››› Fragile Settings. Lasting Impact.

12th Evaluation Report on Projects and Programmes in Developing Countries 2011–2012

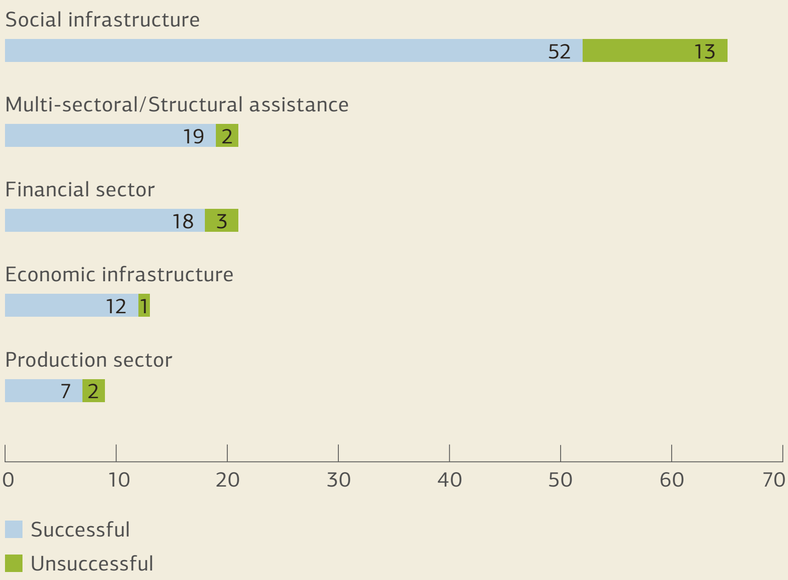
KfW

At a glance

Evaluations for 2011/2012

129 projects were evaluated with a funding volume of approximately EUR one billion

Number of evaluated projects by sector in 2011/2012



Success rate by number of projects

2010/2011/2012 overall (sample-based estimate): **80,3 %**

Thematic evaluations

In the 2011/2012 period, KfW carried out the following extended analyses:

Protection of natural resources:	**Health sector:**	**Financial sector:**	**Multi-sectoral:**
National parks as sources of revenue	The impact of fighting specific diseases (polio, HIV) on the health-care system	‘Green finance’ and access to financial services	The success of FC projects and programmes in fragile settings

Financing Development

How KfW works

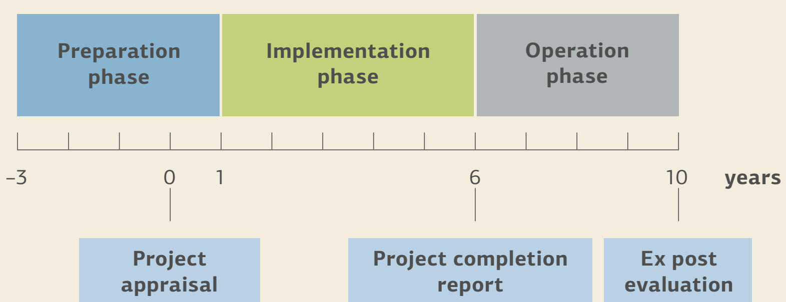
Under the direction of the federal government, particularly the Federal Ministry for Economic Cooperation and Development (BMZ), the operational arm of KfW Development Bank supports development and climate programmes in partner countries around the world. In this way, KfW's work combines financing know-how with development expertise. The federal government's financial cooperation (FC) measures aim for sustainable development results, both in order to improve long-term living conditions in developing and emerging nations, as well as to protect the climate and the environment.

Funding comes from the federal budget and is made available by the BMZ for financial cooperation. Additionally, KfW draws on its own resources that it raises in capital markets. While KfW also carries out projects for other federal ministries, they are not covered by this FC evaluation report.

The foundation for bilateral FC consists of agreements between partner country governments and the federal government of Germany. Two principles are key: projects fit a partner country's national development strategies and structures ('Alignment'), and responsibility for projects lies with the partner country ('Ownership'). This means that partner countries propose projects worthy of support, and an institution in the country is responsible for implementation.

During the project cycle, each stage of development is subject to comprehensive quality assurance by KfW – from conceptualisation and pre-assessments to implementation and project completion, or from the planning and construction of a facility to its actual start-up and operational takeover by the partner.

The project cycle in FC



Ensuring quality and learning from experience

The Evaluation Unit: internal yet independent

Within the operational structures of KfW Development Bank, the FC Evaluation Unit (German acronym: FZ E) concentrates on ex post assessments of the impact produced by FC projects (for methodology and ratings criteria, see Annex). This is meant to ensure the quality of FC and to learn from experience how the impact of FC projects can be improved. In contrast, the German Institute for Development Evaluation (DEval), founded in spring 2012 by the BMZ, has different tasks. It is responsible for evaluating the entirety of German development cooperation, e.g. for evaluating country strategies or instruments, but also for developing methods and for supporting evaluation capacity development in partner countries.

As an administrative unit, FZ E reports directly to the KfW executive board. The Evaluation Unit works independently of operational country departments, which are responsible for appraising FC projects and supervising their planning and implementation. Since the emergence of FC in the 1960s, completed projects and programmes have been evaluated for their effectiveness. In the beginning, this task fell to the operational departments themselves. In 1990, findings were published for the first time in an evaluation report.

Since 2000, the independent Evaluation Unit, FZ E, has assessed the effects of FC projects. For these evaluations, FZ E draws on its own staff and commissions independent experts. These experts may be employees from KfW operations or external specialists, but never individuals who themselves were involved with the evaluated project.

Representative random samples replace full inventory assessments More room for extended analysis

Until 2006, all completed FC projects were evaluated, with the results summarised in a success rate that was published every two years. Since 2007, the success rate has been estimated using a representative random sample stratified according to sector. This sample is taken from the universe of completed projects in a given year. Due to the higher number of completed projects and programmes (rising from around 60 to over 100 per year) and a large sample size of 50 %, one can draw reliable conclusions about the success rate despite having to make estimates. The calculated results, taking into account statistical error, are significant for all completed projects. Moving from the study of a full project inventory to a sample allows for more extended analysis of particular interventions and themes.

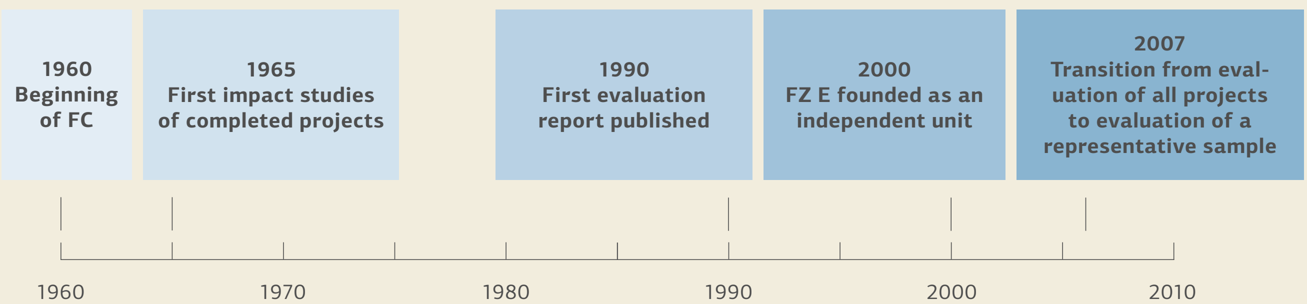
What works – and why?

Beyond individual projects, FZ E undertakes evaluations on selected thematic areas in order to explore the context of particular results, specific sectoral questions or the appropriateness of certain ideas and development frameworks. Rigorous statistical methods can be applied where appropriate. A database with results from over 2,000 evaluations of FC projects permits cross-cutting analysis on various subjects.

Transparency front and centre Our transparency portal online

At http://transparenz.kfw-entwicklungsbank.de/en, up-to-date information is available on the source, use and impact of Financial Cooperation funds by country, sector and project. Here you can find summaries of all of our evaluation reports.

