The Political Economy of Evaluation: International Aid Agencies and the Effectiveness of Aid by Jerker Carlsson, Gunnar Köhlin, and Anders Ekbom, Basingstoke, Macmillan Press, 1994, xii + 244 pp.

Although the importance of evaluation of foreign aid has been repeatedly stressed from the viewpoint of ensuring effective aid, only a limited number of publications have treated this issue thoroughly, perhaps reflecting difficulties in finding appropriate analytical tools and gathering sufficient information.

As the subtitle, *International Aid Agencies and the Effectiveness of Aid,* suggests, this book attempts to shed new light on this complicated and difficult issue. The book has two unique features. First, the authors analyze the essential aspects of the evaluation of aid projects and programs using a theory of organization. This approach is quite different from the traditional one, and is therefore an innovative one. Second, they use a variety of cases to scrutinize their basic hypothesis on the essence of evaluation. Testing hypotheses with actual cases is an effective way to improve the methodology of evaluation.

The book comprises three parts: an introductory part, a section of four case studies, and the conclusion. At the beginning, the authors raise a fundamental question: "Has the aid system of the Western world managed to reach the objective to promote the economic development of the Third World?" As were their predecesssors, including Robert Cassen, they are faced with the fact that "the knowledge we have on the economic impact of aid is at best ambiguous or, more commonly, non-existent" (p. 1). This situation leads them to focus on the process whereby aid agencies seek knowledge about the economic impact of aid and to consider how such knowledge is utilized in decision making. In other words, they try to answer the above-mentioned question and explain the reason why we are not too sure about the impact of aid on the economies of developing countries. They attempt to achieve this goal via analysis of the real motivation of the people who are in charge of evaluation. This is the meaning of "the political economy of evaluation."

The basic idea of their analysis is that international aid agencies tend to regard the activities of evaluation as a management tool rather than focusing their attention on broader development issues. This tendency is termed "a discrepancy between what the evaluation function is supposed to do and what it actually does" (p. 4). This viewpoint is crucial because of the fact that such a contradiction seems to be found in various aid agencies, although it should be admitted that the endeavor to grasp the impact on economic development is also made by these agencies. The purpose of the authors is to investigate this contradiction. In order to do this, the authors formulate four hypotheses regarding the use of economic analysis in aid organizations and test them using real cases (pp. 5–6). The four basic hypotheses are:

(a) The use of economic analysis in the assessment of aid is subordinate to the organization of the agency, its objectives, decision process, and incentive structure.

(b) Project objectives are not always clearly formulated and with a link to measurable performance indicators.

(c) Economic analysis is not able to capture the reality of developing countries.

(d) The underlying theory and concepts of economic analysis are difficult to understand and apply.

In my opinion, there is no doubt that the first hypothesis is closely related to the above-mentioned "discrepancy." However, other hypotheses are, although relevant to that tendency, widely found regardless of the intention of the members of aid agencies. To put it differently, these problems seems rather technical than organizational.

Before moving to the testing of the hypothesis, three crucial concepts are examined carefully by the authors. These are evaluation, economic analysis, and organization. This approach seems wise considering that the lack of clear definition of key concepts has often provoked confusion.

The definition of evaluation given by the Development Assistance Committee (DAC) of the OECD is as follows: "An examination as systematic and objective as possible of an on-going or completed project or programme, its design, implementation and results, with the aim of determining its efficiency, effectiveness, impact, sustainability and the relevance of the objectives. The purpose of an evaluation is to guide decisionmakers" (p. 9). According to the authors, this definition has fundamental shortcomings, as it "does not provide a dynamic perspective on the evaluation process." Instead the authors define an evaluation as an activity that "answers the information needs of various actors in the organization" (pp. 10–11).

Regarding economic analysis, four categories of analysis (political economic analysis, macroeconomic analysis, cost-benefit analysis, and cost-effectiveness analysis) are scrutinized concisely. The crystal clear way of portraying the features of and the relationship among these categories is a strong point of this book.

Another attempt at conceptualization is made regarding organization. The authors reject the so-called rational paradigm of organization, which regards it as a "rationally constructed tool for realizing specific goals for a certain group." Instead they stress the dynamics of an organization in which people "cooperate, compete or end up in conflict with each other" and "the driving forces behind the dynamics of individual behaviour and action in organizational life" (pp. 31–32). This leads to the idea that certain groups of people in an organization tend to look for certain kinds of information for meeting their objectives. Accordingly, "in the real world many organizations have the characteristics of being coupled systems, where semi-autonomous parts strive to maintain a degree of independence while working under the name and framework provided by the organization" (p. 35). This view shows us an aspect of organization that is rarely pointed to with regard to the evaluation of foreign aid, in spite of its importance.

According to the authors, an aid agency is "regarded as a pluralist organization which places emphasis on the diversity of individual and group interests." While there may be common organizational goals, "there is often considerable disagreement about specific objectives since it is at the level of individuals and their departments/divisions that specific interests predominate. It is also at this level that activities and projects are prepared and thereby also, *de facto*, are decided upon" (pp. 36–37). This central notion contributes greatly to the book's new perspective on the evaluation of aid.

