Evaluating Efficiency and Effectiveness: Why and How?

Understanding results, resources and value with Megan Kennedy-Chouane

The European Commission EvalVoices initiative is a platform for dialogue and learning within the global evaluation community. It brings together practitioners, researchers, policymakers and evaluation managers to reflect on how evaluation practice is evolving and how different approaches help us better understand change. Anchored in the European Commission's "evaluate first" culture and aligned with the EU Evaluation Policy and Better Regulation Guidelines, EvalVoices encourages exchange, reflection and shared learning across the field of evaluation.

Launched by the European Commission, DG INTPA, DG ENEST, DG MENA and FPI, the EvalVoices initiative builds on earlier efforts such as EvalCrisis and evaluation in hard-to-reach areas.

Following the previous EvalVoices sessions, the fourth one turned to two of the most widely used, yet often most challenging, evaluation criteria: efficiency and effectiveness.

The session was led by Megan Kennedy Chouane, Head of Evaluation at the OECD and a leading voice in the OECD DAC Network on Development Evaluation, known as EvalNet. The discussion came at a particularly important moment as the questions of efficiency, effectiveness, and value for money have moved to the forefront of policy and development debates, placing renewed attention on how evaluators assess whether interventions are delivering meaningful results.

Why efficiency and effectiveness matter now

The renewed focus on efficiency and effectiveness is not simply a technical trend. It reflects a broader political and policy moment. Across public policy, development cooperation and humanitarian assistance, governments and institutions are being asked to justify spending decisions more clearly. Development finance is under pressure. Fiscal space is shrinking. Needs are growing. In this context, evaluation is increasingly expected to provide credible evidence on what works, for whom, at what cost, and with what results.

Megan framed this challenge through the OECD's broader purpose of "better policies for better lives". Evaluation, in this sense, is about generating evidence that can support better decisions and improve outcomes for people and the planet.

Effectiveness and efficiency are central to this task. Effectiveness asks whether an intervention is achieving, or is likely to achieve, its objectives and results, including differential results across groups. Efficiency asks how well resources are used, looking at whether an intervention delivers, or is likely to deliver, results in an economic and timely way.

Together, these criteria help evaluators examine both what has been achieved and how resources have contributed to those achievements. They are not isolated boxes to tick. They are lenses that help build a fuller picture of an intervention's performance, value and contribution.

Use criteria as lenses

One of the strongest messages from the session was that these evaluation criteria should be used thoughtfully. They are not a methodology, a checklist, or a rigid template. They are designed to support critical thinking and help evaluators ask better questions.

Megan reminded participants of two key principles for using the criteria: “Think First” and “No Straight Jacket”. These principles are especially important for commissioners and evaluation managers. The criteria should be adapted to the purpose of the evaluation, the context, the intervention and the needs of stakeholders. Not every criterion needs to be treated with the same depth in every evaluation. Some may require more attention than others, depending on what the evaluation is meant to inform.

In practice, evaluators are often asked to cover all criteria, regardless of time, data, budget or relevance. Yet a high-quality evaluation is not one that gives equal space to every criterion. It is one that asks the right questions, uses appropriate evidence, and produces findings that are useful for decision making.

This is particularly important in fragile, conflict affected and humanitarian contexts, where time, access and resources may be limited. In such settings, evaluators may need to prioritise criteria carefully and justify the depth of analysis in relation to the purpose and feasibility of the evaluation.

Efficiency is not simply about cutting costs

A major theme of the webinar was the negative reaction that efficiency can sometimes provoke. For some stakeholders, efficiency sounds like budget cuts, low-cost delivery, or a narrow audit of whether money was spent as planned. Megan was clear that this is a misunderstanding.

Efficiency is not about doing things cheaply. It is about the relationship between resources and results. It asks whether inputs such as funds, expertise, time, human resources and natural resources are being converted into outputs, outcomes and impacts in the most appropriate and cost-effective way, considering feasible alternatives in the context.

This distinction matters. In some contexts, the cheapest option may not be the most efficient. A more expensive approach may be justified if it reaches marginalised groups, strengthens sustainability, protects quality, reduces risk, or delivers stronger long-term results. Efficiency must therefore be understood in relation to effectiveness, equity, sustainability and context.

The session also highlighted the importance of language. If the term efficiency creates fear or defensiveness, evaluators may need to explain the concept more carefully. The aim is not to threaten implementers or reduce everything to cost. The aim is to ask how limited resources can be used in ways that achieve the most meaningful results for the people and priorities that matter.

Effectiveness first, then efficiency

A useful message from the session was that effectiveness and efficiency are closely connected, but they do not ask the same question. Effectiveness looks at the extent to which an intervention has achieved, or is expected to achieve, its objectives and results, including whether these results differ across groups. It also requires evaluators to consider the relative importance of different objectives and results. Efficiency, by contrast, asks how well resources have been used to deliver those results in an economic and timely way.

This sequencing matters. Before assessing whether resources were used well, evaluators first need to understand what was actually achieved, for whom, and with what level of significance. In simple terms, effectiveness helps clarify the value and nature of the results, while efficiency examines the relationship between those results and the resources used to achieve them.

This became particularly important in the discussion around inputs, outputs, outcomes and impacts. Some organisations distinguish between cost efficiency, understood as the relationship between inputs and outputs, and cost effectiveness, understood as the relationship between inputs and outcomes. The OECD DAC definition of efficiency takes a broader view. It looks at how inputs, such as funds, expertise, time and other resources, are converted into outputs, outcomes and impacts in an economic and timely way.

This broader framing was intentional. It encourages evaluators not to stop at outputs. Counting activities delivered or funds spent is not enough. The more important question is whether resources are contributing to meaningful change.