Timeline: evaluation in FC



Foreword by Dr Norbert Kloppenburg, member of the executive board, KfW Bankengruppe

With the publication of Fragile Settings, Lasting Impact, the KfW Development Bank's independent Evaluation Unit presents its 12th evaluation report on projects and programmes of financial cooperation (FC). By tracing a thematic arc – from fragility to sustainable impacts – this report reflects the core of what makes us a development bank.

On behalf of the federal government, particularly the Federal Ministry for Economic Cooperation and Development (BMZ), KfW development bank examines whether projects and programmes are developmentally sound and worth supporting. When this is the case, KfW experts support partners with advice and assistance, and accompany projects through their entire life cycle. In this process, KfW is as much a bank as it is a development institution, drawing on comprehensive financial expertise, development knowledge and extensive international experience. KfW applies this unique combination of capabilities to generate the greatest possible development impact with funded projects.

Evaluation of projects and programmes should demonstrate to what extent desired development results have actually been achieved. It should also contribute to institutional learning.

The title of the 12th Evaluation Report, Fragile Settings, Lasting Impact, contains an implicit question mark. We of course want to bring about stable and sustainable improvements, but is this possible under the extremely difficult conditions posed by fragile states? Here, certain doubts are appropriate; anything else would be unrealistic. In my own field visits, I have experienced first-hand what it means to engage locally in a country like Afghanistan. The personal commitment required by staff is enormously high. They face extreme limitations on freedom of movement in their daily lives, and have to put up with setbacks again and again. Such a difficult mission would be unthinkable without the hope, or even the conviction, that changes are possible and results attainable.

That hope finds additional, evidence-based justification in this Evaluation Report. The success rates of FC projects continue to be high, and interventions in fragile settings have contributed to that. Of course, it is clear that risks to projects' success are noticeably higher under fragile conditions, but this is in no way the same as arguing, 'Nothing works!' On the contrary: evaluation confirms numerous positive outcomes of projects with fragile partner countries, some of which are surprisingly sustainable. Moreover, patterns can be identified in project designs that have repeatedly helped in achieving goals. It would be exaggerated – not to say inappropriate, given the limited influence one can exert in such fragile circumstances – to claim that these are recipes for success. Yet the 12th Evaluation Report – like its 11 predecessors – improves our ability to learn and ensure the quality of our work in these complex environments.

Norbert Kloppenburg

Contents


7


23

Part 1
Results for 2011/2012

7 **A stable success rate**

9 A success rate of 80%
Too good to be true ...?

10 **A look at sectors and regions**

14 Example Bolivia:
waste water management in Oruro

15 Example Cameroon:
rehabilitation of the Douala harbour

16 Example Bangladesh:
rural access roads

17 **Under the magnifying glass**

18 The goal of 'No more polio!' is nearly achieved

20 Not every national park will see money growing on trees

Part 2
Guest Article

23 **Budget support: a contested instrument**
Guest article from the Evaluation Unit IOB of the Dutch Foreign Ministry/ Antonie de Kemp, Geske Dijkstra

Part 3
In focus: FC in fragile settings

27 Stronger commitment in fragile settings

28 Fragility is long-lasting

29 What works in fragile settings?

30 Fragility and project success

35 Unrealistically high demands

37 Gradually include and strengthen weak governments

38 Going local can be crucial

40 Broadly defined target groups – a model for success

Annex

43 Assessments, benchmarks, standards
Key criteria for evaluations and rating scales

46 Ex post Evaluations in 2011 and 2012

››› Part 1
Results for 2011/2012

Georgia: Reliable electricity supply is the foundation for stable development.

A stable success rate

Four of five projects were successful

What is the percentage of projects that are successful, and how high is the failure rate? Few development institutions in the world can answer this question, but KfW Development Bank, which implements bilateral financial cooperation (FC) for the Federal Ministry for Economic Cooperation and Development (BMZ), is one of them. Since its first Evaluation Report published in 1990, KfW has maintained a tradition of biennially reporting the success rate of FC.

Determining a success rate that is representative not just of selected activities, but of all projects and programmes during the reporting period, requires an evaluation that is sufficiently comprehensive. Over 2,000 individual ex post evaluations of projects and programmes have been carried out since the first Evaluation Report; and over 100 new evaluation results were added to the database from 2011 to 2012.

Reliable estimates through an unbiased selection from a large sample of projects

To arrive at success rates, each year, a sample is drawn comprising half of the completed projects and programmes from each development sector, i.e. water, health, education, etc. For 2011 and 2012, the entire pool of completed projects totalled 208. A sample is randomly selected from that pool to avoid biases (an odd number of projects in a sector is rounded). Thus, the 2011–2012 period produced a sample of 112 projects.

Not all projects in the sample can be evaluated in the year they were selected – for example, due to the field mission taking place towards the end of the year, or because security factors force a postponement, or because financing was provided as budget support where FC funds go directly to the treasury of a partner country. By international consensus, budget support should not be evaluated by individual funders, but rather coordinated among all budget support donors (see p. 23, guest article by the Dutch Foreign Ministry's Evaluation Unit). Incomplete evaluations are listed in the graph, as well as the statistical error that – in part due to incomplete evaluation findings – the published success rates are subject to.

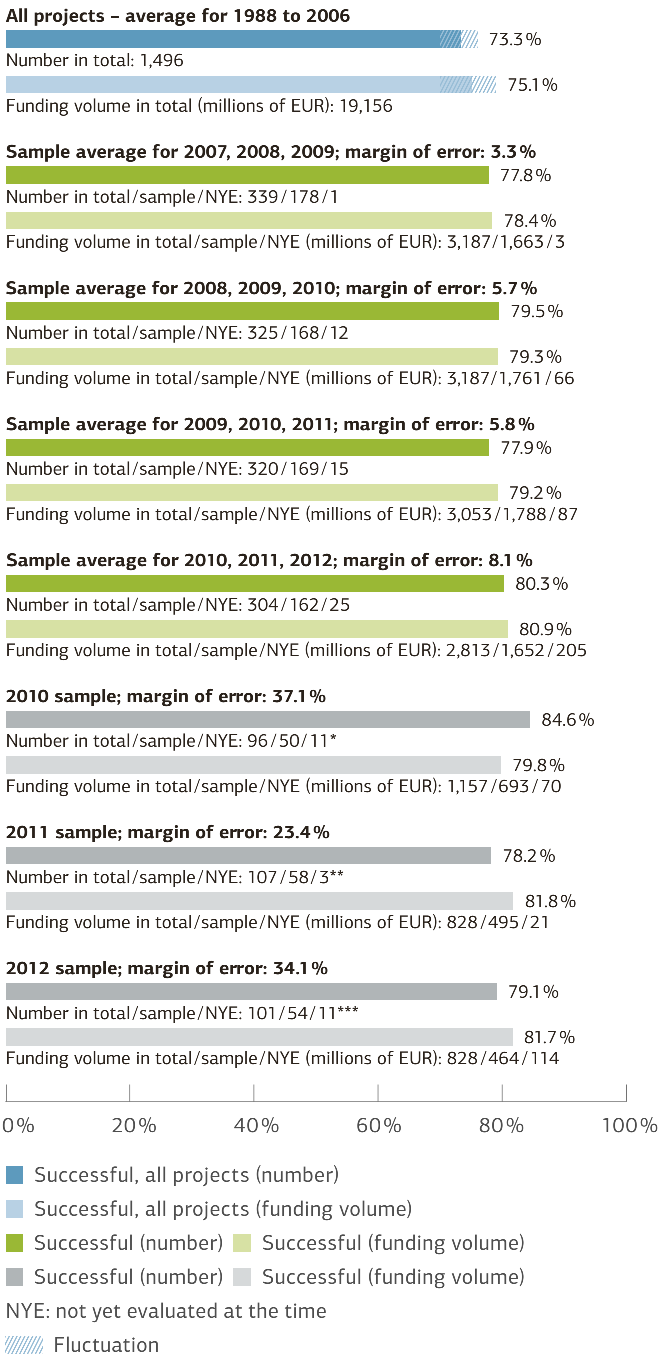
A stable success rate of around 80 %

The success rate shows the percentage of successful projects in a given reporting period (i.e. receiving a grade of 3 or higher; see Part 4 – Annex for an explanation of the rating system). As the graph illustrates, these success rates vary somewhat from year to year, but in general remain stable. Since introducing the random sampling procedure in 2007, the three-year average for evaluation results puts the success rate, measured both by the number of projects and funding volume,[1] at around 80 %.