Four cases are presented in the attempt to illustrate the evaluation work of various aid agencies and to test the validity of the above-mentioned hypotheses. It should be stressed that the cases are very diverse, and it is therefore possible for the authors to verify the hypotheses from various viewpoints, and as a result, to come to persuasive conclusions. According to the authors' observations, these cases illustrate the fact that "there is a need to pay attention to the achievement of organizational objectives as well as to the achievement of programme goals." A typical example is "the pressure to lend in the World Bank" and many bilateral aid agencies. At the World Bank, an appraisal system "is subordinated to the individual interests of programme officers (getting projects to the Board) as well as the organization's own objectives (meeting the disbursement targets)." Under such circumstances, people tend to launch into evaluations that satisfy their own needs (pp. 176–80). Such findings, which reflect the essential aspects of reality, support the first hypothesis.

On the other hand, the indicators and measures of fulfillment of the objective are not identified properly, as is apparent in such cases as "The Gold Mines of Nicaragua" and

"Soil Conservation in Kenya." In short, "performance indicators related to objectives are seldom discussed" (p. 188). These findings support the second hypothesis.

The authors cast doubt on the applicability of the neoclassical economic theory, the basis of various methods of economic analysis. They state that "the neo-classical tradition implies the existence of an economic environment in which a high degree of certainty exists and in which careful rational calculation is feasible." However, "the environment of most LDCs is far from this ideal state" (p. 192). This explains the rationale behind the appropriateness of the third hypothesis.

Regarding the fourth hypothesis, the authors are very straightforward. According to them, "there was no expertise readily available in the agency." Under such conditions, the best option would be to hire outside consultants. However, "it required experience to prepare their terms of reference" and "the consultancy reports were not always written from the perspective of an inexperienced reader" (p. 197).

I would like to focus my attention on the second case of "Non-Project Aid: The Case of Commodity Import Support." It should be stressed that the authors shed new light on some aspects of non-project aid, which have been neglected in standard evaluation work. One notable case is their argument about the impact of countervalue funds. According to the authors, in many sub-Sahara African countries, such as Tanzania, governments finance huge budget deficits to a large extent by countervalue payments. Accordingly, the macroeconomic performance of these countries tends to depend heavily on the ways of utilizing these funds, although the evaluation work of the policy-based lending by the IMF and the World Bank does not pay due attention to this aspect. In my opinion, their proposals of (a) "donor coordination" on this issue and (b) keeping the timing of the use of countervalue funds as close as possible to the provision of real resources from abroad are quite worthwhile. I was especially impressed by their preference for a "tied" approach to specify the usages of countervalue funds. This is exactly what the Japanese government has repeatedly proposed.

The authors argue about the impact of non-project aid on growth and development of the recipient country. In my opinion, either the traditional type of non-project aid, such as commodity aid, or the policy-based lending envisage only an indirect relationship to growth and development. For example, the World Bank's "structural adjustment lending" assumes that economic reform, which is to be introduced under the loan, would increase investment and production as a result. However, recent experiences show that the "supply response" is very weak in many recipient countries. This means that this basic assumption is not realistic. Given such circumstances, it would have been productive for the authors to point out the basic shortcomings of policy-based lending for the reconsideration of the basic assumption, which is closely related to the neoclassical development paradigm.

This informative book gives an insight into the essence of aid evaluation in various ways. Perhaps the most important contribution is an emphasis on more realistic concepts of organization and evaluation work, focusing attention on the incentive system of the people who are in charge of evaluation in aid agencies. It would have been more persuasive, however, if they had treated two organizational theories (the "rational paradigm" and the "dynamics of an organization") as complementary instead of in opposition to each other. My long experience in a Japanese aid agency has led me to conclude that in some situations the rational paradigm is also useful in explaining organizational behavior, although studying the dynamics of an organization gives a much more vivid picture. To put it differently, if we mix these two viewpoints, the analysis would seem to be more effective.

The authors are certainly successful in answering the question, "'What are the reasons behind the present situation where aid organizations . . . only apply proper economic analysis to a small fraction of' (p. 197) the huge volume of aid?" Their analysis using such factors as organizational politics, problems with goal formulation, and the use of difficult and inappropriate theories are very persuasive. On the other hand, they do not provide a very persuasive answer to the question of "why is it so difficult to acquire knowledge about the economic impact of aid?" It is not possible, I feel, to fully explain unclear relations between aid and macroeconomic changes through the organizational behavior of aid agencies. It should be admitted that aid is a very minor factor as far as the macroeconomic impact is concerned, particularly in comparison with such factors as the economic policies adopted by recipient governments, the international environment, political and social stability, and institutional capacity. In this context, I fully agree with their concluding remark that "the difficulties of receiving sometimes overshadow the problem of giving" (p. 204).

(Yasutami Shimomura)