

## **Cross-section evaluation**

of independent evaluations in 2007

in the thematic priority area

**Private Sector Development (PSD)**



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Eschborn, 10 August 2008

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## List of acronyms and abbreviations

AURA	New Development-policy Framework for Contracts and Cooperation in technical cooperation
BDS	Business Development Services
BIC	Business and Investment Climate
BiH	Bosnia and Herzegovina
BMZ	German Federal Ministry for Economic Cooperation and Development
CEFE	Competency based Economies through Formation of Enterprises - business training
CEPAL/ ECLAC	United Nations Economic Commission for Latin America and the Caribbean
DAC	Development Assistance Committee of the OECD
DED	German Development Service
DEZA/SDC	Swiss Agency for Development and Cooperation
DIP	Department of Industrial Promotion of the Thai Ministry of Industry
EDEP	Economic development and employment promotion
EUR	Euro
EE	External evaluation
FES	Friedrich Ebert Foundation
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
IAS	Integrated private sector advisory services
IFC	International Finance Cooperation
ILO	International Labour Organization
IT	Information technology
KAS	Konrad Adenauer Foundation
LED	Local Economic Development
LRED	Local and Regional Economic Development
LTE	Long-term expert
MSME	Micro, small and medium-sized enterprises
PACA	Participatory Appraisal of Competitive Advantage – LRED instrument
PIA	Poverty Impact Assessment
PN	Project number
PPP	Public-Private Partnership
PPR	Project Progress Review
REFA	German Association for Work Design, Industrial Organisation and Company Development
REFA methodology	Methods used to achieve REFA's objectives. These focus on work design, industrial organisation and company development.
SADC	Southern African Development Community
SEE	South-East Europe
SEF	Study and Expert Fund
SEQUA	Non-profit service organisation of the German chambers and employers' associations
SHO	Self-help organisation
SIDO	Small Industries Development Organisation
STE	Short-term expert
TC	Technical cooperation
USAID	United States Agency for International Development
VC	Value chain
WiRAM	Economic Reform and Development of the Market System
ZOPP	Objectives-oriented project planning

## Summary

Within GTZ's evaluation system, 30 independent evaluations have been conducted in two thematic priority areas each year since 2005. One of the two priority areas in 2007 was *private sector development* (PSD). Fifteen (17) projects/programmes were evaluated:

- 5 (7) interim evaluations (Georgia, Morocco, Nepal, South-East Europe (Romania, Croatia, Serbia), South Africa),
- 6 final evaluations (Benin, Bosnia and Herzegovina, El Salvador, Guatemala, Mongolia, Southern African Development Community (SADC)),
- 4 ex-post evaluations (Kyrgyzstan, Peru, Tanzania, Thailand).

To promote learning from evaluations at GTZ, the Evaluation Unit commissioned a cross-section evaluation. This gives an overall view of the results of the 17 individual evaluations, identifies recurring strengths and weaknesses or factors of success and failure, and identifies overarching lessons learned and recommendations. One focus is on assessing cross-cutting development-policy issues such as poverty reduction and gender.

It must be borne in mind that the results of the independent evaluations are not completely representative, due to the fact that (a) the sample is relatively small, (b) a certain degree of subjectivity cannot be excluded and (c) the results do not cover the entire breadth of current PSD products. Moreover, the changeover from the objectives-oriented project planning system, with its focus on outputs, to the results-based AURA system (Development-policy Framework for Contracts and Cooperation) made evaluation more difficult. Although this restricts the possibility of drawing general conclusions from the analyses and assessments of the independent evaluations, the cross-section evaluation results nevertheless offer important indications of trends.

### Assessment according to DAC criteria

Having received an average overall rating of 2.7, 14 of the 17 evaluated projects/programmes are classed as successful. One project/programme was rated 'very good, significantly better than expected', seven others 'good, fully in line with expectations' and six 'satisfactory, falling short of expectations'. Two projects/programmes received an overall rating of 'unsatisfactory' and one of 'inadequate'. None of the DAC criteria or projects/programmes was rated in Level 6, 'useless'.

Assessment	Number	Proportion
very good (1)	1	6%
good (2)	7	41%
satisfactory (3)	6	35%
unsatisfactory (4)	2	12%
inadequate (5)	1	6%
useless (6)	--	--
<b>successful (1-3)</b>	<b>14</b>	<b>82%</b>
<b>unsuccessful (4-6)</b>	<b>3</b>	<b>18%</b>

In two cases, the project/programme was downgraded:<sup>1</sup> The unsuccessful projects/programmes lower the generally rather positive assessments. The various DAC criteria of the individual projects/programmes are assessed as follows:

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<sup>1</sup> A project or programme is only 'successful' if the direct results (effectiveness), the indirect results (impact) and the sustainability are rated as at least 'satisfactory'.

DAC criteria	Relevance	Effective-ness	Impact	Efficiency	Sustain-ability	Total
Average	1.8	2.6	2.8	2.7	2.8	2.7

- *Relevance* refers to the extent to which the objectives of the development measure match the needs of the target groups, the policies of the partner country and partner institutions, the global development goals and the German Government's basic development-policy orientation. (*Are we doing the right thing?*)

Ninety-four per cent of the development measures were rated successful, with an average rating of 1.8. Six projects/programmes were classed as very good, and nine received the rating 2 (good).

- *Effectiveness* is the extent to which the direct results (objectives) of the development measure are being achieved (comparison of actual situation with targets). (*Are we achieving the objectives of the development measure?*) The focus is on satisfying the "results indicators" formulated when designing the project or programme (in the project offer).

Ninety-four per cent, i.e. 16 out of 17 projects/programmes, were judged to have successfully achieved their objectives (an average of 2.6). One project/programme was rated very good, six were rated good and nine satisfactory.

- *Impact* is the extent to which the project/programme is contributing to achieving the intended overarching results. (*Are we contributing to the achievement of overarching development results?*) However, since the majority of projects/programmes were designed before AURA was introduced, and thus prior to 'managing for development results', reporting on the projects/programmes was not yet consistently geared to results.

Eighty-eight per cent or 15 of the 17 projects/programmes were classed as successful. The average impact rating was 2.8. Only one project/programme was rated very good, five were rated good, nine satisfactory. One project/programme received a rating of 4 and one a rating of 5.

- *Efficiency* is a measure of the degree to which the resources invested in a development measure are appropriate compared to the results achieved (cost-benefit ratio). (*Are the objectives being achieved cost-effectively?*)

At 88% (15 out of the 17 projects/programmes), economic efficiency is good to satisfactory (average rating 2.7). One project/programme was classed as very good, seven as good, and another seven as satisfactory. Two were classed as unsatisfactory (4).

- *Sustainability* is a measure of the probability that the positive results of the development measure will continue beyond the end of assistance. (*Are the positive results durable?*)

(Very) good to satisfactory sustainability is attested for 88% or 15 of the 17 projects/programmes (average rating 2.8). One project/programme receives a rating of 1, and four receive a rating of 2. A total of 10 projects/programmes are classed satisfactory, and two as inadequate (4).

The overall results show fairly clear differences as regards the different types of evaluations. All ongoing projects/programmes (interim evaluation) are rated 'successful'. Of the six final evaluations, a total of five are seen as successful. One is rated 'unsatisfactory' and therefore as not successful. Of the four ex-post evaluations, two projects/programmes are rated as 'satisfactory', one as 'unsatisfactory' and one as 'inadequate'.

## Essential findings and conclusions

### *Technical assessment*

Overall, the evaluation reports reveal hardly any deficits in terms of the PSD approaches and instruments applied. The PSD toolbox is judged to be highly sophisticated and differentiated, and has been continuously further developed.

In particular, the following conceptual and methodological elements are assessed as relevant to the level of success achieved:

- capacity development is a central feature of the PSD projects/programmes.
- the holistic or multi-level approach of the PSD projects/programmes, especially the increasing focus on the macro level, which provides better leverage
- the value-based approach, i.e. the combination of economic, social and ecological objectives and the contributions to good governance
- ownership by partners and alignment with national strategies
- a process-oriented approach
- the market orientation paired with the establishment of market mechanisms and elements of competition between service providers
- the promotion of lobbying by business chambers and associations
- standardised or specially prepared service packages (e.g. Competency based economies through Formation of Enterprise (CEFE), Participatory Evaluation report of Competitive Advantage (PACA), business and investment climate surveys).

Frequent changes in strategic approaches, however, have a negative influence.

Deficits were identified by the evaluation reports in three main areas:

#### *(i) Poverty reduction and MDGs*

Altogether, PSD projects/programmes tend to be geared mainly to structural poverty reduction. Most of the projects/programmes do not have sufficient target group differentiation and are insufficiently based on poverty analyses. Their design and implementation are not sufficiently geared to poverty reduction.

#### *(ii) Gender equality*

Gender equality is still not adequately incorporated as a systematic component of the design, implementation and monitoring of PSD projects/programmes. In the few cases where this is taken into account, the focus is more on specific measures – not sufficiently integrated into the overall approach – to promote the economic participation of women.

#### *(iii) Results and monitoring*

With a few exceptions, results monitoring in the evaluated PSD projects/programmes is inadequate. Although most projects/programmes have traceable and plausible results chains for direct results, and complex monitoring systems have been developed in some cases, most of them focus on inputs/outputs and less on the use of outputs (intermediate outcomes) and results. The recording of the anticipated development results shows particular deficits. Problem areas are (i) diffuse results constellations and cause-and-effect hypotheses, (ii) a lack of baseline data (differentiated target group analyses) and (iii) a lack of pro-poor and gender-specific monitoring.

## Recommendations

The recommendations of the cross-section evaluation focus on the identified deficits:

- (1) *"Doing the right thing"*: The correct assessment of the relevance of a project/programme for the partner country and of the possible risks is central to its design. This applies particularly to the assessment of the development-policy objectives of the partner country with regard to *alignment* and to a realistic evaluation report of the implementing partner's suitability and *ownership*. The relevance should be examined at

regular intervals and always when project progress reviews are performed, in order to make prompt adjustments and develop exit strategies.

- (2) *"Doing the right thing in the right way"*: This refers especially to the correct and context-relevant use of instruments; the consideration of sociocultural aspects and of political, economic and legal structures; a greater focus on specific themes in the approaches adopted; the selection of business sectors, product lines and value chains based on corresponding studies and with special attention paid to innovative sectors of industry; concentration on just a few sectors and/or regions: adoption of a multi-level approach including macro-level interventions if possible; and a diversified structure of implementation partners.
- (3) *Systematic mainstreaming of poverty reduction and gender equality* is central to project/programme design. It is necessary to conduct differentiated and participatory target group analyses that also cover poverty and gender aspects, to gear development measures to corresponding results and to mainstream poverty and gender orientation into results monitoring. Closer cooperation is also recommended with the sector projects/programmes working in the fields of poverty and gender.
- (4) The establishment and further development of the project's internal *results monitoring systems* are of central significance. Using the GTZ guidelines, the aim is to establish a uniform system that (i) describes the cause-and-effect hypotheses, (ii) ensures uniform data collection, (iii) specifies how data are collected and used within the system, (iv) involves partners in operating/maintaining the system and (v) defines milestones for any required adjustments. The monitoring data should be used to steer the projects/programmes in a timely manner.

With regard to project steering by the responsible departments, it is particularly important to avoid sudden changes in strategy and overall responsibility within the organisation, and to guarantee quality assurance particularly in the areas where deficits were identified: poverty reduction, gender equality and results monitoring.

In terms of steering by BMZ, it is vital to create suitable framework conditions for the projects/programmes (e.g. via policy dialogue, donor coordination and harmonisation) and to ensure planning security. This also includes avoiding if possible any changes with regard to the project's allocation to a particular priority area, to the financial pledges and the time frame.

## 1. Introduction

### 1.1 Background, objectives and object of cross-section evaluation

GTZ extended and optimised its evaluation system in 2005, the major innovation being the introduction of independent evaluations ('external evaluations') on behalf of GTZ. The Evaluation Unit commissions independent research institutes and consulting firms to conduct these evaluations in order to review GTZ's work from an external perspective. These institutes and firms in turn contract the services of one international evaluator and one national evaluator from the partner country in each case. Each year, GTZ commissions a total of 30 independent evaluations (interim, final and ex-post evaluations) in two thematic priority areas. In 2007, the priority areas were **private sector development (PSD)** and **renewable energies**. Uniform evaluation criteria and a uniform assessment grid enable comparison of the evaluations.

After the Evaluation Unit had examined and accepted the evaluation reports submitted by the evaluators, it gave instructions for a cross-section or meta evaluation to be performed in the priority area private sector development in April 2008. The cross-section evaluation serves to promote institutional learning at GTZ and to report to the German Federal Ministry for Economic Cooperation and Development (BMZ). The results contribute to knowledge management at GTZ and can also be used for PR activities.

The **object** of this cross section evaluation is 15 (17) evaluation reports from 2007 on the thematic priority area **private sector development**:

- 5 (7) interim evaluations (Georgia, Morocco, Nepal, South-East Europe (Romania/Croatia/Serbia), South Africa)
- 6 final evaluations (Benin, Bosnia and Herzegovina, El Salvador, Guatemala, Mongolia, Southern African Development Community (SADC))
- 4 ex-post evaluations (Kyrgyzstan, Peru, Tanzania, Thailand)

The evaluations of the programmes in Romania, Croatia and Serbia were planned as serial evaluations and were grouped together in a report on South-East Europe (SEE). The programme in Romania was the object of 'normal' evaluation including a field mission. In the case of the other two programmes (Croatia, Serbia) only a desk study was performed, i.e. the evaluations are almost exclusively based on the evaluation of documents and telephone interviews with people involved in the projects.

The present cross-section evaluation of independent evaluations is intended to process the following aspects:

- an overall view of the results of the 17 individual evaluations
- identification of recurring strengths and weaknesses and factors determining success and failure
- identification of overarching lessons learned and recommendations.

The Terms of Reference (ToR) in Annex 1 provide a detailed description of the tasks involved.

Table 1: List of the 17 evaluated projects/programmes according to type of evaluation

Type of evaluation	OVER-ALL RATING	Country	Project/programme title
<b>FINAL EVALUATION</b>	3	Benin	Small enterprise promotion
	2	Bosnia and Herzegovina (BiH)	Economic Development and Employment Promotion
	3	El Salvador	Economy Development and Job Creation (five components)
	2	Guatemala	Micro, Small and Medium Enterprises Promotion (PROMOCAP) (three components)
	4	Mongolia	Small and Medium-Sized Enterprise Promotion
	3	SADC	Advisory Services for Private Business
<b>INTERIM EVALUATION</b>	2	Georgia	Private Sector Development
	2	Morocco	Improvement of the international competitiveness of the Moroccan economy
	2	Nepal	Nepalese-German Integrated Economic Promotion
	1	Romania	Promotion of the Private Sector and Employment
	3	Croatia	Economic Development and Employment Promotion
	2	Serbia	Promotion of the Private Sector and Employment
	2	South Africa	Strengthening Local Governance; Local Economic Development component
	5	Kyrgyzstan	Export and investment promotion
<b>EX-POST EVALUATION</b>	3	Peru	Promotion of Small and Medium-Sized Enterprises in Selected Regions
	4	Tanzania	Strengthening Self-help Organisations in the Informal Economy
	3	Thailand	Small-scale Industry Promotion Project (SSIPP)

Wherever this report refers to sections of the evaluation reports, it states the country, or in the case of SADC and SEE, the region. The paragraph symbol (§) is used to refer to numbered passages, which all the evaluation reports include, with the exception of the text on Bosnia and Herzegovina.

## 1.2 For the reader's guidance

The present cross-section evaluation is based on the 15 reports that were written on the above-named 17 projects and programmes in 2007 by independent international evaluators, together with local evaluators. This cross-section evaluation was prepared according to the structure prescribed in the ToR and the list of questions it contains (cf. Annex 1). This structure has so far applied to all cross-section evaluations. The text also follows the example of good practice given by the cross-section evaluation presented in 2007 (cf. Bodemer).

The evaluators assessed the projects/programmes (Chapter 3) on the basis of the five criteria specified by OECD/DAC, (i) relevance, (ii) effectiveness, (iii) impact, (iv) efficiency and (v) sustainability, using a preestablished assessment grid.<sup>2</sup> The aim is to ensure objectivity and comparability. However, the sample of 17 projects/programmes is relatively small, so a very good or very poor rating strongly affects the average.

Although the independent evaluators are required to have both evaluation expertise and the required sectoral expertise, a certain degree of subjectivity cannot be excluded when assessing the development measures. Even independent evaluators base their activities on their own personal experience and frame of reference. Training of evaluators and the provision of background documentation are important steps to prevent corresponding deviations and enable better comparison of the evaluation results. Nevertheless, the aspect of subjectivity can never be completely ruled out. Apart from the three programmes in SEE, each project or programme was evaluated by different evaluators. The benchmarks applied and the understanding of what exactly is to be assessed vary considerably. In some of the documents the author of this cross-section evaluation is not always able to follow the reasoning behind both positive and negative assessments. However, due to the limited informative scope of the presented documents (mainly, the 17 evaluation reports and offers), the author cannot examine all assessments in detail either. Nor is it part of her brief to do so. In the following, therefore, only the widest deviations or largest plausibility gaps are pointed out.

Moreover, the results of the independent evaluations are not completely representative, not just because of their small number. A selection of the projects/programmes to be evaluated cannot really cover the entire breadth of the current products in a given sector. More recent themes of PSD, such as the business enabling environment (BEE), environmentally sound management or improvement of labour conditions, were either not represented at all, or only to a very limited extent, in the range of products of the evaluated projects/programmes.<sup>3</sup> The evaluators were therefore unable to cover these areas to any significant extent.

Another factor that made evaluation more difficult was the fact that there had been a change in planning and reporting systems during the term of the projects/programmes. From August 2002, objectives-oriented project planning (ZOPP) was replaced by 'managing for development results' in connection with the new Development-policy Framework for Contracts and Cooperation (AURA) for technical cooperation.<sup>4</sup> Not until 2003 did all new offers have to be prepared according to the new AURA format. The offers and reports on the projects/programmes in Kyrgyzstan, Peru, SADC, Tanzania and Thailand are still based on the old approach, which means that reporting is not yet systematically geared to results. The evaluators did not always succeed in transferring the ZOPP terminology to an appropriate AURA format and corresponding results chains.

However, all other evaluated projects and programmes were based on previous measures that were planned according to the ZOPP method and using the corresponding terminology. The two projects/programmes in Bosnia and Herzegovina and Georgia, whose evaluations were entirely based on documents in compliance with AURA, already had corresponding forerunners. Although the evaluations of the projects and programmes in Benin, Romania, El Salvador, Guatemala, Croatia, Morocco, Mongolia, Nepal, Serbia and South Africa were already based on AURA-compliant documents (offers and reports), earlier phases had been planned according to the ZOPP procedure. Despite the aim that the overall objective and the relevant indicators should apply to the entire term of a project/programme, the previous

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<sup>2</sup> Cf. Guidelines for Evaluating the Success of Projects and Programmes in Annex 2 and the general ToR for independent evaluations (interim, final and ex-post evaluations) dated May 2007 and the ToR of the individual evaluation reports

<sup>3</sup> For an up-to-date overview of the range of PSD products and the priority area Sustainable Economic Development, see the reader by Küsel, Maenner, Meissner on the social and ecological market economy in Asia dated May 2008.

<sup>4</sup> This was one of several reform stages undertaken at BMZ and GTZ to align technical cooperation more strongly with results and their provability.

phases had not always been adequately incorporated into the AURA offers. One example is the project in Nepal. For the purposes of evaluation, however, the last AURA offer also counted as the current offer for the overall term, and was thus used as a basis for assessment.

Altogether, the results of the independent evaluations are not completely representative due to the fact that (a) the sample is relatively small, (b) a certain degree of subjectivity cannot be excluded and (c) the results do not cover the entire breadth of current PSD products. Moreover, the changeover from one planning system to another (ZOPP to AURA) made evaluation more difficult. Although this restricts the possibility of drawing general conclusions from the analyses and assessments of the independent evaluations, the cross-section evaluation results **nevertheless** offer important indications of trends.

## 2. Objectives and activity areas

This section presents a summary of the 17 projects/programmes, their context, the core problem, the methodological approach, target groups and intermediaries. The information is taken from the evaluation reports and/or offers.

### 1. Benin: Small enterprise promotion, final evaluation

Term 01/1998–01/2007, nine years, total German contribution: EUR 5,240,742

Despite the recognisable will to political reorientation, economic policy reforms in Benin are making only slow progress. There is a shortfall of specific promotion policies and approaches, and private business operators still lack the expertise and organisation to enter into dialogue with governmental and municipal authorities or to provide the urgently required services. Private business operators continue to struggle with unfavourable framework conditions and cannot expand the performance capacity of their businesses. Their interests remain neglected and private-sector potential remains untapped (core problem). The project has the following objective: "Private business operators play an active role in creating a more favourable economic framework and directly improve the working conditions and economic situation of their businesses". The initial methodological approach was process-oriented (*Action Recherche*). It mainly supported organisations of private business operators in improving their range of services and developing mechanisms to competently represent private-sector concerns at municipal and national level. Target groups were tradespeople and their employees, and entrepreneurs at small and medium-sized businesses in urban and rural areas, particularly in the sectors of tailoring, hairdressing, the media, carpentry and food processing. For the last three years two additional target groups have been identified: private providers of training, advisory and other services to promote the private sector, and tradespeople active within local business cycles. Intermediaries are (i) employees of the Ministry for Culture, Crafts and Tourism and the Ministry for Industry, Trade and Employment Promotion, including their decentralised services, (ii) mayors, municipal councillors and the employees responsible for business promotion in the municipalities and (iii) representatives of the national arts and crafts association in Benin, its regional representatives and their member associations.

## **2. Bosnia and Herzegovina (BiH): Programme of Economic Development and Employment Promotion, final evaluation**

Planned term 01/2003-12/2007, five years, EUR 5,500,000, total German contribution: EUR 2,908,600, Swiss contribution: EUR 1,500,000

Despite international support, the economy in Bosnia and Herzegovina (BiH) has been slow to develop since the end of the civil war. The main reasons at macro level are the political, administrative and economic division of the country and regulations that usually do more to hamper than promote economic activities. At micro level, another factor is that many enterprises are losing their market position and competitiveness under the growing pressure of competition. After the deep recession due to civil war and transition there has been no sustainable economic growth in Bosnia and Herzegovina so far and unemployment is very high as a result (core problem). The overall objective is: "Private enterprises in selected industries harness growth and development opportunities and contribute to improving employment prospects; sustained support is given to mobilising the entrepreneurial potential in the Banja Luka and Tuzla region". The programme consists of five components: 1) promotion of light industry (particularly garment and footwear manufacturers) in BiH and on foreign markets, 2) raising local value added and developing the wood and furniture market, 3) establishing new supply relations in the motor vehicle parts industry and metal processing, 4) promotion of tourism, 5) intersectoral advice in a priority region (Banja Luka/Tuzla). The development approach has adopted a complex procedure involving lead enterprises, institutions and the government, with assistance given to industries with discernible prospects of recovery (light industry), where key regional industries are emerging (wood/furniture), that are of employment-policy relevance (tourism) or technological importance (motor vehicle parts suppliers). In these industries, cooperation is developed step by step between enterprises and their subcontractors and/or customers, chambers, associations, technical colleges and universities, business service providers, test laboratories, banks and government agencies. The target groups of the programme are start-ups, owners and employees mainly of small and medium-sized private companies in manufacturing industries (garment and footwear manufacturers, furniture and woodworking industry, metal processing) and the service sector. The programme benefits those working in sectors where jobs were previously at risk and new jobs are being created. Intermediaries are managers and experts of self-help business organisations, economic promotion institutions, educational institutions and local experts who are trained by the programme as management consultants, start-up trainers and economic promotion experts. The target groups and intermediaries include women, who derive equitable benefit from the programme.

## **3. El Salvador: Programme for Economy Development and Job Creation (five components), final evaluation**

Planned term 04/2002–03/2008, six years, total German contribution: EUR 14,000,000

The Government of El Salvador is endeavouring to secure a place for itself amid global competition. This transition process, which started more than 10 years ago, has not yet met with the intended success, despite in-depth reforms and extensive support from donors. The country's major problems still include unemployment, underemployment and poverty, combined with high population growth. Small and medium-sized enterprises (SMEs) in particular are not prepared for international competition (core problem). The overall objective of the programme is: "Selected governmental and private institutions use tried-and-tested, effective instruments to promote the economy and employment in a systemic manner at regional and national level". This objective is to be achieved via the following five components: (1) business sectors, clusters, product chains; (2) local/regional economic development; (3) youth employment; (4) consumer protection and (5) policy dialogue. One focus is on implementing the concept of systemic competitiveness at the level of local economic development and employment promotion in the La Paz region, as a model for other regional economic develop-

ment approaches. The programme applies a multi-level approach and provides support for vertical and horizontal integration of the various public and private sector actors within a multiple partner structure. Complementing the regional approach, the programme is geared to growth sectors identified together with the Salvadorian Government (processing of agricultural produce, fishing, crafts and local tourism). The target groups of the programme are entrepreneurs and start-ups in selected value chains with development potential and their organisations, as well as production cooperatives and other self-help organisations, with special emphasis on women and young people and on employees and job seekers, especially poor population groups, youth and young adults of both genders aged up to 25 from selected urban and rural poverty areas. The intermediaries include representatives of the relevant sector ministries (ministries of economics, agriculture, education and labour), actors from the association promoting local and regional economic and employment development in the La Paz region, the Secretariat for Youth, the consumer protection associations, non-governmental organisations and other professional institutions.

#### **4. Georgia: Private Sector Development, interim evaluation**

Planned term 01/2005–12/2012, eight years, total German contribution: EUR 4,300,000 plus an open orientation phase from 06/2003 – 12/2004, one and a half years

Political upheaval in Georgia after 1990 led to dramatic economic decline. Economic relations with the former Soviet Union collapsed after the dissolution of the Council for Mutual Economic Assistance (COMECON); this, the withdrawal of subsidies and the economic transition process all led to a slump in the business sector as a whole. The economic decline has still not been reversed. Small and medium-sized companies remain relatively uncompetitive. The core problem of the programme is that Georgia does not have a suitable institutional environment in the private and public sector that could assume responsibility for planning and implementing support for sustainable development. Hardly any suitable implementation instruments are available to promote the systemic competitiveness of micro, small and medium-sized enterprises (MSMEs) and significantly increase employment. The overall objective of the programme is: "The services offered by private and public institutions that promote micro, small and medium-sized enterprises meet the needs of these enterprises and are in growing demand". From a methodological viewpoint, the programme is geared to systemic competitiveness. Based on this approach, the programme focuses on developing business services and improving cooperation between the state and the private sector, with the aim of improving the distribution of roles between the public and private sectors in order to develop and implement advisory services for MSMEs in Georgia. Target groups are employees and owners of MSMEs, including start-ups and potential employees without secure, permanent or skilled employment, and low-income households and job seekers of both genders. Intermediaries are the managers and experts at public and private institutions with a mandate to manage, regulate and promote private sector business environments, business services and the investment climate, as well as shareholders and managers of MSMEs.

## **5. Guatemala: Micro, Small and Medium Enterprises Promotion Programme (three components), final evaluation**

Term 11/1997-12/2007, 10 years and two months, total German contribution: EUR 5,600,000

The programme started one year after the peace treaties were signed (1996), at the end of a phase of economic growth that held until 1998. From then to 2003, the economy slowed down and did not recover until early 2004. Macroeconomic stability contributed to this positive economic development. Owing to the prevailing socioeconomic inequality, the majority of the population had hardly any share in this economic growth. Poverty is widespread and affects the indigenous and rural population most severely. Moreover, 70% of the working age population is under 25. Individual entrepreneurial potential and the competitiveness of MSMEs are not sufficiently developed to create more employment and income. The overall objective of the programme is: "Budding entrepreneurs and businesses with development potential in selected economic sectors have improved their competitiveness on the job market and on the services and commodities markets". The programme's outputs are geared to the principle of systemic development of private-sector competitiveness. The programme provides coordinated and complementary outputs at several levels. For the micro level, the range of advisory and financial services of providers to MSMEs is tailored to the latter's demands and the training offered to young people is geared towards integrating them into the world of work and business. At meso level, business chambers and private-sector associations, non-governmental organisations (NGOs) and financial institutions are supported so that they can fully and independently assume their function as service providers for MSMEs. Public and private educational institutions and NGOs are provided with teaching and learning methods and modules on entrepreneurial activity. At macro level, government bodies are directly advised on how to improve the framework conditions for MSMEs. Target groups are budding entrepreneurs, especially young people and MSMEs with development potential in the formal and informal sector, and employees of these businesses in the selected economic regions. Given that women and members of indigenous groups are economically and socially disadvantaged, special attention is paid to ensuring that they have access to the services of the programme and its partners. Intermediaries are decision-makers at the sector, regional and municipal policy levels, service institutions (including public institutions, parastatal institutions, business organisations (business chambers, associations), private-sector service companies, providers of microfinance services, NGOs).

## **6. Kyrgyzstan: Export and investment promotion, ex-post evaluation**

Term 01/2000–12/2002, three years, total German contribution: EUR 1,790,000

The central problem was the general lack of experience among Kyrgyz enterprises in developing and implementing export and investment opportunities, combined with an unfavourable administrative and institutional environment. The project objective was: "The international and regional economic relations of private Kyrgyz companies are intensified". This covered four fields of activity: one at the political or macro level, one to promote associations (meso level) and two at the entrepreneurial or micro level. Activities at macro level mainly concerned the investment focus of the overall project, whereas the meso level centred on exports. Textiles, cashmere and medicinal herbs were the chosen sectors. Target groups were private Kyrgyz companies in the processing and service sectors that already exported their products or showed export potential. The intended intermediaries were managers and experts at various state agencies and associations, including the Kyrgyz foreign investment agency, the Ministry of External Trade and Industry, and the Kyrgyz Chamber of Commerce and Industry, as well as the business associations being set up.

## **7. Croatia: Economic Development and Employment Promotion, interim evaluation**

Planned term 01/2005 – 12/2009, five years, total German contribution: EUR 2,650,000

Croatia has been associated with the European Union since mid-2004 and has the status of an accession country. This entails a comprehensive and vigorous reform programme in the

spheres of policy and the economy. While overall economic recovery in recent years was supported by double-digit growth rates in coastal tourism, there are rising economic and social disparities between coastal districts and marginalised inland locations, some of which were severely damaged during the war. Unemployment and migration are especially high in these regions. Cumbersome bureaucratic procedures, high costs, low productivity, inadequate quality and low innovation potential hamper the competitiveness of goods and services in local, regional and international markets. The services offered by economic promotion institutions are neither sufficiently demand-driven nor efficient enough to help improve the competitiveness of SMEs (core problem). The overall objective of the programme is: "The competitiveness of small and medium-sized enterprises (SMEs) in selected sectors and regions is improved". The programme supports the lead executing agency and implementing organisations in setting up market economy-oriented structures for SME promotion, and in introducing innovative promotion concepts and instruments for Croatia. The programme comprises the following four components: 1) wood competence centre, 2) sustainable tourism in structurally weak regions, 3) energy efficiency and 4) cross-sectoral/supraregional SME promotion (e.g. setting up a consultancy market, cluster development, framework conditions for SMEs). Target groups are managers, employees and SME start-ups in selected business sectors, especially in structurally weak, poor regions such as Eastern Slavonia. Women and in some cases young people are given special consideration through promotion of the tourism industry. Particular attention is paid to those in the workforce whose jobs are being secured or for whom new jobs are being generated. Intermediaries (probably about 50% women) are decision-makers and experts from politics and administration at central, regional and local level, in public institutions such as technical colleges, business centres, business chambers and chambers of trade, tourism agencies and non-governmental organisations (NGOs), as well as private service providers (consultants).