A trend towards moderately successful projects?

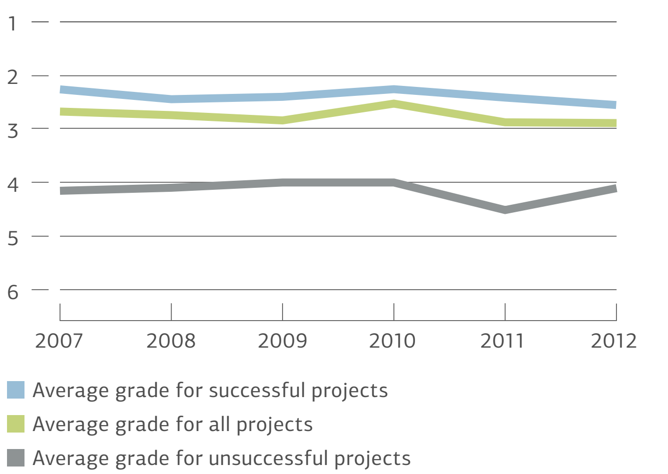
Individual project ratings, on average, also appear relatively stable. However, if one excludes the year 2010, where evaluations for many budget support operations have not yet been completed, then a slight downward trend becomes apparent. The reason: fewer and fewer projects are rated as 'good' or 'very good', which are reserved for results that meet or exceed expectations. It remains to be seen whether this constitutes just random fluctuation or a trend that will continue in the future.

Comparison of long-term success rates



* Of this number, budget support initiatives that are without evaluations: 10
** Of this number, budget support initiatives that are without evaluations: 2
*** Of this number, budget support initiatives that are without evaluations: 1

Average project grades in the 2007–2012 samples



[1] The funding volume shown here corresponds to budgetary funds made available by the BMZ. For individual projects, these funds are supplemented by KfW's own resources in selected cases, so that the overall volume of support is actually higher.

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A success rate of 80 %
Too good to be true or a waste of public money?

The long-term average success rate for German FC amounts to around 80 %. The flip side is that a fifth of all projects failed to meet their goals and were classified as ‘unsatisfactory’ or even ‘inadequate’.

A critic might therefore argue that 20 % of public funds are wasted, and development institutions have failed. They should have overseen spending more strictly so that 100 % of funds were used effectively. Quite on the contrary, another critic might consider an 80 % success rate unrealistically high, thereby accusing the ‘aid industry’ of having low standards or a lack of self-criticism. After all, if a third of business start-ups in Germany fail, or if you consider the implementation challenges facing large public projects in industrialised nations, how can 80 % of all projects in countries like Malawi or Nepal be successful?

KfW and many other public and private development institutions are committed to avoiding failure. Activities are carefully conceived, critically appraised, and thoroughly prepared. Positive and negative experiences from previous activities flow into the revision of concept designs; and implementation is regularly monitored to diminish problems. If failure becomes apparent, then a project, if necessary, is suspended.

Yet despite these efforts, a success rate of 100 % is neither realistic nor desirable. For one thing, project conditions in developing countries are often more difficult than in industrialised nations: infrastructure may be lacking, and natural disasters and violent conflict can derail even the best-laid plans. In addition, development cooperation is supposed to support projects that private households, commercial business and even governments in poorer countries cannot undertake alone, be it because of high risks, costs, complexity or lack of expertise. When development institutions take on those challenges, they simply cannot expect to overcome them successfully in every single case. Responsible decision-making from donors must take these risks into account and opt for development concepts to meet them appropriately.

A look at sectors and regions

What lessons do evaluations from 2011 to 2012 offer?

What lessons can be drawn from evaluation findings for different sectors and regions in FC? Here, success rates are less meaningful because the limited number of evaluations per sector and region over a reporting period does not offer a representative sample. The key question here is whether findings point to new sectoral or regional developments. Ex post evaluations reflect the results of FC commitments from the past, including the success and failure of approaches that were innovative when they were launched years ago. In 2011 and 2012, 129 projects with a funding total of EUR 1.04 billion were evaluated.[2] This includes projects that were added to the core sample under examination (see list of all projects in the Annex, p. 46).

[2] In addition to these funds from the German budget, KfW provided approximately 10% of this volume from its own resources.

Sectoral factors that affect success

Worthy of a closer look

Social infrastructure – a mixed picture
As in the past, the 'social infrastructure' sector dominated in the 2011–2012 reporting period. The bulk of the sector consists of projects in the areas of water supply, sanitation and waste management. The rate of failed projects in this sector was an unusually high 9 out of 30. One reason for this was a number of unsuccessful projects in eastern and south-eastern Europe, two of which used innovative methods (concessions to private operators) that were not viable in the end. On the one hand, evaluations mention a lack of political support as a determinant for failure, a key prerequisite for such an innovation. On the other hand, legal and regulatory conditions, especially when setting water fees, and in one case the unprofitably small size of the market, led to the private operator's withdrawal. The projects' results had to be rated as unsatisfactory, even if they provided lessons on necessary preconditions for such operator arrangements, which are already widespread in industrialised nations.

In addition, activities fell short of their goals in several countries when it came to sanitation. In many regions, raising fees for waste water disposal is a considerable challenge, but this is necessary if operations are to be sustainable. Unlike the provision of drinking water, it is noticeably more difficult with sanitation projects to convince the population that it should pay for services (see the example of the Oruro sanitation project in Bolivia on p. 14). This makes it all the more welcome that in eastern Europe – in Albania, for instance – the introduction of sewage treatment plants was successful.

Overall results are positive for other sub-sectors of social infrastructure. The use of 'social marketing', where a partly subsidised distribution network for contraceptives is combined with education campaigns for family planning and the prevention of HIV/AIDS, has proven to be a success in most countries. Nearly universal effectiveness was seen, even if often based 'only' on grades of 3, in the education sector, particularly in the construction of classrooms. The same applies to the health sector, especially in the fight against specific diseases like polio and tuberculosis. Admittedly, a one-time effect is a factor here stemming from the evaluation of a whole group of anti-polio activities in India (see also 'Under the magnifying glass', p. 18), which were not all included in the random sample of projects to be evaluated, but were

Democratic Republic of Congo: Agricultural programs improve harvests – and women's incomes.

nonetheless assessed together because they were sequential phases of a multi-year polio eradication programme.

Energy, transportation and communications – 12 of 13 projects successful

Similar to the 2009–2010 reporting period, 'economic infrastructure' projects in 2011 to 2012 were particularly effective. In the sub-sectors of energy production, transportation and communications, 12 of 13 projects were rated as successful. Compared to social infrastructure projects, implementing agencies in the area of economic infrastructure tend to be better equipped both in resources and personnel, as well as more experienced in project execution and operations. Admittedly, this is no guarantee of success, but it reduces major risks. Plus, users of economic infrastructure tend to be more willing to pay, making it easier to charge fees. As a result, it is comparatively easier to cover the maintenance and operations costs that must be met to ensure sustainability.

