from \$20 to \$30 billion, in May 2010. The International Development Association, also a member of the World Bank Group, increased its funding for the poorest countries with a record inflow of more than \$50 billion in December 2010 at its 16th replenishment. This is not all money coming from the public purse – most of it is borrowed on the capital markets. These amounts are available for public loans that need to be repaid over time. But as I argued before, most of this money is available for “business as usual”.

At the same time bilateral funding for development and global issues is still lagging behind the internationally agreed upon target of 0.7 percent of GDP and although many countries pledged to reach this target over time, current projections of the OECD are that this will not happen in the near future. The OECD notes that aid is expected to grow at 2% per year between 2011 and 2013, compared to the average 8% per year over the past three years. Aid to Africa is likely to rise by just 1% per year in real terms, compared to the average 13% over the past three years. The OECD

concludes that at this rate, any additional aid to the African countries will be outpaced by population growth.⁵ The question is whether the current level of global public funding is sufficient to stem the rising tide of global public costs.

The rising tide of global public costs

The dilemma of tackling the costs of market failure has been most aptly put by the Stern review. It calculates that these costs in the case of climate change would amount to one percent of global domestic product annually. This is an astounding amount – about \$600 billion – to prevent climate change from happening. In other words, it would cover the costs of converting our energy sources, our energy consumption and so on to ensure that we shift to a “green economy” which does not emit greenhouse gases. I’m sure that you will not be surprised if I tell you that what is currently spent on these issues is woefully insufficient. The Stern review calculates that if climate change happens, costs will rise higher. Adaptation to climate change will cost anywhere between \$100 and \$200 billion annually, and the world will be confronted with a reduction of up to five percent in our future GDP – an astounding amount of more than \$3 trillion that the world will not be able to generate due to climate change. These calculations have been heavily criticized as “deeply flawed” and as “scare-mongering”. Stern has taken all criticism on board and very carefully recalculated the costs, and admitted that his calculations could be improved upon: they were too low. He raised them from 1 percent of global GDP to 2 percent of global GDP.⁶

Many have drawn two conclusions from this debate:

- 1) The public costs of climate change are beyond public funding;
- 2) The longer we wait to address them adequately, the higher the costs will be, either in solving the problems or re-arranging our lives to adapt to the new reality.

Let me pose a hypothesis: it seems to me that – if not taken care of – the increase in public costs accelerates either leading to a complete breakdown of the system, or a systemic change. Let me illustrate the first possibility with the ancient civilization of Easter Island. As Jared Diamond has posed in his book “Collapse”, the people of Easter Island used up the natural resources and they did not survive this. Let us hope that we have the fortune to end up with a systemic change rather than a collapse. This is in fact what many of the so-called climate skeptics assume will happen. And this systemic change is central to the idea of a “green economy” which is becoming more urgent over time, because the gap between what we need and what we can bring to solve the problem is huge, and it is growing.

“Mind the global gap”

In addition to the climate change gap, we are facing two other gaps that continue to grow. The world is currently moving towards a mass-extinction of species that we have not seen for 65 million years. Over time the world has seen five of these mass-extinctions, which only between 10 to 25 percent of living species survived. We now bring you the sixth mass-extinction, this time without the aid of a

⁵ OECD New Release "Development: Aid increases, but with worrying trends" April 6 2011, at http://www.oecd.org/document/29/0,3746,en_21571361_44315115_47519517_1_1_1_1,00.html

⁶ See for an overview of the discussion: http://en.wikipedia.org/wiki/Stern_Review

meteor crashing into the Mexican Gulf, but brought to you in Technicolor by market failure!⁷ Biodiversity continues to go down dramatically, because the existence of a species is not a marketable property and it is not incorporated into the price of products that through their production processes or consumption destroy natural habitats. Neo-classical economists are confident that market forces will over time correct failures – well, at the moment and in the foreseeable future we cannot recreate extinct species. Once they are gone they are gone forever. Although there is no Stern review that has calculated the costs of mass-extinction, conservative guesses of costs of preserving biodiversity tend to dramatically surpass available funding from all sources. But even if a species will not disappear, but just face a mass loss of population, the costs can be gigantic. An example: bats in North America are facing massive population losses due to White-nose Syndrome, a fungus that is an invasive species, as well as due to wind-power facilities – bats are apparently killed in unprecedented number by wind turbines throughout the US – an unforeseen consequence of greening the economy. Yet the economic value of bats to agriculture in the US and in Canada has been estimated at more than \$3.7 billion per year as recently reported in the journal Science.⁸ This is the value of one species, not threatened with extinction yet, but costs that already go into the billions, costs that cannot be recovered on the market, because they are public costs.