#### **8. Morocco: Improvement of the international competitiveness of the Moroccan economy, interim evaluation**

Planned term 11/1999–12/2010, 11 years and two months, anticipated total contribution: EUR 13,000,000

The liberalisation of trade with Europe and the signature of further free trade agreements give the Moroccan economy improved access to the European market and modern technologies, but also mean growing competition. Small and medium-sized enterprises (SMEs) in particular are poorly equipped to face such competition (core problem). Though the Moroccan Government has in past years announced a modernisation policy to achieve the required level of competitiveness, it has not yet presented a coherent programme and until recently only implemented a limited number of measures. The project mainly aims to improve the competitiveness of Moroccan SMEs via advisory and other services provided by professional intermediary organisations. The overall objective is therefore: "The international competitiveness of Moroccan companies has improved". The project focuses its measures on the meso level. The range of services and networking capacity of selected associations is to be enhanced. In the second implementation phase, the project will concentrate mainly on innovation, the environment and gender, areas which have so far been neglected by the modernisation process and to which German technical cooperation can contribute special experience. The target group consists of Moroccan SMEs with economic development potential and their employees. The intermediaries are business associations, larger companies and consultancy firms as well as employees of the lead executing agency (ministry) and the National Agency for Promoting Small and Medium-sized Enterprises (ANPME). Both at entrepreneur and employee level, Moroccan industry continues to be dominated by men. The first women entrepreneurs' association was formed in 2002.

## **9. Mongolia: Small and Medium-Sized Enterprise Promotion, final evaluation**

Term 10/1998–03/2007, eight years and six months, total German contribution: EUR 6,202,000

Political upheaval in Mongolia after 1990 initially led to dramatic economic decline in the country. Economic relations with the former Soviet Union collapsed after the dissolution of the Council for Mutual Economic Assistance (COMECON); this and the withdrawal of subsidies led to a decline in activities in the business sector as a whole. Small and medium-sized enterprises (SMEs) are not very competitive on the local or international markets (core problem). The overall objective of the project Small and Medium-Sized Enterprise Promotion, Mongolia is: "The competence centres in the timber, construction, printing, leather, wool/cashmere and tourism industries improve the services they offer to SMEs". The project's main methodological element consists in assisting the competence centres in developing a needs-oriented range of services in the timber, construction, printing, leather, wool/cashmere and tourism industries for SMEs. It also supports government institutions in improving the framework conditions and developing promotion strategies for SMEs. Target groups are owners and employees of SMEs in the timber, construction, leather, wool and printing industries and the tourism service sector, and male and female job seekers. Intermediaries are experts and managers at state institutions, especially the Trade Supervisory Office and the vocational training methodology centre, and employees at the six sector-specific competence centres.

## **10. Peru: Promotion of Small and Medium-Sized Enterprises (SME) in Selected Regions, ex-post evaluation**

Term 10/1997-09/2003, six years, total German contribution: EUR 3,900,000

Although the initiated economic reforms showed the first signs of success in the early 1990s, they coincided with a time of political crisis triggered by the attack on the democratic institutions as well as the authoritarian rule of President Fujimori, who had been elected for a second term. In 2000 he was forced from office by popular protest. Until then, the SMEs had not been able to benefit from economic and political stability. The project was intended to help tackle the following central problem: most of Peru's SMEs, especially those outside the economic centres, have not yet undergone the necessary adjustment processes to successfully face competition and the change in economic structures. To support internal change processes, they particularly need an improved range of business services. The objective of the project was therefore: "Small and medium-sized companies in priority sectors of the selected regions improve their corporate management and productivity, become increasingly organised within business chambers and fall back on the latter's integral and sustainable services". Methodologically, the project focused on three areas to achieve SME promotion: (a) an improvement in demand-oriented business services, i.e. changes at micro level, (b) institutional strengthening of the business chambers as the executing agencies for such services, i.e. impetus at meso level, and (c) improvement and formalisation of coordination and cooperation instruments between the major actors at regional and national level. The project thus applied the systemic competitiveness approach. Its target group consisted of the owners, management and workforce of SMEs in the priority sectors: agroindustry (leather, milk, asparagus, timber and other agricultural products) and tourism, in the selected regions. The intermediaries are managers and experts at the Ministry of Industry (MITINCI). The implementing organisations are the chambers of trade and industry in the respective regions.

## **11. Romania: Promotion of the Private Sector and Employment Programme, interim evaluation**

Planned term 01/2003–03/2009, six years and three months, total German contribution: EUR 14,000,000

At the start of this programme, Romania was in the final phase of the almost 10-year process of rapprochement with the European Union (EU), which it joined in January 2007. In recent

years, a dynamically growing middle class has emerged in Romania. There is still a lack of adequate economic and technology development structures and company-oriented promotion measures that would enable companies, especially small and medium-sized ones, to make sufficient use of development and growth potential (core problem). The overall objective of the programme is: "Effective promotion structures and instruments improve the development and growth opportunities in selected areas of the private sector". The programme has four components: 1. cross-sectoral and supraregional economic development; 2. regional economic development; 3. business-sector oriented economic development and 4. TC coordination. The programme pursues an integrated approach that is evolved at annual planning discussions, which includes the micro level (companies), the meso level (enabling environment for SMEs), and the macro level (government, municipalities). Target groups are mainly managers and experts at meso and macro level. The institutions involved include self-help business organisations, economic promotion institutions, educational institutions, ministries, downstream authorities of the central government and regional and municipal authorities. Intermediaries are managers and experts at the Ministry of Economy and Finance and other governmental agencies (business chambers, associations, educational institutions) as well as self-employed business consultants, economic promotion experts and experts from the districts and municipalities involved.

## **12. Serbia: Promotion of the Private Sector and Employment Programme, interim evaluation**

Planned term: 09/2003–12/2010, seven years and four months, total German contribution: EUR 2,650,000

After years of being under a trade embargo that delayed transition, the Serbian economy is faced with the challenge of integrating into a globalised market. At present, Serbian companies are finding it difficult to assert themselves against competition from imported goods, let alone harness new markets. They have so far derived little benefit from trade liberalisation (EU, Central European Free Trade Agreement). At the same time, unemployment is rising. The Serbian Government is therefore placing greater emphasis on the economic dynamism and employment effect of small and medium-sized companies (SMEs). The core problem is that small and medium-sized private Serbian companies are not very competitive. The overall objective of the programme is: "The competitiveness of small and medium-sized companies in selected business sectors and regions is improved". Methodologically, the programme is based on integrated promotion measures applied at several levels (companies, institutions, government and municipalities, regions and the central state). It works with a diversified implementing structure (governmental and private institutions, business chambers and associations). This comprises conceptual elements of (i) local and regional economic development, (ii) business sector development including associations and clusters and, to a limited extent, the (iii) creation of a favourable business and investment climate. Additionally, special assistance is given to female entrepreneurs (e.g. with setting up networks) and to female and young employees (such as via the selection of business sectors). Target groups are start-ups, owners, managers and employees of small and medium-sized enterprises with growth and employment potential. The enterprises concerned are both SMEs according to the EU definition, i.e. those with up to 250 employees, and larger owner-run companies. Among the targeted workforce, jobs are being secured, new jobs are being generated and income is increasing. Women are taken into account among the target groups via the selection of business sectors. Intermediaries are the providers of business-oriented services and self-employed management consultants. About half of the intermediaries are women. Young people are involved both in the target groups (software industry) and the intermediaries.

### **13. Nepal: Nepalese-German Integrated Economic Promotion, interim evaluation**

Planned term 11/1998–12/2007, nine years and two months, total German contribution: EUR 5,888,000

The persisting socioeconomic deficits such as low income, low productivity, ethnic tensions and poor governance are considered the main reasons for Nepal's current political crisis. The central problems are a lack of vertical integration of the business sectors, shortfalls in the provision of services and lobbying by business chambers and associations, and the inadequate access to financial services in rural regions. The overall objective of the project is: "The competitiveness of at least five business sectors and at least five regions is improved, chambers of trade and industry are strengthened and positive effects on income and employment are achieved, bearing in mind the prevailing framework conditions". This is to be achieved via the promotion and support of (a) relevant value chains, (b) local business development initiatives and (c) business organisations. Target groups are entrepreneurs in micro, small and medium-sized enterprises (MSMEs) in the formal and informal sectors and their employees, and agricultural businesses that produce and market surpluses. Sectors with a high proportion of female employees are given special consideration. Intermediaries are decision-makers at the level of sectoral and regional policy, service institutions (including parastatal institutions), private service providers, business organisations and civil-society representatives (elected representatives of business chambers and associations).

### **14. Southern African Development Community (SADC): Advisory Services for Private Business, final evaluation**

Term 1/1996-03/2007, 11 years and three months, total German contribution: EUR 6,000,000

Core elements of SADC's development are the expansion of regional trade and the implementation of a joint development strategy with a strong economic dimension. This integration project focuses on private sector companies. They are the ones who have to flesh out the new framework and tap the emerging potentials if integration is to be economically successful and viable. The SADC is characterised by enormous disparities, not just as regards the economic weight of the individual member states, but also due to the distribution of income, the degree of industrialisation and the technological development level. Whereas the individual SMEs in the previous project countries all experience similar problems that extend to almost all their internal functions, the framework conditions in these countries are different. The central problem addressed by the project is that national self-help organisations (SHOs) in the private sector lack the strength to provide services for their members and to represent their interests successfully vis-à-vis their respective governments and the SADC Secretariat. The project objective is: "Selected private-sector organisations make a tangible contribution to the regional promotion of trade and investment, especially for SMEs in the SADC region". A project with this orientation (multiple executing agency structure in several countries, organisational development as the advisory approach, cooperation with other donors) can only produce the desired results by following a very flexible and open approach. The target group of the project are owners and managers of companies, especially small and medium-sized firms, in the private sector in Namibia, Malawi, Zambia and Zimbabwe, and in all SADC countries in the case of the two to three selected industries. Intermediaries are the elected representatives of the member companies and managers and experts in the SHOs of the project countries or the SADC umbrella association of the business chambers (ASCCI) and the supraregional industry associations.

### **15. South Africa: Strengthening Local Governance Programme: Business Development Services (BDS) and Local Economic Development (LED) component, interim evaluation**

Planned term 11/2002-02/2010, eight years and four months, total German contribution: EUR 5,300,000

The Business Development Services (BDS) and Local Economic Development (LED) Project began in South Africa in November 2002, and was originally planned as the core element of the sectoral priority area 'Economic Development'. However, this priority area was abandoned the same year in the context of South African-German government negotiations. Besides the development of a BDS market, emphasis was mainly placed on local economic development (LED). The project was integrated into the sectoral priority area 'Local self-government and development'. In the second phase, the formerly independent project was additionally integrated as one of five components in the Strengthening Local Governance programme. This was based on the following situation. Since the demise of apartheid, fundamental administrative reform in South Africa has allocated essential tasks to municipalities in the fields of social, economic and democratic development. However, the municipalities do not have sufficient capacities to shape good governance, especially in the area of strategic and cooperative development and investment planning, the provision of socioeconomic services, integrated economic development and citizen participation (core problem). The original objective of the project was: "Growth-oriented SMEs increasingly take advantage of commercially offered, business-related services". Owing to the conceptual changes, a second objective was formulated that referred to the joint commitment of public and private partners for local economic development. In the current programme, the relevant component objective 3 is: "Local economic development is planned and implemented in the context of participatory and competition-oriented cooperation between the municipality, the private sector and civil society". Methodologically, the programme is based both on the local and regional economic development approach (LRED) and on the BDS market approach for service provision. The target group of the programme is the population of South African municipalities with special focus on the inhabitants of the priority regions. Intermediaries are experts and managers at partner ministries and governmental authorities at national, provincial and district level, administrative experts and officials in the municipalities and their national association (SALGA), and national NGOs, private and public service providers and further institutions that support municipal development.

### **16. Tanzania: Strengthening Self-help Organisations in the Informal Economy, ex-post evaluation**

Term 09/1991-04/2002, 10 years and eight months, total German contribution: EUR 5,465,000

Tanzania's private industrial sector is dominated by micro and small businesses that account for about one third of GDP. The urban micro/small business sector shows the highest growth rates of approx. 12% per year. In Dar es Salaam alone, the number of micro and small businesses is estimated at between 500,000 and 600,000. The relatively low thresholds for entrance into this sector, especially trade and services, enable even poor population groups to find short-term employment and income. The economic potential of this sector is largely ignored by politicians, or at best seen as providing short-term employment opportunities for poor population groups. At the same time, growth in the small and micro business sector is accompanied by many conflicts with the local authorities for which no regulation mechanisms exist. The industrial development organisation SIDO cannot sufficiently fulfil its mandate owing to a multitude of factors. The range of services for the micro and small business sector is inadequate both in terms of quality and quantity; the articulation and representation of interests in the sector is poor and the trade promotion institution SIDO is insufficiently able to offer demand-driven services effectively and efficiently (central problem). The project objective is: "Micro and small business operators benefit from improved services provided by SIDO and other cooperation partners". The target groups of the project are micro and small entre-

preneurs in all trades. Tradespeople networked within self-help organisations (SHOs) constitute a special target group. SHOs are voluntary associations of micro and small entrepreneurs that provide services based on reciprocity and self-funding. The programme works mainly via SIDO's regional offices and also offers the SHO approach to other organisations and institutions that support grassroots organisations, for instance.

### 17. Thailand: Small-scale Industry Promotion Project (SSIPP), ex-post evaluation

Term 1/1997–12/2003, seven years, total German contribution: EUR 5,000,000

Following the Ministry of Industry's change of policy direction, and based on experience with previous projects, this project was redesigned and a modification offer drawn up. The central problem is that entrepreneurial potential is insufficiently tapped in the regions outside the industrial centres and the greater Bangkok area. The project objective is: "More and increasingly competent entrepreneurs and managers establish companies and manage them successfully". The project's conceptual and methodological approach is based on the new partnership for economic and social development between the state and the private sector, and the efforts to equitably distribute economic activities and employment opportunities, particularly in the regions outside the greater Bangkok area. This was to be done using a mix of proven training instruments (CEFE) and advisory approaches for companies, as well as instruments for policy and organisational development. In the final phase, the LRED approach was also introduced. Target groups were potential and active entrepreneurs, small business operators in the processing sector and providers of industrial services. The lead executing agency was the Ministry of Industry, and the implementing institution was the Department for Industrial Promotion (DIP), which was flanked by selected Industrial Promotion Centers (IPC) as regional authorities at implementation level (intermediaries).

## 3. Assessment according to DAC criteria

The evaluations were assessed according to the five criteria established by the OECD's Development Assistance Committee (DAC), (i) relevance, (ii) effectiveness, (iii) impact, (iv) efficiency and (v) sustainability, using a preestablished assessment grid (cf. Box 1). For the final overall rating, a decision is taken and substantiated for each criterion whether, in the specific context of the individual project or programme, it is 'especially important' (3), 'important' (2) or 'less important' (1). The aim of this procedure is to ensure objectivity and comparability. Annexes 3 and 4 provide an overview of the evaluation.

#### Box 1: Assessment grid

**Level 1:** very good rating, significantly better than expected

**Level 2:** good rating, fully in line with expectations, no significant defects

**Level 3:** satisfactory rating, falling short of expectations but with positive results dominant

**Level 4:** unsatisfactory rating, significantly below expectations, and negative results dominate despite identifiable positive results

**Level 5:** clearly inadequate rating: despite several positive partial results, the negative results clearly dominate

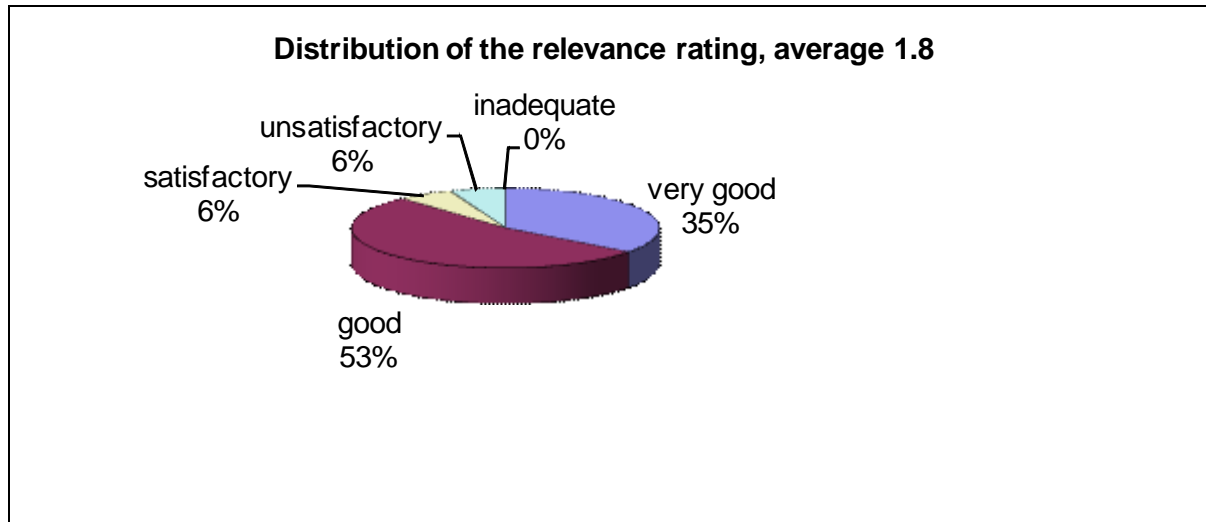
**Level 6:** the project/programme is useless, or the situation has deteriorated on balance

Source: Guidelines on Evaluating the Success of Projects and Programmes, GTZ, as at 12 March 2007, p. 9

### 3.1 Relevance

Relevance refers to the extent to which the objectives of the development measure match the needs of the target groups, the policies of the partner country and partner institutions, the global development goals and the German Government's basic development-policy orientation. The overarching question is: **Are we doing the right thing?**

**Figure 1: Distribution of the relevance rating (N=17)**



Ninety-four percent of the development measures met the development requirements of the partner country, the international donor community and the German Government. The average relevance rating was 1.8, which was given an average weighting of 2. The relevance of six of the projects/programmes (Georgia, Morocco, Mongolia, Romania, Serbia and South Africa) was even rated as 1, i.e. 'very good'. Nine projects/programmes (Benin, Bosnia and Herzegovina, El Salvador, Guatemala, Nepal, Peru, Croatia, SADC and Thailand) received the rating 2 (good).

The relevance of the development measure in *Kyrgyzstan* (rating 4, weighting 2) was rated as 'unsatisfactory'. The evaluation report on Kyrgyzstan is very critical but the assessment is verifiably justified (cf. Kyrgyzstan § 28-38). The main reason given for this negative rating is the selection of unsuitable sub-sectors and branches - (i) the textiles sub-sector, which received no support from the government; (ii) the processing of medicinal herbs, usually pursued as a sideline by companies; (iii) the cotton sub-sector, which was characterised by non-transparent ownership and decision-making structures; and (iv) cashmere production, which was previously unknown in Kyrgyzstan. A further factor mentioned is the lack of corresponding feasibility studies to give efficient support to the business sub-sectors in question.

The example of *Tanzania* (rating 3, weighting 3) should also be mentioned in this context. Its relevance was classed as 'satisfactory' and was weighted 'especially important'. The evaluation report contains the critical comment that the project design was so revolutionary that the partner could no longer follow it. This concerned the self-organisation of the informal sector and the attempt to improve the framework conditions by means of political interventions. The team of evaluators took an extremely critical view of support for the informal sector (cf. § 71 ff.). Since they believe this sector has very limited capacity for modernisation and growth, they doubt that this is the right point of entry for economic growth and poverty reduction. It should be noted that in the context of the project in Tanzania, the term 'informal sector' mainly refers to micro business and crafts. By the same standard, the target groups of several other projects could also be classed as belonging to the 'informal sector', such as the tradespeople promoted by the similarly evaluated project in Benin. The approaches applied to the self-organisation or self-help capability and political empowerment of these previously

largely neglected groups were considered extremely innovative<sup>5</sup> in the mid-1990s. Besides the content-related controversy regarding the informal sector, this also raises the following question: Are development measures allowed to assume a pioneering role and introduce innovative approaches even if the implementing partners do not (yet) recognise their relevance or fear possible structural upheaval in consequence? Or should the question rather be whether and how the partners can be adequately introduced to new themes, also with regard to capacity development, multi-stakeholder dialogue etc., and involved in project/programme design?

In the final evaluation in Guatemala, the relevance was considered 'less important' (1) in relation to the other criteria. Similarly, in the interim evaluation in Romania in the final phase of a project, the relevance was considered less important than at the start of the project. The weighting of 3 (especially important) in the case of Tanzania is justified by the fact that support for the informal sector should be examined particularly in terms of the relevance and sustainability criteria (cf. Tanzania § 110).

**Altogether**, based on the existing evaluation reports, it may be concluded that the relevance of a project/programme essentially depends on:

- (i) the degree of **compliance between the project/programme design and the development policy orientation (alignment)** and its implementation by the partner government or implementing partners (positive examples: South Africa, Morocco; negative examples: Guatemala, Thailand)
- (ii) the **selection and knowledge of the promoted sectors**, product groups etc. (positive examples: Romania, Bosnia and Herzegovina; negative example: Kyrgyzstan)
- (iii) the **knowledge/analysis of the target groups**, particularly if poverty is also to be reduced or disadvantaged target groups (women, castes, youth etc.) are to be included (cf. Sections 4.1 and 4.2)
- (iv) the **continuity or discontinuity of German development policy** and the resulting changes (positive examples: Romania, Bosnia and Herzegovina, negative examples: El Salvador, South Africa)
- (v) the **suitability of adjustments to international themes** or trends (positive examples: South Africa, Morocco; negative examples: Tanzania, Benin).

### 3.2 Effectiveness

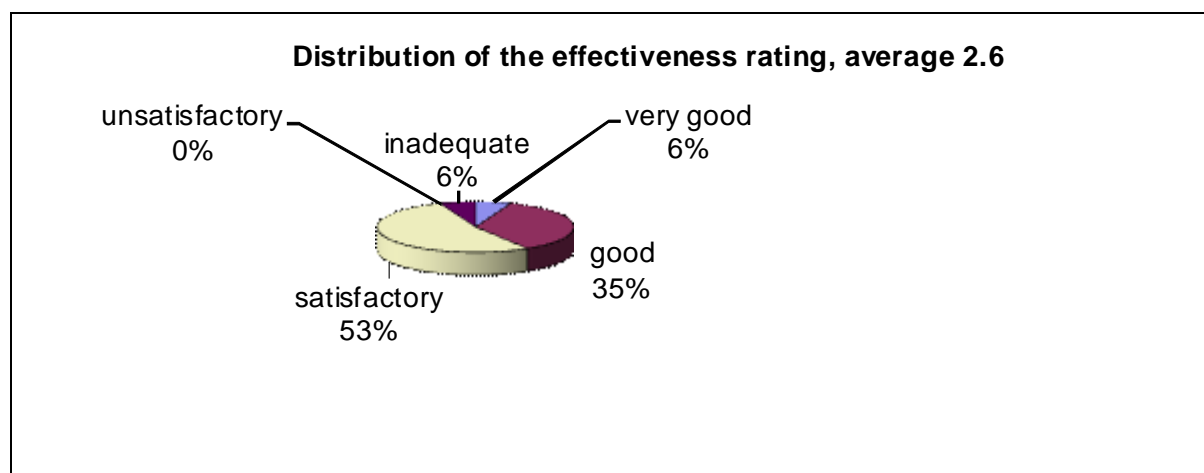
Effectiveness is seen as the extent to which the direct results (objectives) of the development measure are being achieved (comparison of actual situation with targets). The overarching question is: **Are we achieving the objectives of the development measure?** or **Are we doing the right thing in the right way?** The focus is on satisfying the "results indicators" formulated when designing the project or programme (offer).

Ninety-four percent, i.e. 16 of 17 projects/programmes, were judged to have successfully achieved their objectives. The average rating of effectiveness was 2.6, which was given an average weighting of 2. One programme (Bosnia and Herzegovina) was rated as 'very good' (1). Six projects/programmes (Guatemala, Nepal, Romania, Croatia, Serbia, South Africa) were rated 'good' (2), and nine (Benin, El Salvador, Georgia, Morocco, Mongolia, Peru, SADC, Tanzania and Thailand) were classed as 'satisfactory' (3).

The 'very good' effectiveness rating of the programme in *Bosnia and Herzegovina* is justified by the fact that this overshot the overall objectives indicators defined in the offer well before the end of the programme term in all areas. In addition to the formulated programme objectives, five public-private partnership (PPP) projects were initiated, advised and monitored within the PPP Facility/Study and Expert Fund (SEF).

<sup>5</sup> As the discussion stood at that time: Promotion of small/micro business in sub-Saharan African countries, 1994.

Figure 2: Distribution of the effectiveness rating (N=17)



Only the project in *Kyrgyzstan* was clearly classed as 'inadequate' (5). This is explained by the fact that none of the established objectives according to the defined indicators was achieved, and therefore no possible directly attributable results were either. The following individual points were criticised: (i) the national project staff did not have the professional qualifications for their tasks, such as advisory services at macro level; (ii) some of the associations were fully subsidised; (iii) some of the existing export contracts were lost again; (iv) none of the supported companies developed successful cooperation approaches; (v) the majority of promotion measures in the newly identified export sectors did not lead to any further results (cf. *Kyrgyzstan* § 39-46).

The effectiveness of 15 projects/programmes was weighted as 'important' (2). The only difference in weighting was in the case of the ex-post evaluation in Peru. In this, the effectiveness is classed as less important (1) because four years after the end of the project, questions of effectiveness would play a subordinate role from a development-policy viewpoint (cf. *Peru* § 73). In the case of the final evaluation in Guatemala, however, the effectiveness criterion was weighted 'very important' (3) because, according to the evaluator, the most important thing for a final evaluation is to establish the extent to which the direct results of the project/programme were achieved (cf. *Guatemala* § 87).

**In all**, it was concluded that the degree of achievement of direct results, apart from the sum of framework conditions that cannot be influenced, depends on:

- (i) **correct assessment of the relevance of the project/programme in the partner context** (policy, implementing partners, sector of industry, target groups) and, linked to this, an appropriate and realistic formulation of the project/programme objectives (results indicators) (positive examples: South Africa, Morocco; negative examples: Guatemala, Thailand)
- (ii) **continuity in terms of staff, policy and strategy on the partner side** – e.g. government, authorities, implementing organisations (negative examples: Georgia, Guatemala, El Salvador)
- (iii) **ownership** by the implementing partners (positive examples: BiH, Romania, negative examples: Mongolia, Tanzania, SADC)
- (iv) **the solidity of planning and implementation:**
  - **realistic objectives or realistic formulation of indicators** with regard to the anticipated direct results
  - **feasibility**, based on analyses/studies/pilot measures on the intended fields of intervention, implementing organisations, sectors/products and target groups (positive examples: South Africa, Morocco, negative examples: *Kyrgyzstan*, Mongolia)

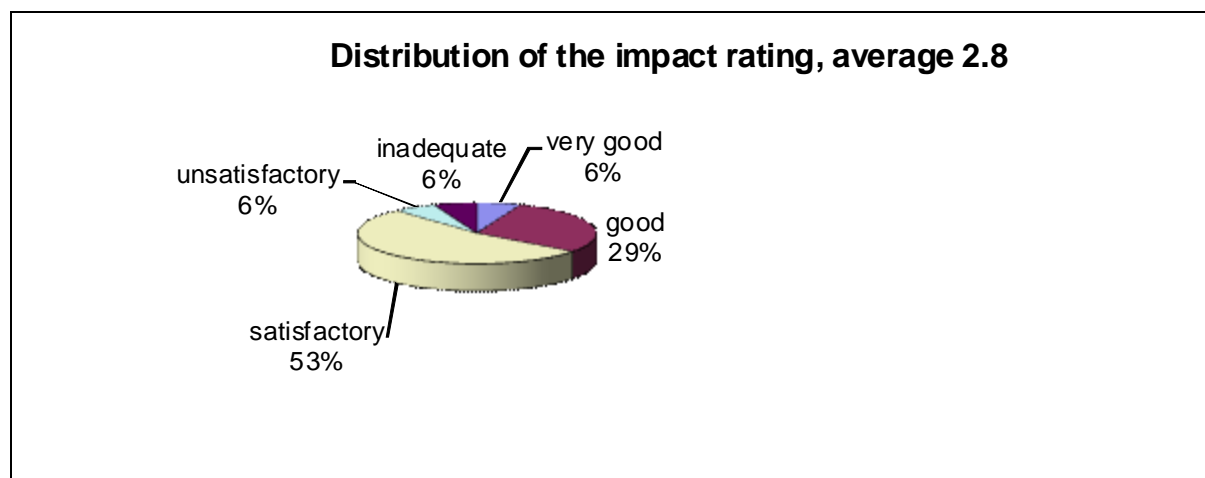
- the **appropriateness of the time frame** in which capacity development, organisational development and complex advisory projects/programmes can be implemented (positive examples: BiH, Romania, Morocco, negative examples: El Salvador, Tanzania)
- the **regional and sectoral/content-related concentration** in relation to the available funds (positive examples: Morocco, Romania, BiH, negative examples: El Salvador, Guatemala)
- (v) the **management and steering** of the project/programme:
  - the timely provision of an appropriate number of **competent staff** (international und national) (negative examples: Kyrgyzstan, Morocco)
  - the **professionalism or social skills** of the staff (positive examples: BiH, Morocco, Romania, negative examples: Benin, Tanzania, SADC)
  - the suitable **mixture of continuity and flexibility** to support the building of new structures, monitor institutional change and anchor new instruments (positive examples: South Africa, negative examples: Benin, Guatemala, Mongolia).

### 3.3 Impact

Impact is the extent to which the project/programme is contributing to achieving the intended overarching results and to which other indirect results occur. The overarching question is: **Are we contributing to the achievement of overarching development results?** It must be recalled that the majority of the projects and programmes were originally designed before AURA was introduced and thus prior to 'managing for development results'.<sup>6</sup> Reporting on the projects/programmes was therefore not yet consistently geared to results. At the same time, this underlines the importance of results chains and their plausibility with regard to the intended development-policy objectives.

Eighty-eight percent or 15 of the 17 projects/programmes were classed as successful. The average impact rating was 2.8, and this received an average weighting of 2.2. Altogether, the assessments of this criterion were more differentiated and critical than those of the two previously mentioned DAC criteria. It was pointed out more frequently, for instance, that projects/programmes fell short of expectations.

**Figure 3: Distribution of the impact rating (N=17)**



<sup>6</sup> Some evaluators had problems transferring the objectives and results of the former offer formats into consistent results chains. Direct and indirect results were frequently confused.

Only the indirect results of the project in Bosnia and Herzegovina were classed 'very good' (1). Five projects/programmes (Benin, Georgia, Guatemala, Romania, Serbia) were rated 'good' (2). 'Satisfactory' indirect results were established in nine projects/programmes (El Salvador, Morocco, Mongolia, Nepal, Peru, Croatia, SADC, South Africa, Thailand). That means the impact fell short of expectations, although the positive results were clearly dominant. One project/programme (Tanzania) was classed as having an 'unsatisfactory result' (4) and one (Kyrgyzstan) as having a 'clearly inadequate result' (5).

The weighting was also more differentiated than for the two aforementioned DAC criteria, i.e. the impact of one project/programme (Kyrgyzstan) was rated as 'less important' (1), and as 'important' (2) in 12 projects/programmes (Georgia, Guatemala, Morocco, Mongolia, Nepal, Romania, Croatia, Serbia, SADC, South Africa, Tanzania, Thailand). The impact was classed as 'very important' (3) in four projects/programmes (Benin, Bosnia and Herzegovina, El Salvador, Peru).