Financial sector weaker than before

With 3 unsuccessful projects out of a total of 21, the results from measures supporting financial sector development are about average with respect to all evaluations, but weaker than in the past. This is because the financial sector's work over the last decade has expanded to fragile states, where, even though microfinance programmes can be very effective, there is a higher risk of failure. A second negative factor is the financial crisis of 2008, which in at least one of the evaluated projects played a major role in its unsatisfactory results. Thirdly, new approaches are being tested following the highly successful expansion of microfinance. Financial services are made more accessible to specific target groups (e.g. students and rural inhabitants), or utilised to support goals like environmental protection. Innovations, however, bring greater risks. Notable here is the positive evaluation result from the Currency Exchange Fund (TCX), which is supported by several donors and capitalised through FC with EUR 40 million. It offers an innovative solution to support microfinance institutions through funding in local currencies.

Improved results in agriculture and forestry

In the 'production sector', which with only nine projects ranks as the smallest, results are marked by a strong showing in forestry and agriculture. This sector had long been characterised by below-average success rates and declining funding, but in the past few years, the federal government has markedly expanded its support of agriculture and forestry, leading to the development of new project ideas. The number of completed and evaluated projects that reflect this new direction is still too small to indicate any change in trend for the sector.

Sector results – Performance by grade for 2011/2012 evaluated projects

Sector	Number	Funding volume*	Performance grade							
			1	2	3	**1–3**	4	5	6	**4–6**
Social infrastructure	**65**	**538.6**	**0**	**23**	**29**	**52**	**11**	**2**	**0**	**13**
– Education	8	60.7	0	3	4	**7**	1	0	0	**1**
– Health care	12	107.7	0	2	9	**11**	1	0	0	**1**
– Population policy and reproductive health	10	64.0	0	5	3	**8**	2	0	0	**2**
– Water supply and sanitation/waste management	30	269.0	0	12	9	**21**	7	2	0	**9**
– State and civil society	5	37.2	0	1	4	**5**	0	0	0	**0**
Economic infrastructure	**13**	**181.5**	**1**	**4**	**7**	**12**	**0**	**1**	**0**	**1**
– Transportation	7	42.2	0	3	4	**7**	0	0	0	**0**
– Communications	1	7.5	0	0	0	**0**	0	1	0	**1**
– Energy generation and supply	5	131.8	1	1	3	**5**	0	0	0	**0**
Financial sector	**21**	**140.0**	**1**	**9**	**8**	**18**	**1**	**2**	**0**	**3**
– Finance	21	140.0	1	9	8	**18**	1	2	0	**3**
Production sector	**9**	**58.3**	**0**	**5**	**2**	**7**	**2**	**0**	**0**	**2**
– Agriculture/forestry/fisheries	8	49.3	0	5	1	**6**	2	0	0	**2**
– Manufacturing/natural resources and mining/construction	1	9.0	0	0	1	**1**	0	0	0	**0**
Supra sectoral/structural assistance	**21**	**122.1**	**1**	**11**	**7**	**19**	**2**	**0**	**0**	**2**
– General environmental protection	3	12.3	0	1	2	**3**	0	0	0	**0**
– Other multi-sectoral programmes	14	83.9	1	7	4	**12**	2	0	0	**2**
– Emergency aid	2	12.2	0	2	0	**2**	0	0	0	**0**
– General budget support	1	10.0	0	0	1	**1**	0	0	0	**0**
– Debt relief	1	3.8	0	1	0	**1**	0	0	0	**0**
Total	**129**	**1,040,5**	3	52	53	**108**	**16**	**5**	**0**	**21**

*In millions of EUR

Supra sectoral support – from emergency aid to sustainable structures

'Supra sectoral support' encompasses such different areas as: emergency aid, budget and other programme support, rural and urban development as well as environmental protection. The guest article by the Dutch Foreign Ministry's Evaluation Unit (see p. 23) addresses the politically controversial subject of budget support. In this report's section 'under the magnifying glass' (see p. 17), a cross-cutting assessment is outlined on environmental protection through national parks, an area that, over the past 15 years, has been significantly expanded through FC under the direction of the federal government.

In the reporting period 2011 to 2012, this multi-sectoral category of FC support includes six successful phases of the 'Northern Mali' programme, which, as in the case of India's polio vaccination programme, also produced a one-time effect. The Northern Mali programme was originally launched as an emergency measure and was later further developed. Supported on behalf of the BMZ by the Gesellschaft für Internationale Zusammenarbeit (GIZ) jointly with KfW, this programme's primary mission was to expand irrigation in northern Mali in order to promote rice cultivation. This concept was designed to stabilise economic conditions and ultimately help secure peace. When the programme was evaluated at the end of May 2011, the civil war in Libya had just come to an end. At that time, neither the flood of weapons and combatants into Mali nor the subsequent military coup in March 2012 were foreseeable. As of this writing, however, the structures created under the programme have weathered the crisis of 2012–2013 and continue to function without major difficulties.

Regional success rates

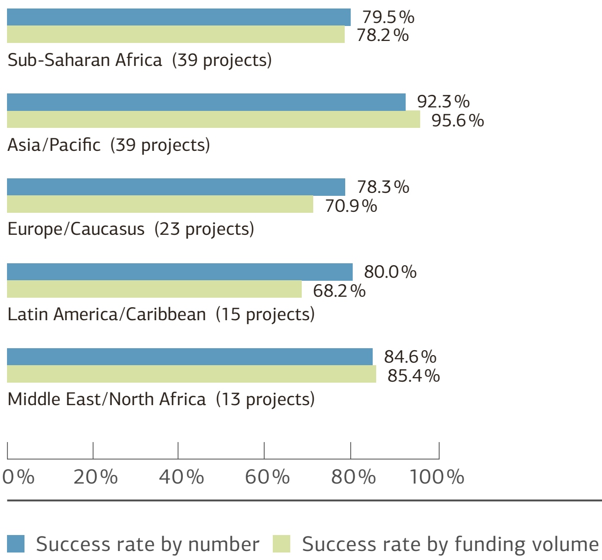
Asia takes the lead, sub-Saharan Africa exceeds expectations

The bulk of projects and programmes that were evaluated lay in Asia, followed by sub-Saharan Africa, Europe/Caucasus, Latin America/Caribbean and the North Africa/Middle East region.

Two points are worth noting when looking at regional results: first, Europe/Caucasus no longer occupies first place alongside Asia, as it has in past reports; second, sub-Saharan Africa no longer brings up the rear, but rather ranks as high as regions such as Latin America/Caribbean and Europe/Caucasus. While country-specific stages of development can significantly influence success and failure, this is overshadowed in 2011–2012 by sectoral and one-time effects. For instance, the relatively advanced conditions enjoyed in Europe, which tend to make success more likely, were counteracted by the region's focus on water, a sector that saw many failures. Asia, on the other hand, excelled partly thanks to an unusually large number of successful activities in the health sector (India's polio vaccination programme). Sub-Saharan Africa benefited in this reporting period from the six phases of the 'Northern Mali' programme, all of which were rated as successful – but which were not universally included in the random evaluation sample. At the same time, one cannot exclude the possibility that structural improvements in the region also played a role in this higher success rate. However, statistical evidence of such a 'catch-up effect' will only be feasible in the next several years. That is precisely why success rates are only reliable when they are based on a sufficiently large and unbiased sample.

Afghanistan: Rehabilitation of hydro power plants contributes to covering the rising demand for energy.

Regional success rates for projects evaluated in 2011/2012



Example Bolivia:

waste water management in Oruro

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Clearly inadequate – that is the judgement delivered by the evaluation report on an FC project targeting waste water treatment and disposal in Oruro, Bolivia. Nothing was accomplished for environmental protection, and other project goals were unachieved as well. The project was neither effective nor efficient, nor did it have any overarching development impact. Sustainability received a correspondingly low rating of unsatisfactory (grade 4).[3]

[3] For assessment criteria, see 'Assessments, benchmarks, standards: key criteria for evaluations and rating scales' in the Annex to this report.

No progress: Most sewage still flows directly into Bolivia's Lake Uru Uru.