The third gap is that of chemicals in our environment. For more than a century industries have introduced new chemicals in their production processes after what seemed thorough testing. Many of them are so-called “persistent organic pollutants”: organic, carbon based compounds that somewhat to our joint surprise turned out to be fairly indestructible, and rather pervasive. Once they are introduced into the environment, often as pesticides, they travel vast distances and enter the food chain, and our bodies. According to Wikipedia they may cause death and illnesses including disruption of the endocrine, reproductive, and immune systems; neurobehavioral disorders; and cancers possibly including breast cancer. The so-called “dirty dozen” of these pollutants, with fancy names like aldrin, heptachlor, mirex and toxaphene, have been identified as dangerous for human and environmental health by the UN Environmental Programme since 1995. In 2001 a new multilateral agreement, the Stockholm convention, was signed to eliminate or restrict the production and consumption of these chemicals. Scientists continue to explore the health risks of many other chemicals that were introduced by industry and in 2009 another nine chemicals were added to the list.⁹ I can safely predict that the list will grow and grow.

The problem is one of side-effects that remain invisible in ordinary testing because of the geographical or time-scale involved, or because of unexpected behavior. Some chemicals were introduced to help package food products. It was assumed that they would not interact with the food – but they did, and they entered into our bodies. Some chemicals arrived in places nobody expected them to turn up. The most illustrious example is that of Ozone Depleting Substances. When the hole in the Ozone Layer was discovered in the late seventies of the last century, it took some time to establish why this was happening and what could be done about it. When Ozone Depleting Substances such as CFK used in refrigerators were identified as the guilty parties, international action – leading to the Montreal Protocol – was relatively quick and successful, given

⁷ Anthony D. Barnosky et al – Has the Earth's sixth mass extinction already arrived? in: Nature, 3 March 2011, Vol. 471, pp. 51-57

⁸ Justin G. Boyles [et al] – Economic Importance of Bats in Agriculture – in: Science, Vol. 332, 1 April 2011

⁹ See http://en.wikipedia.org/wiki/Persistent_organic_pollutant and related articles

the essential role the Ozone Layer fulfills in protecting life on our planet from harmful cosmic radiation. Calculations show that if this action was not taken, there would be no Ozone Layer left in 2060, just fifty years in the future.¹⁰ The Montreal Protocol has been very successful in reducing production and consumption of Ozone Depleting Substances, with about 95 percent of these substances now safely stored, but the problem is far from over. In 2009, the GEF Evaluation Office conducted an impact evaluation on ODS support in Eastern Europe and Central Asia, and while the GEF considered ending its support, we had to report to the GEF Council that it was too early to do so. While ending production and consumption can be done relatively cheaply, the challenge remains to destroy the stockpiles of these substances, as they may escape into the atmosphere if their current storage facilities break down or leak because of earthquakes or simple lack of care.¹¹

The cost of destroying persistent organic pollutants and ozone depleting substances is high. Recovering these costs through market regulations is impossible. These chemicals were put on the market decades ago at a time when the disastrous effects were not yet known. It is impossible to regulate the past. The cost to address this emerging global crisis is truly public, and the money to tackle it is not identified. These global public costs emerge out of current business practices. The food industry, for example, continues to explore possibilities to “improve” storage, taste and durability of its products and in order to increase its efficiency and increase profits, new substances are introduced from time to time, always carefully tested, but obviously not over long periods of time and with unintended consequences in mind. An example is Bisphenol A, better known as BPA, an organic compound used in the fabrication of certain plastics. In the eighties of the last century this compound was used in plastics for food storage because it seemed safe to do so and it was economically attractive. It was supposed to be safe because BPA was not supposed to travel from the plastic package into the food into your body. In 2008 research showed that 95 percent of American adults had BPA in their bodies. Side-effects may include cancer, effect the reproductive system, affect the function of the thyroid and lead to several neurological conditions – the list is longer but I have no idea what some of these side-effects are, to tell you the truth.¹² Isn't it nice to know that "business as usual" is presenting us with this deadly cocktail of chemicals, organic pollutants, and let us not forget the rare metals that we are now introducing into our environment through used mobile phones, batteries, PC components and so on.