The 'very good' rating of indirect results in the case of *Bosnia and Herzegovina* is explained as follows: on the one hand by economic results like (i) the direct and indirect creation of jobs and income, (ii) the additional tax and foreign currency income, (iii) the poverty reduction among marginalised groups and (iv) the better satisfaction of basic needs (cf. BiH p. 29ff.). Further factors are sociocultural results such as the contribution (i) to local ownership, (ii) to human capacity building and (iii) to a change in values (cf. BiH, p. 32f.). Beyond this, the establishment of civil-society associations, pluralistic formation of will, equal opportunities for both sexes, the prevention of ethnic conflict (equal participation, neutrality) and environmental protection are considered important (cf. BiH, p. 33ff.). The weighting in this case was 3 (very important), but no further reasons were given for this weighting. Presumably, this is due to the 'demonstration and model character' of the programme mentioned by the evaluators (cf. BiH p. 44).

In the case of *Tanzania*, the overarching development results were extremely critically assessed, with an 'unsatisfactory result'.<sup>7</sup> Although this assessment is only given a weighting of 1, a negative rating leads to the overall project being downgraded (cf. 3.6). On the basis of the information provided by the existing evaluation report, the overall very negative rating of the project is not justified in the author's opinion. Although the evaluation report states that the project did make a certain contribution to creating a largely enabling environment for small and micro business development and to a readiness for dialogue between the state and the private sector, including the informal sector, on the whole it does not credit the project with having produced any noticeable social or economic results at the macro level (cf. § 88). Moreover, although it is recognised that many of the informal-sector self-help organisations (SHOs) initiated by the project provided their members with advice and training (micro level), with some businesses showing remarkably successful development, the low proportion of directly reached informal businesses is seen as a detractive factor. In Dar es Salaam, only about 1.5% or 2% (approximately 15,000 businesses) were involved. Owing to this lack of broad-based impact (sic!), the project could therefore not have any tangible influence on economic development and the cross-cutting themes of poverty reduction, gender and the environment (cf. § 89). A further area of criticism was that the informal-sector SHOs frequently disbanded and new ones were constantly being formed. From the author's viewpoint, this could be assessed positively, since a certain degree of mobility or initiative appears to have emerged among the informal businesses. The evaluation report further notes that the association of informal-sector SHOs had achieved a strong position and successes due to the project support (cf. § 92). With regard to the institutional level (meso level), the project is credited with having significantly increased the motivation, success and business orientation

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<sup>7</sup> Particularly bearing in mind that the project was concluded in 2002 and was therefore designed prior to the introduction of AURA and the related 'managing for development results' model. Moreover, the evaluators appear to have mixed or confused direct and indirect results with each other more frequently. Some of the listed points should really have been mentioned under effectiveness, or refer to contract and cooperation management.

of the official implementing partner (SIDO), particularly at the latter's regional offices. These have also introduced new instruments such as combining the granting of loans with training for the people who take out the loans (cf. § 91). However, this is seen as being offset by considerable deficits in the relationship with the implementing partner. Thus, the project is said to have failed to disseminate its objectives on a sufficiently broad basis. Altogether, the evaluation report states that this cast a very poor light on the implementing partner and the latter's capabilities, so that the partner still feels cheated even now (cf. German Executive Summary on Tanzania p. 4, overall report § 93-95).

The 'clearly inadequate' result in the case of *Kyrgyzstan* is explained by the fact that although the most important indirect result, an increase in the export and investment figures between 2000 and 2003, was achieved, it coincided with a decline in the balance of trade and payments. This meant that, contrary to the intended overarching project objective, the project could not make any major contribution to the country's economic stabilisation. Negative indirect results are furthermore presumed in areas where measures have been unsuccessfully conducted for many years and may have a paralysing effect (e.g. in the wine sector and the textiles association). Nor did the project make any contribution to achieving overarching development objectives and cross-cutting themes such as gender, environmental protection and conservation of natural resources or participation (cf. *Kyrgyzstan* § 47-59). The impact is considered 'less important' (1) by the team of evaluators because the project was designed and implemented before the currently valid results model was introduced. Since the project design therefore contained no considerations and specifications that would have foreseen or enabled impact contributions, it can only be judged by that standard to a limited extent (cf. *ibid.* § 78).

**In all**, the existing evaluation reports provided the following results with regard to impact. Even more than the effectiveness of a project/programme, the degree to which the indirect objectives are achieved depends on:

- (i) the **formulation of plausible results chains** in relation to the intended indirect development-policy objectives and the consistent implementation of **corresponding strategies**.

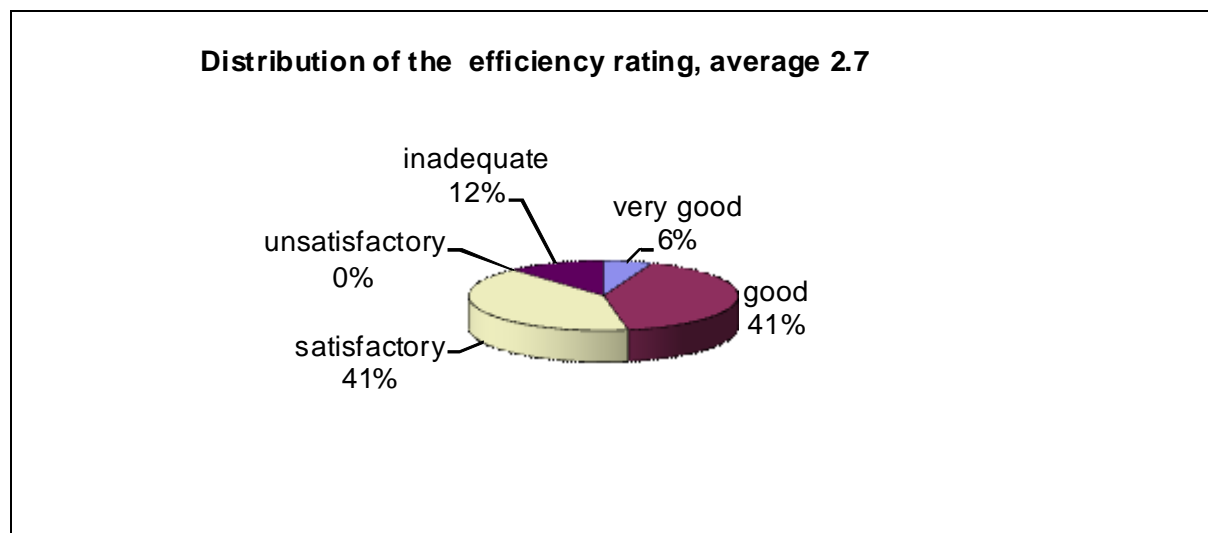
Beyond this, the impact depends on:

- (ii) the **framework conditions** as a whole
- (iii) the **relevance of the project/programme in the partner context**, the strategic, political and staff continuity, and ownership by the partners
- (iv) the **management and steering** of the project/programme
- (v) an **appropriate time frame**
- (vi) whether it is possible to anchor **model and pilot measures** sustainably and on a broad basis.

### 3.4 Efficiency

Efficiency is a measure of the degree to which the resources invested in a development measure are appropriate compared to the results achieved (cost-benefit ratio). The overarching question is: **Are the objectives being achieved cost-effectively?**

**Figure 4: Distribution of the efficiency rating (N=17)**



Here too, 88% or 15 of the 17 projects/programmes are given a good to satisfactory rating in terms of economic efficiency. The average efficiency rating was 2.7, and this was on average weighted with a factor of 1.6. One project/programme (Romania) was rated 'very good' (1) in terms of efficiency. Seven projects/programmes (BiH, Georgia, Morocco, Nepal, Peru, Serbia, Thailand) were rated 'good' (2) and seven others (El Salvador, Guatemala, Mongolia, Croatia, SADC, South Africa, Tanzania) 'satisfactory' (3). Two projects/programmes (Benin, Kyrgyzstan) were rated as inadequate (5). Altogether, the efficiency of six projects/programmes is weighted 'less important' (1) and that of the eleven remaining projects/programmes is weighted 'important' (2).

In the case of *Romania*, the excellent cost efficiency is explained as follows: on the one hand, an international long-term expert (LTE) successfully coordinates the activity of eight local LTEs, who in turn advise five sectors (textiles and clothing, wood and furniture, IT, automotive accessories, tourism and wine) as well as selected regions, and on the other hand coordinates the activities with the EU, with regard to further German measures and with CIM integrated experts. This ensures synergies and complementarity. Moreover, a high proportion of the budget for international short-term experts (STEs) is used to transfer knowledge to local experts. Investments are also largely made in selected sustainable institutions that ensure the broad-based effectiveness and sustainability of the results (cf. overall report on SEE § 236-244).

The inadequate efficiency in *Benin* is explained by what is seen as the inappropriate cost structure of the project. In concrete terms, the staff level (one international and five local LTEs) is considered excessive, and the allocated proportion of costs (50%) is considered inappropriate. Only 10% of the budget went into concrete activities and measures, which is a blatant contradiction of how the project understands its purpose. According to this, the central elements of its outputs were the financing of training, exchange visits and community projects. It was also criticised that the international expert did not provide any advisory services and that the expert's presence no longer appeared justified after the initial phase. German Development Service (DED) aid workers and local experts could quite easily have performed tasks on their own. The early opening of branches could also have reduced the project term from nine to five years (cf. Benin § 67-71).

In the case of *Kyrgyzstan*, the cost-benefit ratio was rated unsatisfactory (rating of 4) (cf. *Kyrgyzstan* § 60-68). The following reasons were given: (i) the large number (10-12) of local employees with a lack of professional qualifications, (ii) the intensive advisory services provided to just a few companies and associations by deploying international STEs and CIM integrated experts, (iii) the generous local subsidies for visits to trade fairs and exhibitions in neighbouring countries and further afield, and (iv) the equally generous subsidisation of individual associations. Altogether, the evaluation report came to the conclusion that the economic use of available resources requires a consistent implementation concept, which was not in place.

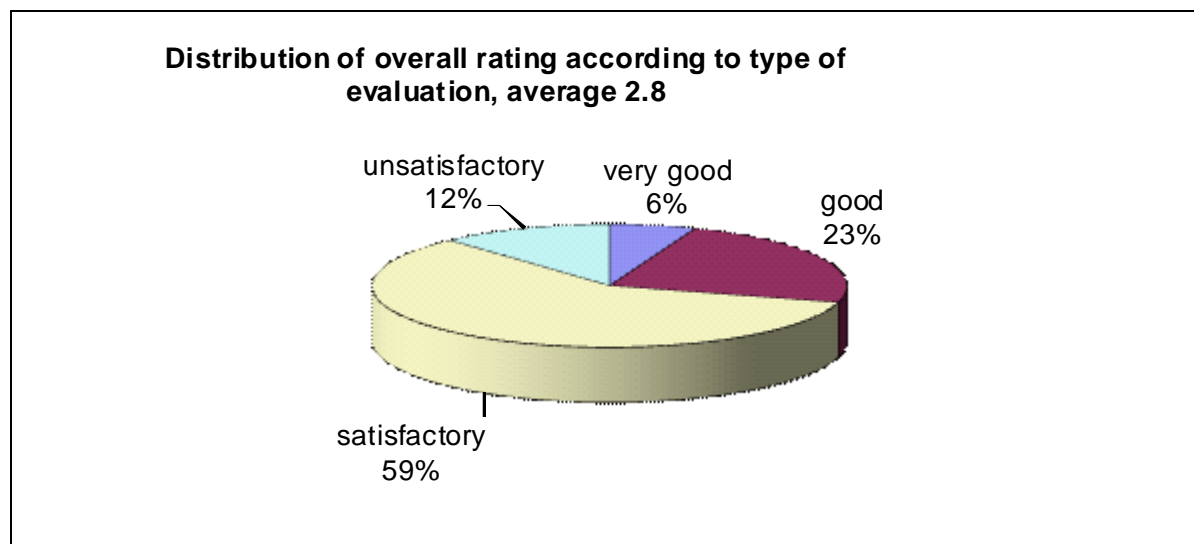
**Altogether**, the existing evaluation reports indicate that the efficiency of a project/programme depends on:

- (i) realistic planning, especially with regard to the **ratio between the funds employed and the intended objectives** (negative examples: Croatia, Mongolia)
- (ii) the effective **contribution of the implementing partners** (ownership), (positive example: South Africa, negative example: Kyrgyzstan)
- (iii) the **contribution made by the target groups themselves**, e.g. through their own activities or the assumption of costs for services (positive examples: Benin, BiH, Romania, negative example: Kyrgyzstan)
- (iv) the suitable **mix of international and national experts** and long-term and short-term experts (positive examples: Romania, BiH, negative example: Benin)
- (v) the **complementary use of other German measures** (DED, CIM, SEQUA, InWEnt, KfW etc.) and of public-private partnerships (PPP), tripartite cooperation or the embedding of measures in a corresponding priority area (positive examples: Guatemala, El Salvador, Romania; negative examples: Benin, Kyrgyzstan)
- (vi) **cooperation with other bilateral and international donors** (positive examples: Guatemala, BiH, El Salvador, negative example: Benin);
- (vii) the **complexity of a project/programme**, due among other factors to the diversification of regions, sectors/products and fields of intervention in relation to the available funds and the transaction costs (positive examples: Morocco, Romania, BiH, negative examples: El Salvador, Guatemala)
- (viii) the **management and steering** of the project/programme (positive examples: Romania, negative examples: Benin, SADC, Tanzania).

### 3.5 Sustainability

The assessment of sustainability is based on the probability that the positive results of the development measure will continue beyond the end of assistance. The overarching question is: **Are the positive results durable?** Unlike the other evaluation criteria, sustainability is measured according to a four-level scale, i.e. 1 (very good sustainability), 2 (good sustainability), 3 (satisfactory sustainability) and 4 (inadequate sustainability) (cf. Annex 2 Guidelines, p. 9f.).

**Figure 5: Distribution of the sustainability rating (N=17)**



(Very) good to satisfactory sustainability is attested for 88% or 15 of the 17 projects/programmes. The average sustainability rating was 2.8, which was given an average weighting of 2.4<sup>8</sup>. One project/programme (Romania) stands out due to its rating of 'very good' (1). Four other projects/programmes (Benin, Morocco, SADC, South Africa) are rated as 'good, fully in line with expectations' (2). A total of ten projects/programmes are rated as having 'satisfactory' (3) sustainability, i.e. the development-policy results will very probably decrease substantially but still remain positive (cf. Annex 2, Guidelines p. 9). 'Inadequate sustainability' (4) was established in two projects/programmes (Kyrgyzstan, Mongolia).

The sustainability of ten projects/programmes was weighted 'important' (2) and as 'very important' (3) in seven projects/programmes (Benin, Bosnia and Herzegovina, El Salvador, Kyrgyzstan, Morocco, Peru, Tanzania). The reason stated for the special emphasis on sustainability (3) is the particular development-policy importance of the sustainability criterion.

The main reasons given for the excellent sustainability assessment of the programme in *Romania* are that (i) the interventions are market-based or safeguarded by secure subsidies. These include standardised training packages such as 'Business Start-up Training', 'Fit for Europe' or 'Structural Fund Training', but also specific sub-sector-related training units like the 'REFA methodology' or 'cutting techniques' that are offered at market prices. Business promotion structures such as the 'IT incubator', 'innovation centres' and 'professional associations' are said to be self-financing. Participation in trade fairs abroad is recognised as an effective promotion instrument and cofinanced by the Romanian Government; (ii) other instruments such as special business consultancies, and training that is not fully paid for by the SMEs, can be taken over by EU Structural Funds; (iii) the programme itself, based on ex-

<sup>8</sup> The 'sustainability' criterion is only assessed by means of a four-level scale, cf. GTZ, Guidelines for Evaluating the Success of Projects and Programmes, as at 12 March 2007, p. 9.

tended participation by the private sector in discussions with the relevant authorities, also contributes to sustainable changes in legislation and regulations.

The reason for establishing 'inadequate sustainability' (4) for *Kyrgyzstan* is that only a few companies derive enduring benefit from the project outputs. However, corresponding outputs were not anchored at associations or other service providers. In all, the project appeared to be geared to neither broad-based impact nor sustainability.

The poor sustainability assessment in the case of *Mongolia* is mainly due to the failure to consolidate the competence centres. These had been set up for the five promoted sectors construction, printing, timber, leather and tourism in the course of the project and were meant to independently provide training and advisory services. Although they were linked to the Technical University at organisational level in the last implementation phase, the lead executing agency is apparently unable to retain the skilled personnel trained by the project, or possibly had no interest in doing so. These then rapidly move on to the private sector, where more attractive salaries await them. Nor is the lead executing agency able to make the necessary investments that would allow the competence centres to keep pace with technical developments in their given sectors. The activities in the tourism sector were no longer allocated to a competence centre mid-way through the project term. The competence centre for the leather sector discontinued its activities in mid-2007, and the construction sector was faced with substantial challenges that threatened its existence.

**Altogether**, the existing evaluation reports indicated that the sustainability of a project/programme depends

- (i) on **external framework conditions** that cannot be influenced, such as the world market (price fluctuations, new competitors, financial market developments, energy prices), political stability or instability (wars, unrest, coups d'état) and disasters (earthquakes, hurricanes, flooding). Nepal, for instance, suffered from unrest for decades, and Guatemala from hurricanes, landslides etc.
- (ii) on the **partner side**, on
  - the **macro level** and the **structural, political and legal framework conditions** (e.g. the huge gap between rich and poor, and the interest of the ruling groups in Guatemala in maintaining the status quo; the lack of willingness and ability to implement policies or introduce changes in El Salvador and Benin; corruption and deficient rule of law in Nepal, El Salvador, Guatemala)
  - the **suitability of the direct political and administrative partners** (lead executing agencies, implementing partners) to enable and support change
  - the **meso level** and the **institutional and financial capacity and sectoral competence of the implementing partners** (institutions providing support, service providers, business chambers and associations, corporate networks etc.) to adopt and consolidate innovations (organisational development, new approaches and instruments) and their ownership
  - the **staff continuity at the implementing partners**. In some countries (Georgia, Guatemala, El Salvador), each change of government means that not only the decision-makers but also the experts in administration and at authorities are replaced, leading to substantial losses in 'institutional memory' and expertise. In Mongolia, skilled personnel is also lured away by the private sector.
  - the **micro level of the target groups (companies, start-ups, employees)** and their ability to derive benefit from the offered services, and their willingness to make their own contributions in order to do so
    - the **improvement in social position**, such as that of people in the informal sector, trades-/craftspeople and employees. In Benin, for example, women have improved their position in their social setting, and the self-help organisations in Tanzania's informal sector also helped to improve living conditions and bargaining power.
- (iii) on the side of the **development measure**, on

- the **appropriateness of the time frame** and instruments. Complex advisory approaches (such as LRED, BDS market development, improving the business and investment climate), but also capacity development, organisational development etc. as such take a commensurate time to become anchored in the field and be put to independent use.
- the flexibility to react appropriately to new challenges
- the existence of **exit strategies**, particularly with regard to subsidising outputs. Romania can be mentioned as a positive example (see above).
- (iv) on the **donor side**, on
- the **honouring of pledges**, e.g. regarding the time frame or the funds for the development measures. In El Salvador, the originally planned consolidation phase was abandoned due to a BMZ decision.
- **strategic and conceptual continuity**. In the case of El Salvador, there were several changes in programme building due to the addition of new components and the amalgamation of existing components, leading to a conceptual complexity of the programme that also made it more difficult to steer.

### 3.6 Synopsis of 3.1 to 3.5

The average rating of the DAC criteria is shown again in Table 2. One striking feature is the good average relevance rating as compared with the other criteria.

**Table 2: Average rating of DAC criteria**

DAC criteria	Relevance	Effectiveness	Impact	Efficiency	Sustainability	Total
<b>Average value</b>	<b>1.8</b>	<b>2.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.8</b>	<b>2.7</b>

However, if we 'are doing the right thing' according to the evaluation reports, why are there such substantial differences of 0.8 to 1.0 point as compared with the other criteria? Are we not 'doing the right thing in the right way' (effectiveness)? If we are 'doing the right thing' and 'doing it the right way', should there not be overarching results, or should the results not be long-term? Or is the assessment of 'doing the right thing' incorrect? Is the relevance rating just wishful thinking? These are open questions than cannot be answered here.

Eighty-two percent, or 14 of the 17 evaluated projects/programmes are classed as successful in the overall rating (cf. Table 3). One project/programme was rated '*very good, significantly better than expected*', seven others were rated '*good, fully in line with expectations*' and another six as '*satisfactory, falling short of expectations*'. The average rating is 2.7. None of the DAC criteria or projects/programmes was rated in Level 6, 'useless'.

**Table 3: Distribution of overall rating**

Rating	Number	Proportion
very good (1)	1	6%
good (2)	7	41%
satisfactory (3)	6	35%
unsatisfactory (4)	2	12%
inadequate (5)	1	6%
useless (6)	--	--
<b>successful (1-3)</b>	<b>14</b>	<b>82%</b>
<b>unsuccessful (4-6)</b>	<b>3</b>	<b>18%</b>

**Source:** Assessment of independent PSD evaluations in 2007, cf Annex 4

**Table 4: Deviations in weighting**

Criterion	Average weighting	Standard deviation in weighting	Deviation from standard factor 2	
			1 - less important	3 - very important
Relevance	2	0.5	2	2
Effectiveness	2	0.3	1	1
Impact	2.2	0.5	1	4
Efficiency	1.6	0.5	6	0
Sustainability	2.4	0.5	0	7

**Source:** Assessment of independent PSD evaluations in 2007, cf. Annex 4

The deviations in weighting from the standard factor 'important' (2) shown in Table 4 are minimal. In six cases the efficiency was classed as 'less important', whereas in four cases the impact and in seven projects/programmes the sustainability was classed as 'very important'. Not all evaluation reports made use of the possibility of differentiating the assessment by means of the weighting, although the criteria may indeed have a different weight depending on the type of evaluation (interim, final and ex-post evaluation).

The Guidelines for Evaluating the Success of Projects and Programmes (cf. Annex 2) state that a project or programme can only be classed as 'successful' if the direct results (effectiveness), the indirect results (impact) and the sustainability are rated as at least 'satisfactory'. If this is not the case, the project or programme may be downgraded. The overall rating does not provide any new insight except with regard to two cases, Mongolia and Tanzania. In these two cases the poor rating of individual criteria led to a downgrading of the overall rating. The project in Mongolia has an average value of 3, but its sustainability rating of 'unsatisfactory' (4) reduced the overall rating to one of 'unsatisfactory' (4). The project in Tanzania also had an average value of 3, but was downgraded to 'unsatisfactory' (4) due to the rating of 4 for impact. In both cases the evaluation report does not comment in detail on this fact. This downgrading contributes 0.12 points to lowering the average overall rating. In the case of Kyrgyzstan, no downgrading was necessary since the overall rating was already below 4.

In the author's viewpoint, the rating given to the following projects/programmes was too positive in comparison: Guatemala, Thailand and Benin. The rating for El Salvador, Mongolia and Tanzania was too negative.

Beyond this, the evaluation in Nepal concentrated almost exclusively on the ongoing third phase (Nepal § 118), and thus on only three of a total of eight years. Appropriate assessment was also made more difficult by the extremely challenging and changeable political setting (peace process), and by the fact that the project was undergoing a transition phase both in terms of design and staff. The project in Tanzania received a very poor rating, despite the posted successes. On the basis of the arguments advanced in the evaluation report, this did not always appear justified to the author of this cross-section evaluation. The project in Kyrgyzstan, classed as 'inadequate', is a rather 'atypical' project since its design was largely determined by high-ranking political influences.

As already stated in Section 1.2, however, it was not the author's task to correct the assessments.

**Figure 6: Distribution of overall rating according to type of evaluation**

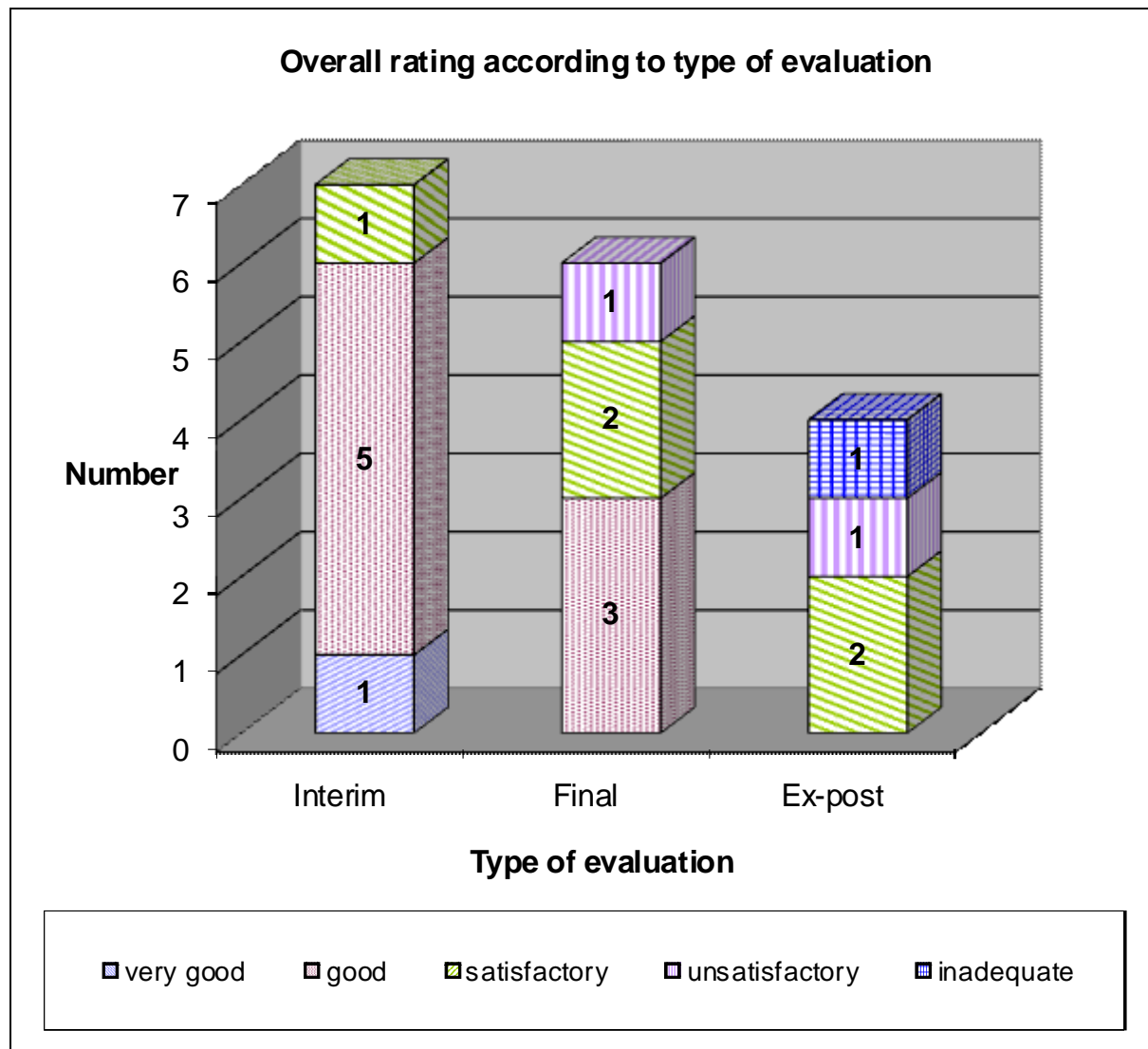


Figure 6 shows the distribution of the overall rating according to the type of evaluation. All ongoing projects/programmes (interim evaluation) were rated as successful. These were one project/programme in Romania, rated 'very good', five (Georgia, Morocco, Nepal, Serbia, South Africa) rated 'good' and one (Croatia) rated 'satisfactory'. Of the six final evaluations, a total of five were considered successful, i.e. two (Bosnia and Herzegovina, Guatemala) rated 'good' and three (Benin, El Salvador and SADC) rated 'satisfactory'. The project in Mongolia is classed 'unsatisfactory' and is therefore not considered successful. In the four ex-post evaluations, two projects/programmes (Peru, Thailand) are rated as 'satisfactory', one (Tanzania) is rated as 'unsatisfactory' and one (Kyrgyzstan) as 'inadequate'.

Overall, the impression prevails that the assessment becomes more critical towards the end of a project or programme (final evaluation) or in retrospect (ex-post). Assessments were often optimistic and positive in the case of ongoing projects and programmes, despite some points of criticism in the evaluation report. The evaluators apparently presume that their criticism will take effect and that the intended results will still be produced, given the corresponding corrections. With final and ex-post evaluations, this hope no longer exists, and only the prevailing facts are of substance.

## 4. Assessment of the cross-cutting development-policy issues

### 4.1 Poverty reduction and MDGs

This section attempts to take into account the points and questions from the Terms of Reference (ToR) listed in Box 2. This is not always possible because certain points were not the object of the evaluations or were not answered in the evaluation reports.

#### Box 2: Poverty reduction and MDGs

##### 1. Conceptual problems

##### 2. Mainstreaming in the development strategies (in the field)

##### 3. Poverty classification in the offers and its distribution

- Poverty classifications of the development measures (distribution)
- To what extent do/did the development measures comply with these classifications?

##### 4. Target-group differentiation and poverty analysis

- Was the project design differentiated according to target groups, and was a poverty analysis performed?

##### Further questions:

In how many development measures is/was 'adequate' poverty impact achieved?

- Did the project promote the participation of poor people in economic and political processes?
- Does the project have positive results in terms of poverty reduction?
- Does the project help to remedy structural problems identified by the national poverty reduction strategy?
- Were questions of equitable distribution addressed (e.g. access to land)? If so, how? (Was not part of the ToR)
- What is the ratio of direct to indirect results?
- How many people have benefited from the poverty impact and/or will do so in future?

What are the reasons for achieving or not achieving poverty impact?

Can a 'pattern' be identified as regards factors of success and failure?

##### 5. Recommendations and conclusions

**Source:** Annex 1 ToR

#### 4.1.1 Conceptual problems

The contribution made to poverty reduction assumes special priority among the intended socioeconomic results. However, a corresponding classification according to the DAC criteria (cf. Section 4.1.3), particularly the proof of corresponding results (cf. Sections 4.1.4 and 4.1.5), presents theoretical and methodological difficulties. There is no internationally standardised definition of the term 'poverty'. The first Millennium Goal (MDG 1) initially concentrated on hunger and income poverty: people who have less than US\$ 1 per day are considered absolutely poor. Different methods and definitions for measuring poverty therefore arrive at different results concerning indicators for poverty, its severity and depth.

The Committee of Donor Agencies for Small Enterprise Development therefore commissioned a study into recording the impact of small enterprise development (SED) measures on poor people<sup>9</sup>. The study states economic growth as a (pre)condition - no growth, no poverty reduction. The findings are summarised below. Three main channels are identified through which SED may reduce poverty (ibid. pp. 6-7):

<sup>9</sup> Oldsman, Eric 2003: Assessing the Poverty Impact of Small Enterprise Initiatives, see also Späth 2004 and 2005.

1. increasing the income (of poor owners/entrepreneurs) of the companies taking part in the project/programme
2. increasing the wage income of the companies taking part in the project/programme
3. additional economic growth that leads to an increase in net income for poor people.

Using these models, causal impact relationships are established between the donor interventions and poverty reduction. It is presumed that:

- donors support the provision of business development services (BDS) via various mechanisms
- the capabilities of companies are enhanced by using BDS
- this leads to an increase in productivity and thereby to an increase in production and/or services
- this in turn increases the demand for production factors, including unskilled workers, as well as an increase in the income of company owners
- this generates economic growth
- and this in turn leads to an increase in the employment of people with an income of at least US \$ 1/day<sup>10</sup>
- in consequence, the proportion of the population living in absolute poverty is reduced

These results chains are plausible and can readily be applied to the development measures conducted within German technical cooperation. At the same time, however, it becomes apparent that in interventions whose main focus is on the intermediary (meso) level or on improving the framework conditions (macro level), the results chain becomes ever longer and the results constellations grow increasingly complex. This applies to most German TC development measures, which after all mainly act at meso and macro level. So there are more and more influences that cannot be steered by the development measure and for which the measure cannot accept responsibility. This is why the AURA results model speaks of an attribution gap.