Dissatisfied citizens, fragmented jurisdictions and a lake that remains polluted

Result: clearly inadequate – grade 5

The plan was simple: separate drainage systems were to be introduced for residential sewage and rainwater, which would drain waste water off from the Oruro city centre for treatment in a new sewage plant. This would reduce both health risks and odours for nearly 200,000 inhabitants, and protect Lake Uru Uru from further pollution. But the reality was different.

The planned facilities were, admittedly, completed. However, the local inhabitants felt insufficiently informed and did not understand why no more rainwater was to be fed into the sewage system. In addition, the authorities operating the sewage network and the new treatment plant were kept separate rather than merged. The fact that each change in political leadership also brought extensive staff turnover among the operators further hindered their effectiveness.

Administratively, many other things went wrong as well. Fees for operating costs were only imposed for the sewage network and not set high enough, while funds for the treatment plant had to be applied for from the government's budget in a long and tedious process. An increase of tariffs to cover the actual costs of waste water collection and treatment – a measure KfW recommended repeatedly – never materialised.

Furthermore, incorrect dimensions for certain parts in technical installations led to breakdowns and backwater formation in the drainage system. In the rainy season, the problem worsens when rainwater is drained off, against regulations, into the network. The result: even after the project's completion, malodorous overflows plague the streets. On average, barely a quarter of the collected waste water reaches the treatment facility, whose functionality at any rate is limited. The rest is sent past the facility directly into Lake Uru Uru.

Example Cameroon:

rehabilitation of the Douala harbour

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Activities supporting the rehabilitation of Douala's harbour were rated, all in all, as satisfactory. The cargo turnover in the country's most important harbour saw a notable increase that was even higher than expected. This had a positive effect on the evaluation criteria of 'effectiveness' and 'impact', meriting a grade of 2 on both of these measures. The assessment for the project's efficiency was one grade lower, due mostly to a prolonged construction period. Shortcomings in facility maintenance led to deductions in the score for sustainability (grade 3).

Cameroon: The port of Douala is the region's most important gateway to international markets.

Higher than expected cargo turnover, but poor maintenance

Result: satisfactory – grade 3

The Douala harbour is not only essential for Cameroon's foreign trade, but it also serves as the most important gateway to international markets for neighbouring Chad and the Central African Republic. With Douala leading the way, Cameroon's government wants to strengthen the country's ports as the hub for foreign trade in the region.

As activities were being planned in 2002, the port's attractiveness was at risk due to limited berths and the increasing time ships spent waiting and docking. To make Cameroon more competitive, the harbour's quay walls and storage areas were rehabilitated. With construction costs totalling EUR 37.5 million, KfW, under the direction of the BMZ, provided EUR 5.1 million.

Implementation proved more difficult than expected. For instance, one construction company involved went bankrupt, and decisions during the planning phase were delayed because of bureaucratic back and forth.

The increase in cargo turnover resulting from the harbour's rehabilitation, however, exceeded all expectations: cargo volumes rose dramatically and were mostly carried by container ships. On the other hand, waiting and docking times have hardly changed, in part due to the tides: berths could always be entered only at high tide. Insofar, increase in turnover mainly is due to cargo ships having grown considerably. Given that turnover volume per ship has increased 57 % since 2002, it is no wonder the berths' productivity has seen an equally impressive rise of 56 %.

It is more than a little regrettable that the harbour's facilities are poorly maintained. The port administration has sufficient personnel, but the maintenance budgets provided have been meagre. The publication of a maintenance and repair handbook, which KfW has sent numerous reminders about, has remained a 'work in progress' for years.

Example Bangladesh:

rural access roads

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The best possible grade – that is the result of an evaluation in Bangladesh that looked at a programme to improve access to markets and social services by upgrading marketplaces and making rural access roads passable year-round. High relevance, successful implementation and intensive usage of the new facilities by the population contributed to results clearly exceeding expectations. It is obviously easier to find a way out of poverty if there is access to schools, hospitals and markets.

Bangladesh: Maintaining streets and trees allows women in extreme poverty to earn a living.

Women benefit disproportionately

Result: very good – grade 1

Bangladesh suffers from flooding every year. With its low-lying coast, frequent cyclones in the Bay of Bengal and two major rivers that transport snowmelt from the Himalayas, the country is extremely vulnerable to inundation, cutting off important access roads to markets, schools and hospitals.

To ensure year-round access to these markets and social services, the BMZ, drawing both on technical cooperation (TC) and FC, supported a programme in cooperation with the Asian Development Bank to improve marketplaces and access roads. German TC contributed EUR 6 million and FC provided EUR 15 million out of a total cost of EUR 81 million.

The impact is impressive: within three years, the income of disadvantaged women and poor households rose nearly 50 %, well beyond the original goal of a 20 % increase. By comparison, the income of a control group that did not receive assistance fell by 11 %. Of the 23 million inhabitants in the project region, almost half benefited directly or indirectly, including a more than proportional number of members of disadvantaged groups. Over the entire 20-year lifespan of the activities, the programme achieved to substantially spur the labour market by generating an estimated 82,000 years of employment.

Women in need have especially benefited from labour-intensive measures. Employed in so-called ‘Labour Contracting Societies’, they carry out light work during street maintenance, keep up the appearance of roadsides and embankments and tend to trees. Tied to their employment is a savings plan where part of their salary is set aside, allowing the women to start a business after three to five years. This has allowed around two-thirds of them to earn their livelihood independently.

A cost–benefit analysis following programme completion indicates an economic return on investment of 38.1 % – far higher than the 12 % originally calculated during project planning. This result is considered very good for rural development measures, and far exceeds initial expectations.

Under the magnifying glass

FZ E provides insights into its thematic work

Extended analysis of selected projects, programmes and topics is also part of FZ E's responsibilities. The purpose is going beyond the results of individual standard ex post evaluations to learn not only what works, but how and why. Beside the analysis of FC in fragile settings (see Part III of this report), FZ E investigated additional development topics in 2011 and 2012. As examples of this type of work, an in-depth analysis of the interaction between India's polio vaccination programme and its routine immunisation programmes and, furthermore, a cross-cutting analysis of previously evaluated projects that aimed to strengthen protection of national parks will be presented here. In addition, findings are summarized from FZ E's thematic work in the water and finance sectors.

Access to safe drinking water is not a guarantee for better health

Better health through safe drinking water? Just how tenuous this causal relationship can be was underlined by a comprehensive study in rural Benin that was outlined in the 11th Evaluation Report. Statistical analysis looked at data from village households where modern drilled wells were introduced to provide access to clean water. When comparing these households with a control group (i.e. households in similar villages without such access), the results showed, on average, no significant positive health effects from access to safe drinking water, since the water would often become polluted during transportation or improper storage. In order to explore this weak link in the results chain, but without resorting to overly elaborate methods, FZ E carried out pilot projects in the case of two evaluations that focused on rural water supply: observations in the field were supplemented by microbiological testing in selected villages, carried out both at the water sources and in households. The result: a new standard for the evidence-based evaluation of rural water projects was developed, and valuable insights emerged about the significance and limits of microbiological water tests as evidence of health risks.

Increased access to financial services through microfinance banks

In the financial sector, an analysis of 'green' credit lines directed at environmental objectives identified key factors affecting their success and the obstacles they face. In these projects, financial institutions were to play a multiplier role for the diffusion of energy-efficient technologies.

