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*GERMANY'S SYSTEM
OF EVALUATING
DEVELOPMENT CO-OPERATION*

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GERMANY'S SYSTEM OF EVALUATING DEVELOPMENT CO-OPERATION

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1 PURPOSE OF THE STUDY

The Federal Ministry for Economic Co-operation and Development (BMZ) commissioned the Hamburg Institute for Economic Research (HWWA) to investigate the extent to which the institutions responsible for planning and implementing development co-operation (DC) projects have established proper evaluation systems, and how much evaluation work they do in practice. On the basis of this analysis, HWWA was asked to make recommendations for the further development of evaluation activities, both in Germany's DC work as a whole and within specific institutions.

2 METHODOLOGY

This study has assessed all instruments currently in use by German DC institutions both for *monitoring* on-going activities (this includes observation and documentation) and for periodically *evaluating* on-going and completed activities. The study focuses entirely on the systems used for these purposes, so it does not consider evaluation findings and hence the success achieved by DC in general or by the work of specific institutions.

The *reference basis* for assessing the evaluation systems used by various German DC institutions comprised the *criteria laid down by the OECD's Development Assistance Committee (DAC)*, complemented by further theoretical and empirical evaluation research knowledge and assembled into a new system. Among the aspects analysed and assessed by the study are: the objectives, management and organization of the evaluation process, project appraisal procedures, particularly the setting of objectives for project activities and of the indicators to be applied in subsequent evaluations, the forms of evaluation used (in terms of project phases, initiative, expertise and level of aggregation), the scope and frequency of monitoring and evaluation, the human and material resources this requires, the evaluation methods used and the underlying determinants of success, the level of participation in the evaluation process by programme/project partners and target groups, and the organization of learning processes, both internal and external.

Applying these criteria, the study has investigated the evaluation system of the **BMZ** itself and those of **14 governmental and non-governmental institutions**¹ that receive

¹ Federal Ministry for Economic Co-operation and Development (BMZ), Federal Institute for Geosciences and Natural Resources (Bundesanstalt für Geowissenschaften und Rohstoffe – BGR), Carl Duisberg Society (CDG), German Development Service (Deutscher Entwicklungsdienst – DED), German Investment and Development Corporation (Deutsche Investitions- und Entwicklungsdienst – DEG), German Foundation for International Development (Deutsche Stiftung für internationale Entwicklung – DSE), Protestant Central Agency for Development Aid (Evangelische Zentralstelle für Entwicklungshilfe – EZE), Friedrich Ebert Foundation (FES), Friedrich Naumann Foundation (FNS), German Agency for Technical Co-operation (Deutsche Gesellschaft für Technische Zusammenarbeit – GTZ), Hanns Seidel Foundation (HSS), Konrad Adenauer Foundation (KAS), Kreditanstalt für Wiederaufbau (KfW), Catholic Central Agency for Development Aid (Katholische Zentralstelle für

funding from the BMZ. These organizations cover 95% of Germany's official development assistance (ODA). In addition, a summary analysis has been made of the huge number of *non-governmental organizations (NGOs)* in Germany. The evaluation activities of the *Federal Court of Audit* have also been assessed. Following an examination of written material, extensive interviews were then conducted with all of the organizations cited except most of the NGOs. On that basis, *16 organizational studies* were prepared which describe and assess their evaluation systems, also making specific recommendations as to how they could be developed and improved. All of the institutions studied were given the opportunity to respond to these findings. The specific studies were subsequently subjected to a *cross-sectional* analysis. The overall study concludes by submitting *recommendations for reforming* the systems of evaluation used in Germany's DC work.

3 FINDINGS

The analysis of evaluation systems in German DC institutions has pointed up the following strengths and weaknesses:

3.1 Strengths

It is important to point out that all of the DC organizations surveyed do have evaluation structures in place, in rudimentary form at the very least. No matter how much their detailed approaches may differ, all of them have certain institutional structures, guidelines, methods and instruments for assessing the outcome of their activities, both on an on-going basis and following completion. Three-quarters of the bilateral ODA made available by the BMZ each year is entrusted for implementation purposes to the two DC organizations *KfW* (the Bank for Reconstruction) and *GTZ* (the German Agency for Technical Co-operation), and these have the most advanced evaluation systems of all the implementing agencies surveyed. KfW, which receives and administers just under 50% of Germany's total bilateral DC funding, operates a comprehensive and methodologically sophisticated quality control system covering the entire project cycle. KfW also subjects *all* of its project activities to a thorough *ex post* impact assessment, thus attaining an evaluation intensity unmatched even by the MFIs. To deal with the more difficult task of evaluating technical co-operation (TC) activities, GTZ has developed a differentiated system of quality assurance which is also methodologically versatile. In the opinion of independent appraisers, the "ZOPP" method of Objectives-oriented Project Planning which the agency has adopted and developed for widespread use in the planning, implementation and completion phases of DC projects, has significantly raised the effectiveness and efficiency of DC measures, winning acclaim both nationally and internationally and now being copied by other development-assistance organizations. GTZ's methods of establishing indicators and scoring project outcomes have also been adopted by other bodies. Moreover, *development co-operation* as an overall field of policy-making is one of the few areas at

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federal ministerial level that has yet developed systematic evaluation procedures. The evaluation system used in German DC work compares quite favourably with those operating in other countries, too.

3.2 Differences

Nevertheless, the study did identify substantial differences among the development-assistance institutions surveyed. *On the one hand*, this is attributable to

- the specific sectors in which organizations operate, their different activities, the DC instruments used, and the specific *amenability* of these *to evaluation*
- and/or to the *size* of the DC organizations and the administrative, human and financial resources they have available to conduct evaluations.

On the other hand, differences between the DC organizations also arise because:

- they attach differing *degrees of importance* to evaluation
- they have not all adopted the available principles and methods of evaluation to the same extent, or not adapted them sufficiently to their own circumstances and further developed them
- they have allowed *gaps* to open up *between declared intentions and actual practice* when implementing their evaluation concepts and methods.

3.3 Deficiencies

When examined in the light of the DAC criteria, the majority of organizations surveyed had certain deficiencies in three core areas of evaluation work, namely:

- ***Independence and impartiality:*** The implementing agencies rely heavily on self-evaluation, primarily by their own project staff, and many of them neglect evaluations by non-operational, impartial units. Some organizations do not meet the DAC requirement that the evaluation function be kept separate from line management.
- ***Ex post evaluation of impact and sustainability:*** Evaluation is substantially input–output-oriented. Many organizations either completely lack or have only rudimentary evaluation procedures focusing on impact and sustainability. KfW is the only DC organization to conduct *ex post* evaluations (approx. 5 years on) for all projects and programmes, and with a high quality standard.
- ***Participation:*** Although partners are almost invariably involved in project-related evaluations as resource persons, they are rarely involved as evaluators on an equal basis. Evaluation methods used by the NGOs would appear to involve much more participation than those of the governmental bodies.

Weaknesses are also in evidence when it comes to laying down *verifiable objectives*, and indeed it is not unusual for this deficiency to undermine the very basis of effective evaluation. The requirement to define realistic, adequately operationalized objectives can pose a major difficulty in many fields when DC measures are first planned and when they are subsequently evaluated. The problem especially applies to process-oriented TC activities, and those intended to change existing structures, consciousness or behaviour. In these areas, project planning increasingly needs to be regarded as a process of search, and project implementation as one of learning. Changes in objectives and associated indicators also have their impact on the evaluation process. It is difficult to establish appropriate evaluation methods in these areas of development co-operation.

Further points of weakness in evaluation systems arise when *measuring efficiency*, *organizing learning processes*, and assuring *transparency* vis-à-vis the general public.

4 REFORMS

The *further development of evaluation* in Germany's DC work must involve:

- bringing DC institutions as a whole closer to meeting DAC standards
- establishing the institutional, organizational and methodological bases - still partly lacking - that are necessary for independent, effective evaluation
- closing the present gaps between good intentions and actual practice in evaluation
- developing appropriate methods of examining sustainability and effective impact in the different fields of DC operations
- promoting horizontal learning among DC institutions.