However, it also becomes clear that it is correspondingly difficult to provide significant proof of the relationship between a development measure and poverty reduction by means of 'rigorous' econometric processes. This could only be done using relatively onerous statistical processes (via costs, time and personnel). A Project Progress Review (PPR) in Tanzania came to the same conclusion: "It is extremely difficult to measure changes of income within the informal sector and to isolate the effects of a particular project intervention" (PPR quoted in Tanzania § 116). Moreover, it is not enough to cover income poverty alone. Poverty is multi-dimensional.<sup>11</sup> This means the social, legal and political dimensions also have to be captured, as is meanwhile the consensus. It is thus all the more important to show plausible ratios between results and to identify proxy indicators where necessary. Except for the projects/programmes in Benin and Tanzania, only an indirect or structural contribution to poverty reduction is targeted.

Beyond this, the treatment of poverty reduction in PSD by German technical cooperation is subject to the political specifications of the client on the one hand and to international specifications and obligations on the other (e.g. Paris Declaration on Aid Effectiveness, Committee of Donor Agencies for Small Enterprise Development). Finally, this theme too is subject to strategy cycles (see Section 6.1 for more details).

In the past 10 years, the basic strategic orientation of BMZ and of other donors has generally moved closer towards poverty reduction. In the policy documents relevant to Private Sector Development (PSD) in the 1990s, it was presumed that TC projects and programmes should mainly have an impact on structural poverty reduction. "Boosting the economic power of the

<sup>10</sup> This is based on the benchmark of absolute poverty used by the UN Millennium Declaration, of a daily income of US \$ 1 per day and person.

<sup>11</sup> Poverty as understood by Amartya Sen also comprises the dimensions of access to resources, education and participation.

developing countries is a key factor in the fight against structural causes of poverty,..." (Cross-sector concept, Sept. 1996, p. 1).

In the sector strategy for small and micro business promotion in developing countries, however, it was presumed that: "Small/micro-business promotion can make a direct or indirect central contribution to poverty alleviation. Measures aimed at guaranteeing self-employment, jobs and thus income for the poor and supplies of goods and services have a direct poverty reducing effect. Measures which improve the preconditions for independent and sustainable development and a more just distribution of income, which in turn influence economic and social structures, have an indirect poverty reducing effect." (1997, p. 5). The understanding of poverty at that time, however, was rather diffuse. People in the informal sector or small/micro businesses tended to be considered 'poor'. All evaluated projects/ programmes were developed on the basis of specifications within the cross-sectoral PSD strategy (BMZ 1996) and, where applicable, according to the sector strategy for small and micro business promotion (1997), or were based on corresponding previous projects.

The Millennium Declaration made at the United Nations Millennium Summit in September 2000, in particular, gave fresh impetus to the theme of poverty reduction. The first Millennium Development Goal (MDG 1) aims to eradicate extreme poverty and hunger by the year 2015. Of special significance for the submitted evaluations is MDG 1, with its three targets (i) Reduce by half the proportion of people living on less than a dollar a day, (ii) Achieve full and productive employment and decent work for all, including women and young people, and (iii) Reduce by half the proportion of people who suffer from hunger. The theme of employment was only recently recognised (in 2007) as an important transmission channel to eradicate poverty, and included as a target in its own right. Further development goals relevant for PSD projects and programmes are to promote gender equality and empower women (MDG 3), ensure environmental sustainability (MDG 7) and develop a Global Partnership for Development (MDG 8) with its various targets.

**Box 3: BMZ Program of Action 2015, priority area for action 1, actions:**

"The German government will

- support **economic policy reforms** (e.g. improving sector-related regulations, reducing red tape where it hampers the potential of the informal sector, strengthening institutions) and regional and local efforts to foster the private sector in the partner countries.
- support private-sector development by means of **activities to build technological competence, increase private-sector investment**, develop and establish the infrastructure needed by businesses, and by means of fostering practice-oriented vocational training systems, access to credit and **the provision of private services for SMEs**. This is to be done, among other things, by using public-private partnerships.
- foster the productive potential of the poor and their share in the benefits of increased economic activity by means of **measures to develop entrepreneurial capacity and to improve their access to productive resources (including credit for women) and to markets**. This will be accomplished, among other things, by means of support for self-help organizations and for the expansion of economic and social infrastructure, especially in poor regions.
- support **training and employment opportunities** for the poor, particularly young people.

Source: Program of Action 2015, p. 10, bold print inserted by author

German policy, particularly concerning the achievement of the first MDG, was laid out in the Program of Action 2015: Poverty Reduction – a Global Responsibility (April 2001). For the PSD section, the first priority area for action, 'Boosting the economy and enhancing the active participation of the poor' is of central importance. Here it is said that

"in many developing countries (...), the productive potential of the private sector, in particular, and also of the informal sector and the poor themselves is underutilized. This can be seen from the high levels of underemployment and unemployment, especially among young people. Efficient and dynamic economic activity is often blocked by structural and institutional weaknesses, including at the regional or local level" (p. 8).

The actions relevant to the PSD section and envisaged by German development cooperation are listed in Box 3. These cover most of the range of interventions encountered in various forms in the 17 evaluated projects and programmes.

Finally, in 2007 BMZ published the Social and Ecological Market Economy Principles in German Development Policy as the guiding principles for action in the priority area of sustainable development, to which PSD also belongs. This focuses on poverty reduction particularly through the two guiding principles for the design of German development cooperation 'striving for broad-based growth' and 'ensuring equal opportunities' (cf. Box 4). The social and ecological market economy principles are based on the interdependency of growth and poverty reduction, but also point out that growth alone does not automatically lead to a significant reduction in poverty. For this reason, specific measures (e.g. improving access to resources, goods, services, employment, empowerment etc.) must be taken to enable broad-based growth.<sup>12</sup>

**Box 4: Social and ecological market economy principles**

**"(2.) Striving for broad-based growth:** Economic growth is necessary in order to reduce poverty. The size of the impact which economic growth has on reducing poverty depends quite crucially on its positive effects on employment and income. In order to guarantee equitably distributed economic development, the growth process must be designed in such a way that the poor benefit from it to a greater degree. Policy approaches aimed at broad-based or pro-poor growth therefore seek to increase both economic growth and the participation of poor population groups in its fruits. Poverty reduction cannot be achieved by "trickle-down" effects alone; it is fostered first and foremost by improved access to employment and income, resources, goods and services for poor and disadvantaged population groups. (...)

**(8.) Ensuring equal opportunities:** Economic development must serve poverty reduction and should not exclude anyone. The state should ensure equal opportunities for all and improve the distributive impact of market processes for the benefit of poor and disadvantaged population groups; to achieve this, the tax structure should also take into account people's differing levels of disposable income. Equal opportunities also means empowering previously disadvantaged groups and particularly capable groups – especially women – groups whose potential has so far not been used adequately in the economic process. (...) The cycle of poverty must be broken." (BMZ 2007)

Altogether, PSD projects and programmes are therefore predominantly based on structural poverty impact that is produced via interventions at framework condition level and intermediaries level. Both the Millennium Development Goals and the Program of Action 2015 applied to projects/programmes designed after 2001. Corresponding passages had to be included in the design of the development measures.

#### 4.1.2 Mainstreaming in the development strategies (in the field)

The fairly high degree to which the projects/programmes were embedded in the partner countries' development strategies was stated in Section 3.1 on the DAC criterion 'relevance'. A project or programme has better prospects of success in achieving direct or indirect results in the field of poverty reduction if the partner country has a national poverty reduction strategy or at least a partial strategy. With the introduction of the Comprehensive Development Framework (CDF) and, later on, the Poverty Reduction Strategy Papers (PRSP), many partner countries submitted to the specifications and procedures of the World Bank. Beyond this, the Millennium Development Goals stated above are valid for the partner countries.

In the evaluation reports resp. the project offers, a national poverty reduction strategy is referred to in seven of the total of 17 projects/programmes (cf. Benin, Bosnia and Herzegovina, Georgia, Guatemala, Mongolia, South Africa and Thailand). In all other evaluation reports, no corresponding strategy is named. However, the projects/programmes in Peru and Tanzania were designed before the PRSP and MDGs were introduced. The fact that corresponding strategies are in place in a country and that formal reference is made to

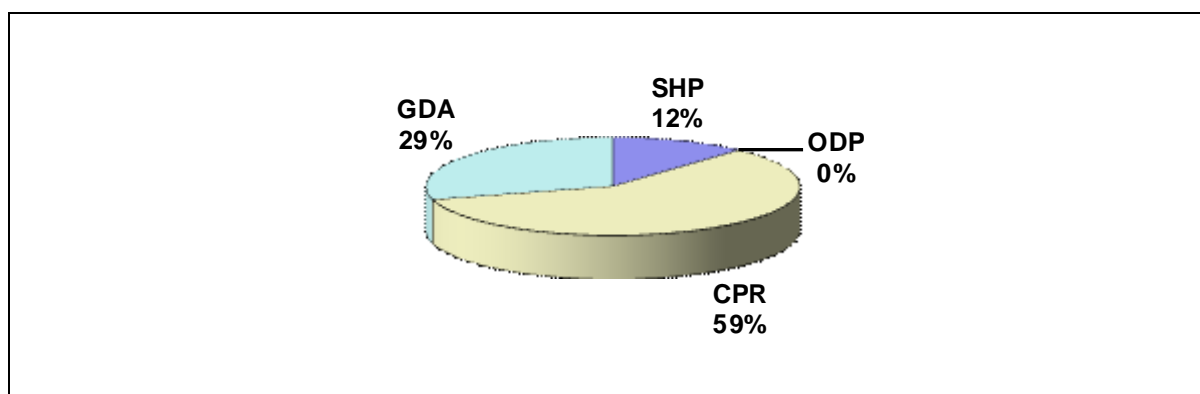
<sup>12</sup> Cf. the latest OECD report on the increasingly inequitable distribution of income in the OECD countries (Oct. 2008).

them in the offer is not in itself a sufficient condition that the project/programme is geared to making direct or indirect contributions to poverty reduction during actual implementation.

#### 4.1.3 Poverty classification in the offers and its distribution

When the new Development-policy Framework for Contracts and Cooperation (AURA) was introduced in 2003, the 'new' guidelines on poverty classification were reflected to a greater extent in the offer designs. Of the 17 evaluated projects/programmes, 12 were designed before the introduction of AURA. Although some strategic adjustments were later made, the foundations were largely laid before the introduction of the Program of Action 2015 and the MDGs.

**Figure 7: Distribution of the poverty classification (N=17)**



Two projects/programmes (Benin and Tanzania) were given the classification **SHP** – self-help oriented poverty reduction. Both the strategic approach in Benin (*Action Recherche*) and that in Tanzania (self-help organisations) were essentially based on supporting the self-help organisation and the capability of trades-/crafts-people and the informal sector to help themselves. However, the meaning of poverty in the given context was not defined.

**Box: 5 SHP - self-help oriented poverty reduction:** target group can be directly reached via a short results chain; proportion of poor in the target group is at least 50% or at least the proportion of the poor population in the region concerned (lower limit 30%); project/programme improves the living conditions of poor people and promotes their productive potentials; poor people take part on their own initiative and organise themselves; local framework conditions in the project environment enable a pro-poor procedure; scope for NGOs is assured. (AURA Guidelines n. 36)

In *Benin*, it was presumed that all craftspeople are poor and that supporting them therefore automatically results in directly reducing poverty (§ 90). The evaluation report states that the project tended to promote rather better-off crafts-/tradespeople in the urban centres, and thus increased the structural differences between rural and urban crafts/trades (§ 94). The evaluation report also says that crafts- and tradeswomen in particular were able to improve their social standing and that a general process of empowerment therefore took place.

In the case of *Tanzania*, the evaluation report presumes that informal business operators usually only earn a fraction (approximately 1/10) of what a government official earns, but that is still about five times more than a day labourer (cf. Tanzania § 113). The mere existence of a large informal sector is taken as an indication of poverty. The evaluation report states that the project complied with its claim of reducing poverty by supporting SHOs. It made a contribution to improving basic livelihoods, to enabling minor investments by setting up savings and credit funds, and even emergencies such as sickness were covered by these, akin to a precursor of micro insurance – and above all, the members were empowered to articulate their interests vis-à-vis authorities (cf. Tanzania § 37, 115).

Despite several critical remarks, on the basis of the evaluation reports it can be presumed that the projects in Benin and Tanzania deserve their classification.

None of the projects/programmes was classified **ODP - other direct poverty reduction**.

Ten projects/programmes (El Salvador, Georgia, Guatemala, Morocco, Mongolia, Nepal, Peru, Romania, South Africa, Thailand), and thus the majority, received the classification

**Box 6: CPR - Comprehensive poverty reduction at the macro and sector level:** target group cannot be delimited and can only be reached indirectly via a long results chain; poor people derive tangible benefit from the indirect results of the project/programme; project/programme improves the living conditions of poor people and promotes their productive potentials; essential mechanisms to involve the poor in the political process are fundamentally in place; the results chain between the project/programme and improvement in poor people's living conditions can be plausibly deduced. (AURA Guidelines p. 36)

**CPR** - comprehensive poverty reduction at the macro and sector level. This is consistent with the above remarks on the relevant sector strategies and other policy documents of German technical cooperation. Corresponding cause-and-effect hypotheses in the offers presume there will be long-term, overarching poverty impacts due to the reduction of structural unemployment and underemployment or to increased income and enhanced competitiveness (cf. El Salvador § 37). Moreover, an automatic link between growth and employ-

ment, and thus with poverty reduction, is usually presumed (cf. Guatemala § 77). This automatic connection does not always exist, however (cf. *ibid.*).

The project in *Peru*, however, was designed before the introduction of the MDGs and PRSPs. For *El Salvador*, the evaluation report does not establish any explicit poverty reduction strategies. According to the evaluation report, the programme in *Guatemala* is characterised by a clear results-based approach whose target groups are people living in poverty (§ 54, 94), but the transmission channels in the results chain are said to be relatively diffuse. If participatory poverty analysis had been used the poverty dimension could have been better identified for the component on rural and regional economic development, for example. Because of its orientation to structurally weak regions, the programme is considered to have a clearly pro-poor orientation (§ 93). However, this example in particular illustrates the limits of a development measure in producing structural changes. In Guatemala, social injustice and the various related institutional weaknesses remain major barriers to development, including institutional inertia (cf. Guatemala § 53). Thus, the United Nations Economic Commission for Latin America and the Caribbean (CEPAL/ECLAC) established in 2007 that Guatemala had made no progress in eradicating poverty; on the contrary, poverty had in fact increased (§ 54). Under these conditions, the programme could only make a limited contribution to removing the structural weaknesses and therefore had low impact on poverty reduction.

The project in *Morocco* is mainly geared towards structural poverty reduction. Target groups with income poverty are included in economic and political processes within the consumer associations that are also responsible for assuring the quality of foodstuffs (§ 103). Low-income groups and women also increasingly receive access to promotion measures, via the regional support networks and associations currently being set up (*ibid.*).

Although the project in *Mongolia* was not found to be systematically geared to poverty reduction, the vocational training measures do have a direct income-generating effect due to demand on the labour market.

No special pro-poor orientation was established at the project in *Nepal* either. This may be partly to do with the difficult political situation and the project's reorientation at the time of evaluation. In connection with the promotion of value chains, negative results were even noticed in the medium term. Thus, tea producers were forced to accept a reduction in income of up to 50% due to the changeover from conventional to organic cultivation (§ 183). This had not been taken into account beforehand and could apparently not be compensated by complementary measures either. The follow-on programme 'INCLUDE' in Nepal, which arose from the combination of the two projects/programmes for private sector and financial system development, did, however, have a clear pro-poor orientation. The main target groups are poor and disadvantaged groups (ethnic groups, castes), women and young people in selected urban and rural regions. It was therefore classified SHP.

As a result of the economic crisis in Asia (1997), poverty in *Thailand* rose to 21.3% within a short period of time (§ 103). In consequence, poverty reduction became a main concern of the Thai Government. However, the project was not reoriented accordingly and did not succeed in taking part in relevant activities to any significant extent (cf. the respective passage in Section 4.3). The evaluation report nevertheless states that the project was able to compensate for the worst effects of the crisis on the small number of companies (about 10,000) promoted by the project. It also states that much the same applied to the promoted regions (cf. § 104 ff.). However, a 'sideline' of the project is of much greater significance. It familiarised the Bank of Agriculture and Agricultural Cooperatives (BAAC) with the instrument for building entrepreneurial competencies via CEFE. On the one hand, this led to a change in corporate culture, with bank employees gearing themselves more toward the market, and on the other, borrowers had the opportunity to be trained by CEFE. The dissemination of BAAC in poor rural regions is considerable and major results can be expected for poor people (§ 108).

Strategically, the programme in *South Africa* does not have an explicit pro-poor orientation. The South African Government's policy is closely geared to economic development in connection with poverty reduction. Within local business development, the programme includes support for poor municipalities with weak infrastructure, and sectors (tourism, agriculture etc.) with a particular poverty impact. The resulting promotion of employment is expected to have a predominantly structural poverty impact (cf. South Africa § 96).

The CPR classification is formally correct in relation to most PSD projects/programmes. However, one problem would appear to be that the poverty relevance is often neglected when it comes to implementing the PSD projects/programmes. It was repeatedly criticised that no transmission channels for poverty reduction are defined when further developing the results system, either for operative purposes or for results monitoring. This would also make sense in terms of the intended higher aggregated indirect results, because this would offer a clearer indication of whether the development measures are on the right track. Moreover, it was pointed out that some opportunities arising in the course of the project, e.g. in connection with PRSPs or other innovations, remained untapped.

Five projects/programmes are given the **GDA (general development approach)** classification. These are the projects/programmes in Bosnia and Herzegovina, Kyrgyzstan, Croatia, Serbia and the supraregional project with the SADC. From the perspective of the evaluation reports, almost all projects and programmes could have been classed CPR since they claim to have direct poverty impacts in some cases.

**Box 7: GDA - General development approach:** Criteria are not or only partially met, projects/programmes are worthy of support based on general development-policy considerations (AURA Guidelines p. 36).

Thus, the evaluation report on *Bosnia and Herzegovina* calculated the indirectly created jobs (1,500 – 1,600) by means of a so-called Keynesian employment and income multiplier, in addition to the directly and demonstrably created jobs (1,386), thus proving employment and income effects due to some 3,000 new jobs (cf. BiH p. 30ff.):

"The income and employment-generating effects of the programme are attended by corresponding effects on the improvement of living conditions/poverty reduction among marginalised population groups: (a) the majority of small and medium-sized businesses employ unskilled/poor workers, (b) the textile and clothing industry in particular (mainly outward processing) employs poorly qualified, single and poor women who are trained on the job, (c) a comparable employment structure exists in the wood industry (which mainly employs men) and in the tourism sector (waiters and waitresses/cleaning staff), (d) the programme also reaches some marginalised employees in the informal sector, (e) start-ups in the retail trade (low capital requirement) are mainly launched by poorer groups, (f) on a regional level, the programme also operates in small towns and rural areas on the outskirts, where a disproportionately high proportion of poor population groups live. In addition, the programme has directly and successfully supported the starting up of a women's initiative to export hand-knitted products, as well as the 'rural hospitality' programme that addresses poor family businesses. ... The income and jobs di-

rectly and indirectly created by the programme therefore mainly favour those population groups (2/3) which correspond to the BiH poverty profile" (e.g. BiH p. 47 f.).

In the case of *Georgia* (§ 93 f.) too, the choice of sectors (e.g. wine growing) and regions in which the programme is active has an impact on poverty reduction. The same is reported of *Serbia* (SEE § 320), where poor population groups are also reached via support for regions with a weak infrastructure (such as the region along the border to Romania), by promoting tourism and the textile and clothing industry.

*Romania*, on the other hand, is a special case because it managed to cut its poverty rate from 35.9% to 18.8% between 2000 and 2004, according to the World Bank (SEE § 312). This is certainly related to its accession to the EU. However, since the programme operates successfully in the sphere of business promotion, it can be said to have made a structural contribution to this progress. Beyond this, the programme also conducts activities to promote poor rural and forest regions (SEE § 316). In *Croatia*, the World Bank reports that poverty is so low that no special economic development measures appear to be required there (SEE § 322).

No direct or indirect poverty impact was proved for the supraregional SADC project or the one in *Kyrgyzstan*.

#### 4.1.4 Target group differentiation and poverty analysis

The importance of a socioeconomic and gender-specific target group analysis was pointed out in the sector strategy to promote small and micro business, "In order to promote in particular the development of the productive capabilities of the poor and their participation in decision-making,..." (BMZ 1997, p. 9). With the exception of Guatemala (§ 93), whose offer contained statistical information on the country's poverty situation, the evaluation reports did not find a differentiated target group analysis (covering poverty and gender aspects, for instance) in any of the projects/programmes. This is considered a deficiency by the evaluation reports.

Thus, it is criticised that poverty-specific questions appear only as vague basic presumptions in the field of development-policy results (cf. Mongolia, § 91). Moreover, it is said that the lack of a differentiated target group analysis prevents specific pro-poor design of the projects/programmes (cf. Benin § 63f.). In addition, a participatory poverty impact analysis along the lines of the Poverty Impact Assessment (PIA) propagated by the OECD-DAC (cf. OECD 2007) might also better highlight the various dimensions of poverty in a specific context (Guatemala § 102).

In some cases, opportunities for greater involvement in the field of poverty reduction, such as those arising from new challenges (Thailand) or political programmes (South Africa, Benin), are not recognised.

The lack of corresponding information impedes strategic design and operational implementation with regard to the intended reduction of poverty. Corresponding information might be used to select the sectors of industry, products and regions in order to achieve greater poverty impacts.

The lack of baseline information makes it extremely difficult to *monitor the corresponding results*. So it is not surprising that, with few exceptions (BiH, Tanzania, Thailand), the evaluation reports were unable to furnish substantial data.

#### 4.1.5 Conclusions - Recommendations

A national poverty strategy was only identified in seven projects/programmes. The fact that a country has relevant strategies and that these are formally referred to in the offer is not in itself an adequate condition that the project or programme is geared to making direct or indirect contributions to poverty reduction during actual implementation.

During both design and implementation, the conscious decision as to whether and how poverty impacts are to be achieved is an important prerequisite for action. Altogether, therefore, PSD projects/programmes mainly presume that structural poverty impacts will be achieved, through interventions at the level of the framework conditions and intermediaries. Fifty-nine percent of projects/programmes were classified CPR. The formal classification of the socio-economic category gives little indication of whether and how the theme of poverty reduction is pursued by a project or programme. Some of the projects/programmes classified GDA clearly achieved positive results in terms of poverty reduction. These successes are based on a specific selection of (i) sectors of industry or products that provide employment for poor people and (ii) disadvantaged regions and communities with poor infrastructure, and (iii) knowledge of the target groups (e.g. disadvantaged poor groups, women, young people, ethnic groups, castes).

However, in a few projects/programmes the CPR classification would appear to be a licence to pay no further attention to the anticipated development results during implementation. Even if it can be (plausibly) proved that the project/programme contributes to economic growth and to enhanced competitiveness, this does not automatically have positive effects on employment or poverty. GTZ's concept of sustainable development, for instance, concedes that the three objectives of economic development, social justice and an intact environment are essentially complementary but in reality often compete with each other, and that questions of power and interests play a crucial role during implementation of these objectives at local, regional, national and international level (cf. Section 5).

That is why, in the course of a project/programme, the overarching objective of indirect poverty reduction should be borne in mind. Even if the projects/programmes mainly improve the conditions for private sector development at macro level, and empower intermediaries to promote the economy at meso level, this may have very different results for the target groups. For this reason, the (possible) results should be examined by means of differentiated and possibly participatory target group analyses (cf. OECD 2007). The expertise to conduct such analyses is in place at GTZ (e.g. Poverty Reduction Mainstreaming Project) and is available via external experts. GTZ's own pro-poor growth activities and the work of the DAC Network on Poverty Reduction (OECD-PovNet), which concerns itself especially with the theme of accelerated poverty reduction through private sector development, can be used to design the strategies in the appropriate manner.<sup>13</sup>

Concrete statements on how many poor people benefited from the project/programme were only made for the projects/programmes in Bosnia and Herzegovina (p. 30 ff.), Tanzania (§ 89) and Thailand (§ 107). In the latter two the lack of broad-based results in creating employment and income was criticised. Whether the poverty results stated in the evaluation reports are 'adequate' or not cannot be answered in a qualified manner at this point. Despite several successes, there remains plenty of room for improvement.

## 4.2 Gender equality

This section attempts to cover the points and questions from the ToR listed in Box 8. This is not always possible because some points were not the object of the evaluations or were not answered in the evaluation reports.

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<sup>13</sup> Cf. OECD document on accelerated poverty reduction through private sector development (2004). Another background paper was also produced with GTZ support on how the market-oriented Business Development Service (BDS) approach and other new approaches for developing SMEs may contribute to poverty reduction (cf. OECD-PovNet 2005, Eiligmann 2005).

**Box 8: Gender equality**

- What is the distribution of gender markers for the development measures?
- To what extent do/did the development measures comply with these markers?
  - G-1 and G-2: was the project design gender-differentiated, and was a gender analysis (gender-specific analysis of the initial situation) available? Was the description of the target group gender-differentiated?
- How many development measures achieve(d) 'adequate' gender-related results?
  - Do men and women make an equal contribution to shaping the project?
  - Do men and women derive equal benefit from the project?
  - Does the project help to reduce structural gender discrimination and thus achieve a positive change in the gender ratio?
  - Was one gender discriminated against, or was this made up for by positive measures?
  - What is the ratio of direct to indirect results?
- What are the reasons for achieving or not achieving gender-related results? Can 'patterns' be identified in terms of factors of success or failure?
- Conclusions (also in the sense of how gender-differentiated aspects can be integrated into PSD measures)?

**Source:** Annex 1 ToR

**4.2.1 Development-policy mandate**

Promoting gender equality has been a cross-cutting theme of PSD projects and programmes since the 1990s. In 1998, guidelines were drawn up on planning and designing economic advisory services projects and programmes. Overarching GTZ guidelines on gender and project management have also existed since 1999. With the advent of BMZ's new gender equality concept in May 2001 and in connection with the German development cooperation priority areas, the sector project Economic Reform and Development of the Market System (WiRAM) produced an interactive Gender Sourcebook (2002). This pointed out the role that gender plays in the given activity areas of economic policy, trade, employment, micro, small and medium-sized enterprise etc., and how a gender-oriented approach can be designed. In addition, when revising the gender categories in 2005, BMZ, GTZ and KfW jointly produced a guideline on the "Impact on Gender Equality in Development Cooperation Interventions/ Gender Markers in Technical and Financial Cooperation", which also contains concrete examples (e.g. for gender analyses) (March 2006).

Importance is also explicitly accorded to the theme of gender equality in economic development in the Millennium Development Goals (MDG 3), in the BMZ Program of Action 2015 (priority area for action 8) and in BMZ's Social and Ecological Market Economy Principles in German Development Policy (guiding principle for design 8) (cf. Box 4). The subject of the economic participation of women received fresh impetus with the presentation of the World Bank Gender Action Plan (GAP): Gender Equality as Smart Economics in 2006, of which German Federal Development Minister Ms Wieczorek-Zeul assumed sponsorship. In February 2007, an international conference entitled Women's Economic Empowerment as Smart Economics was subsequently held in Berlin with high-ranking representatives from the spheres of politics, business and development institutions. At the end of the conference, the participants adopted a call to action (BMZ, Feb. 2007) stating that "... strengthening women's empowerment is not a women's issue, it is at the very core of development ...". On 17 April 2008 another high-level conference took place in Copenhagen on the Economic Empowerment of Women (MDG 3 Call to Action), which discussed how to accelerate the economic participation of women.

The Sector Project Innovative Tools for Private Sector Development produced an assessment report on how German implementing organisations handle the theme of 'equal opportunities or women in private sector development' on behalf of the former BMZ Division 315 (now 300) in the course of 2007. The insights derived from this report formed the background for a workshop on gender and sustainable economic development held at BMZ on 27 June 2008, whose results are summarised in Box 9.

On the basis of these agreements, it is clear that there is still plenty of room for improvement regarding the economic participation of women and gender equality.

#### 4.2.2 Distribution of gender markers

There were four offers that still employed the old F category:<sup>14</sup> Kyrgyzstan with FU, Thailand with FR, and Peru and Tanzania, originally also Benin, with FP. In 2000 the OECD-DAC Gender Policy Marker, also known as the G marker, was introduced within German development cooperation. Since October 2005 a revised G marker has been in use.<sup>15</sup> All offers were designed before 2005.

#### Box 9: Results of the workshop on gender and sustainable economic development

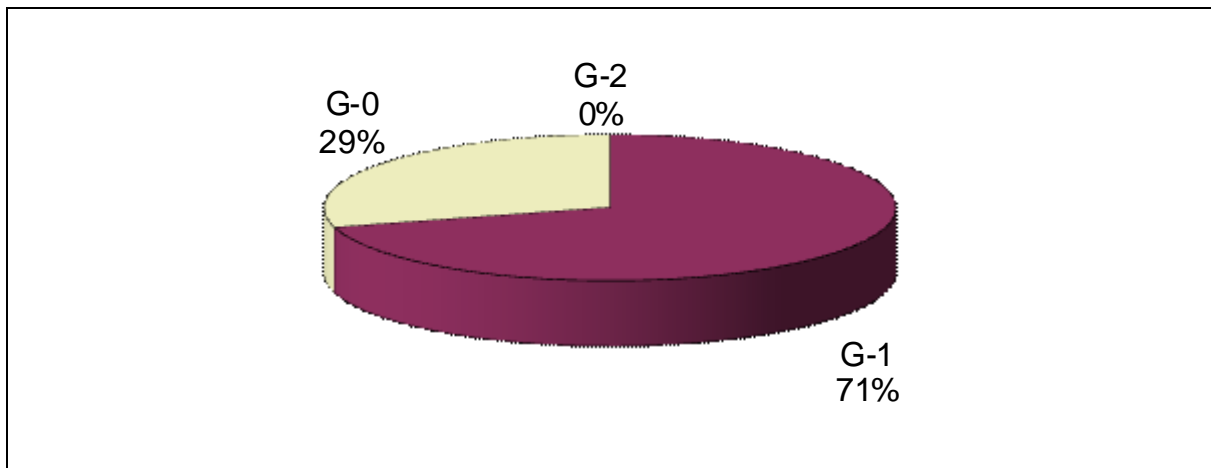
- "Equitable access by men and women and participation in economic activity is not only a human right, it is a basic prerequisite for the comprehensive success of measures in the priority area of sustainable economic development. It is a systemic component of sustainable economic policy and thus also a competition factor.
- As in other areas of development cooperation, the priority area sustainable economic development must also bear in mind the dual concept of promoting equal opportunities for men and women, systematically and consistently. However, this is frequently not implemented in project practice.
- Each implementing organisation is asked to incorporate a gender-differentiated data analysis into its internal examination grids and to ensure corresponding implementation in objectives and indicators. Corresponding BMZ guidelines will be drawn up in the course of the ongoing revision of the gender classification.
- Furthermore, the implementing organisations are asked to exchange sectoral information (Which gender-sensitive and gender-differentiated approaches are practicable under which conditions? What other economic arguments can be derived from practical experience and included in the gender dialogue? What can we learn from existing approaches of other bilateral and multilateral organisations?) and possibly organise joint training courses in this field. The thematic team on gender currently being set up at BMZ may offer a forum for such exchanges.
- The concrete steps to improve the internal mainstreaming of the gender aspect should be established within each implementing organisation and coordinated with BMZ.
- BMZ will ensure that the gender aspect is enshrined in the new editions and revised versions of its implementation-related policy documents.
- This theme is to be anchored more firmly in the political dialogue with partners in the field".