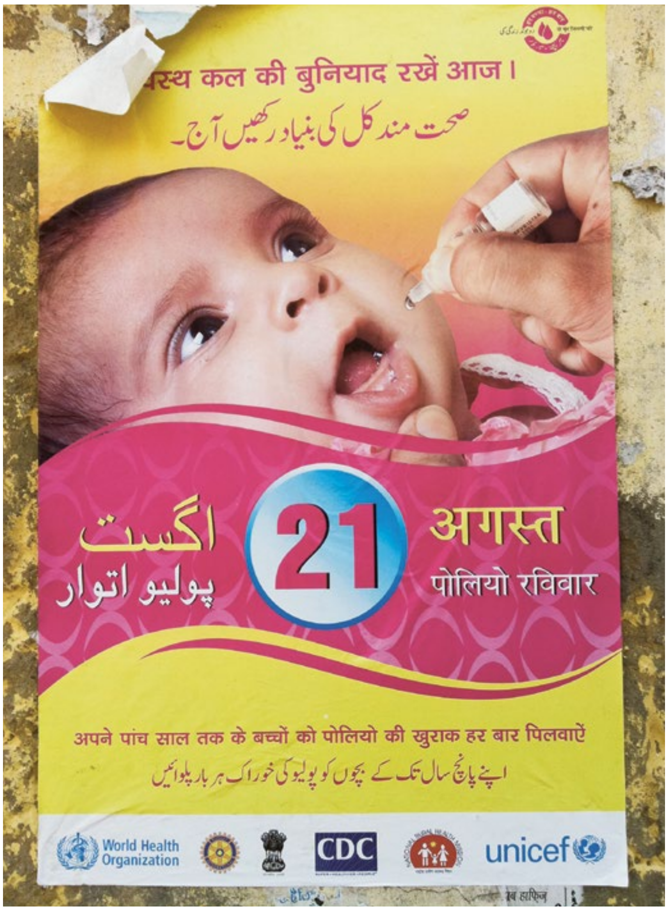
In order to find out to what extent microfinance banks in eastern Europe, which are committed to a social mission, actually increased access to financial services for lower-income groups compared to normal commercial banks, FZ E collaborated with a research team from the universities of St. Gallen and Helsinki – with welcome results, from a developmental perspective. A rigorous analysis[1] of available data shows that significantly more low- and middle-income households obtained access to financial services with the opening of a microfinance bank branch than through the presence of ordinary commercial banks.

[1] Brown, Martin, Guin, Benjamin and Kirschenmann, Karolin (2013): Microfinance Banks and Household Access to Finance. Available through SSRN: http://ssrn.com/abstract=2226522

An in-depth evaluation of India's polio vaccination programme looks at interactions with the national health-care system

The goal of 'No more polio!' is nearly achieved

India's polio vaccination programme illustrates a major challenge for DC: how do you fight a dangerous infectious disease in a comprehensive, targeted and effective manner – be it HIV/AIDS, tuberculosis or polio – without neglecting or even hollowing out the rest of the partner country's health-care system? This is a question FZ E has dealt with intensively, and which transcends the scope of any standard ex post evaluation of single projects or programmes.



Advertisement poster: Oral vaccinations against polio in India.

Children under the age of five are particularly affected by this contagious disease, which can lead to lasting disabilities or even death. In 1998, the World Health Organization (WHO) launched the Global Polio Eradication Initiative with the goal of vaccinating children across the globe, thereby conquering the disease once and for all. The initiative has been largely successful: after the elimination of polio in Latin America and Europe, as well as in many parts of Africa and Asia, 'only' 291 cases were registered worldwide in 2012.

In the mid-1990s, India belonged to the list of countries where polio was especially prevalent, and it was responsible for a large share of global polio cases. This is why India played, and still plays, a central role in the international fight against this virus. In 1995, the country officially committed itself to the goal of eradicating polio. Since then, it has not only carried out routine children's vaccinations against polio and other diseases (e.g. measles), but has also undertaken targeted large-scale polio immunisation campaigns. For campaigns from 1998 to 2006, the period of time under evaluation, the Indian government provided an estimated EUR 1.09 billion with the help of international donors. Seven per cent of this sum, or around EUR 78 million, was contributed by German FC, primarily to purchase oral vaccines and refrigerated storage units.

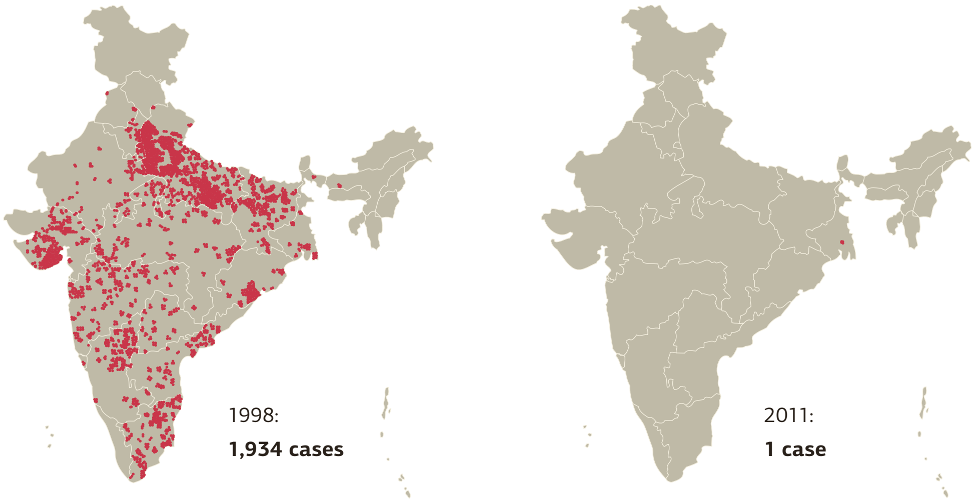
Original goals too ambitious – despite remarkable results

'No more polio!' The original goal of immunising all Indian children under five by the year 2000, thereby eradicating the virus, proved too ambitious. Although the number of polio cases fell dramatically, in certain high-risk areas of the country, more than 10% of children remained unvaccinated against the disease. Cases continued to appear – in 2009, there were over 700 – even if they were limited to India's few remaining high-risk regions.

According to WHO standards, the disease is only considered eliminated once there are no new polio cases for three years. The last recorded case in India appeared in January 2011. The impact of this internationally supported campaign is therefore considerable: polio cases fell significantly and were regionally limited. Results are also satisfying in terms of sustainability: the Indian government wants to maintain the vaccination programme until the complete eradication of the virus. In addition, the government can draw on the infrastructure, which was built up for the polio vaccination campaign, for use in other areas of healthcare.

Prevalence of Polio Cases in India, 1998 and 2011

Source: www.npspindia.org



Immunisation alone does not automatically protect against infection

Due to research[2] carried out in close collaboration with FZ E, encompassing a broad literature review as well as data analyses, several conceptual weaknesses in the vaccination programme were revealed that a standard ex post evaluation might otherwise have overlooked. To start, polio vaccination does not automatically protect against infection; social factors must also be taken into account. For instance, undernourished or sick children, even when properly vaccinated, do not always develop complete immunity against the virus. Moreover, Indian children – despite the international importance of the vaccination programme – tend to suffer more from measles and pertussis (whooping cough) than from polio. These diseases are combatted through India's routine immunisation programme.

Synergies in routine vaccinations or competition over scarce resources?

The research supplementing the evaluation therefore looked at whether any interaction exists between the polio vaccination campaign and India's routine immunisations against other diseases. In the prevailing view, 'vertical' programmes, which devote significant levels of financing to fight a single disease, are the only means of complete eradication. However, both in development research and practice, there is often intense debate over how such campaigns interact with a country's health-care system. Does the massive funding that is provided for large-scale polio vaccination campaigns potentially overwhelm Indian health-care workers? Or, conversely, does the programme's development of a cold chain, in addition to the training of staff, actually allow for synergies leading to positive impacts on other national health-care services?

The answer boils down to two sides of the coin. The polio programme has, on the one hand, triggered positive impacts on national health-care, since it improved the population's access to the health-care system and strengthened demand for other health services. On the other hand, the analysis also indicates that the polio vaccination programme, to a certain degree, negatively affected routine immunisations. For one of India's high-risk districts, an analysis of an existing data set revealed that, during the period under observation, routine immunisation among children declined as polio vaccination campaigns increased. This suggests that focusing on polio led to the neglect of other child immunisations – whether because staff was overburdened or because mothers did not fully understand the differences between the different vaccinations. In another of India's federal states, however, the data analysis pointed instead to synergies between polio vaccination and routine immunisations.