Business as usual means that one generation introduces new products, ingredients, components that are thought to be safe, and because they enable cheaper production and higher profits. The next generation faces the costs of removing these substances from the environment. Business as usual means that our generation continues to emit amounts of greenhouse gases that will dramatically change climate and lead to huge costs in adaptation. Business as usual means that we continue to destroy and poison our ecosystems, so that species lose their natural habitats and die out. Going over to a “green economy” will solve some of this, but it is by no means certain that all of these issues are on the radar screen of those who decide where the billions of the multilateral banks will go. Some will argue that these billions are meant for poverty reduction, not for environmental problems. But the poor are often the first to be confronted with a loss of biodiversity, with climate

¹⁰ See <http://earthobservatory.nasa.gov/IOTD/view.php?id=38685>

¹¹ GEF Evaluation Office – GEF Impact Evaluation of the Phaseout of Ozone-Depleting Substances in Countries with Economies in Transition, Washington DC, 2010 – <https://www.thegef.org/gef/sites/thegef.org/files/documents/ODS-complete-LOW.pdf>

¹² See http://en.wikipedia.org/wiki/Bisphenol_A

changes that endanger their subsistence farming and with chemicals and metals that are dumped on them, sometimes from very far away.

The three widening gaps of climate change, biodiversity and chemicals highlight the global public nature of the unfolding crises of fuel, food and finance. In the Global Environment Facility we are confronted with these gaps all the time. The team in the Evaluation Office of the GEF sees these gaps whenever we evaluate. They are part of the geography of our evaluation landscape. This leads me to the second part of this address, in which I will formulate some ideas on how evaluators can deal with these crises and with the nature of global public goods.

Consequences for evaluation

Why should we consider this issue in evaluation practices? First of all, I would like to relate this to an on-going discussion in economics, which has often been termed the micro-macro paradox: how is it possible that we see achievements at the intervention level, but these achievements do not seem to translate at the national level? How can a country have a lot of interventions that score moderately to highly satisfactory on achievement of outcomes, and yet the country itself in its national development indicators does not reflect the same level of achievements? This paradox was formulated by economists, focusing on interventions that aimed to achieve economic growth, increased income or increased economic activity through investment projects or public lending, and where these investments were successful, they looked for similar changes in the macro-economic data of the country, but often could not find these. This debate, whether aid could be proven to contribute to macro-economic development, received a new impulse with the World Bank publication in 1998 of “Assessing aid: what works, what doesn’t and why”. When that debate could not provide a definite answer, interest in macro-economic solutions waned and more emphasis was placed on micro-economic work. The poverty lab approach of the Massachusetts Institute of Technology is almost completely focused on micro-level interventions and promotes methodologies that are very difficult to apply at the national level. It is only recently that macro-economists have started to provide a response to this shift and try to regain some of the lost ground.¹³ It can be said that the discussion is still lopsided, and that many economists seem to have given up on the macro picture. Their approach is to concentrate on what works on the ground and to devise tests that would identify causal linkages.

I do not believe that is sufficient. It may be good to do, it may help decide which innovative programs should be up-scaled and which interventions show promise for effecting human behavior. But these approaches do not address the micro-macro gap. And we see the evidence of this in the Global Environment Facility. The GEF has a pretty complete picture of the level of success of its interventions. Each project above a certain size needs to be evaluated upon completion. We have “end-of-projects” evaluations from more than 380 projects and we review newly arrived evaluations annually to assess the performance of the GEF. Most of these projects have been implemented by three agencies: UNDP, UNEP and the World Bank. Their evaluation offices have also looked at these projects. We agree on the criteria with which we should do so. We are in fact in agreement on the level of achievements of these projects. I’m putting some emphasis on this, because our joint conclusion is that the performance of these projects has been good. More than 80 percent of GEF

¹³ See for example Heckman, James J., and Sergio Urzua, 2009. “Comparing IV with structural models: what simple IV can and cannot identify,” NBER Working Paper No. 14706

projects are rated moderately satisfactory of above, up to highly satisfactory, in achievement of outcomes. An internationally agreed upon standard in the International Financial Institutions is that 75 percent should perform moderately satisfactory or higher. So the GEF has a solid performance and good achievements, and this is confirmed not just by the GEF Evaluation Office, but also by the evaluation offices of UNDP, UNEP and the World Bank.¹⁴