**Source:** Letter from BMZ Division 300 on the minutes of the workshop "Gender and sustainable economic development" held at BMZ on 27 June 2008, dated 21 July 2008.

<sup>14</sup> FU (unspecific) meant that no effects were expected; FR (risk), implied that, apart from risks for women or their non-consideration by the project/programme, the available information is insufficient. Cf. Guidelines on offers, GTZ, Unit 04, 1999.

<sup>15</sup> Cf. Guidelines on Offers, p. 37ff.

**Figure 8: Gender marker distribution (N=17)**



**Note:** of the four projects/programmes classified according to the old marker, two were given the classification G-0; two others were classed as FP and received the G-1 marker.

Figure 8 shows the distribution of the gender markers in the development measures. In none of the projects/programmes is gender equality the 'main objective of the development measure', so none of them receive the G-2 marker. In 12 (71%) projects/programmes it is presumed that deducible positive gender equality results will be generated. Five (29%) projects/programmes were marked G-0, i.e. the development measure does not have the potential to contribute to gender equality. These results are consistent with the assessment on how German implementing organisations handle the theme of equal opportunities for women in private sector development (2007, p. 24f.), which was mentioned earlier on.

Of the 17 projects/programmes, gender-differentiated statements on the target groups or intermediaries were included in 10 offers. The theme was mentioned in the 'Context' section in only two cases. Five offers contained gender-differentiated indicators, in six cases corresponding statements were made under the 'methodological approach', and in all 17 cases statements were made in the section on 'socio-cultural results'.

#### 4.2.3 Gender results in implementation

A much more important consideration than the above-mentioned formal requirements for writing offers, however, is whether appropriate account was taken of the theme during actual implementation of the development measures.

According to the evaluation reports, no gender analysis was performed in the 17 evaluated projects/programmes. Where no such analyses exist, there are no means of honing awareness of gender-specific issues, and no foundation for gender-differentiated design and monitoring (criticised in Guatemala § 89, El Salvador § 194f., Benin § 86). This would appear especially important for a systemic approach.

Despite repeated instructions, some projects/programmes have consistently failed to conduct a gender analysis and, as the next step, to take the required gender-specific measures. In the case of *Thailand*, which was still classed as FR, the lack of such information and the need to close this gap were pointed out both in the offers and the various reports (PPR 1999 etc.). According to the evaluation report, this deficit was not remedied during the entire project term. Nor were any measures taken that were specifically geared to women. Only in the selection of trainees was care taken to ensure that women received equal access. Forty-seven percent of participants in the CEFÉ training courses were women.

However, due to the gender marker (from G-1), gender equality indicators are also required in the offers. Gender equality is therefore frequently perceived as a quota issue. This means that in some projects/programmes, activities are conducted for women without any systematic and strategic framework. The evaluation report on *Benin* includes the following criticism:

"In all, the prevailing understanding of the gender issue would appear to be an instrumental one, mainly related to the quantitative participation of women in training measures, without taking into consideration qualitative factors such as women's rights and opportunities or the political influence they exert" (cf. Benin § 87).

In *Mongolia*, entirely different reasons were given for seeing no need for a gender-differentiated target group analysis or measures to promote women. During implementation, the project was confronted with the fact that women were sometimes over-represented, both in the target group and as employees of the partner institutions and the project itself (cf. Mongolia § 87f.). In view of the impending under-representation of men, the gender theme acquired a different dimension. But men and women did derive equal benefit from the project in that their distribution in the various training measures roughly corresponded to their representation in the economic sectors (construction, timber, printing, leather, tourism, wool/cashmere).

Similarly, in the other transition countries (*Romania, Croatia, Georgia, Kyrgyzstan*) no need was initially seen to place priority on measures geared to women (cf. SEE § 304 f., Georgia § 88ff., Kyrgyzstan § 79f.). Nevertheless, it is established that women do participate in the measures, especially via the selection of industrial sectors. Women are represented in these sectors as employees or managers/entrepreneurs. The programme in Bosnia and Herzegovina was also found to address men and women to the same extent, and provide both with equal benefit (cf. BiH p. 46f.). These examples from the transition countries indicate that the selection of the promoted sectors is a key element for the economic participation of women in the projects/programmes.

Although other projects/programmes were explicitly designed to contain measures to promote women, their implementation fell far short of expectations. Thus, women were supposed to receive special support in the project in *Benin*, originally classed as FP and later as G-1. At least 40% of the promoted participants were supposed to be women (cf. Benin, § 20, 27, 39). However, no analysis of the specific situation of women in the crafts industry was conducted, nor were any plausible results chains established. And finally, neither were any specific concepts or support measures developed and implemented (§ 86). Deficits were also identified in the programmes in *El Salvador* (cf. 194 ff.) and *Guatemala* (cf. § 89ff.), although the evaluators did identify some measures specifically geared to women or some positive effects on women.

According to the offer, the second implementation phase of the project in *Morocco* was to focus "...on the fields of innovation, environment and gender ..." (cf. offer). A specific concept was developed to promote female entrepreneurship (*entreprenariat féminine*) and to support new women's professional associations (cf. Morocco § 98 f.). However, the evaluation report criticises the fact that comparatively few funds were available to implement these measures (cf. Morocco § 68).

The evaluation report on Morocco also criticises the fact that promotion is limited to female entrepreneurship, a very narrow outlook. At the same time, though, the evaluation report does not take account of several interventions by this and other projects/programmes in Morocco. There is another GTZ project in Morocco, Integration of the gender approach in Moroccan economic and social policy, which conducted a gender audit on the situation of women at work in several companies. Measures were also implemented by the then independent German vocational training programme, which were not taken into account either. This concerned itself in part quite explicitly with gender-specific training.<sup>16</sup>

In other cases too, the evaluators did not adequately deal with the subject of gender equality. Not all activities or documents were taken into consideration. In the case of Serbia, the evaluation report made no mention of an international conference 'Business powered by

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<sup>16</sup> Cf. *Evaluation d'impact socio-économique (genre) de la formation par apprentissage – (FPMT)* by SaBiH Chraïbi and Susanne Bauer, GTZ, Dec. 2006.

Women', held by the programme in Novi Sad in June 2007. This conference met with lively interest and was attended by 600 international participants, male and female, from 17 countries. Owing to its considerable media presence, it had an impact on the role model of women as entrepreneurs.

In the case of *Nepal*, no mention is made of income-generating measures such as honey making, which was new territory for women and also involved them more strongly in the work of associations. At the same time, the evaluation report on Nepal underlines the necessity of empowering disadvantaged groups (in this case, women) so that they can participate in political and economic decisions within their own or mixed-gender associations. Although women represent the majority of the workforce in some sectors of industry or product groups (e.g. tea, papermaking, the production and processing of primary goods), the means of production belong to men, the evaluation report states. Men are also said to dominate the relevant professional associations (cf. Nepal § 168 ff.).

In other places it was established that the potential to promote economic equality has not yet been harnessed. The project in South Africa did not adequately reflect the government's gender equality policy, for example (cf. South Africa § 95).

Further anecdotal examples could be given here. In almost all cases it could be shown that women derive benefit from the development measures via extended results chains. The question of what is 'adequate' remains open to interpretation.

#### 4.2.4 Conclusions - Recommendations

On the whole, the implementation practice established by the evaluation reports complies with the assessment report mentioned above (2007). The requirements linked with the gender markers G-1 and G-2, valid since October 2005, are so far given little consideration, and none at all in the evaluated projects/programmes. These requirements are (i) aligning the development measures with systemic gender equality impact and not just with target group participation, (ii) implementing a gender-specific analysis when preparing the development measures, (iii) the contribution made by the given development measure/component to promoting gender equality at objectives or indicator level is clearly emphasised (BMZ/GTZ/KfW 2006 p.9). A substantial discrepancy was established between development-policy claims and actual implementation (implementation gap) (cf. assessment report 2007, p. 25, synthesis report 2008, p. 2f.).

Most of the PSD projects/programmes are comprehensive and complex, and operate almost exclusively at meso and macro (intermediary/policy) level. The distance between these and the target groups is generally considerable. The target groups are almost exclusively reached via the intermediaries, and thus via long results chains. Moreover, these projects/programmes usually address several development-policy activity areas and promote various target groups (cf. projects/programmes in Guatemala, El Salvador, Morocco). However, they do contain target-group specific measures or bundles of measures that explicitly serve to promote the economic participation of women or to improve their position, but these measures are usually not as 'visible' due to the project/programme complexity. It is therefore all the more important, as stated in the context of poverty reduction, to establish plausible results chains with regard to gender equality too.

At the same time it was stated that the theme of gender equality is usually equated with measures directed specifically at women or quotas (probably due to the indicators). It is therefore mainly understood as an additional task.

The deficits in implementation in the field of promoting gender equality are known, and the requirements for action were clarified at the BMZ workshop on gender and sustainable economic development on 27 June 2008, if not before. In consequence, and following the 2008 company-wide interim evaluation on the implementation of the Corporate Strategy on Gender Mainstreaming, a working group on gender mainstreaming and the promotion of women was set up in the GTZ Division 'Economic development and employment'. The group has already developed a strategy and a plan of action to anchor this theme in the division.

Altogether, gender equality is still not adequately incorporated as a systemic or systematic component in the design, implementation and monitoring of PSD projects/programmes. The perspective should be an integrative one, i.e. it should be standard practice to examine whether and how the theme of gender equality is affected and whether any necessary corrective measures need to be taken, during the entire project cycle and in all interventions. A detailed list of recommendations can be seen in Section 9.

### 4.3 Consequences for the partners' capacity to act (capacity development)

This section aims to cover the points and questions taken from the Terms of Reference (ToR) listed in Box 10. This is not always possible because they were answered either insufficiently or not at all in the evaluation reports.

#### Box 10: Capacity Development

- In how many development measures are/were (very) good/satisfactory/inadequate successes achieved in terms of capacity development, and on which levels (individual, institutional, societal)?
- Did the advisory services have an effect on the partner's capacity to act?
- Did it prove possible for pilot approaches to be successfully multiplied or adapted by the partner structures?
- Did the development measures have an effect on the design of national policies and laws, and on the stakeholders' ability to shape such policies and laws? And on interaction between the state, the economy and civil society?
- What are the reasons for successful/unsuccessful capacity development?  
Can 'patterns' be identified in terms of the factors of success and failure?
- Conclusions

**Source:** Annex 1 ToR

#### 4.3.1 GTZ's approach

GTZ's specific approach to support capacity development (CD) is based on its concept of sustainable development (cf. Section 5), whose basic principles are (i) our work is holistic, (ii) our work is process-oriented and (iii) our work is values-oriented. (GTZ's self-image, p.4.) GTZ's understanding of capacity is explained in the Guiding Framework for Corporate Action, whose essential statements are contained in Box 11. Capacity does not exist as a general or abstract term, but is always related to concrete problems, challenges and requirements for action. That is why continuous reflection on the societal and political environment and relevant interest groupings is required in order to adjust advisory services in a timely manner.

**Box 11: Capacity and capacity development as understood by GTZ**

In line with the current OECD/DAC definition, GTZ has the following understanding of capacity, capacity development (CD) and support for CD:

**Capacity** is the ability of people, organisations and societies to manage their own sustainable development processes. This involves identifying development problems, designing solutions and successfully implementing these. At GTZ we often characterise this as the *ability for proactive management*, which we understand as the capability of stakeholders to effectively combine and coordinate political will, interests, knowledge, values and financial resources in order to achieve their own development goals and satisfy their own development needs. The term *ability for proactive management* underlines the fact that it is not sufficient for these capacities simply to be present (and remain unutilised); they must also be manifested in the proactive management of development and change processes.

**Capacity development** is a holistic process through which people, organisations and societies mobilise, maintain, adapt and expand their ability to manage their own sustainable development.

The **promotion of capacity development by external partners** is a key instrument used by development cooperation to enable people, organisations and societies to develop and expand their ability for proactive management.

**Source:** GTZ's Understanding of Capacity Development. A Guiding Framework for Corporate Action. GTZ 2007 p. 3f.

Aspects of capacity development are also addressed in other sections of this report and in the evaluation reports themselves, especially with regard to the statements on the DAC criteria effectiveness, impact and sustainability and on GTZ's concept of sustainable development. The evaluators themselves had not been explicitly tasked with examining or evaluating the theme of capacity development in particular depth. However, the evaluation reports do address this theme to a greater or lesser extent in Section 3.<sup>17</sup> Even after close reading of the evaluation reports, the author is not able to provide any 'assessment', nor does that appear expedient. After all, capacity development is a

"... a process that must be stakeholder-driven and stakeholder-owned, i.e. the stakeholders must strongly identify with and be strongly committed to the desired change. However, it is possible that this ownership might not arise until the reform process is under way; external partners can support and facilitate the emergence of ownership, and assume *temporary* co-responsibility while these processes are still ongoing." (GTZ's Understanding... *ibid.* p. 3).

Neither does capacity development proceed in linear fashion. The process is marked by progress and successes, but also by setbacks, conflicts and blockages. Such change processes can only lead to success if they take into account the system as a whole. In line with the list of questions (cf. Box 10), a few tendencies and important insights are shown, although every effort is made not to anticipate too many of the statements made on sustainable development in a subsequent section.

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<sup>17</sup> The evaluation reports on Guatemala and Nepal, for example, refer almost exclusively to the designated political implementing partners.

### 4.3.2 Experience with capacity development

Basically, PSD projects/programmes focus on enabling partners, organisations and systems. Since the projects/programmes are normally not designed as ready-made blueprints, they should also be designed according to the specific situation of the partner country, the implementing partners, the sector and the target groups. This is reflected in the good rating (1.8) of the relevance criterion in the preceding section. One exception is the project in *Kyrgyzstan*, which was apparently planned and implemented without any claim to build sustainable capacity (cf. *Kyrgyzstan*, § 19-27).

**Figure 9: Capacity development**

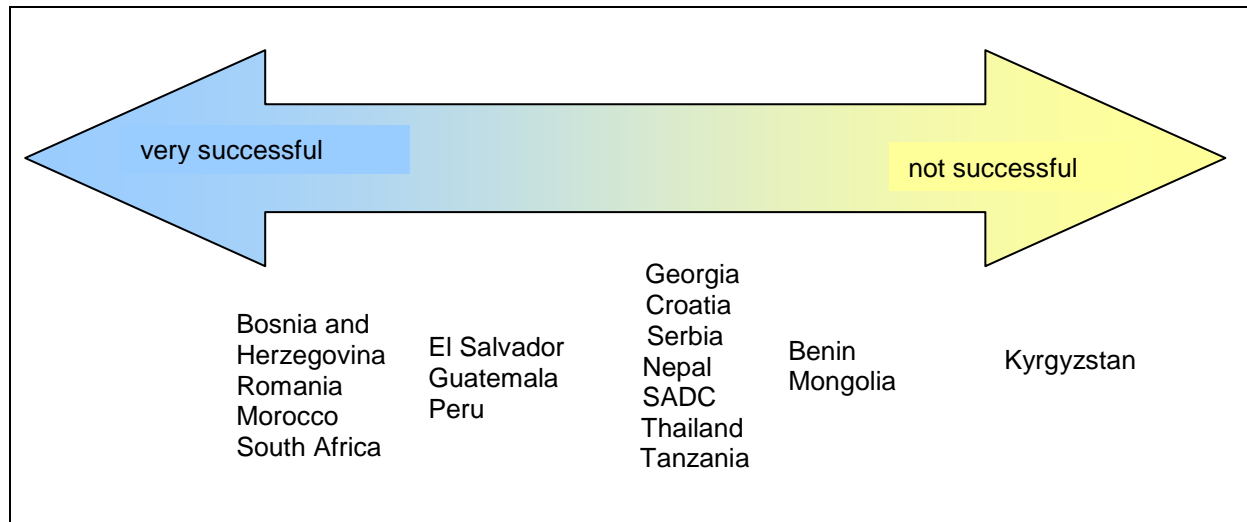


Figure 9 shows the capacity development tendencies on a continuum from not successful to very successful. It may well be that a project/programme made good progress with capacity development during an implementation phase, but that this deteriorated again in the ensuing phase due to various factors (e.g. *Guatemala* § 15, *SADC*, § 43 ff.).

Several examples of successful and less successful capacity development are given below.

**Opportunities on the level of framework conditions:** The project in *South Africa* was extremely successful, particularly when it came to national legislation and policies, despite some adverse circumstances to do with repeated strategic adjustment and changing affiliations within German development cooperation (cf. *South Africa* § 30f.). The project was able to support the political partner, the Department of Trade and Industry (DTI), in revising the existing policy. For example, the competence of DTI staff was enhanced by support for participating in a BDS course held by the Springfield Centre in the UK, among other measures. Additionally, two BDS market studies were conducted as pilots in two selected regions. The examination of current policy towards small entrepreneurs finally led to a more comprehensive policy renewal and to institutional reform, which led to the establishment of the Small Enterprise Development Agency. A similarly significant role is attributed to the project with regard to examining and renewing the local development strategy of the new political partner, the Department for Provincial and Local Government. Here, the project provided support in the form of advice, training and study trips, thus contributing to a paradigm shift in the framework for local economic development, where competition-oriented approaches and private sector participation are now placed on a par with the social dimension (cf. *ibid.* § 31). Nevertheless, the project is still in the experimental phase in many respects when it comes to regional implementation, and has to face organisational shortfalls in the private sector and local government. However, the project did take advantage of the opportunities offered at macro level and was thus in a position to influence the political framework through targeted capacity development among the partner's staff. Similar developments are reported of the project in *Morocco*, which made a major contribution to the

concrete design of the Moroccan modernisation strategy regarding the free trade agreement with the EU. This not only involved establishing a corresponding operational unit in the partner ministry but also the national SME promotion agency that issued from this operational unit (cf. Morocco § 26f.).

**Institutional inertia and missed opportunities:** The situation at the project in *Thailand*<sup>18</sup> was quite different. The explicit task of this project (in line with the offer agreed with the partner) was originally to support the lead executing agency and main implementing partner, the Department of Industrial Promotion (DIP), in implementing a new division of labour between the state, civil society and the private sector, and to decentralise the promotion of small enterprise in the provinces and, as a related task, to outsource services to non-governmental organisations and private firms (cf. offer for the first implementation phase). In the course of implementation, however, the project partner questioned the meaningfulness of the planned policy advice and particularly of the organisational development measures. Instead, the partner requested 'technical support' mainly with training (CEFE training) for start-ups and entrepreneurs (similarly to Georgia, Croatia and Serbia). The DIP exhibited a remarkable degree of inertia in the face of changes and innovations.

With the advent of the Asian economic crisis (1997), the promotion of SMEs in general and of small and micro businesses in particular gained political significance in the rural regions of Thailand. Thus, the Office of Small and Medium Enterprise Promotion and the Institute for Small and Medium Enterprise Development were created in 2000, but did not become the direct implementing partners of the project (cf. Thailand § 10). The project did not succeed in contributing to current strategic and institutional development through policy advice, nor did the CEFE training concept promoted for many years succeed in becoming established as a groundbreaking method, despite the increased need for training at micro, small and medium-sized enterprises.<sup>19</sup> Finally, capacity development mainly took place at individual level by enhancing the staff's capacity to act, especially at a regional industrial promotion centre and among members of associations, but above all by enhancing the capabilities of CEFE trainers and of more than 10,000 entrepreneurs. New competencies were also fostered as a kind of side effect among the employees of the agricultural bank (BAAC), who were trained with CEFE (cf. Section 4.1.3).

**Shifting governmental priorities and donor competition:** A further example is the project in *Mongolia*, which proved itself to be very well positioned in terms of both strategies and institutions in the country evaluation conducted by BMZ in 2001 (relevance rating of 1 in the independent PSD evaluation).<sup>20</sup> With the start of the mining boom (2001/2002) that brought high governmental revenues, the attention of the Mongolian Government to the entire field of private sector development has tangibly declined (cf. Mongolia § 5). The activities introduced to provide policy advice and establish a public and private sector dialogue were correspondingly fruitless. Beyond this, due to its geostrategic position as a neighbour to the two major powers Russia and China, Mongolia is very popular among international donors. In the opinion of many local experts, this has in the course of time led to the country being strained beyond its absorption capacity (cf. Mongolia § 6). That made it difficult to successfully implement the approach of the professional competence centres, which was in fact geared to the independent generation of funds. Apparently, it was not possible to interest other donors, and other GTZ projects/programmes only to a limited extent, for the competence centres. The Mongolian Government itself was not involved at all. The capacity development

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<sup>18</sup> The author held sectoral competence for this project for several years in the Planning and Development Department and lastly visited this project as an evaluator in 1999. The independent evaluation report refers to the ensuing report, among other documents.

<sup>19</sup> More recent approaches such as LRED, which were commenced in the final implementation phase, could no longer be institutionalised due to the limited time available.

<sup>20</sup> The author acted as an evaluator in the BMZ country evaluation for Mongolia in 2001 on Economic Reform and Development of the Market System. In contrast to the evaluation report, the author takes a much more positive view of the context, project design and implementation. The developments shown here could not be judged at that time.

achieved is therefore situated mainly at individual level.

**Lack of political will to reform and weak institutions** as regards regulations and their enforcement mechanisms: Examples are *Benin*, where the project contributed to developing a crafts policy, but the responsible department did not assume ownership of or implement this policy (cf. *Benin* § 32). In *Peru* too, the project helped to develop an SME strategy, but the responsible ministry lacked the requisite capacity. It was unable to receive approval from the Ministry of Finance, so the corresponding instruments for effective implementation of the SME strategy were not available (cf. *Peru* § 27). Similar circumstances are reported in *Guatemala*, where established groups hung on to the status quo and therefore blocked law reforms to improve the legal framework for SMEs (cf. *Guatemala* § 78). This limits the absorption capacity for innovations based on capacity development.

**High staff turnover when there is a change of government:** In quite a few partner countries, each change of government means the skilled staff in the government authorities are replaced, from managerial level down to operative level. This leads to a loss of institutional knowledge but also to the loss of staff trained by the project/programme. This concerned in particular the programmes in *Guatemala* (§ 75), *El Salvador* (§ 51f.) and *Georgia* (§ 27). Sometimes, however, this also gave rise to opportunities. After the Rose Revolution in Georgia, 'backward-looking' staff were exchanged. Although the new recruits were young and inexperienced, they were generally well trained, had international experience and were open to new developments and committed to becoming involved in favour of the private sector (cf. *Georgia* § 28).

**Willingness for reform among private sector organisations** (business chambers and associations) and other private sector promotion institutions. One example of successful capacity development that can be given here is the programme in *Romania* (cf. SEE § 87 f.). After initial difficulties with the association reform initiated by USAID, this succeeded in making a major contribution to organisational development and the establishment of high-quality business-related services. This was fostered by the forthcoming accession to the EU. Study trips to Germany and business chamber partnerships provided role models with which the chambers aligned themselves, for instance with regard to their lobbying function. The projects/programmes in *Bosnia and Herzegovina* (p. 21ff.) and, with strong regional differences, in *Peru* (§ 22ff.), are also considered quite successful in developing the capacity of business chambers, associations and (regional) economic promotion institutions. The cooperation with business chambers and associations in *Croatia* (cf. SEE § 97ff.) and *Serbia* (cf. SEE § 94ff.) has so far been less successful, since some of them are still organs that represent state-owned businesses. In all, the economic system is still very red-tape-ridden, which makes it rather difficult for the projects/programmes to work together with anyone but the official political partners and to find suitable private sector organisations or private service institutions. A similar state of affairs is reported in *Georgia* (cf. § 39ff.). This also places restraints on the introduction of new cooperation mechanisms between the state and the private sector.

### 4.3.3 Conclusions and recommendations

Summing up, it can be said that, while capacity development is the focus of PSD projects and programmes, there are many reasons for the varying success of capacity development. This is due to:

- the local conditions, e.g. structural and political framework, interest groupings, partner capacities
- the project/programme itself, e.g. scope for project implementation, (self-) understanding and professionalism of the project staff, project steering
- the activities of other donors, complementarity versus competition
- the time frame for corresponding interventions
- the BMZ or GTZ itself, e.g. change in priorities, budget cuts, staff level.

It would also appear important

- to identify the right point in time and suitable interventions for capacity development
- to react flexibly to corresponding opportunities and deficits, and
- to recognise the limits of technical cooperation in the given context.

It should also be clear that capacity development does not end when an intervention is completed but is a continuous process. The appropriate time frame is also required. Particularly measures aimed at achieving changes in the (sociocultural) behaviour of individuals or institutions take time (cf. Zweynert 2006).

## 5. GTZ's concept of sustainable development

This section attempts to cover the points and questions taken from the Terms of Reference (ToR) listed in Box 12. This is not always possible because they were answered either insufficiently or not at all in the evaluation reports.

### Box 12: Sustainable development

- To what extent and how frequently do/did the development measures, i.e. GTZ's work method, reflect the concept of sustainable development (holistic, process-oriented and value-oriented approach)?
- Holistic approach: linkage of economic, social and ecological target dimensions; of sectoral, organisational and policy advice; of the micro, meso and macro levels
- Process-oriented approach: help for self-help; establishing transparency of actors' interests; promoting interaction between the state, civil society and the private sector
- Value-oriented approach: promoting democracy, the rule of law, human rights; gender equality; good governance; social and ecological market economy
- Conclusions

**Source:** Annex 1 ToR

At the 1992 United Nations Conference on Environment and Development (Earth Summit) in Rio de Janeiro, the international community agreed on the concept of sustainable development. This was further developed and confirmed in the Millennium Declaration and the Millennium Development Goals (2000), the Monterrey Consensus (2002) and the Johannesburg Plan of Implementation (2002), and in the German Government's Program of Action 2015 (cf. Sustainable development – GTZ's concept, 2005, p. 1). For GTZ, sustainable development means:

- economic growth for more prosperity
- equal opportunities for rich and poor, North and South, men and women
- natural resource use for the benefit of present and future generations (ibid. p. 2).

It is conceded that the three goals of economic development, social equity and of maintaining a sound environment are often complementary, but that they frequently stand in competition with each other, and that issues of power and vested interests play a key role in striving for sustainable development at local, regional, national and international level. Sustainable development therefore implies a permanent process of negotiation, a process of searching and learning that goes far beyond the framework of individual projects and programmes (process orientation). It is after all a holistic concept that includes sectoral, organisational and policy advice and ensures cross-cutting links between economic, social and ecological aspects (holistic approach). Furthermore, sustainable development is based on the principles of shared responsibility and help towards self-help, and on the fundamental conviction that diverse interests can be reconciled most effectively and fairly in democratic societies, under the rule of law and with a social and ecological market economy (value orientation).

Aspects of sustainable development are also addressed in other sections of this report and in the evaluation reports themselves, particularly in the passages on the DAC criteria effectiveness, impact, sustainability, and on poverty reduction, gender equality and capacity development. In the evaluation reports, the theme of sustainable development is treated rather schematically in Section 5.3.

A holistic approach, process orientation and value orientation are the basic principles that distinguish GTZ's specific approach in line with its concept of sustainable development. BMZ's Social and Ecological Market Economy Principles in German Development Policy (2007) underlined this once more with regard to the wider policy field of private sector development. Basically, all PSD projects and programmes are aligned with the concept of sustainable development. Here too, the projects/programmes are not designed as ready-made blueprints, but are adapted to the specific situation in the partner country, of the implementing partners, the sector and the target groups. The various target dimensions and ap-

proaches are reflected in the evaluated projects and programmes in different forms. Aspects of the sustainable development concept can be recognised even in the project in *Kyrgyzstan*, (cf. § 86f.).

**On the holistic approach:** In terms of design, all projects/programmes are at least presumed to apply a multi-level approach (micro, meso and macro level) and a mixture of sectoral, organisational and policy advice. This is applied differently depending on the local situation. Most projects/programmes mainly focus on the intermediary or meso level. Rarely does the project/programme intervene directly at entrepreneur level, i.e. the micro level (e.g. Croatia). These usually well-founded cases of intervention at direct entrepreneur level are normally only conducted in pilot measures or because access to the meso level is prevented. Interventions at macro level are also subject to restrictions, as explained above (cf. 4.3.2).

Often, however, the social dimension (preserving and creating jobs, equal opportunities) as well as the ecological dimension (environmental protection and resource conservation, energy efficiency) is considered to **conflict with the target dimension 'competitiveness'**. In view of the globalised value chains and markets, though, environmental and social standards play an increasingly important role, i.e. these aspects can no longer be seen as limiting competition per se. On the contrary, maintaining environmental and social standards nowadays presents market opportunities. Thus, the themes of environmentally sound production, sometimes in connection with quality assurance, are addressed in the projects/programmes in El Salvador, Bosnia and Herzegovina, Morocco and Romania, and the theme of energy efficiency is addressed in Croatia. This is frequently attended by improved occupational safety or consumer protection. The coverage of social aspects was already described in detail in Sections 4.1 and 4.2 of this report, and the link between the different types of advisory support was described in Section 4.3.

**Process-oriented procedure:** The transparency of actors' interests is established in various ways, not least via the approaches to create a business services market (BDS) (e.g. South Africa, BiH, Mongolia, Nepal), cluster development (e.g. Romania, BiH, Croatia, Serbia, Georgia) and local and regional economic development (LRED) (e.g. South Africa, Guatemala, El Salvador). These approaches are simultaneously process-oriented since they support the economy's ability to help itself via self-help organisations, business chambers and business associations (e.g. Benin, Romania, BiH, Morocco, Nepal, Tanzania, Peru), and frequently also promote the interplay between the state, civil society and the private sector, for example in a public-private sector dialogue (e.g. El Salvador, Guatemala, South Africa).

**Value-oriented approach:** Combined with this, social and ecological market economy principles are also promoted. Depending on the form taken by the individual aspects in a project or programme, good governance, democracy, the rule of law, human rights and gender equality are also supported. Eight projects/programmes (47%) are given the DAC marker ER 1 or ER 2 with regard to the expected ecological results. Twelve projects/programmes (71%) are expected to achieve positive results in terms of participatory development/good governance and therefore received the PD/GG 1 or PD/GG 2 classification.

**In all**, it can be stated that the concept of sustainable development was the basis for all 17 PSD projects/programmes. The various target dimensions and approaches are reflected to different extents in the evaluated projects/programmes depending on the context of each individual project/programme.

## 6. Technical assessment

This section attempts to cover the points and questions from the Terms of Reference (ToR) listed in Box 13. This is not always possible because they were either not or only insufficiently answered in the evaluation reports.

### Box 13: Technical assessment

#### Conceptual approach/methodological procedure

- Can trends be established in the course of time in terms of design and advisory approaches?
- What is the status of specific products/approaches in the various regions or country clusters (keywords: countries neighbouring the EU, post-ODA, anchor countries, failed states, etc.)?
- In how many development measures was the methodological approach/advisory concept judged adequate (and purposeful)?
- In how many was this not the case, and why?
- Are there recurring strengths and weaknesses in the private sector development approaches?
- To what extent do the advisory approaches take into account the contradictions between local/traditional institutions, our market-economy approaches and global economic structures?
- Examining the multi-level approach: to what extent does the interplay of interventions function at micro, meso and macro level? Can correlations be established between the intervention level on the one hand and the (achieved) direct results on the other?
- What were/are the success factors for the private sector development approach? To what extent was the gender-sensitive design of the projects/programmes a success factor?
- Reflecting on German approaches: to what extent was German experience made use of, and to what extent are specific approaches reflected, i.e. conceptual elements of the social and ecological market economy, structural policy etc.?