Such positive and negative interactions with the health-care system are not limited to vaccine campaigns against polio. They potentially accompany any disease-specific intervention. Therefore, FZ E drew on these results to develop some practical guidelines on how to increase synergies and minimise potential harm to the health-care system when designing FC projects focussed on fighting a specific disease.[3]

[2] Hänssgen, Marco (2012): Analysing the Impact of the Polio Eradication Initiative on Routine Immunisation in Uttar Pradesh, India, master's thesis, University of Oxford.

[3] Hänssgen, Marco, and Nohr, Sarah (2012): The side effects of targeted health interventions: A systematic approach to analysing the systemic impacts of social marketing for HIV prevention. Working paper, FZ E.

A cross-cutting analysis of FC-support for national parks

Not every national park will see money growing on trees

What has succeeded so well in South Africa's Kruger National Park – environmental protection, profitability, even the co-financing of other parks and the creation of new sources of income for neighbouring communities – does not apply to other, less spectacular national park programmes. That is the finding of a thematic assessment that summerised evaluation results of FC projects supporting eight national parks in seven countries. There was an initial hope that such parks – on the heels of investing in park management, access roads and tourist infrastructure – would develop into vibrant sources of revenue. Yet this turned out to be unrealistic. New ideas are necessary to ensure financial sustainability, such as the merger of parks with different levels of profitability into national park networks. But even that is often not enough: global public goods like environmental conservation or biological diversity require action at a global level.

The global concern is challenging: pristine landscapes and ecological systems are to be preserved in developing and emerging countries where biological diversity is especially rich. Contributing to this, is a stated priority of German DC, and considerable funding from the BMZ budget is made available in its pursuit. FC currently finances national park projects at a level of EUR 860 million worldwide. Activities that have already been completed received a total of EUR 90 million in funding.

The demands on conservation and biodiversity activities are high. On the one hand, environmental protection – particularly when it comes to national parks and reserves – are supposed to benefit rather than burden neighbouring populations. On the other hand, protected areas are to be financially self-sustaining or even produce surpluses so as not to strain any further countries' already limited budgets.

A sector assessment for the BMZ examined how these demands coexist in practice by analysing eight evaluation reports on activities in seven countries (Brazil, Madagascar, Malawi, Nicaragua, Peru, Tanzania and Uganda).

Lemurs, endemic to Madagascar, are highly endangered.

The global interest: National parks help preserve biological diversity.

Supporting conservation does not always benefit neighbouring communities

The results are sobering: none of the examples that were assessed indicates that promoting conservation and improving the living conditions of neighbouring populations go easily hand in hand. What is more likely is a conflict of objectives, which should be given due consideration during programme planning: if neighbouring groups are to profit significantly and also support conservation activities, then one must be open to a long-term perspective – including a correspondingly long-term project period – and be ready to provide sufficient funds to assist those target groups.

Another finding from the assessment underlines that effective protection of natural sites requires not only 'soft' measures like assistance for neighbours, but also 'hard' ones such as supervision, monitoring and patrolling – all combined in a way that is adapted to local conditions.

National parks can rarely cover their costs through tourism revenues

Equally important is a coherent plan that takes into account local circumstances and capacity, including an explicit linkage between financial support and conservation. Relying on income from protected areas, however, has largely proven misguided. In general, covering national parks' running costs with tourist revenues already is a challenge, let alone engage in 'benefit sharing' of surpluses with park neighbours.

It has also become clear that benefits from conservation areas – biological diversity, for instance, or positive contributions to water conservation and climate protection – are not sufficiently compensated by the rules of the market. Many protected areas are not easily accessible or are not considered spectacular enough to attract significant numbers of tourists. One positive finding, however, is that singularly impressive parks such as South Africa's Kruger National Park and Tanzania's Selous Game Reserve do not only succeed in recovering their own operating costs, but can also provide financial support to other protected areas.

The sector assessment concluded that if global public goods like conservation and biological diversity are to be secured for the long term, then global action is required that is not limited to conventional project assistance. Long-term financing – for example through park networks, endowment funds, etc. – is also necessary. Developing and emerging countries, which often place much larger areas of land under protection than industrialised nations do, cannot meet these challenges alone.

››› Part 2
Guest Article

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How effective is Budget Support?
Finding the answer is the common responsibility of all donors

Budget support, i.e. a direct financial contribution to a partner country's budget, cannot be viewed and evaluated in isolation like an individual project. This is why budget support lends itself to large, joint evaluations that involve several donors. FZ E can contribute to such evaluations, but is unable to carry them out alone. Attaching a rating that is compatible with FC's conventional grading system is only possible by resorting to such multi-party evaluations. To provide an overview of the results that evaluations of budget support have reached so far, FZ E invited colleagues from the Policy and Operations Evaluation Department (Dutch acronym: IOB) in the Netherlands' Foreign Ministry to author a Guest Article. The IOB has not only been a leading participant in several joint evaluations of budget support, it also published in late 2012 the report 'Budget Support: Conditional Results – Review of an Instrument (2000–2011)', an exhaustive overview that drew preliminary conclusions from all previous evaluations and relevant publications.

Budget support: a contested instrument

Guest Article from the Evaluation Unit IOB of the Dutch Foreign Ministry/Antonie de Kemp and Geske Dijkstra

From the late 1990s onwards, various donors provided development assistance in the form of direct support to recipient countries' budgets. Global expenditure on budget support increased from USD 1.9 billion in 2002 to USD 5.3 billion in 2009. Expectations for this new aid instrument were high: the idea was that budget support would contribute to more harmonisation of aid and better alignment with partner countries' priorities, and thus promote ownership as well. This would lead to more efficient and more effective aid with more sustainable results. Dovetailing of development assistance with government structures in the recipient countries also promised progress in attaining the Millennium Development Goals (MDGs), foremost among them the goal of halving extreme poverty worldwide.

Now, fifteen years later, we are able to see impressive results. While European economies face a severe financial and economic crisis, many developing economies have high growth rates. Increasingly we talk about 'emerging' rather than 'developing' countries.[1] Macroeconomic policy and public financial management have improved. While many countries have not completely realised the MDGs, they have made considerable progress in a number of areas such as education, gender equality, health and safe drinking water.

And yet, budget support has become a contested modality. In the Netherlands, parliament adopted a resolution in December 2012 that excludes general budget support as an instrument of Dutch aid. The European Commission, also in 2012, introduced stricter criteria, linking the provision of budget support

Zambia: Budget support is an effective instrument to reduce poverty –
provided a partner country's government and the donors are in agreement about priorities.

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to human rights, democracy and the rule of law. In addition, the EU has increasingly switched from general budget support to sector budget support.

What has happened? This question is tackled in a policy review conducted by the Policy and Operations Evaluation Department (Dutch acronym: IOB) of the Netherlands Ministry of Foreign Affairs titled 'Budget Support: Conditional results – Review of an Instrument (2000–2011)'. The report draws its insights from various sources, including a growing number of budget support evaluations from countries such as Mali, Zambia and Tunisia.

A change of the policy theory on how budget support works has far reaching consequences

A central finding of IOB's analysis is that the logic behind how budget support works – that is, the theory underlying how aid is transformed into development results – has undergone a fundamental change over the past ten years. This change is the key to understanding why donors have been turning away from budget support.

According to the original theory, budget support was intended as an aid instrument to finance the implementation of a partner country's poverty reduction strategy in those countries that met certain preconditions. Budget support was considered a useful instrument in countries with sound socio-economic policies and the institutional capacity to implement these policies in an effective way. It was only the necessary financial means that they lacked.[2]

In the (actual) application, however, donors did not stick to this intervention logic. Entry conditions were not always met and donors reintroduced conventional conditionality, even though this had proven to be largely ineffective in the past: recipient countries should aim at improving their policies, rather than having these policies already in place. In addition, donors increasingly required reform and improvement of governance. Whereas in the original policy theory budget support was foremost a financing instrument, the emphasis increasingly shifted to the policy dialogue, with the funding functioning as a 'financial incentive' and as a means of 'buying your way in'.

