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Economic Development and Project Evaluation

From Application to Econometric Theory and Back

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1. Introduction

The importance of evaluating interventions in the context of development cooperation (DC) has never been disputed and has always been controversial at the same time. Practitioners often argue that evaluations are costly and that project partners are not willing to bearing potential hold-ups or interference with project implementation caused by evaluation. Undertaking project evaluation has therefore always been caught in the trade-off between using resources for good projects on the one hand and using at least a part of these resources for evaluating success and thereby for learning from this project for future projects.

It is the objective of this seminar to understand (i) how project evaluation (evaluation of interventions in the context of development cooperation to be precise) works in practice, (ii)

what academic research would suggest how project evaluation could look like and (iii) which of the features of ideal project evaluations can be applied in practice.

All students interested in this seminar should send an email to Eva.Terberger@kfw.de (students from Mannheim) or klaus.waelde@uni-mainz.de (students from Mainz).

The seminar will be held as a block-seminar at the KfW headquarters in Frankfurt.

2. A brief overview

Following the objectives as outlined above, we now look briefly into these three topics. These three topics also provide the structure of the presentations of the seminar.

2.1. Rapid appraisal evaluation in practice

The first paper will present the standard scheme by which the OECD-Development Assistance Committee recommends to evaluate DC projects and its application in the evaluation of selected Financial Cooperation projects. See OECD (2012). The goal is to understand the virtues and limitations of these evaluation criteria and the standard project evaluation practice. An emphasis is put on the question on how far these type of "rapid appraisal" evaluations are based on measurement on the one hand and on expert value judgment on the other.

Rounding off the picture of evaluation in practice, the second paper introduces metaevaluations as an instrument for deriving lessons from a bundle of single project evaluations. As in the first paper, a practical example shall serve to illustrate the strengths and weaknesses of meta-evaluations.

2.2. The econometrics of project evaluation: Impact evaluation of DC projects with rigorous methods

Whenever possible, the presentation of each single method described in the following is interlinked with some example for an in-depth evaluation which has applied this method. Thereby, besides introducing the method each presentation is supposed to offer some insights on how econometric theory has already influenced practical evaluation work during the last years. It has to be stressed, however, that these examples for in-depth evaluations usually go along with exceptional projects, some of them designed from the very beginning such that an in-depth evaluation was possible. When presenting the example for the method application the talk should aim at evaluating the evaluation not only by presenting the method used but also by working out which aspects could have been improved. It should also be discussed why these additional features have not been taken into account.

The structure we propose here for introducing the econometric methods is simple to understand and follows the availability of data. In the first case, there are two groups, the treatment group and the control group, and for both of these groups there is information available before and after the treatment. In the second case, there is a control group and a treatment group but there is information only for the time after the treatment. In the third case, the practically speaking most relevant case, there is only the treatment group with observations only for the time after the treatment. The following sections will present some references that are of relevance to the general approach. Background reading, useful for all areas, includes Angrist and Pischke (2009) and Cameron and Trivedi (2005).

2.2.1. The diff-in-diff approach

The approach rests on the idea that by comparing the treated and control group after treatment, where comparison is adjusted for pre-treatment difference between these groups, one can infer about the effect of the treatment. The idea has become very popular and resulted in a series of prominent applications, with Card and Krueger (1994) and Eissa and Liebman (1996) to name just the few. Analysis of this type has its own merits, particularly, robustness to selection into treatment. On the other hand, its disadvantage is in the assumption that at the time of treatment, nothing changes between comparison groups except of the treatment itself. Shortcomings of the diff-in-diff approach are stressed by Bertrand, Duflo and Mullainathan (2004).

2.2.2. Evaluation of non-controlled experiments

In such experiments no pre treatment information is available and hence no direct way to separate the environment change from the change induced by the treatment exists. Still the control group is available ex post for reference. This gives rise to the idea of finding in the control groups the individuals that would be "identical" to those in the treated group on the basis of observed and possibly unobserved characteristics. Plain difference between the outcomes of such individuals would reveal the effect of the treatment. The approach has assumed many followers (see e.g. Heckman, LaLonde and Smith, 1999). It has an obvious merit of requiring twice as little information as the above one. Its weakness, though, is in the lack of robustness to selectivity. An overview of technical sides and implementation is provided by Imbens and Wooldridge (2009), Florens, Heckman, Meghir, and Vytlacil (2008) or Abbring and Heckman (2008).

2.2.3. Evaluation without control group - Structural estimation

An overview is provided by Eckstein van den Berg (2007) with some focus on labour economics. Todd and Wolpin (2006) analyse a school subsidy programme in Mexico, PROGRESA, and present a nice comparison between results that can be obtain with and without structural approaches. Attanasio, Meghir and Santiago (2012) also focus on PROGRESA.

We also take a look at the general debate between the structural approach and reduced- form estimation. See Angrist and Pischke (2010), Leamer (2010), Keane (2010) and the other articles in the Spring 2010 issue of the Journal of Economic Perspectives.

2.3. What applied work can learn from theory: Evaluation ideals and their limitations

Based on inputs by guests who have wide evaluation experience, the last section of the seminar is reserved for discussions on the progress which econometrics has brought for the evaluation of development cooperation but also on the limitations of the practical application of these methods. The goal of these discussions will be to form a realistic picture of what evaluation might look like in the future.

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