**Source:** Annex 1 ToR

## 6.1 Conceptual trends over the course of time

Most of the evaluated projects and programmes date back to the early 1990s, as has already been said. They were therefore subject to various German and international development cooperation trends in the field of private-sector development.<sup>21</sup> The private sector development section arose from the two organisationally and conceptually distinct fields 'promotion of crafts and small enterprise' and 'integrated advisory services for the private sector'.

For decades, the promotion of crafts/trades and small enterprise and the promotion of the informal sector were equated with support for poor population groups (cf. evaluation reports on Benin and Tanzania). At GTZ, there were various approaches and methods, such as training programmes to build entrepreneurial competencies (CEFE), chamber partnerships, the establishment of self-help organisations in the informal sector and the *Action Recherche* method.<sup>22</sup> These were the origins of the projects/programmes in Benin, Tanzania and Thailand, and partly also in Guatemala, El Salvador and Nepal. In contrast, growth potential was considered more likely among small and medium-sized businesses, which were supported by the integrated advisory service for the private sector and by PROTRADE via measures to promote exports, trade fairs and investments. This is the approach on which the projects/programmes in Bosnia and Herzegovina, Georgia, Kyrgyzstan, Morocco, Mongolia, Romania and the SADC are based, and in part also those in Nepal and Peru.

At the end of the 1990s, a paradigm shift took place at international level in the promotion of micro, small and medium-sized enterprises (MSMEs). With the advent of the Business Development Services (BDS) approach that was developed with the strong involvement of GTZ and propagated by the international Committee of Donor Agencies for Small Enterprise Development, there was a decided move away from the establishment of state business promotion institutes and the offer-based provision of (in most cases) fully subsidised services. Instead, priority was given to creating a market for business-related services mainly provided by private service providers and the radical dismantling of subsidies, with the costs of these services to be fully covered by the clients (cf. Business Development Services, guidelines of the Committee of Donor Agencies for Small Enterprise Development dated 2000, and Küsel 2008 and Wältring 2006). Projects/programmes designed along these lines can be found in South Africa and Nepal; the concept was subsequently introduced in other projects/programmes (Benin, Guatemala, El Salvador, Tanzania, Thailand). Initially, the BDS approach meant departing, at least superficially, from a specific target group orientation, especially towards poor people and women. Within OECD-DAC, the poverty reduction network (OECD-PovNet) concerns itself specifically with accelerated poverty reduction through private sector development (2004). In this context, a background paper was written on how the market-oriented Business Development Service (BDS) approach and other more recent SME development approaches can contribute to poverty reduction (cf. OECD-PovNet 2005, Eiligmann 2005). Altogether though, BDS has meanwhile lost importance in favour of other approaches, according to the sector division.

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<sup>21</sup> Cf. also the paper: Privatwirtschaftsförderung: Lernen aus der Produktgeschichte für zukünftige Ansätze 2004 and Küsel 2008.

<sup>22</sup> On the state of the debate prevailing at that time, cf. Klein(st)gewerbeförderung in Afrika südlich der Sahara, 1994.



only to be renamed 'sustainable economic development' (SED) a few years later, with a few minor adjustments in terms of programme design. The reduction of priority areas in the countries, in particular, gave rise to the dilemma that projects were to be continued but that their content was no longer linked to any of the sectoral priority areas. These projects and programmes were therefore sometimes incorporated into priority areas and programmes with which they apparently had little in common (e.g. the project in South Africa was assigned to rural municipal development, and likewise the new project in Nepal). In the case of South Africa, this organisational link has meanwhile proved useful, also in terms of content, apart from some administrative frictions. The same can be expected to apply to the new INCLUDE project in Nepal.

Altogether, the speed at which strategic approaches and organisational structures and links change appears to be growing. It has already been pointed out elsewhere that this may lead to considerable friction. It remains to be seen to what extent these changes are really of a comprehensive 'strategic' nature, or whether it is not more a case of the 'emperor's new clothes', i.e. approaches applied so far are subsumed under a new name.

## 6.2 Strategic approaches and methodological procedure

### 6.2.1 Attempt to typify the projects/programmes

Because of the limited number of projects/programmes evaluated, they cannot be typified according to regional criteria (say, Mediterranean countries) or inclusion in a specific category of development partners (anchor countries, post-ODA, emerging economies, failed states). One possible distinction might be the category of transition countries or countries related in certain ways with the EU. This though, too, would be inadequate. In the first case, Morocco would fall through the grid, and in the latter, Georgia, Kyrgyzstan and Mongolia would be excluded. Nevertheless, the approach can be typified in connection with the major approaches and country characteristics.

The approach of **establishing (self-)help organisations of trades-/craftspeople and small entrepreneurs** (informal sector) was mainly pursued in poor African countries (Benin, Tanzania). One special form was the process-oriented approach that was mainly applied in Francophone Africa as *Action Recherche*. This is due to the great importance of these target groups (crafts businesses, micro entrepreneurs, informal sector) for the economy and employment in these countries. Moreover, this approach represented a paradigm shift as compared with the policy pursued for decades by GTZ, UNIDO etc. of promoting governmental or semi-governmental small industries development organisations (SIDOs). The new approach aimed on the one hand to empower the target groups to defend their own interests (e.g. vis-à-vis the municipality with regard to the allocation of industrial estates or the provision of infrastructure) and on the other to enhance the ability of groups to help themselves solve their own problems. Today, these approaches are outdated, but they did contribute to newer approaches such as today's nucleus approach.

**Boosting the industrial competitiveness of SMEs**, including export promotion, is mainly practised in transition countries (BiH, Georgia, Kyrgyzstan, Croatia, Mongolia, Serbia, Romania) and in the EU neighbour and Mediterranean country Morocco. Most of these projects/programmes resulted from the former IAS and trade fair promotion approach. It is suitable for more advanced countries that do have a certain industrial tradition (training, experience, infrastructure), or for those like Morocco that are undergoing accelerated modernisation due to their association with the EU. The selected sectors are usually manufacturing industry or service sub-sectors (e.g. tourism), which derive higher added value than the sectors dependent on agricultural raw materials.<sup>23</sup> This may take the form of support for industrial value chains and of clusters. In this context, the introduction of developed standardised

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<sup>23</sup> Exceptions to this rule are usually products with high export potential, such as wine, medicinal herbs and organic products.

instruments, method packages or processes related to quality assurance, food hygiene, environmentally sound production, process engineering etc. are well received. Beyond this, support for creating a suitable business and investment climate and the promotion of associations are also important.

**Comprehensive promotion of micro, small and medium-sized enterprise** is taking place in all other developing countries (El Salvador, Guatemala, Nepal, Peru, South Africa, Thailand, also the project with the SADC). Essentially, this is a mixture of various approaches that are either applied in succession or complementarily. Besides the cross-sectoral development of the range of business services (BDS) offered for companies, product-related or regional approaches are pursued. Unlike the former group, rather than for industrial goods, these provide support within value chains, clusters etc., for production, processing and marketing mainly agricultural raw materials and crafts products. This is connected partly with the anticipated poverty and employment impacts but also with local production factors. In the approaches relevant to specific regions (LRED), it is also important to provide for the dialogue between public institutions and the private sector, and sometimes also with civil society, for the negotiation of local or regional development plans and their implementation. Support for reforming the business and investment climate, e.g. by means of business climate surveys, is also gaining in significance.

## 6.2.2 Factors of success and failure for PSD - recurring strengths and weaknesses

**Multi-level approach:** However sophisticated and differentiated the toolbox, no sustainable broad-based development can take place in an unfavourable political/administrative, economic and legal environment. This also determines the *opportunities and limits of the various intervention levels* (macro, meso and micro). If it is possible to help create an enabling environment, as was the case in the frequently quoted cases of South Africa and Morocco, a great deal more development can be achieved than by intervening for more than a decade at meso and micro level. Even then, though, pragmatic methods and instruments are required to implement political strategies at meso or micro level. Conversely, examples of good practice at institutional and target group level can also open doors for supplementary measures at macro level (e.g. Romania). In some countries (e.g. Croatia and Serbia), however, the projects or programmes do not yet have access to the meso level, let alone the macro level, due to institutional inertia. They therefore operate directly at company level.

Sometimes, though, the representatives of a development measure do not take advantage of the opportunities offered to give advice at policy level, whether to ministries or national associations, or are not in a position to make themselves heard. Examples are the projects in Thailand (cf. 4.3) and Benin (§ 23). The ideal case is of course interaction at all three levels, whether successively or simultaneously, but this rarely happens in practice.

**Lack of ownership/alignment:** In the opposite case, an unfavourable political and institutional setting can hamper the best approaches. For a long time, the programme in El Salvador (§ 34) received little political support. This meant that partner inputs were not provided and there was a low level of decentralisation, which would have been important for implementing the LRED component. In Guatemala (§ 76ff.), the lack of political will, poor governance, violation of human rights and a precarious security situation, combined with the structural problem of social inequality, prevented more results from being achieved. Section 3.5 asks what explains the discrepancy between a positive relevance rating and the moderate rating for effectiveness, impact and sustainability. The above examples suggest that the relevance of a project/programme in the sense of partner ownership was too positively rated. Perhaps too little attention was also paid to political changes, and opportunities to make strategic adjustments or develop exit strategies were missed. The evaluation reports do not make this absolutely clear.

**Choice of partner institutions:** At meso level, the *partners are sometimes too weak* or are unsuitable for other reasons. Thus, in Morocco (§ 18f., 114) and Peru, the associations were still too weak to achieve the intended results. In Bosnia and Herzegovina (p. 19f.) there were two competing association systems, one based on the Habsburg tradition of mandatory

membership and another on the American style of association and lobbying. Only the introduction of voluntary membership in the chambers of commerce and industry injected a certain dynamism into the deadlocked situation (also in Georgia). In Croatia and Serbia, the business chambers still see themselves as organs representing the state-owned companies and are only suitable as partners to a limited extent. This was also a problem encountered in Romania for some time.

The **search for alternatives** was commensurately difficult. Should one attempt to establish new (professional) associations that may not be able to hold their own against the existing ones, as in the case of the wine association in Georgia? Or should one support other initiatives such as business clubs, business incubators, clusters, investment funds (e.g. Georgia, Croatia, Serbia), or build up professional competence centres based on a partially decrepit and outdated infrastructure, as was the case in Mongolia? However carefully the situation is clarified or institutions are analysed in advance, as proposed by the evaluation report on Mongolia, this may have limited impact in view of the institutional upheaval in the partner countries or even be outdated again by the time the project starts. What is needed is a certain degree of attentiveness for institutional development and flexibility in implementing a project/programme in order to react appropriately to risks and opportunities.

The designated partner organisations in Nepal and Tanzania were also classed as weak. Despite this, the evaluators repeatedly criticised the fact that the projects did not take enough notice of the official implementing organisations. This gives rise to several questions concerning the **interpretation of the Paris Declaration on Aid Effectiveness**, which emphasises a series of principles with regard to partner orientation and the strengthening of partners: Does a project/programme have to continue working mainly with the official partner even if the latter appears unsuitable? Or is it possible to work with a flexible, diversified implementation structure with the suitable implementing partners and thus spread the risks?

**Competition among service providers:** The concept of creating a business services market (*BDS approach*) is highly suitable for circumventing the problem of weak, backward or inflexible business chambers and craft promotion institutions. Here, the focus is no longer on promoting an individual institution, but on introducing market mechanisms that make it possible to provide needs-based services in demand by companies, also in return for payment. The intended cost participation for services up to full cost coverage plays a major role with regard to the measure's sustainability.

**The problem with the BDS approach** is that the services were initially mainly offered to those corporate segments that could also make a financial contribution to the costs (cf. Küsel 2008). Many poor groups could therefore not be considered as clients because they did not have the required funds to pay for services (cf. Benin § 64). That means that to reach poor target groups, the BDS interventions must be correspondingly planned and new ways must be found to finance the services (cf. Eilgmann 2005).

**Financial sustainability of services:** The subject of the cost-covering payment for business services would appear to be a problem not just from the viewpoint of poor people. In Morocco (§ 45), the government refuses to cut subsidies for services because the SMEs are already faced with pressure to modernise and cannot be additionally burdened with higher contributions for services.

A further barrier to increased contributions by the companies themselves is the practice that other donors continue to *subsidise* the promotion services either entirely or to a large extent. This is common practice at the EU Commission and also at USAID,<sup>24</sup> and was established not just in Morocco (§ 45) but also in Bosnia and Herzegovina (pp. 19, 40) and Peru (§ 58).

**Change in approach:** Too rapid switching from one approach to another in order to follow corresponding development-policy trends appears to pose problems. In the case of Guate-

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<sup>24</sup> Ironically, USAID, IFC and the World Bank have recently pleaded strongly in favour of the BDS approach in the context of the Committee of Donor Agencies, but this has little practical significance.

mala (§ 71), CEFE was initially the core approach of the programme. Then BDS was introduced, and not long after, LRED. The conceptual and organisational adaptation process of the programme in El Salvador (§ 5) has already been mentioned at several points. There too, a CEFE project had been in place since 1996, followed by BDS, value chains and LRED approaches. Basically, there is no reason why the various approaches and methods should be mutually exclusive; they may build on each other or complement each other. However, it was frequently criticised that abrupt conceptual changes cause friction. In the case of Tanzania (§ 107), it was clear that the priority area to which the project had been allocated would be phased out. Nevertheless, the BDS concept was introduced, although the evaluation report says it would have been better to concentrate on ensuring the sustainability of what had already been achieved.

**Complex process-oriented approaches**, like those for LRED, *take a certain time* to show results. In Guatemala, LRED was not launched until the final phase, and by that stage it was no longer possible to perpetuate it. In Nepal too, it became apparent that the single use of a Participatory Appraisal of Competitive Advantage (PACA), one of the LRED instruments, did not make for independent local and regional economic development. On the contrary, qualified facilitators and advisors are needed in the field to monitor this process. LRED takes time, as shown by the South African example.

In general, the importance of the **time factor in PSD and relationships of trust** should not be underestimated. Many of the PSD successes are based on long cooperation in a country and with the partner institutions. It has been pointed out several times that many of the evaluated projects/programmes were built on previous projects. Apart from in-depth knowledge of a country and an economic sector, this also serves to build trust. The evaluation reports on Morocco (§ 21) and Bosnia and Herzegovina (p. 35) explicitly refer to the close and trusting cooperation. Combined with the professionalism of the staff, this was an essential prerequisite for success.

**Standardised instruments:** The use of developed and standardised instruments, bundles of measures and clearly structured procedures (e.g. quality management, profitable environmental management, CEFE, PACA, REFA) can substantially enhance the positive results (cf. Morocco § 48, § 113, Peru § 22ff., Thailand § 53).

**Local and traditional structures:** An understanding of local and traditional institutions (including norms, regulations etc.) is certainly conducive to the success of a project/programme, as such institutions can have an inhibiting or indeed beneficial effect on market-economy oriented approaches. Thus, it is reported that the officials elected by the organised craftspeople resort to old structures and mainly pursue their own interests and those of their clan (cf. Benin § 24). Similar developments are also observed among officials in transition countries (Georgia, Kyrgyzstan, Croatia, Serbia). Altogether though, the evaluation reports made hardly any reference to this theme.

### 6.2.3 Reflection on German approaches

Specifically German experience has contributed to approaches that (i) strengthen the system of business chambers and associations, (ii) help to optimise processes, (iii) serve to set up quality assurance systems, including environmental protection and conservation of resources, or (iv) serve to protect consumers. This experience can and should of course never be directly transferred to the conditions in a partner country. In the case of the new EU member Romania, which looked into the German associations system and acquainted itself with quality assurance methods, the direct positive results achieved were quite different from those in Nepal or El Salvador, for example.

Moreover, the concept of rural and regional economic development (LRED) is informed by the experience of German regional economic programmes. Relevant training courses are offered in Germany and are usually linked with study trips. In the case of South Africa, this training has borne fruit.

The *CEFE* training method was developed by German development cooperation and was long propagated as the best method to boost the competence of entrepreneurs and start-ups. This method still has its place, albeit in modified form, as a didactic method for various training courses, such as for start-ups in Bosnia and Herzegovina, for young people in Guatemala or in the context of agricultural value chains in the follow-on project in Thailand.

In the PPP (Public-private-partnership) approaches, German expertise is directly contributed via cooperation agreements with German companies (cf. e.g. Romania).

Beyond this, the design and practice of several projects/programmes reflect social and ecological market economy principles (cf. Section 4.1.1 and Box 4). This is particularly apparent in the projects/programmes in the transition countries Bosnia and Herzegovina, Georgia, Croatia, Mongolia and Serbia, but also in the Mediterranean state Morocco and of course the new EU member state Romania.

### 6.3 Results and monitoring

This section attempts to cover the points and questions from the Terms of Reference (ToR) listed in Box 14. This is not always possible because they are answered either insufficiently or not at all in the evaluation reports.

In most of the projects and programmes, **traceable and plausible results chains** are presented **for the direct results**. However, several offers were drawn up according to the old procedure, i.e. prior to 'managing for development results'. Not all attempts by evaluators to convert the old offers to an AURA-compliant results chain were successful. The evaluation report on Thailand can be cited as an example in which a positive formulation of the 'key problem' is used as the 'overall objective'<sup>25</sup>. Discussion of the problem of regional economic disparities in the 'Context' of the offer was used as a foundation for the project's claim to achieve 'direct results' in "reducing the development gap between the regions and the greater Bangkok area". In view of the economic dynamics of the greater Bangkok area, this would appear somewhat presumptuous.

Some projects/programmes have elaborated **complex results systems** that are meant to do justice to the various fields of intervention (e.g. South Africa, El Salvador, Nepal). In the case of Nepal it was criticised that (i) the results chains were subsequently constructed, (ii) they are geared too closely to the activities and (iii) no connection was made with results monitoring (cf. Nepal § 19-20, 25, 102).

Deficits in the **results channels** were already discussed in Sections 4.1 and 4.2. In general, it is presumed that the increase in competitiveness or the boosting of economic growth achieves

#### Box 14: Results monitoring

- Were traceable cause-and-effect hypotheses elaborated and monitored, also with regard to poverty reduction and gender equality, and can the results constellations be plausibly proved?
- Which monitoring and evaluation approaches were applied in the project/programme? Were M&E of the project/programme designed in a gender-sensitive way? Are there lessons learned and methodological recommendations that can be established to register the direct/indirect results of the PSD projects/programmes, also bearing in mind the different intervention levels?
- Via which results channels (e.g. employment, taxes/subsidies, access to services, property and societal power positions) were poverty-related and gender-relevant intended/ unintended results achieved?
- Which 'core indicators' are suitable for general use (e.g. in the form of an 'indicator database')?

**Source:** Annex 1 ToR

<sup>25</sup> This is envisaged according to the logic behind AURA, but does not work with the old objectives-oriented project planning system ZOPP.

(a) stabilisation of employment, (b) a rise in income, (c) the creation of additional jobs and (d) further income possibilities. This ignores the fact that such results are usually not automatic and that additional measures have to be taken, especially for disadvantaged groups (poor people, women), such as measures to achieve pro-poor growth. Several evaluation reports (e.g. Guatemala § 94, Benin § 50) criticise the fact that the transmission channels, for example for poverty reduction, are only vaguely described. Moreover, the project in Benin (§ 50) did not succeed in making clear its qualitative results (ability of organised trades-/craftspeople to negotiate with municipalities) and their influence on the economic cycles.

The results constellations in terms of the **anticipated development results** are **deficient**. Sections 4.1 on *poverty reduction* and 4.2 on *gender equality* already spoke in detail of substantial deficits. These are: (i) diffuse results constellations and cause-and-effect hypotheses, (ii) a lack of baseline data (differentiated target group analyses) and (iii) a lack of pro-poor and gender-specific monitoring.

With few exceptions, **results monitoring** in the evaluated PSD projects and programmes leaves much to be desired. It has been largely neglected in almost all projects and programmes. Sometimes it is still in its early stages. In some cases, complicated monitoring systems were developed, which nevertheless only supplied information on quantitative inputs and outputs, and provided little information on the use and results of outputs or their quality (e.g. Benin, El Salvador, Nepal, Tanzania). In some cases, monitoring was neglected again after the first flurry of data collection (Tanzania, El Salvador), and could therefore not be used for learning within the project or for further developing approaches. It was seldom possible to convince the partners of the expediency of monitoring, and it therefore comes as no surprise that monitoring was abandoned after completion of the projects/programmes (e.g. Tanzania, Thailand). A few examples are given below.

In *Guatemala* (§ 19, § 102), a monitoring approach was developed in the consolidation phase that was used to document in detail the outputs and the achievement of objectives. However, it was criticised for its **lack of participatory elements during monitoring**. According to the evaluation report, the in other respects good monitoring system could have benefited from greater involvement of the target groups and implementing organisations. Reference was made in particular to the possible use of the Poverty Impact Assessment (PIA) propagated by OECD-DAC (cf. OECD 2007).

In *El Salvador* (§ 32), the internal results monitoring system was criticised because the selected indicators showed various critical changes in definition in the course of the programme and methodological insufficiencies in relation to data collection. Much of the collected data referred to quantitative aspects or outputs and their use, rather than on their results. The scope of random samples was frequently not representative, according to the evaluation report. Finally, the results monitoring system was reoriented and presented in the context of **balanced score cards**. On the positive side, it is stated that this enabled the partner institutions involved to (i) define and visualise their contribution to the programme, (ii) identify cooperation mechanisms and options, also beyond the existing programme activities, and (iii) follow the development of the programme and the achievement of indicators.

In *Morocco* (§ 23), the monitoring system that was developed did not meet all the requirements but did have some interesting characteristics. Monitoring results and demand analyses are incorporated to support the modernisation strategy, as is clearly shown by the results chains (§ 9). Right at the beginning, the demand orientation of the offers to be developed was emphasised via studies and monitoring activities (§ 15). In Morocco too, however, results monitoring was not initially gender-sensitive (§ 23). A business climate survey was conducted at the beginning of 2006 (§ 23). This survey asks selected entrepreneurs about their subjective impression of the business situation and the development of their company (trends in income, employment, innovation etc.). It also asks the entrepreneurs to judge the services provided by the partner organisation. The **business climate survey** is therefore a valuable instrument that the partner can put to sustainable use, one that helps to show plausible relationships between business climate development and more highly aggregated results (increased income and more employment). Corresponding surveys on the business

climate had also been carried out in the projects/programmes in Romania, the SADC and South Africa. Such surveys cannot, however, measure the direct results achieved by the development measure and therefore have to be supplemented by additional project-internal monitoring systems.

The project in *South Africa* (§ 28) developed its results monitoring system from 2005 onwards. This reflects its link with the priority area Municipal self-government and development. According to the evaluation report, the system is well thought-out and contains results chains for different fields of intervention and bundles of measures. The indicators are established by a mixture of collecting primary data (surveys, random samples) and analysing secondary data.

The evaluation report on Bosnia and Herzegovina makes an interesting **methodological proposal** for registering the indirect employment and income effects. To do so, the evaluation report employs the so-called **Keynesian employment and income multiplier**:

"This is an empirically established factor that states how much additional income and how many additional jobs were induced by income and jobs created by the programme. The generated employment and income effects cover all results produced by the jobs and income directly created by the programme. They arise from the generation of intermediate inputs for the desired end product, and from the use of income and employment created by the direct effects. The induced effects are quantified by means of the Keynesian multiplier. This can be interpreted as the result of a series of results rounds. The first round contains the employment and income effects of the investments and of expenditure on consumption. The subsequent rounds contain the effects of re-expenditure of the regional income that arose in the first round, in other words (a) both the direct income and the (b) induced income in turn generate income. In algebraic terms, the Keynesian multiplier can be deduced as the result of an infinite series of results rounds: the result of the direct effects (first round) is an (exogenic) increase in regional gross value added in relation to factor costs and regionally available income. The latter is lower because it is subject to direct taxation, and governmental transfer payments (in as far as they exist) to the region decrease (e.g. due to falling unemployment). The increase in available income boosts regional consumption, part of which is accounted for by imports and is lost in terms of regional gross value added. This change marks the end of the second results round, and in the third round it causes the next increase in regional value added, where part of the value added is again lost via imports. This process repeats itself for several rounds until the effects become negligible." (cf. BiH p. 30).

It is therefore advisable to examine whether the use of this Keynesian multiplier is a valid method for registering indirect employment and income results in other PSD projects and programmes too.

#### 6.4 Changing framework conditions for PSD

This section attempts to cover the points and questions from the Terms of Reference (ToR) listed in Box 15. This is not always possible because they were answered either insufficiently or not at all in the evaluation reports.

##### Box 15: Framework conditions for PSD

- What role/which functions has the private sector (private companies, business organisations) assumed in the project/programme? Which forms of cooperation were especially successful?
- The core element of private sector development is cooperation with both private and public actors and support for the dialogue between governmental and private stakeholders. Are state actors assuming a greater role in implementing economic development strategies, and is economic development being increasingly integrated into public sector programmes (in the context of the Paris Declaration)?

Source: Annex 1 ToR

The previous sections made implicit and explicit reference to the role of the private sector (private companies, business organisations) in the projects and programmes. The private sector is both the **addressee** of the PSD measures and the **partner** in providing services. It represents the interests of the target groups and acts as the negotiation and implementing partner, say in the context of LRED approaches. An increasing number of public-private partnerships are also being formed with local companies. Depending on the country, sector or region, though, the private sector is still weak and technical cooperation therefore has to rely more strongly on governmental and semi-governmental institutions.

A new division of tasks is gradually emerging between private and state actors, also with the support of the projects/programmes. This support may take the form of dialogue forums and BIC surveys, for instance. The state is increasingly assuming the role of regulator and facilitator of economic development, while the private sector is assuming more responsibility for providing the corresponding services. The examples of Thailand (see Section 6.1), El Salvador (§ 34), Guatemala (§ 76ff.) and Peru (§ 27), however, show that despite the political interest professed by the lead executing agencies (relevance) **implementation** of the projects/programmes may **fail** due to the inertia of the ministerial and governmental promotion structure, the lack of political will to change or the weakness of political partners. The transition countries (e.g. Georgia, Croatia, Serbia) showed that outdated structures in state administration and in former state-owned businesses and their representative bodies (business chambers) may impede this change process (cf. Zweynert 2006).

PSD, as currently perceived by German technical cooperation, means that key elements of promotion are cooperation with private and governmental actors and support for the dialogue between state and private stakeholders. The evaluation reports did not deal with the consequences of the considerations and principles of the **Paris Declaration on Aid Effectiveness** as regards the role of state actors in implementing economic development strategies. The question as to the consequences that the principles of **alignment** and **ownership** stated in the Paris Declaration have for the design of PSD projects and programmes has already been raised elsewhere in this report (Sections 6.2.1 and 6.2.2). In view of the fact that some partners are weak or unsuitable, or even failed states, designing efficient implementing structures remains an enormous challenge. In this context, a further **problem** is that although projects/programmes try to support partner governments in devising sector policies and developing strategies, these are not implemented (e.g. Benin § 24, Mongolia § 21). This is in part due to the political partner's lack of willingness to change, and in part to the project/programme itself. The process orientation of a project/programme is not always successful, and it is not always possible to achieve alignment and ownership among political partners, say by means of training and change processes. Positive examples of **successful policy advice** - also in the sense of alignment and ownership - have been mentioned several times (Bosnia and Herzegovina, Morocco, Romania and South Africa).

## 7. Contract and cooperation management

This section attempts to cover the points and questions from the Terms of Reference (ToR) listed in Box 16. This is not always possible because they are answered either insufficiently or not at all in the evaluation reports. The evaluation reports make very reserved statements, if any, on contract and cooperation management. The themes involved here are sensitive ones where the evaluators understandably avoid voicing their opinions too frankly.

**Box 16: Contract and cooperation management**

- In how many development measures were the modes of delivery and the assigned staff appropriate, and why? In how many was this not the case, and why?
- Was technical cooperation the suitable instrument? (were there differences in anchor and poor countries?)  
Were the prerequisites created for programme-based approaches (e.g. sector-wide approaches - SwAPs)?
- What special strengths and weaknesses (frequently) occurred in project steering? What conclusions can be drawn?
- How was cooperation with the partner institutions rated? What special strengths and weaknesses (frequently) occurred?
- How were the cooperation relationships and their quality rated within DC/IC? (Cooperation and distinction between FC/TC, joined-up DC, donor coordination and GTZ's role, requirements resulting from the Paris Declaration)  
What special strengths and weaknesses in project steering occurred (frequently)?

**Source:** Annex 1 ToR

**Modes of delivery and staff deployment**

Since April 2008 there has been a new set of guidelines on modes of delivery.<sup>26</sup> In 2007, evaluations were still conducted according to the old understanding of service provision. As agreed with the Evaluation Unit that commissioned this report, here reference is only made to the version of 'modes of delivery' valid in 2007.

With few exceptions, the modes of delivery, including the mix of international and national, long-term and short-term experts, were judged to be appropriate. This is also expressed by the average efficiency rating of 2.7 (see also Section 3.4).

**A critical view** is taken of the modes of delivery and staff deployment in the project in Benin. This saw its concrete inputs such as the financing of training courses, trips, community projects etc. as the central element of its services, but only used 10% of its financial resources for these purposes. Comparable programmes in the field would use a proportion of 60% – 70% for that. Nor was the constant presence of an international expert considered justified, since this expert did not provide any advisory services and a national expert could have provided these anyway in cooperation with another project/programme. Further examples with a **rather more equivocal assessment** are listed below:

- although instruments such as tripartite cooperation, PPP and cooperation with other donors increase efficiency, the high transaction costs due the conceptual complexity of the project/programme, the considerable strain on the project team due to limited leadership and the partially lacking ownership by the national partners limit the project's economic efficiency (cf. El Salvador § 145-151);
- in Guatemala, the programme had many different instruments and modes of delivery; however, concentrating on just a few instruments or combining different instruments in one region would have improved the cost/benefit ratio (cf. Guatemala § 62-72);
- in Mongolia, unforeseen investments in establishing the competence centres led to additional expenditure that was not included in the planning and therefore not scheduled in the budget (cf. Mongolia § 62-68);
- in Croatia, the ratio between the provided funds and the ambitious intended results is poor; in order to work in an expedient manner, it would either take more funds or require focusing on just a few sectors (cf. overall report SEE § 249-251);
- in the final phase of the supraregional SADC project, the otherwise very cost-efficient approach that required local partner associations to make contributions of their own was severely impeded by poor communication, a lack of coordination with other pro-

<sup>26</sup> Overview of GTZ Modes of Delivery – an Orienting Framework, GTZ, Unit 04, April 2008.

jects/programmes and donors, and apparently also by management errors (cf. SADC § 92-103);

- if a cost/benefit analysis had been conducted earlier, it might have increased the use of funds in Tanzania (cf. Tanzania, § 96-100).

The modes of delivery in all other projects/programmes were rated **positively**. In the case of South Africa it was stated that the project applied various modes of delivery very successfully (advice, study trips, training, market development etc.) and thereby consistently applied the multi-level approach and the multi-stakeholder approach. In Romania too, for example, the mix of international long-term and short-term experts as well as national experts, the advice given in combination with CIM experts, study trips etc, and the initiation of PPP projects/programmes was rated equally positively.

Moreover, the **suitability of technical cooperation** as the chosen instrument was not questioned in any of the projects/programmes.

The evaluation reports are very reserved when it comes to making statements on **staff quality**. It is therefore striking that the evaluation reports on the projects/programmes in Bosnia and Herzegovina, Morocco and Romania underline the professionalism of the staff and the basis of trust with the partner.

### **Strengths and weaknesses of project steering**

The negative influence of **repeated and abrupt strategic changes**, in part combined with organisational adjustments, has been frequently addressed elsewhere in this report (cf. Sections 6.1 and 6.2.2). This applies in particular to El Salvador but also to South Africa. Some of these changes were triggered by BMZ, others by GTZ.