When we started to look into impact, we also found evidence of short-term impact of GEF activities, and sometimes of longer term impact.¹⁵ Twenty years ago the expectation was that the White Rhinoceros in Africa would be extinct within two decades. Now there is a thriving community of White Rhinoceros in Kenya, thanks to an initial grant of the GEF. Local communities in Samoa in the Pacific now fish in a sustainable way, rather than through destroying coral reefs. China is making the shift from incandescent to fluorescent light bulbs through a GEF funded introduction project. The Philippines has become one of the world leaders in geothermal power stations with technical support from the GEF. I can of course also report on failures – we have them plenty as well. But the main message is that there is much good news coming from GEF projects.

But is it? Let me turn to another stream of evaluations that we do: country portfolio evaluations, where we look at how GEF interventions are supporting the country to tackle global environmental issues.¹⁶ One such global issue is deforestation. The GEF support has been used by countries to reduce, stop, or even reverse deforestation. When we did our Country Portfolio Evaluation in the Philippines in 2007, we concluded that areas in which GEF support was provided had successfully stopped deforestation. We also concluded that the rate of deforestation in the Philippines overall had not changed and was still going strong in the wrong direction. There we have our micro-macro paradox again. GEF support saves a species here or there, promotes integrated natural resource management at the community level here or there, initiates market change to reduce greenhouse gas emissions here or there while in general the world seems to continue to slide towards the abyss.

In the Fourth Overall Performance Study of the GEF we tried to identify why this was the case. We concluded that the amount of public funding available for governments and public institutions to play their proper role to meet global public costs simply was dramatically insufficient.¹⁷ The gap between interventions and what is actually needed is widening. This is the crisis that is behind the fuel, food and finance turbulence that we are currently facing: it is a crisis of rising public costs that cannot be incorporated into markets and a simultaneous reduction of availability of public funding. It is accompanied by a crisis in confidence in public governance. Tax payers are unwilling to give more money, because they do not trust governments to do the right thing with them, whereas in many cases governments now increasingly need money to do the right thing, and without money the slide continues downward.

This conclusion is not just a conclusion of the GEF Evaluation Office. Since we operate through both the UN and the multilateral banks, we are members of both groups of evaluation offices, the UN Evaluation Group and the Evaluation Cooperation Group of the Banks. The latter group took the

¹⁴ GEF Evaluation Office – the Fourth Overall Performance Study of the GEF, Executive Version – Washington, DC, 2010, Conclusion 7, p. 30

¹⁵ See <https://www.thegef.org/gef/node/1560> for an overview of impact reports and documents

¹⁶ See <http://www.thegef.org/gef/node/787> for an overview of country portfolio evaluation reports

¹⁷ OPS4, Executive Version, pp. 15-16

initiative to provide a briefing on biodiversity related findings to the international biodiversity conference that took place in Nagoya in October 2010. This briefing note states the case for global public goods and for the lack of priority, attention and funding. Let me quote two paragraphs:¹⁸

*“Much of the downward spiral of biodiversity loss is due to **market failure**: the failure of markets to price the potential loss of a species, or to price the dangers and opportunities of climate change, but also market forces that increase the possibility of extinction, such as over-fishing in the world's oceans, which in economic terms has been identified as a new example of the **tragedy of the commons**. These market failures lead to over-exploitation of the environment, because the **negative externalities** are not incorporated in pricing mechanisms, and they lead to inaction to improve this situation, because **positive externalities** that would emerge from improvements are to the benefit of everyone and cannot easily be captured by market forces. Where markets have been regulated or prohibited, **illegal trade** has become a danger, as has recently been highlighted when discussing the future of tigers in Asia.”*

“There is evaluative evidence that efforts and interventions to sustain biodiversity are working and do have positive impacts on ecosystems, genetic resources and species. Yet the downward spiral continues, because the interventions do not reach the scale which would change the overall trend. The main lesson from many evaluations is that neither the International Financial Institutions nor the UN agencies have woken up to the urgency of the situation, and they have not integrated biodiversity and environmental issues into their strategies and implementation. This situation must be turned around quickly through scaling up of positive examples of biodiversity conservation and mainstreaming conservation and sustainable use of ecosystems, genetic resources and species.”