At the same time, the webinar acknowledged that practical constraints remain. Cost data is often easier to link to activities and outputs than to outcomes or impacts. This is why strong theories of change, better data systems and early planning are so important. Efficiency analysis becomes much more credible when interventions are designed from the start with clear results pathways, useful cost information and realistic opportunities for comparison.

What to do when data is weak

Many participant questions focused on a very practical challenge: how to assess efficiency when data is limited, financial information is incomplete, benchmarks are missing, or counterfactuals are not available.

This is a common problem. Evaluators are often asked to conduct ambitious efficiency analysis, but the available budget data may only show planned versus actual spending. It may not be disaggregated by activity, function, result area or target group. In some cases, even basic input data is not collected in a way that can support meaningful analysis.

The lesson for evaluators is to be realistic and transparent. An inception phase is important for testing which questions can actually be answered with the available evidence. Where full economic analysis is not possible, evaluators can still examine operational efficiency, timeliness, coordination, management arrangements, delivery processes and the plausibility of resource use in relation to results. However, they should be clear about the limits of such analysis.

The lesson for commissioners is equally important. Efficiency questions should not be left until the final evaluation. They should be considered from the design stage. If decision makers want strong efficiency analysis later, they need to ensure that relevant financial, operational and results data are collected throughout implementation.

The session also encouraged evaluators to think creatively about comparison. Benchmarks do not always need to come from the most obvious place. What matters is whether a comparison is meaningful for the question being asked. In some cases, useful comparison data may come from another country, sector, modality, delivery model or portfolio, rather than from a seemingly similar neighbouring context.

The examples from practice

Megan illustrated the application of the efficiency criterion through several examples.

One example focused on agricultural input subsidies in Sub Saharan Africa. The evaluation assessed whether increases in agricultural productivity were proportionate to the costs of subsidies. It also considered whether apparent inefficiencies could be justified by equity or long-term sustainability considerations. This showed why efficiency should not be examined in isolation.

Another example looked at World Bank support for rural electrification. The portfolio review used rates of return and consumer surplus estimates to assess benefits and costs, with attention to welfare impacts. It also considered trade-offs between sustainability, economic efficiency and overall impact on target groups.

A third example examined Dutch development aid policy for improved water management. This highlighted the possibility of evaluating efficiency at policy level, not only at project level. It also showed that social, political and institutional complexities may affect how efficiency is understood and assessed.

These examples helped move the discussion beyond abstract definitions. They showed that efficiency can be assessed in different ways and at different levels, from projects and programmes to portfolios and policies. They also reinforced the need to combine criteria. Efficiency gains may look very different when viewed alongside equity, sustainability, effectiveness or impact.

Consistency and contextualisation

Another important discussion concerned the balance between consistency and contextualisation. The OECD DAC criteria are widely used across development cooperation and increasingly beyond it, including in domestic policy settings. This broad uptake creates a shared language for evaluation. At the same time, the criteria are interpreted and applied differently across institutions, sectors and countries.

This tension is not necessarily a weakness. Context matters, and evaluation criteria must be adapted to the intervention and the users of the evaluation. But flexibility should not mean conceptual confusion. Shared definitions, guidance and dialogue remain essential.

EvalNet plays an important role in this space by supporting common understanding, strengthening evaluation systems, improving evaluation quality and communicating lessons to improve results. The session highlighted the value of international dialogue, translation of guidance, practical tools and peer learning to support better use of evaluation criteria across contexts.

For practitioners, the message is to be both flexible and disciplined. Use the criteria thoughtfully, but do not reinvent their meaning every time. Be clear about how each criterion is interpreted in the evaluation. Explain what will and will not be covered. Link criteria to evaluation questions, methods and evidence. Above all, ensure that the analysis remains useful for decision making.

Moving from compliance to learning

Evaluation criteria should not be used simply because a guideline requires them. They should help structure meaningful inquiry.

For evaluation managers, this means investing time in the design and inception phases. It means discussing with stakeholders what they really need to know. It means selecting criteria and questions that are feasible, relevant and useful. It also means ensuring that findings on efficiency and effectiveness are connected to real programming, policy and resource allocation decisions.

For evaluators, it means resisting the temptation to analyse what is easy to count rather than what is important to understand. Cost data matters, but not every available number is meaningful. Results matter, but not every result has the same value for every stakeholder. Judgement, transparency and context are central to credible evaluation.

Key takeaways for practitioners

1. *Start with purpose*. Use efficiency and effectiveness to answer real decision-making questions, not simply to satisfy a template.
2. *Think first.* The OECD DAC criteria are lenses for critical thinking, not a straight jacket.
3. *Do effectiveness before efficiency.* Understand what results were achieved and their relative importance before judging whether resources were used well.
4. *Do not equate efficiency with low cost.* Efficiency is about the relationship between resources and results, including quality, equity, timeliness and context.
5. *Plan for efficiency early.* Strong efficiency analysis depends on good design, useful cost data, clear results pathways and meaningful comparison points.
6. *Be honest about data limits.* If the evidence is weak, explain what can and cannot be assessed credibly.
7. *Use findings for learning.* The value of evaluation lies not only in judging performance, but in improving future decisions.

Further reading and resources

- OECD DAC Network on Development Evaluation, Evaluation Criteria: Definitions, Principles and Guidance
- OECD DAC, Glossary of Key Terms in Evaluation and Results Based Management, Second Edition, 2023
- OECD DAC, Quality Standards for Development Evaluation
- Applying evaluation criteria thoughtfully

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- EvalVoices Official Homepage
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- Podcast with Megan Kennedy Chouane