Another point is the **timely and sufficient provision** of financial resources and personnel. Thus, in Morocco, there were substantial delays in implementation due to inadequate staff coverage and a lack of financial resources. The restricted funds expended and a shortening of the implementation period restricted the results of the programme in El Salvador. The project in South Africa was repeatedly faced with delays in important project documents. Although these impediments are usually justified, in some cases they lead to considerable friction and a drop in performance.

**Cooperation with the partner institutions** was termed good in the majority of cases. Important factors for good cooperation include acting in partnership and fostering trust. Some evaluation reports point out the close and trusting cooperation with partners at all levels. With regard to Morocco, the evaluation report says:

"Independent work and assumption of self-responsibility by the partners was prioritised in all advisory services. This made it possible for the partners to assume ownership of the measures to be conducted. Progress was presented and discussed in steering groups such as the *Comité de Pilotage*. Joint processes for reaching an understanding were thus introduced and intensified with regard to designing improved offers. In view of this exemplary partner empowerment, flanking advisory services and training courses were able to focus on process monitoring of the organisational development led by the partners themselves. Combined with the professionalism of the staff, this was a major prerequisite for success" (cf. (§ 21).

On the programme in Bosnia and Herzegovina, the evaluation report says:

"Thus, the programme management succeeded in establishing a good and trusting relationship with partners on all three levels. The work method is considered fast, flexible and service-oriented .... The good and transparent selection criteria when recruiting both international and local consultants and trainers are a sign of selection according to performance and professionalism. The monitoring and evaluation system also contributed to this situation. Moreover, the programme has succeeded in preserving ethnic neutrality and not being 'monopolised' by any one ethnic group, which in turn boosts its reputation as an objective and professional donor organisation" (p. 35).

However, as stated in several places, there were also partners (e.g. in El Salvador, Guatemala, Mongolia, Peru and Thailand) who had no interest or very little interest in change or were too weak to implement change processes (even if these were politically planned). Furthermore, the relationship with the official implementing partner at the projects/programmes in Nepal, Tanzania and the SADC was rather tense and was sometimes subject to changes in the course of the project.

### Cooperation with other German measures and donors

A very positive development in the cooperation with other German implementing organisations has taken place in recent years, particularly with regard to PSD: the movement towards joined-up development cooperation. Here, particular mention should be made of cooperation with DED and CIM, and with SEQUA, who work complementarily in partner institutions or companies at some projects/programmes (e.g. Romania, Nepal, Mongolia, South Africa). In the case of Guatemala, there was also good cooperation with the political foundations FES and KAS. Only in the case of Benin did the project apparently see itself as competing with DED and the Swiss Agency for Development and Cooperation (DEZA/SDC), and was not open for cooperation.

Cooperation with other donors is less unequivocal. In Bosnia and Herzegovina there was excellent cooperation with DEZA/SDC, which also made a financial contribution to the programme. On the other hand, problems frequently arose with EU projects/programmes since these are often unwilling to exchange information or coordinate measures (e.g. BiH, Guatemala, Morocco). The competing approaches to the subsidisation of services, for example by the EU or USAID, have already been mentioned.

## 8. Summary of conclusions and lessons learned

Altogether, 14 of the 17 evaluated projects/programmes were classed as successful, with an average overall rating of 2.7. The average relevance rating is 1.8, the effectivity rating 2.6, the impact rating 2.8, the efficiency rating 2.7 and the sustainability rating 2.8. Two projects/programmes received an overall rating of 'unsatisfactory' and one of 'inadequate'. The project in Kyrgyzstan that was classed as inadequate is a rather atypical case because its design was largely determined by high-ranking political influences. With regard to the other two projects/programmes judged unsatisfactory, it is a moot point whether the unfavourable assessment is in fact appropriate. However, the fact is that these three 'poor' projects/programmes downgrade the otherwise rather positive assessments.

The quantitative assessment of the projects/programmes was based on the five criteria established by OECD-DAC: (i) relevance, (ii) effectiveness, (iii) impact, (iv) efficiency and (v) sustainability. Here, the individual criterion of efficiency was relatively uniformly assessed, although there were considerable deviations when it came to the other four criteria, namely relevance, efficiency, impact and sustainability.

Based on the evaluation reports of the 17 projects/programmes, it can be concluded that the success or failure of a project/programme crucially depends on its **relevance**. In concrete terms, this means that relevance depends:

- on the degree to which the project/programme design matches the development-policy orientation and its implementation by the partner government or implementing partner
- on the selection and knowledge of the promoted sectors, product groups etc.
- on the knowledge/analysis of the target groups, especially if the aim is to reduce poverty or include disadvantaged target groups (women, castes, youth etc.)
- on the continuity or discontinuity of German development policy and the ensuing changes
- on the appropriateness of adjustments to international themes or trends.

The first point on the political partner and its government is central for the requirements of alignment and ownership of development cooperation emphasised by the Paris Declaration on Aid Effectiveness.

Achievement of the anticipated **direct results** (effectiveness) – apart from the sum of surrounding conditions that cannot be influenced – depends on:

- correct assessment of the project's/programme's relevance in the partner context (policy, implementing partner, sector/branch of industry, target groups) and, related to this, an appropriate and realistic formulation of the project's/programme's objectives (including results indicators);
- staff-related and political/strategic continuity on the partner's side – e.g. government, authorities, implementing organisations;
- ownership by the implementing partners;
- solid planning and implementation: i.e. of realistic objectives or formulation of indicators with regard to the expected direct results; feasibility based on analyses/studies/pilot measures on the intended fields of intervention, e.g. implementing organisations, sectors of industry/products and target groups; the appropriateness of the time frame in which capacity development, for instance, including organisational development, and complex advisory projects/programmes can be implemented; the regional and sectoral/content-related focus in relation to the available funds;
- management and steering of the project/programme: timely provision of an adequate number of competent project staff (international and national); the professionalism and social skills of the staff; a suitable mixture of continuity and flexibility to support the establishment of new structures, monitor institutional change and anchor new instruments.

Achievement of the **indirect results** (impact) also depends on the formulation of plausible results chains with regard to the anticipated indirect development objectives and the consistent implementation of corresponding strategies. More than the direct results, impact depends on:

- the overall framework conditions
- the project's/programme's relevance in the partner context, the strategic, political and staff continuity and ownership by the partner
- the management and steering of the project/programme
- an appropriate time frame
- whether the project/programme succeeds in anchoring the model or pilot measures on a broad-based and sustainable basis.

The **economic efficiency** of a project/programme in turn depends on:

- realistic planning, especially with regard to the ratio between the employed funds and the intended objectives
- an effective contribution by the implementing partners (ownership)
- the contribution of the target groups themselves, such as through their own work or by assuming costs for services
- a suitable mix of international and national experts and of long-term and short-term experts
- the complementary use (joined-up development cooperation) of other German measures (DED, CIM, SEQUA, InWEnt, KfW etc.), and of public-private partnerships (PPP), tripartite cooperation arrangements and the embedding of the measures in a corresponding BMZ priority area
- cooperation with other bilateral and international donors
- the complexity of a project/programme, among other things due to the diversification of regions, sectors/products and fields of intervention in relation to the available funds and transaction costs
- the management and steering of the project/programme.

The **sustainability** of a project or programme depends on external conditions that cannot be influenced, such as the world market (price fluctuations, new competitors, financial market developments, energy prices), political stability or instability (wars, unrest, coups d'état) or natural disasters such as earthquakes, hurricanes or floods. Moreover, it depends:

(i) on the **partner side**, on

- the macro level and the structural, political and legal environment, e.g. the gap between rich and poor; interest among the ruling groups in maintaining the status quo; the willingness and ability to implement policies or introduce changes; the extent of corruption and rule of law;
- the suitability of the direct political and administrative partners (lead executing agency, implementing partners) to enable and bear co-responsibility for changes;
- the meso level and the institutional and financial capacity and sectoral competence of the implementing partners (promotion institutions, service providers, business chambers and associations, corporate networks etc.) to adopt and perpetuate innovations (organisational development, new approaches and instruments) and their ownership;
- staff continuity among the implementing partners. In some countries, each change of government entails the replacement not just of decision-makers, but also of experts in administration and at the authorities, leading to substantial losses in institutional memory and expertise;
- the micro level of the target groups (companies, start-ups, employees), their ability to derive benefit from the outputs and their willingness to make their own contributions for that purpose;
- the improvement in social standing, e.g. among members of the informal sector, trades/craftspeople, labour force;

(ii) on the side of the **development measure** (the project/programme), on

- the appropriateness of the time frame and instruments. Complex advisory approaches (such as LRED, BDS, market development, improving the business and investment climate) and capacity development, including organisational development, take a commensurate length of time to become anchored in the field and be independently used;
- flexibility to react appropriately to new challenges;
- the existence of exit strategies, especially with regard to subsidising outputs;

(iii) on the **donor's side**, on

- adherence to pledges regarding the time frame or the funds for the development measures;
- strategic and conceptual continuity.

The results of the independent PSD evaluations are not completely representative because (a) the sample is relatively small, (b) a certain degree of subjectivity cannot be ruled out, (c) the evaluations do not cover the entire breadth of current PSD products and (d) the planning system was changed (from ZOPP to AURA). This also restricts the possibility of drawing general conclusions from the analyses and assessments of the independent evaluations in this cross-section evaluation. The results do, however, offer important indications of trends.

The evaluation reports show hardly any deficits as regards the **approaches and instruments used**. Only the self-organisation approach in the informal sector in Tanzania was not considered compliant with objectives in the sense of inducing economic growth, in the evaluators' opinion. Since this approach is no longer part of the PSD repertoire, there is no need for further comment here. In all the PSD toolbox would appear very sophisticated and differentiated, but must be used in the right context and at the right time in each individual project/programme. Unfortunately this is not always the case, which reduces the success of the measures, although it became quite clear that far more results can be achieved given adaptation to the given context and the choice of a favourable point in time, especially in terms of the general environment.

Owing to the small number of **projects/programmes** evaluated, they cannot be **typified** according to regional criteria (say Mediterranean countries, for instance) or as belonging to a specific category of development partners (anchor countries, post-ODA, emerging economy, failed states). Yet it does make sense to distinguish between the promotion of industrial competition in more advanced economies (transition countries, countries neighbouring the

EU or Mediterranean countries) and the more comprehensive promotion of micro, small and medium-sized enterprises in the other partner countries. In particular, though, care should be taken to emphasise what is to be promoted (more advanced industries and services, export industries, agriculturally based value chains, micro business etc.) and who is to be promoted (young employees, women, poor people, the unemployed, skilled workers). Different methodological procedures and instruments can be used as appropriate.

The **private sector** is both the **addressee** of the PSD measures and the **partner** in providing services. It represents the interests of the target groups and acts as the negotiation and implementing partner, for example in LRED approaches. Also, more and more public-private partnerships are being established with local companies. Depending on the country, the sector or the region, though, the private sector is still weak and technical cooperation therefore has to rely more and more on governmental or semi-governmental institutions. This area, with its potentially conflicting interests, has to be 'creatively' explored in order to achieve the intended development results.

All 17 PSD projects and programmes are based on the **concept of sustainable development**. Depending on the given project/programme context, the various economic, social and ecological target dimensions and approaches – process orientation, holistic approach, value orientation – present themselves in different forms in the evaluated projects/programmes. While **capacity development** is the central focus of PSD projects and programmes, there are many reasons for its differing degrees of success. These include:

- the local conditions, e.g. the structural and political framework, interest constellations, partner capacity
- the project/programme itself, e.g. scope for project implementation, (self-)image and professionalism of the project staff, project/programme steering
- the activities of other donors, complementarity versus competition
- BMZ or GTZ itself, e.g. change in priorities, budget cuts, staff level.

Furthermore, it also appears important:

- to identify the right point in time and suitable interventions for capacity development
- to react flexibly to corresponding opportunities and deficits, and
- to realise the limitations of technical cooperation in the given context.

It must also be understood that capacity development does not end when an intervention is completed, but that it is an ongoing process.

The **multilevel approach**, although pursued in all PSD projects/programmes, is also applied to a different extent depending on the situation in the field. Most projects/programmes concentrate their interventions on the meso level, i.e. institutions. Increasingly, they are also focusing on the macro or policy level, and less frequently on the micro level of enterprises or individuals. With regard to the **holistic approach** and the reconciliation of economic and socially and environmentally sound development that is the object of BMZ's social and ecological market economy principles, initial experience was gathered in some of the evaluated projects/programmes (Morocco, Bosnia and Herzegovina, Romania). The target conflict between the different dimensions nevertheless remains. The importance of a **process-oriented approach** is also obvious. In view of the frequently unfavourable environment for private-sector development, the will of established groups to maintain the status quo, institutional inertia and in many cases weak implementing partners, it is all the more important to recognise opportunities and risks and to be able to react flexibly to these. In addition, the continuity with which German technical cooperation pursued PSD in some countries over a prolonged period made it possible to build a substantial store of regional and institutional knowledge and trust. Without this, and the suitable sectoral expertise, it would not be possible to provide advisory services in politically sensitive areas.

The **rapid change in strategic approaches** observed in some cases is a cause for concern, particularly when these were changed in response to current development-policy trends and fashions rather than on the basis of established needs. Both when planning and adapting the

design of projects/programmes, the **time frame** should also be borne in mind. Some PSD approaches and instruments are more suitable for short-term interventions, while others require more time.

It also became clear that adequate recognition of a project's/programme's development-policy relevance for the partner government is the sine qua non for the success or failure of the project or programme. A further crux is the suitability of the implementing partners. Both are closely related to the principles of **alignment** and **ownership** underlined in the Paris Declaration on Aid Effectiveness. Whether the proven multiple and diversified structure of implementation partners can be maintained in future against the backdrop of these political directives cannot be ascertained in this report. The evaluation reports in fact say little or nothing about the new challenges facing technical cooperation, such as the Paris Declaration and the new aid architecture, and the related changes. This has to do with the fact that these developments are fairly recent and are therefore not (yet) relevant for most of the evaluated projects/programmes.

**Deficits** were established by the evaluation reports **in three areas**. These are (i) orientation to poverty reduction, (ii) gender equality and (iii) results monitoring.

Altogether, the PSD projects/programmes are geared more towards structural poverty reduction. However, with regard to **poverty reduction**, it was established that:

- there is a lack of target-group differentiation and poverty analyses
- the fact that a country has the relevant strategies and that they are formally referred to in the offer is not a sufficient condition that the project/programme actually gears itself to making direct or indirect contributions to poverty reduction during implementation
- even the formal classification of the socioeconomic category says little about how and whether poverty reduction is addressed by a project/programme
- a conscious decision on how and whether poverty impact is to be achieved is an important prerequisite for action, during both design and implementation
- successes are based on the specific selection of (i) the sectors or product groups that also employ poor people and (ii) disadvantaged regions and communities or ones with a weak infrastructure, and (iii) on the knowledge of the target groups (e.g. disadvantaged poor groups, women, young people, ethnic groups, castes)
- even if it can be (plausibly) proved that the project/programme contributes to economic growth and to boosting competitiveness, this does not automatically have positive effects on employment or poverty
- the overarching objective of indirect poverty reduction must therefore be kept in mind throughout the project/programme term.

With regard to **gender equality**, it was established that:

- there is a clear development-policy mandate to promote gender equality also in the priority area of sustainable economic development
- the formal classification in the offer says little about how and whether the theme is actually taken into account during implementation of the development measures
- gender-differentiated target group analyses are seldom available
- the results constellations and transmission channels for gender equality are rather diffuse
- monitoring is seldom gender-differentiated
- the theme of gender equality is mainly associated with measures geared specifically to women or with quotas (probably also due to the indicators), and is therefore mainly perceived as an additional task
- in many projects/programmes there are target-group specific measures or bundles of measures that serve explicitly to promote the economic participation of women or to improve their position, although these measures are usually not highly 'visible' due to the complexity of the projects and programmes.

Altogether, gender equality is still not a sufficiently systemic or systematic component in the design, implementation and monitoring of PSD projects/programmes.

With few exceptions, **results monitoring** in the evaluated PSD projects and programmes leaves much to be desired and was severely neglected in almost all projects/programmes.

Few critical comments were made on **contract and cooperation management**. They referred to:

- the cost of staff deployment in relation to other inputs
- delays in providing staff, financial resources and project documents
- repeated and rapid changes in strategy combined with organisational adjustments
- the difficult relationship in individual cases between the project/programme and the implementing organisation
- the sometimes ambivalent relationship with other German implementing organisations and other donors in the field.

Cooperation with the partner institutions and with selected donors (SDC) was classed as good in the majority of cases. Problems arose in part through the **opposing approaches** of other donors (e.g. EU, USAID), such as those concerning the subsidisation of services.

## 9. Recommendations

### 9.1 Recommendations to the sector division

Here it is appropriate to return to the connection between relevance and results. If, according to the evaluation reports, we *'are doing the right thing'*, why is there such a big difference of 0.8 to 1.0 point as compared with the other criteria? *Are we doing the right thing, but not in the right way* (effectiveness)? If we *'are doing the right thing'* and *'doing it the right way'*, should overarching results not then be demonstrably produced, or should the results not have a long-term effect?

#### (i) Doing the right thing?

The correct **assessment of the relevance** of a project/programme for the partner country and also of the possible risks is crucial for its design. This applies in particular to the assessment of the partner country's development objectives and the opportunities offered for alignment. It also applies to the realistic appraisal of the implementing partner's suitability and ownership. Here, too, it is important to perform a well-founded and possibly differentiated assessment of the sub-sectors or target groups to be promoted.

The relevance should therefore be assessed not just at the beginning of a project/programme but repeatedly at regular intervals, for example within a project progress review (PPR), so that timely adjustments can be made and exit strategies can be developed.

#### (ii) Doing the right thing in the right way?

The conceptual approaches and instruments of PSD are relatively sophisticated and broad-based, and are continually further developed. The important thing therefore is to apply the existing approaches and instruments in the right way. This relates in particular to the following aspects.

**Contextualisation:** Sociocultural aspects, strategic and political capacities and political, economic and legal behaviour patterns in the individual countries (meta level) are in future to be reflected more strongly in the planning process. This also presupposes that concepts cannot just be copied but that the relevant peculiarities must be given greater consideration and adjustments be made. Moreover, appropriate timing plays an important role when it comes to selecting the interventions.

**Thematic focus:** During planning of the interventions, it should be clear whether the individual sectors of industry and the economy are to be modernised with regard to their international competitiveness, or whether the aim is rather to promote micro enterprises in the in-

formal sector and agriculture in order to achieve direct income and employment results. This thematic focus creates clarity as regards both the possible partners and the instruments to be selected. Both themes may well be pursued in any given project/programme. Clear allocation according to components, say, would be an advantage. When working with value chains, it should also be borne in mind that globalised value chains may have repercussions right down to the informal sector or homeworking.

**Selection of sectors, product lines, value chains etc.:** Interventions for individual sectors and sectors of industry, value chains, clusters etc. should be selected and planned according to baseline studies and/or value chain maps. Moreover, the selection should be made according to transparent criteria with as much participation as possible, especially in the context of LRED measures, and involve representatives of the relevant authorities and the private sector. Here, too, it should be clear whether the focus is on modernisation and international competitiveness or on income and employment results. In the case of globalised value chains it should be examined whether low-income, informal businesses are also affected, for example via sub-contracting.

Where a competition-based and growth-oriented approach is pursued, the selection of the sectors of industry should be examined. Far too frequently, these are chosen 'conservatively', but new, innovative sectors of industry (e.g. plastics) or 'cross-cutting' sectors such as information and communications should be given greater consideration.

**Concentration on few sectors and/or regions:** A project's/programme's radius of action should correspond to the available funds. This means it is better to concentrate on a small number of chosen sectors, output clusters and/or regions rather than spreading the activities too widely. These limits should also be made clear to partners/stakeholders so that the expectations placed in the projects/programmes are not too high.

**Intervention levels/multi-level approach:** However sophisticated and differentiated the toolbox may be, no sustainable broad-based development can be achieved in an unfavourable political/administrative, economic or legal environment. This determines the opportunities and the limitations of the various intervention levels (macro, meso and micro). The crucial factor is finding the right combination for the given context.

If it is possible to help shape an enabling environment, a great deal more development can be achieved than by a decade of intervention at meso and micro level. Even so, pragmatic methods and instruments are required to implement political strategies at meso or micro level. This explains the importance of interaction between the various levels. Experience gained through pilot interventions at meso level and in part also at micro level should be specifically used to disseminate and as far as possible shape the policy environment.

Interventions at micro/meso level make sense if these provide short-term directly effective (income) benefits and on the other hand promote proximity to the target group level and the actual needs, as well as enhancing the partners' acceptance of the measures. Measured by the number of users, measures at micro/meso level have limited scope.

**Intermediaries/implementing structure:** A diversified implementing structure has proved valuable in that it makes it possible to work with institutions that are at the closest technical level and are most suitable for the task in hand. Not least, this strategy also minimises risks and dependencies. However, there is the basic problem of not always correctly assessing the capacity of the implementing partners, be they governmental, semi-governmental, private or civil-society institutions (e.g. authorities, NGOs, business chambers, associations or private service providers).

Preliminary clarifications or analyses of institutions can be conducted to obtain information on any infrastructural or other weak points. These analyses should make clear what quantity of human and financial resources are available to the implementing partner for providing services to SMEs. Capacity development always also involves remedying deficits and developing inadequate sectoral competencies. But for good planning, it is important to know about these deficits as early as possible. In view of the dynamics of institutional change in the part-

ner countries, though, such analyses may already have been overtaken by events by the time the project starts. This calls for a process-oriented approach and flexibility when implementing a project/programme in order to react appropriately to risks and opportunities.

The foundation for independent work and self-responsibility on the partner's side can be laid via process advice. This is meant to foster mutual trust that makes it possible to jointly tackle difficult steps (e.g. the complex task of regionalisation or decentralisation). The success of such measures crucially depends on professional and trusting cooperation. Unfortunately, this is not always the case. Accordingly, special attention ought to be paid to social, communicative and intercultural skills in the recruitment of staff. Such skills might be enhanced by suitable training measures or coaching.

The specific selection of fields of cooperation that match the partner institution's performance capability is also recommended. In this respect the emphasis should be placed on fields in which the greatest possible impact can be achieved with relatively little effort. Institutional support in the form of personnel, equipment and materials should only be provided in justified exceptional cases since they are known to foster a 'recipient mentality'.

Against the background of shifting economic conditions and new forms of cooperation between the state and the private sector, the promotion of lobbying by chambers of industry and associations is gaining significance.

### (iii) Deficit area: poverty reduction and gender equality

In all, the themes of poverty reduction and gender equality show the biggest deficits, together with results monitoring. So far, the cross-cutting themes of poverty reduction and gender equality have not been sufficiently mainstreamed in the PSD projects/programmes. The **development-policy mandate** for these two themes has been given even greater priority over the past year (e.g. social and ecological market-economy principles, gender workshop in the field of sustainable economic development).

In general, it is recommended that **differentiated target-group analyses** should be performed which also cover poverty and gender aspects. Given the lack of poverty and gender analyses, it has not been possible to raise awareness for gender-differentiated project implementation, and only vague basic assumptions are made about poverty-related development results. In projects/programmes concerned with economic themes in particular, it would appear extremely important to analyse socioeconomic and sociocultural aspects. Contributions to structural poverty reduction and gender equality are not automatic and therefore have to be planned accordingly.

In the course of a project/programme, the overarching objective of **indirect poverty reduction** should not be forgotten. Even if the projects/programmes improve the environment for private sector development mainly at macro level and build the capacity of intermediaries to promote the economy at meso level, the effects on the target groups may be very different. That is why the (possible) results should be examined by means of differentiated and perhaps participatory target-group analyses and be examined by relevant monitoring.

If the relevant division does not have the required **methodological knowledge**, it can fall back on GTZ's poverty reduction or gender sector projects, or call on external expertise. In terms of methodology, the participatory poverty impact assessment (PIA) instrument can be recommended (cf. Guatemala). This takes into account the major transmission channels, the interplay of major actors and the various poverty dimensions. The results of this analysis should be used to define the objectives and indicators. Since this planning is participatory, the risks that are part of preparatory planning can be better assessed. The results of these analyses are also an important foundation for results-based monitoring.

It should be examined in each case whether the project/programme itself is to conduct such an analysis or whether it should be conducted by the participating German projects/programmes within the (sector) priority areas or joint programme proposals.

Although establishment of the working group on **Gender Mainstreaming and the Promotion of Women** in Division 41 is already a step in the right direction, a great deal remains to be done to mainstream this theme within PSD. Altogether, gender equality is still insufficiently included as a systemic or systematic component when designing, implementing and monitoring PSD projects/programmes. The perspective should be an integrative one, i.e. it should go without saying that the question of how and whether gender equality is addressed and whether corrective measures need to be taken should be examined throughout the entire project cycle and in all interventions.

The following recommendations are made to GTZ Head Office, particularly the **responsible Division 41**, in cooperation with the sector project on gender, with an eye to implementing the gender directives:

1. Mainstreaming: examine concepts, approaches and instruments for their gender impact.
2. Adequate instruction of experts and evaluators in the theme 'economic participation of women' and its status within German development cooperation.
3. Building the relevant sectoral competence: this appears to have diminished rather than grown in past years. Gender competence can be built by means of training courses and promoted by incentives.
4. Knowledge management: the documentation and dissemination of good practices plays a central role.

At the level of **project/programme planning and implementation**, the following procedure is recommended:

5. Target-group and gender-differentiated analyses: these could cover both poverty and gender aspects. Analysis could be performed together with other German development cooperation projects/programmes in the priority area or even with other donors.
6. Establishment of target-group and gender-differentiated monitoring systems: this could likewise be done together with other German development cooperation projects/programmes in the priority area or with other donors.
7. The selection of the industrial sectors and product lines to be promoted is relevant at the outset because of the proportion of women in them. Analysis of the corresponding (industrial) value chains should include attention to whether and how women are involved or need special support.
8. Adequate consideration of the theme in the steering of the projects/programmes and in quality assurance, as one of the central tasks of the field structure, i.e. of the officer responsible for contracts and cooperation and the GTZ office (cf. Benin § 106).
9. Use of role models: women hold important functions in PSD projects/programmes not just as entrepreneurs and possibly also as workers, but also as employees in the projects, as managers and experts in partner organisations, as trainers and advisors, and as decision-makers and politicians. These women may act as role models for others and thus help to alter perceptions of the role they play.
10. Empowerment of women so that they can involve their own interest associations or mixed-gender business chambers and associations, self-help organisations, unions or NGOs to a greater extent in dialogue forums and decision-making bodies (e.g. LRED bodies etc.).
11. Exchanges with the projects/programmes of other German implementing organisations, with various regional and supraregional bodies, e.g. as the theme of working groups in the sector networks.
12. Local forums, also linked with other donors' projects/programmes, where gender understanding is discussed and examined and support can be provided as required for any necessary development (cf. Benin § 106).

13. Use of the opportunities arising from the gender equality strategies of the governments in the partner countries (e.g. South Africa) or regional associations (e.g. the African Union's Solemn Declaration on Gender Equality in Africa of 2004) to seek new and intelligent ways to achieve economic equality together with the partners.

#### **(iv) Results monitoring**

As already mentioned, results monitoring remains one of the deficit areas. The establishment and further development of results monitoring systems within the projects is therefore urgently recommended. The evaluation reports presented make few statements on the various monitoring systems. There are, however, differentiated and verified monitoring systems to fall back on in other projects/programmes (e.g. in the Philippines and Viet Nam). A working group in Division 41 is compiling examples of good practice and making them available via knowledge management. Corresponding expertise is available, primarily via a network of external experts. However, an appropriate budget also has to be provided for monitoring.

Using the GTZ guidelines, a uniform system should be established that - among other things - (i) describes cause-and-effect hypotheses, (ii) ensures uniform data collection, (iii) specifies how data are collected and used within the system, (iv) involves partners in operating/maintaining the system and (v) defines milestones for any required adjustments. Beyond this, the monitoring data should be used for prompt steering of the projects and programmes and should act as an 'early warning system' to minimise risks through timely planning adjustments.

### **9.2 Recommendations for steering projects and programmes**

The recommendations on contract and cooperation management relate to the avoidance of abrupt strategic and organisational changes. Rather than merely following new trends, such changes must be regarded in their context and time frame. This is the only way to avoid unnecessary friction.

Beyond this, an adequate number of staff with the suitable sectoral and personal skills should be provided to the projects in a timely manner, together with the requisite financial resources and project documents.

Another recommendation concerns quality assurance for projects/programmes, especially in the deficit areas of poverty reduction, gender equality and results monitoring. Project progress reviews (PPRs) – perhaps even serving as true potential break-off points – should be used to assure quality in projects and programmes so as to identify critical areas and make the necessary adjustments.

### **9.3 Recommendations to the client**

The main recommendation is to create a suitable framework for the projects/programmes (for example through policy dialogue and donor coordination/harmonisation) and to guarantee planning certainty for the projects/programmes. The latter primarily relates to three aspects: avoiding changes to the allocation to particular priority areas, financial pledges and the time frame.

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## Annex 1

# Terms of Reference for the meta evaluation of private sector development

(as at 24 April 2008)

### I. Background and object of evaluation

GTZ extended and optimised its evaluation system in 2005, the major innovation being the introduction of independent evaluations ('external evaluations') on behalf of GTZ. The Evaluation Unit commissions independent research institutes and consulting firms to conduct these evaluations in order to review GTZ's work from an external perspective. These institutes and firms in turn contract the services of one international and one national evaluator from the partner country in each case. Each year, GTZ commissions a total of 30 independent evaluations (interim, final and ex-post evaluations) in two thematic priority areas. In 2007, the priority areas were **private sector development (PSD)** and **renewable energies**. Uniform evaluation criteria and a uniform assessment grid enable comparison of the evaluations.

After the Evaluation Unit has examined and accepted the evaluation reports submitted by the evaluators, each year it arranges for cross-section or meta evaluations to be performed for each priority area. These serve to promote institutional learning at GTZ and to report to the German Federal Ministry for Economic Cooperation and Development (BMZ). The results contribute to knowledge management at GTZ and can also be used for PR activities.

**The object** of the meta evaluation is:

15 evaluation reports from 2007 on the thematic priority area **private sector development**:

- five interim evaluations (Georgia, Morocco, Nepal, South-East Europe (Romania, Croatia, Serbia), South Africa)
- six final evaluations (Benin, Bosnia and Herzegovina, El Salvador, Guatemala, Mongolia, SADC)
- four ex-post evaluations (Kyrgyzstan, Peru, Tanzania, Thailand)

### II. Objectives of the meta evaluation

The evaluation is intended to:

- summarise the results of the 15 individual evaluations
- identify recurring strengths and weaknesses and factors determining success and failure
- identify cross-project lessons learned and recommendations

### III. Tasks

To evaluate and process the 15 evaluation reports from 2007 in the thematic priority area private sector development, from a quantitative and qualitative viewpoint.

The questions to be answered result from the following **report structure**:

#### Contents

#### 1. Introduction

##### 1.1 Background, objective and object of the cross-section evaluation

1.2 For the reader's guidance

## 2. Objectives and activity areas

### 3. Assessment according to DAC criteria

- 3.1 Relevance
- 3.2 Effectiveness
- 3.3 Impact
- 3.4 Efficiency
- 3.5 Sustainability

#### In each of these areas:

- Rating (average and distribution) and weighting (average and distribution) of the criterion in the reports
- Reasons for weightings that deviate from the standard (factor 2)? Were the reasons convincing?
- Reasons for good and poor ratings (frequency)? Can 'patterns' be identified from them, i.e. factors of success and failure?
- Conclusions

Where worthwhile, statements can be made here on sub-groups or sub-sectors (e.g. EPED or the promotion of small enterprise).