The generic idea behind statements like these is that international organizations and national governments do some good with a part of their portfolio on a certain issue, but that the main body of the portfolio continues "business as usual" and if usual practices are detrimental to the issue you want to change, the success of the portfolio will not bring about the sustainable change aimed for. This is of course familiar in the discourse on development effectiveness: what one policy gives with one hand, another policy may take away with another hand. For example, agricultural development in the South has been supported by Northern donors, while at the same time these countries refused access for agricultural products to their markets, or distorted market prices through subsidies to Northern farmers. The question I am raising is whether evaluations pay attention to these issues. I raise the issue of the widening gap between global public costs and global public funding to argue that the evaluation community should report on such gaps. There are two ways in which we can do this. One is to fine-tune the way we interpret the relevance criterion in evaluations. The second is the way we interpret and report on impact.

Fine-tuning “relevance”

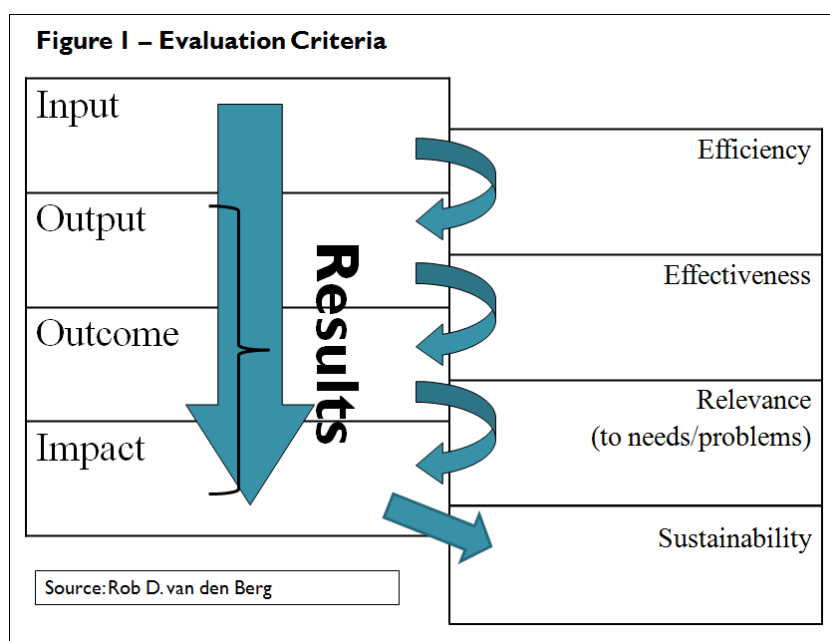
Relevance is defined in the OECD/DAC glossary of evaluation terms as: "The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country

¹⁸ Evaluation Cooperation Group of the IFIs – "Ensuring Biodiversity in a Sustainable Future: Lessons from Evaluations", Oct 13 2010, presented to the Biodiversity Conference of the Parties meeting in Nagoya, Japan, as briefing note UNEP/CBD/COP/10/INF/39. See www.ecgnet.org/documents/biodiversity

needs, global priorities and partners' and donors' policies."¹⁹ This is clearly a retrospective ex-ante assessment. I have argued in the past that this is especially important in cases where as evaluator you want to check whether the decisions to fund or approve interventions were in line with the intentions of the donors or funders. This is especially important where a Fund delegates the authority to approve projects – for example to a special committee or the CEO of the organization. It may later want to review whether funding decisions were taken according to the instructions. This follows from a strict interpretation of the definition.

Actual practice in development evaluation tends to look at relevance issues throughout the lifetime of the project – checking whether objectives continue to be in line with national policies and priorities, for example. What we also sometimes see is that relevance is looked at as a question whether the project is "still relevant" given changed circumstances. This ex post assessment of relevance is mentioned in a footnote of the glossary definition.

There is a third practice that I prefer, which is not covered well in the glossary, which is to relate relevance to the question whether or not the intervention made a difference, whether it actually contributed towards solving the problem it was meant to address. Efficiency and effectiveness are criteria that express relationships: the relationship between inputs and outputs in the case of



efficiency; the relationship between outputs and outcomes in the case of effectiveness. Many evaluators use relevance as the third relationship: namely between outcomes and impact. The accompanying question is: what difference did it make?