To ensure the feasibility of the BMZ's new evaluation concept, it is essential that *minimum quality standards* should be fulfilled by implementing agencies: the BMZ cannot responsibly carry out its plan to delegate project-level evaluations to these agencies, so as to concentrate its own energies on cross-sectional evaluation and strategic controlling, unless the implementing agencies can assure the quality of their evaluation work. A particularly crucial aspect in this will be to ensure that DC institutions have their evaluation done on an *independent, impartial* basis. Despite various inadequacies in other respects, this criterion has been properly met by the BMZ's evaluation work to date. However, the danger is that independence and impartiality will be lost unless precautions are taken. There is no objection in principle to prescribing the *DAC criteria* as the rules for DC institutions to follow. Appropriate steps can be taken to cater for special circumstances, especially among small NGOs. The Federal Court of Audit, accounting firms and/or neutral academic institutions could conduct regular audits on the BMZ's behalf, and certify whether the DC institutions' evaluations satisfy the DAC's requirements.

In the organizational field, the essential point is to establish and secure *independence and impartiality* for the evaluation carried out within development institutions. Those

that do not yet have central, non-operational evaluation units should set them up. Similarly, those that have so far only used internal expertise should ensure that it is complemented by impartial external opinion. One of the ways of guaranteeing the impartiality of external evaluators and the quality of their work is to ensure that a transparent procedure for their selection is established. Taking these steps will enrich the overall evaluation process with greater *objectivity* and with informative, innovative *impetus* from outside, and will thus enhance its *credibility*.

Monitoring and evaluation (M&E) at an operational level will remain a key component of effective project management, assuring that the measures taken are properly geared to objectives, allowing objectives to be adjusted to the means available where necessary, and encouraging learning, both by individuals and by institutions, via self-evaluation. The challenge facing managements of DC institutions is one of combining operational self-evaluation with the equally essential evaluation by non-operational personnel, the aim being to make quality management a common concern of all people involved, and thus to develop a *culture of evaluation*.

To overcome the problems encountered by numerous DC organizations in evaluating impact, sustainability and efficiency, greater use should be made of tried-and-tested *methods* already available, developing and adapting these where appropriate to suit special circumstances in particular fields of assistance. Nevertheless, there are still some substantial methodological gaps when it comes to evaluating the sustainability of DC activities. This is an area that needs to be more fully researched.

However, the BMZ and its implementing agencies are also recommended to adjust the expectations made of evaluation systems to levels that are feasible and justifiable in terms of methods, time input and financial cost. Quite often, *compromises* will need to be made in the evaluation procedures applied, involving the acceptance of more straightforward, more practicable examination designs. Provided they are methodologically transparent and they comply with other quality criteria governing evaluation work, it ought to be possible to obtain plausible, credible findings using such simpler evaluation procedures.

As an all-round issue, DC institutions ought to experiment more than they have up to now with *participatory evaluation systems*, even at the risk of possible setbacks and extra costs, and they ought to gather and exchange experience in this area, eventually automatically making this a component of their evaluation activity.

The authors recommend to Germany's DC institutions to intensify and institutionalize their co-operation in the evaluation field. The aim should be to boost *horizontal learning*, making use of synergies in developing new methods, disseminating best practice, and initiating evaluations that cross-cut several institutions. It is suggested that the BMZ should call together representatives of the German DC institutions at least once a year in a *workshop* allowing them to interchange experience, and that *working parties* should be established to develop practically oriented solutions in co-operation with national and international experts in the evaluation field.

Proper evaluation calls for adequate inputs of *financial and human resources*. German DC institutions would be well advised to invest rather more in quality management, even if this curtails the scope of their projects and programmes. The BMZ can encourage this process by making approval for follow-up or new projects conditional on the DAC evaluation criteria being fulfilled, and by making it compulsory to publish evaluation findings, thus raising the transparency of the process.

The signs are that Germany's development co-operation institutions are *generally willing* to improve both the quality and scope of their evaluation systems as called for by the DAC criteria. The BMZ itself presented a new evaluation concept in 1997 and set about implementing specific measures. One such measure is the restructuring of the Ministry's *Central Evaluation Plan* to favour cross-sectional evaluation of multiple projects, the delegation of single project evaluation work to KfW and GTZ, new initiatives to develop *evaluation designs* for major development assistance areas and also *sustainability criteria*, and the preparation of a series of *ex post analyses*. Following the decision in principle by the BMZ in July 1998 to establish a new *Controlling* unit (responsible for quality assurance and performance monitoring) reporting directly to the State Secretary, evaluation activities within the BMZ will be accorded substantially greater importance as called for by the DAC criteria. Numerous reform measures have also been taken by the BMZ's *implementing agencies* in the recent past, and others have been announced as forthcoming.

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