

**Cross-section evaluation**  
of independent evaluations in 2007  
in the thematic priority area  
**Private Sector Development (PSD)**

**Executive Summary**



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of independent evaluations in 2007  
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**Private Sector Development (PSD)**

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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:

<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 Appraisal 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 appraisal 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.