#### 3.6 Synopsis of 3.1 to 3.5

- Overall rating (average and distribution) in the reports
- In how many cases did (poor) ratings of individual criteria lead to a downgrading of the overall rating?

## 4. Assessment of cross-cutting development-policy themes

### 4.1 Poverty reduction and MDGs

- 4.1.1 Conceptual problems
- 4.1.2 Mainstreaming in the development strategies (in the field)
- 4.1.3 Poverty classification in the offers and its distribution
- 4.1.4 Target-group differentiation and poverty analysis

- Poverty classification of the development measures (distribution)?
- To what extent do/did the development measures comply with these classifications?
  - Was the project design differentiated according to target groups, and was a poverty analysis performed?
- In how many development measures is/was 'adequate' poverty impact achieved?
  - Did the project promote the participation of poor people in economic and political processes?
  - Does the project have positive results in terms of poverty reduction?
  - Does the project help to remedy structural problems identified by the national poverty reduction strategy?
  - Were questions of equitable distribution (e.g. access to land?) addressed, and if so, how? (Was not part of the ToR)
  - What is the ratio of direct to indirect results?
  - How many people have benefited from the poverty impact and/or will do so in future?
- What are the reasons for achieving and not achieving poverty impact? Can 'patterns' be identified, i.e. factors of success and failure?
- Conclusions

## 4.2 Gender equality

- What is the distribution of gender markers for the development measures?
- To what extent do/did the development measures comply with these markers?
  - G-1 and G-2: was the project design gender-differentiated and was a gender analysis (gender-based analysis of the initial situation) available? Was the description of the target group gender-differentiated?)
- How many development measures achieve(d) 'adequate' gender-related results?
  - Do men and women make an equal contribution to shaping the project?
  - Do men and women derive equal benefit from the project?
  - Does the project/programme help to reduce structural gender discrimination and thus to achieve a positive change in the gender ratio?
  - Was one gender discriminated against, or was this made up for by positive measures?
  - What is the ratio of direct to indirect results?
- What are the reasons for achieving or not achieving gender-related results? Can 'patterns' be identified, i.e. factors of success or failure?
- Conclusions (also in terms of how gender-differentiated aspects can be integrated into private sector development measures)

## 4.3 Consequences for the partner's capacity to act (capacity development) (See Chapter 3 of the evaluation reports)

- In how many development measures are/were (very) good/satisfactory/inadequate successes achieved in terms of capacity development, and on which levels (individual, institutional, societal)?
  - Did the advisory services have an effect on the partner's capacity to act?
  - Did it prove possible for project approaches to be successfully multiplied or adapted by the partner structures?
  - Did the development measures have an effect on the design of national policies and laws, and the stakeholders' ability to shape such policies and laws? And on interaction between the state, the economy and civil society?
- What are the reasons for successful/unsuccessful capacity development? Can 'patterns' be identified, i.e. factors of success or failure?
- Conclusions

## 5. Concept of sustainable development

- To what extent and how frequently did/do the development measures, i.e. GTZ's work method, reflect the concept of sustainable development (holistic, process-oriented and value-oriented approach)?
  - Holistic approach: linkage of economic, social and ecological target dimensions; of sectoral, organisational and policy advice; of the micro, meso and macro levels
  - Process-oriented approach: help for self-help; establishing transparency of actors' interests; promoting interaction between the state, civil society and the private sector
  - Value-oriented approach: promoting democracy, the rule of law, human rights; gender equality; good governance; social and ecological market economy
- Conclusions

## 6. Technical assessment

(See Section 2.3 of the evaluation reports)

- In how many development measures was the methodological approach/advisory concept judged adequate (and purposeful)?
- In how many was this not the case, and why?

- What is the status of specific products/approaches in the various regions or country clusters (keywords: countries neighbouring the EU, post-ODA, anchor countries, failed states, etc.)?
- Are there recurring strengths and weaknesses in the private sector development approaches?
- Can trends be established in the course of time in terms of design and advisory approaches?
- To what extent do the advisory approaches take into account the contradictions between local and traditional institutions, our market-economy approaches and global economic structures?

### **6.1 Conceptual approach/methodological procedure**

- Examining the multi-level approach: to what extent does the interplay of interventions function at micro, meso and macro level? Can correlations be established between the intervention level on the one hand and the (achieved) direct results on the other?
- What were/are the success factors for the private sector development approach? To what extent was the gender-sensitive design of the projects/programmes a success factor?
- Reflecting on German approaches: to what extent was German experience made use of, and to what extent are specific approaches reflected, i.e. conceptual elements of the social and ecological market economy, structural policy etc.?

### **6.2 Results**

- Were traceable cause-and-effect hypotheses elaborated and monitored, also with regard to poverty reduction and gender equality, and can the results constellations be plausibly proved?
- Which monitoring and evaluation approaches were applied in the project/programme? Were monitoring and evaluation of the project/programme designed in a gender-sensitive manner? Are there lessons learned and methodological recommendations that can be established to register the direct/indirect results of private sector development projects and programmes, also bearing in mind the different intervention levels?
- Via which results channels (e.g. employment, taxes/subsidies, access to services, property and societal power positions) were poverty-related and gender-related intended/unintended results achieved?
- Which 'core indicators' are suitable for general use (e.g. in the form of an 'indicator database')?

### **6.3 Changing framework conditions for private sector development**

- What role/which functions has the private sector (private companies, business organisations) assumed in the project/programme? Which forms of cooperation were especially successful?
- The core element of private sector development is cooperation with private and state actors and support for the dialogue between governmental and private stakeholders. Are state actors assuming a greater role in implementing economic development strategies, and is business promotion being increasingly integrated into state programmes (in the context of the Paris Declaration)?

## 7. Contract and cooperation management

- In how many development measures were the modes of delivery and the assigned staff appropriate, and why? In how many was this not the case, and why? Was technical cooperation the suitable instrument? (Differences in anchor and poor countries?)  
Were the prerequisites created for programme-based approaches (e.g. sector-wide approaches - SwAPs)?
- What special strengths and weaknesses (frequently) occurred in project steering? What conclusions can be drawn?
- How was cooperation with the partner institutions rated? What special strengths and weaknesses frequently occurred?
- How were the cooperation relationships and their quality rated within development cooperation/international cooperation? (Cooperation and distinction between FC/TC, joined-up development cooperation, donor coordination and GTZ's role, requirements resulting from the Paris Declaration)? What special strengths and weaknesses (frequently) occurred?

## 8. Summary of conclusions and lessons learned

8.1 Cross-sectoral conclusions

8.2 If appropriate, for sub-sector(s) X (EDEP, etc.) or the relevant products

8.3 If appropriate, any recommendations for contract and cooperation management

8.4.....

## 9. Recommendations

9.1 Cross-sectoral recommendations

9.2 If appropriate, for sub-sector(s) X

9.3 ..... (From above Sections 2 - 7) Please refer also to Section 5 of the individual reports (of the individual evaluators) in this context.

## Annex 2 Guidelines on Evaluating the Success of Projects and Programmes

### 1. Preliminary remarks

This document is a guide to evaluating the success of projects/programmes implemented by GTZ. It contains the central evaluation criteria, the key questions devised to examine the criteria, and an assessment grid devised to obtain an overall rating.

The evaluation criteria, which were developed in a working group operating under the name “Evaluierung aus einem Guss”<sup>27</sup> and are binding for its members, are based on the five criteria agreed within the OECD-DAC<sup>28</sup>: relevance, effectiveness, efficiency, overarching development-policy results (impact) und sustainability.

Furthermore, key questions were devised which represent important points of reference for assessment of the evaluation criteria.

The rating of a project/programme according to the individual evaluation criteria is given on the basis of a six-point scale (exception: a four-point scale is used for the sustainability criterion).

#### Explanation of terms:

##### *Development measure:*

The term “development measure” used in this document encompasses the following terms: project, programme, program-based approaches, and development intervention.

##### *Results:*

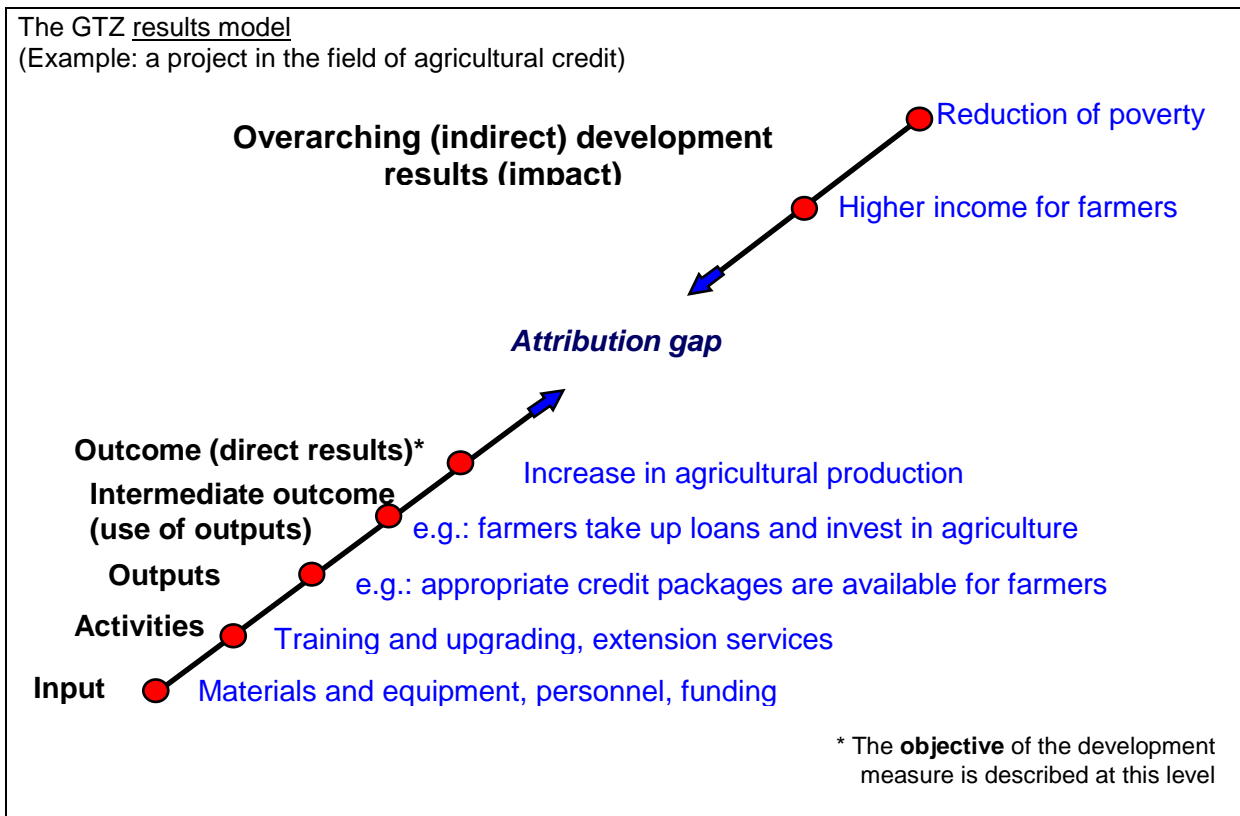
The term “results” used in international debate and in this document includes the outputs, the use of outputs, the direct and indirect results and the highly aggregated results.

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<sup>27</sup> A group of the Evaluation Departments of BMZ (lead), GTZ, KfW, DED and InWEnt created to harmonise and coordinate evaluation activities.

<sup>28</sup> OECD-DAC: Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), Paris

These guidelines are also based on the rationale and concepts of the GTZ results model:<sup>29</sup>



### Basis of the assessment

The evaluation of a development measure requires systematic examination of the underlying cause / effect-hypotheses. This examination is carried out in the following stages:

- The quality of the results chain of the development measure is investigated and assessed (including rationale for the assessment).<sup>30</sup> This includes, for example, examining the plausibility of the cause / effect-hypotheses and the level to which the objectives are to be achieved (formulation of objectives and indicators).
- If the cause / effect-hypotheses and the objectives of the development measure are judged to be consistent, they are taken as the basis for the evaluation of the project/programme.
- If the cause / effect-hypotheses and the objectives of the development measure are judged not to be consistent, the evaluators develop their own hypotheses, objectives and indicators which appear to them to be more appropriate. These then form the basis for evaluating the success of the project/programme.

<sup>29</sup> See also "Guidelines on Offers", GTZ November 2006

<sup>30</sup> The objectives and indicators defined in the offers are binding and are applicable here, not the information given in any other project documentation.

### General remarks on assessment

All that is assessed is the development-policy effectiveness of the project/programme as defined in the evaluation criteria.<sup>31</sup>

What is assessed is primarily the situation as it can be measured or established at the time of the evaluation. Exceptions are explained in Section 2 in the descriptions of the relevant evaluation criteria.

Results that are difficult to estimate at the time of the evaluation must be plausibly inferred and described using proxy indicators or by verifying central assumptions about the results chain.

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<sup>31</sup> The overall success of the development measure is not to be equated with the quality of the work performed by GTZ and its implementation partners. For example, good management on its own does not necessarily lead to overall success.

## 2. The five evaluation criteria

### 2.1 Relevance

#### Are we doing the right thing?

The extent to which the objectives of the development measure match the needs of the target groups, the policies of the partner country and partner institutions, the global development goals and the German Government's basic development-policy orientation.

#### Key questions for assessing relevance<sup>32</sup>

- To what extent is the development measure suitable for addressing central development issues for the partner country and target groups (differentiated according to gender, ethnic group, parties to a conflict), and specifically poor population groups?
- To what extent is the development measure in compliance with the (sector) policies and strategies of the partner country (national plans, PRSP etc.) and the partner institutions?
- To what extent is the development measure in compliance with international themes, standards, conventions?
- Does the project or programme have a high or low priority for the responsible institutions in the partner country or for civil society? How is this apparent?
- Does the development measure comply with the client's basic development-policy orientation? <sup>33</sup>
  - Which of the cross-cutting issues are relevant? How far are these taken into consideration in the design of the project or programme?
  - To what extent is the development measure targeted at poverty reduction and the MDGs?
  - To what extent does the project or programme fit into the country strategy, priority area and programme definition, and the sector strategies?
- To what extent is the project or programme in line with GTZ's concept of sustainable development, i.e. to what extent does it contribute – through a holistic project approach, through process orientation and through value orientation – to ensuring that the results of the project/programme and the developments in the partner country can be sustainable? <sup>34</sup>

<sup>32</sup> The relevance of the project/programme is assessed as of the time at which the conceptual approach was formulated or adjusted. A concept adjustment that was not carried out, despite being necessary, is also relevant to the assessment, however.

<sup>33</sup> Currently these are: poverty reduction, fostering gender equality, participatory development and good governance, environmental protection and conservation of natural resources, crisis prevention, combating drug abuse, rural development, and conservation of tropical forests. See also BMZ homepage: <http://www.bmz.de/en/index.html>

<sup>34</sup> See also GTZ homepage: <http://www.gtz.de/en/top-themen/15534.htm>

## 2.2 Effectiveness

### Are we achieving the objectives of the development measure?

The extent to which the intended direct results (objectives) of the development measure are being achieved (comparison of actual situation with targets).

### Key questions for assessing effectiveness<sup>35</sup>

- To what extent are the objectives of the development measure being achieved (comparison of actual situation with targets on the basis of the defined indicators)?<sup>36</sup> Are any limits critical to success for achieving the objectives being undershot or overshot?
- What are the decisive reasons why the objectives are or are not being achieved?
- To what extent do the political partners (lead executing agency in the partner country and BMZ) and the implementing organisations (national implementation partners and GTZ) have a positive or negative influence on the achievement of objectives?
- What unintended positive and negative direct results have occurred? How should these be assessed in the overall context? What is the response to these?

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<sup>35</sup> When evaluating ongoing projects or programmes, the appraisers assess the effectiveness in terms of the degree to which the objectives have been achieved at the time of evaluation, i.e. whether the project/programme is within the objectives corridor. In final and ex-post evaluations, the effectiveness is assessed on the basis of the degree to which the objectives were achieved at the end of the project or programme.

<sup>36</sup> The assessment is made on the basis of the objectives and indicators that are considered appropriate; see also the explanations on the "Basis of the assessment" on Page 2 of this document.

## 2.3 Overarching development results (impact)

### Are we contributing to the achievement of overarching development results?

The extent to which the project or programme is contributing to achieving the intended overarching results and producing other indirect results.

### Key questions for assessing overarching development results (impact)

- What (positive and negative) changes at the level of indirect results can be observed in the wider sectoral and regional environment of the development measure?
- Which of these changes can be plausibly attributed to the project/programme at various levels (population, sector, institutions and regulations)?  
For example: <sup>37</sup>
  - How far are important barriers to development being structurally eliminated or reduced through the project/programme?
  - How are the living conditions or development opportunities changing?
  - How is the project/programme strengthening the ability to solve problems of the target groups (of the project/programme and others), intermediaries and institutions?
  - What contributions is the project/programme making towards achieving overarching development goals (e.g. Millennium Development Goals and implementing the Millennium Declaration, structural reduction of poverty - e.g. promotion of pro-poor growth, pro-poor governance)?
  - What results are being achieved in terms of other cross-cutting issues: gender, environmental protection and conservation of natural resources, participation and governance, crisis prevention and conflict sensitivity?
- What contributions can the development measure realistically make to the achievement of these indirect results (expected level to be achieved by the project/programme)?
- How is the actual contribution of the development measure to the achievement of these indirect results assessed?
- What are the decisive reasons why indirect results are or are not being achieved?
- To what extent is the effectiveness of the development measure positively or negatively affected by other policy fields, strategies or interests (German ministries, bilateral and multilateral development partners)? What consequences has the project/programme drawn from this?
- What broad impact is being achieved: e.g. suitable as a model, structural changes, replication of approaches and scaling-up?

<sup>37</sup> Depending on the individual circumstances, the examples listed here for indirect results may also be direct results, in which case they have to be taken into account under the “effectiveness” criterion. In order to decide whether a result is direct (“effectiveness” criterion) or indirect (“impact” criterion), the question has to be answered whether achievement of the result can be attributed causally to the development measure (direct result) or whether the development measure is making plausibly explicable contributions to the achievement of the result (indirect result).

## 2.4 Efficiency

### Are the objectives being achieved cost-effectively?

A measure of the degree to which the resources invested in a development measure are appropriate compared to the outputs and results achieved.

### Key questions for assessing efficiency

- What resources is the development measure using for the various forms of modes of delivery (long-term experts, short-term experts, procurements, operating and administration costs, training courses, local subsidies and financing contracts, other contributions)?
- To what extent is the structure of the development measure (e.g. project, programme structure, program-based approaches) appropriate for achieving the outputs and results cost-effectively? What structure might make it possible to do this more efficiently?
- To what extent are the objectives and outputs/activities of the project or programme coordinated with or complementary to those of others, or designed for task-sharing (joined-up German Development Cooperation, program-based approaches such as SWAp, basket funding or budget support)?
- To what extent is there adequate coordination between donors? In what ways is this encouraged or hindered?
- To what extent is the composition of the modes of delivery - personnel concept and personnel assignment, provision of materials and equipment, training, funding - cost-effective, i.e. how far are internal resources being used efficiently?  
What alternatives are there to the modes of delivery employed, and which (if any) would be more efficient?
- To what extent have the outputs been produced cost-efficiently (cost-benefit ratio)? What alternatives are there, and which (if any) would be more efficient?
- To what extent are the direct and indirect results achieved efficiently in terms of microeconomic, macroeconomic and sector-specific standards?
- Are the outputs and results achieved at the correct time and within a reasonable period?

## 2.5 Sustainability

### Are the positive results durable?

A measure of the probability that the positive results of the development measure will continue beyond the end of assistance.

### Key questions for assessing sustainability

- What period is appropriate/realistic for the continuation of the results, and which critical minimum requirements for success in this period (expectations of sustainability) are appropriate for the project or programme?
- What approaches, instruments, methods or concepts are lastingly used, institutionalised or further developed by the target groups, partner institutions or other actors? How is this done?
- How will the results for the target groups, partner institutions and partner country continue beyond the end of assistance?  
How far can the (direct and indirect) results of the project/programme be maintained, or is an improvement or deterioration to be expected?
- To what extent are the requirements for sustainability met?
  - To what extent are (organisational, personnel, financial, economic) resources and capacities available in the partner country (in the longer term) for maintaining the results achieved? To what extent is the required ability in place to adapt to changing framework conditions and solve associated problems?
  - How should the four dimensions of sustainability<sup>38</sup> (economic, political, social and ecological) and their risks and opportunities be assessed?
  - How do these dimensions of sustainability interact? Under the specific conditions, to what extent is the result balanced, stable and capable of modification in the longer term?
- What are the key risk factors for longer-term sustainability of the results? How is the evolution of these factors assessed?
- Operationalisation of the four dimensions of sustainable development to assess sustainability:
  - Economic: how are the achieved outputs and results secured at the microeconomic or macroeconomic level? How stable or capable of modification are they in terms of the pace of economic growth (local, regional, national, global)?
  - Political: how is the project or programme contributing to a fair and peaceful balance of interests? To what extent are changes in the political culture and changes in behaviour, attitudes and awareness apparent in the target groups and partner institutions? To what extent and in what way is ownership on the part of target groups and institutions necessary and existent? To what extent is the legal framework in place that is necessary for changes? To what extent is the political will for change identifiable?
  - Social: how is the project or programme contributing to greater equality of opportunity, social justice, improved access to social services and resources?

<sup>38</sup> In specialist debate it is common to distinguish between three dimensions: economic, social and ecological sustainability. To provide a more differentiated description, in this document social sustainability is broken down into political sustainability (societal level) and social sustainability in the narrower sense (individual level).

- Ecological: in what way is long-term ecological viability ensured? What risks are there of lasting negative environmental effects emerging in the long term?

### 3. Assessment grid

#### 3.1 Assessment of the individual evaluation criteria

A six-point scale is used to rate the project or programme according to four of the criteria, namely “relevance”, “effectiveness”, “overarching development results” (impact) and “efficiency”. The scale is as follows:

1	very good rating, significantly better than expected
2	good rating, fully in line with expectations, no significant defects
3	satisfactory rating, falling short of expectations but with positive results dominant
4	unsatisfactory rating, significantly below expectations, and negative results dominate despite identifiable positive results
5	clearly inadequate rating: despite several positive partial results, the negative results clearly dominate
6	the project/programme is useless, or the situation has deteriorated on balance

A rating of 1-3 indicates a positive assessment, a rating of 4-6 an assessment that is not positive.

The “sustainability” criterion is rated on the following four-point scale:

1 (very good sustainability)

The overall success of the project/programme (positive to date) will continue unchanged or even increase with a high degree of probability.

2 (good sustainability)

With a high degree of probability, the overall success of the project/programme (positive to date) will only minimally decrease but will overall remain significantly positive (normal situation – to be expected).

3 (satisfactory sustainability)

The overall success of the project/programme (positive to date) will decrease significantly but remain positive with a high degree of probability.

This also applies if the sustainability of a project/programme is assessed as inadequate up to the point of evaluation, but will evolve positively with a high degree of probability, so that the project/programme will achieve positive overall success.

#### 4 (inadequate sustainability)

The overall success of the project/programme is inadequate at the time of evaluation and there is a high degree of probability that it will not improve.

This also applies where the sustainability has previously been rated positively but there is a high degree of probability that it will decline seriously and no longer meet the requirements for level 3.

### 3.2 Overall rating

The overall rating is calculated from the assessment and a weighting of the five individual criteria which is determined for each specific project. The rating is given on a six-point scale:

- |   |  |
|---|--|
| 1 | very good rating, significantly better than expected   |
| 2 | good rating, fully in line with expectations, no significant defects   |
| 3 | satisfactory rating, falling short of expectations but with positive results dominant  |
| 4 | unsatisfactory rating, significantly below expectations, and negative results dominate despite identifiable positive results |
| 5 | clearly inadequate rating: despite several positive partial results, the negative results clearly dominate                   |
| 6 | the project/programme is useless, or the situation has deteriorated on balance   |

An overall rating of 1-3 shows that a project or programme was successful, a rating of 4-6 shows it was unsuccessful. However, projects/programmes can only be rated as “successful” if the direct results (effectiveness), indirect results (impact) and sustainability are rated at least “satisfactory” (3).<sup>39</sup>

A decision is made and justified for each criterion whether it is “particularly important” (weighting 3), “important” (weighting 2) or “less important” (weighting 1) in the specific context of the project/programme. In the absence of a special reason which makes it more or less important, a criterion is held to be “important” (weighting 2).

Ratings and weightings are always expressed in whole numbers, rounded up or down in accordance with the usual rules of mathematics.<sup>40</sup>

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<sup>39</sup> In exceptional cases a rating of 4 for sustainability is acceptable for a “successful” project/programme if this has been planned from the start and was inevitable for the project/programme and still appears acceptable at the time of evaluation because of the great development significance of the project/programme. In such instances the weighting for the “sustainability” criterion must be “1”.

<sup>40</sup> The Evaluation Unit has developed an Excel macro for calculating the overall rating; only the values for the rating and weighting of the individual criteria need to be entered in the macro, which then calculates the overall rating.

Example of an overall rating for a project/programme:

<b>(1) Criterion</b>	<b>(2) Rating for criterion</b>	<b>(3) Weighting for criterion</b>	<b>(4) = (2) x (3)</b>
Relevance	3	2	6
Effectiveness	2	2	4
Overarching development results (impact)	3	3	9
Efficiency	4	1	4
Sustainability	3	3	9
<b>Total</b>		<b>11</b>	<b>32</b>
<p><b>Overall rating: total (4) / total (3)</b>  <b>Example: 32 / 11 = 2.9 =&gt; overall rating 3</b></p>			

### Annex 3

### Overview of independent evaluation ratings for private sector development, 2007

Partner country	Project name PN	1. Relevance Rating	1. Relevance Weighting	2. Effectiveness Rating	2. Effectiveness Weighting	3. Impact Rating	3. Impact Weighting	4. Efficiency Rating	4. Efficiency Weighting	5. Sustainability Rating	5. Sustainability Weighting	Total rating, rounded up
Benin 81096362	Small enterprise promotion 2002.2544.1	2	2	3	2	2	3	5	2	2	3	3
Bosnia and Herzegovina 81095807	Economic Development and Employment Promotion 2002.2251.3	2	2	1	2	1	3	2	1	3	3	2
El Salvador 81096196	Economy Development and Job Creation Programme Fortalece (five components) 2004.2158.6	2	3	3	2	3	3	3	2	3	3	3

Partner country	Project name PN	1. Relevance Rating	1. Relevance Weighting	2. Effectiveness Rating	2. Effectiveness Weighting	3. Impact Rating	3. Impact Weighting	4. Efficiency Rating	4. Efficiency Weighting	5. Sustainability Rating	5. Sustainability Weighting	Total rating, rounded up
Georgia 81097249	Private Sector Development 2004.2158.6	1	2	3	2	2	2	2	2	3	2	2
Guatemala 81097315	Micro, Small and Medium Enterprises Promotion (PROMOCAP) (three components) 2004.2119.8	2	1	2	3	2	2	3	1	3	2	2
Kyrgyzstan 81095907	Export and invest- ment promotion 1999.0079.6	4	2	5	2	5	1	5	1	4	3	5
Morocco 81098190	Improvement of the international competitiveness of the Moroccan economy 2003.2011.9	1	2	3	2	3	2	2	2	2	3	2

Partner country	Project name PN	1. Relevance Rating	1. Relevance Weighting	2. Effectiveness Rating	2. Effectiveness Weighting	3. Impact Rating	3. Impact Weighting	4. Efficiency Rating	4. Efficiency Weighting	5. Sustainability Rating	5. Sustainability Weighting	Total rating, rounded up
Mongolia 81097778	Small and Medium-Sized Enterprise Promotion 2004.2058.8	1	2	3	2	3	2	3	2	4	2	4
Nepal 81095872	Nepalese-German Integrated Economic Promotion 2003.2461.6 2001.2033.7 1995.2560.1	2	2	2	2	3	2	2	2	3	2	2
Peru 81096922	Promotion of Small and Medium-Sized Enterprises in Selected Regions 1997.2003.8	2	2	3	1	3	3	2	1	3	3	3
Romania	Promotion of the Private Sector and Employment 2004.2195.8	1	1	2	2	2	2	1	2	1	2	1

Partner country	Project name PN	1. Relevance Rating	1. Relevance Weighting	2. Effectiveness Rating	2. Effectiveness Weighting	3. Impact Rating	3. Impact Weighting	4. Efficiency Rating	4. Efficiency Weighting	5. Sustainability Rating	5. Sustainability Weighting	Total rating, rounded up
Croatia 81096143	Economic Development and Employment Promotion 2004.2218.8	2	2	2	2	3	2	3	1	3	2	3
Serbia 81096143	Promotion of the Private Sector and Employment 2004.2182.2	1	2	2	2	2	2	2	2	3	2	2
SADC 81098681	Advisory Services for Private Business 2002.2181.2	2	2	3	2	3	2	3	2	2	2	3
South Africa 81098582	Strengthening Local Governance: Local Economic Development component 2006.2155.7.8	1	2	2	2	3	2	3	2	2	2	2

Partner country	Project name PN	1. Relevance Rating	1. Relevance Weighting	2. Effectiveness Rating	2. Effectiveness Weighting	3. Impact Rating	3. Impact Weighting	4. Efficiency Rating	4. Efficiency Weighting	5. Sustainability Rating	5. Sustainability Weighting	Total rating, rounded up
Tanzania 81096304	Strengthening Self-help Organisations in the Informal Economy 1997.2028.5	3	3	3	2	4	2	3	1	3	3	4
Thailand 81098638	Small-scale Industry Promotion Project (SSIPP) 1995.2299.6	2	2	3	2	3	2	2	2	3	2	3

## Annex 4 Assessment of independent evaluations of private sector development, 2007

	1. Relevance Rating	1. Relevance Weighting	2. Effectiveness Rating	2. Effectiveness Weighting	3. Impact Rating	3. Impact Weighting	4. Efficiency Rating	4. Efficiency Weighting	5. Sustainability Rating	5. Sustainability Weighting	Total rating, rounded up
<b>Rating</b>											
<b>Number of projects/programmes rated so far</b>	17		17		17		17		17		17
<b>Average rating</b>	1,8		2,6		2,8		2,7		2,8		2,71
<b>Standard deviation in rating</b>	0,8		0,8		0,9		1,0		0,7		1,0
<b>Best rating</b>	1		1		1		1		1		1
<b>Worst rating</b>	4		5		5		5		4		5
<b>Number of projects/programmes rated "1"</b>	6		1		1		1		1		1 6%
<b>Number of projects/programmes rated "2"</b>	9		6		5		7		4		7 41%
<b>Number of projects/programmes rated "3"</b>	1		9		9		7		10		6 35%
<b>Number of projects/programmes rated "4"</b>	1		0		1		0		2		2 12%
<b>Number of projects/programmes rated "5"</b>	0		1		1		2		0		1 6%
<b>Number of projects/programmes rated "6"</b>	0		0		0		0		0		0 0%

Number of successful projects/programmes ("1"- "3")	16	16	15	15	15	14	82%
Number of unsuccessful projects/programmes ("4"- "6")	1	1	2	2	2	3	18%
Proportion of successful projects/programmes	94%	94%	88%	88%	88%	82%	
<b>Weighting</b>							
Number of projects/programmes rated so far	0	0	0	0	0	0	
Average weighting	2,0	2,0	2,2	1,6	2,4		
Standard deviation in weighting	0,5	0,3	0,5	0,5	0,5		
Lowest weighting	0	0	0	0	0		
Highest weighting	0	0	0	0	0		
Number of projects/programmes weighted with "1"	0	0	0	0	0		
Number of projects/programmes weighted with "2"	0	0	0	0	0		
Number of projects/programmes weighted with "3"	0	0	0	0	0		