I know several evaluation offices that use relevance in this way and report on whether the intervention actually made a difference to the problem it was meant to

solve. I would urge evaluators to adopt this practice. And when evaluators would adopt this, they need to report on it – even if it would present a very bleak picture. Evaluation reports should not spend a hundred pages on this, but they should have a few well researched paragraphs, based on authoritative data available from other sources, on the relevance of the intervention or program to the ultimate impact that it was meant to contribute to.

Using the relevance judgment in this way ensures that we enable ourselves, as evaluators, to judge whether the intervention has contributed towards changing trends in society, the economy and the environment. The question therefore becomes strongly related to the longer term impact of

¹⁹ OECD/DAC – Glossary of Key Terms in Evaluation and Results Based Management – Paris, 2002 [Evaluation and Aid Effectiveness ; 6]

interventions and policies. Which leads me to a short discussion of the term impact and how it is used nowadays.

Fine-tuning “impact”

The glossary defines impacts as: "positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended."²⁰ You will notice that this is not defined as a relationship, but as a kind of final state, or a snap shot of effects a long time from when the intervention terminated.

However, impact is now often used to denote something else: the causal relationship between actions in the intervention and changes in behavior. This is evaluated in so-called “impact evaluations”, which seek to assess the changes brought about by an intervention (the impact) by comparing the observed result with a “counterfactual” (the result likely to have been observed without the intervention). If the counterfactual is carefully specified and empirically grounded, then the difference between results observed and the counterfactual can reasonably be attributed to the intervention itself, and not to extraneous factors. Ideally this counterfactual should be built into the design of the project and observed during its implementation. We could refer to this kind of evaluation and what it studies as “direct impact”.

The evaluation community has a history of undertaking ex post “impact evaluations” which have a different nature. Rather than focusing on one or two of the causal mechanisms embedded in the intervention, these evaluations have focused on broad processes of change in which the intervention was one of many factors. These evaluations tend to focus on contribution analysis rather than counterfactual analysis, and are ideally undertaken several years after the intervention has stopped, to assess whether the processes of change that the intervention started have replicated, scaled up or catalyzed trends in society, the economy or the situation of the poor. Provided that the contribution of the intervention can be demonstrated, these evaluations tend to provide crucial information on the relevance of the interventions; i.e. did they really lead to longer term processes of change or trends that are solving the problems. The focus of these evaluations could be referred to as “final or ultimate impact”.

My proposal is to start making a clear distinction between “direct” and “final” impact issues, as both practices bring us benefits, and the relevance of interventions for solving problems in society, the economy and the environment needs to be found at the final or ultimate impact level. We need to be able to refer to “impact” at the highest level in our results chain, also because this conforms to ordinary usage of the term, for example in public debates about whether “aid had any impact on Africa”.

Following the example of Cato the Elder

The role of evaluation should be to ensure accountability not only on what is achieved, but also on what these achievements mean in the longer run. Much of that is outside the scope of the organization that we work for or of the program or intervention we are evaluating, so we should be careful not to blame that organization or program for what is happening. The Global Environment Facility has a solid level of achievements in its interventions. In the Fourth Overall Performance Study we report that nevertheless global environmental trends continue to go in the wrong

²⁰ Ibidem

direction. This is not due to the achievements or lack of achievements of the GEF – it is due to lack of attention to environmental issues in many other sectors, to lack of coherence of policies – what is gained through environmental policies is not sufficient to compensate for the losses in other policies, like energy. But even more importantly, the GEF, a public institution, using public money, cannot address the level of market failure and global public costs associated with the way our economies function – these issues cannot be solved by governments and international institutions only. Many influential thinkers, scientists and concerned citizens speak out on these issues, but evaluators need to add their voice, based on evaluative evidence. By providing this evidence, we enable our institutions to raise these issues in the appropriate fora.

We know that the world will not change just because our evaluations point to the rise of global public costs. We may find ourselves in the position of the Roman Senator Cato the Elder, who became famous for ending each public statement with the phrase: "Furthermore I think Carthage must be destroyed". His sentiment is not something we share – it is no longer part of the civilized behavior between states to adopt an objective like that. But the intention – to just continue to raise an issue because it has not yet been solved – is something that evaluators and development practitioners should have the courage to follow.