This had important implications. First of all, conditionalities were at odds with partner countries' ownership, a central pillar of the original policy theory. Donor rhetoric insisted that the recipient government would be 'in the driver's seat', but many partner countries felt they were the taxi driver. Second, budget support got a dual objective: both poverty reduction and improved governance. This new requirement implicitly assumed that improved governance would be a precondition for economic growth and poverty reduction. In spite of the existing claims in this respect,[3] there is not much empirical evidence to support such a claim.[4] Experience also shows that the two objectives of poverty reduction and improved governance are not always compatible.

The changes in the intervention logic had important implications for the assessment of the impact of budget support. The attention of donors increasingly shifted from a focus on poverty reduction to good governance indicators as a yardstick for success and for reducing fiduciary risks for donors themselves.

IOB's policy review concludes that donors have relied on inappropriate, if not outright wrong, indicators in assessing the impact of budget support. The modality was effective in terms of the original objective of poverty reduction (especially through investments in social services), but much less so on forcing (governance) reforms in recipient countries.

Demonstrated success in the fight against poverty

A central message of the IOB report is that budget support has been an effective instrument in fighting poverty. Countries that received substantial budget support made more progress on several MDG indicators than comparable countries with little or no budget support. On average, they climbed more on the UN human development index than comparator countries.

Donors who provided budget support had expected higher impacts, but this was not very realistic.[5] They felt that their contributions were immense, while in practice this was not the case at all. Budget support constituted only a limited part of overall development assistance. Countries such as Tanzania, Ghana and Mali received a large part of their (bilateral) aid in the form of budget support, but this was not the case for other countries such as Nicaragua and Vietnam. Budget support constituted less than 3% of almost all recipient countries' GDPs (with the exception of Burundi, Rwanda, Mozambique, Sierra Leone and Tanzania). The direct contribution of budget support came down to less than EUR 6 per inhabitant per year in the most important recipient countries, while at least half of the population in these countries lived below the poverty line (2 USD per capita per day). A large part of the budget was spent on social services, which usually do not directly lead to a rise in income of the poor. Improved social services typically affect incomes only indirectly and in the longer term. Certainly, it cannot be denied that large disparities still remain between rich and poor. However, evidence shows that the poorest groups benefited more than proportionally from the improvements.

Limited outcomes in the area of good governance

IOB's report also points to positive results from budget support in the area of governance. Most noticeable is the progress in public financial management. Here, donors had strong arguments to demand improvements, while these did not conflict with interests of the political elite in recipient countries. In other areas, results were disappointing. Providers of budget support did not succeed in producing more fundamental reform, such as an independent judiciary, greater involvement of civil society or ending clientelism in the public sector. Threatening to suspend or actually suspending the support also rarely generated the desired change in partner countries' policies. The fact that donors did not always act in harmony played a role in this.[6] However, there is not a shred of evidence that budget support caused governance to deteriorate either. On the contrary, many developing countries have achieved slightly better scores on good governance indicators in recent years, especially countries that received budget support.

Budget support: a catalyst for reforms, but unsuited as an incentive for them

IOB reiterates that budget support may catalyse, but cannot 'buy' reform. Financial incentives do not work for issues that are not backed by the political elite. The modality of budget support is effective for reducing poverty, provided that government and donor priorities are aligned on this topic. It may be an even more effective instrument if it is used in accordance with the original impact logic. But if you use a screwdriver to hammer a nail, don't be surprised if the picture falls off the wall.

[1] See for instance, Steven Radelet (2010), Emerging Africa, Washington DC, Center for Global Development.

[2] Supporting this argument, the influential World Bank report from 2000, Assessing Aid, came to the conclusion that development funds could only be effective in partner countries with sound social and economic policies.

[3] See for example Acemoglu, Daron and Robinson, James A. (2012), Why Nations Fail: The Origins of Power, Prosperity, and Poverty, New York.

[4] See for a review Dijkstra, Geske (2013), Paradoxes around good governance, Rotterdam, Erasmus University.

[5] Hence the title of a BMZ/IOB/Sida evaluation on budget support in Zambia (2011), Between high expectations and reality.

[6] Here too, see the BMZ/IOB/Sida report on Zambia.

››› Part 3
In focus: FC in fragile settings

Refugee aid in the Democratic Republic of Congo: Mud bricks produced by hand are building materials for houses – and create employment in the refugee camp.

Stronger commitment in fragile settings

International development cooperation (DC) is pursuing new paths

The new millennium marked a turning point in DC. The adoption of the Millennium Development Goals by the United Nations certainly brought the most prominent change, closely followed by the international communities' declaration to improve aid effectiveness by a harmonisation of cooperation approaches, their alignment with partner countries' priorities, and a clear focus on results. No less striking, but almost escaping public attention, was the paradigm shift that fundamentally reformed DC in fragile settings.[1]

The 1990s: DC requires a minimum level of stability

DC targets sustainable change; people in partner countries should benefit permanently from lasting improvements of their living-conditions. Judged by this standard, the success of DC in fragile settings during the 1990s was modest. Projects and programmes implemented under such circumstances often turned out to be 'poor performers'. This had strategic consequences: towards the turn of the new millennium, it was commonly believed in the donor community that environments marked by conflict or even war, where a stable government or reliable partner was lacking, called primarily for humanitarian aid. DC as such, was considered appropriate to only a very limited extent, e.g. when the investment of small amounts could help to keep up basic services for the population. Often, these DC activities were relying on implementation support by NGOs, simply because legitimate public partners were non-existent. The bulk of international DC funds, however, appeared to be better invested with stable partner countries, whose governments had already proven their commitment to reform and were able to implement effective long-term changes. Against this background, it seemed appropriate to start intensifying DC with previously 'difficult partners' only, if they had overcome the crisis and restored a minimum level of stability.

The turn of the millennium: DC engagement is necessary, also in fragile settings

This tentative attitude toward working in fragile settings gradually changed as it became evident that the precarious circumstances of many potential partner countries were not a temporary phenomenon, but rather a lasting state of affairs.

The terrorist attacks of September 11, 2001 led to a break with the past; they made tangible the close relationship between fragility and poverty in developing countries on the one hand, and security risks for inhabitants of industrialised nations on the other. When it came to DC in fragile settings, policymakers became aware of the need for a paradigm shift. One could hardly wait for or expect these countries to restore stable conditions on their own. Instead, new approaches had to be found that, in such difficult settings, could at least prevent the situation from worsening while lending support to more stabilising forces.

[1] An overview of the international donor community's debates and reassessments regarding assistance in fragile settings can be found in Debiel, Tobias, Lambach, Daniel and Reinhardt, Dieter (2007): '"Stay Engaged" statt "Let Them Fail": Ein Literaturbericht über entwicklungspolitische Debatten in Zeiten fragiler Staatlichkeit'. Duisburg: Institut für Entwicklung und Frieden, Universität Duisburg-Essen (INEF-Report 90) or Baranyi, Stephen and Desrosiers, Marie-Eve (2012): 'Development Cooperation in Fragile States: Filling or Perpetuating Gaps?', Conflict, Security & Development, 12:5, 443–459.

Today: managing conflicts and promoting peace as cross-cutting themes

DC funds that were provided for stability measures in fragile settings increased dramatically around the world. In alignment with the international community, German DC adopted conflict management and the promotion of peace as cross-cutting development themes, and in some partner countries even as the focus of cooperation. But the resolve of DC representatives to increase Germany's commitment in fragile settings could not, by itself, overcome the challenges posed by a post-9/11 world. Pragmatism demanded that project ideas were implemented, tested and improved to develop the most suitable approaches for fragile settings over the subsequent years. To start, German financial cooperation (FC) drew primarily on best practices under stable conditions in the water, health and finance sectors for use in fragile regions. At the same time, it formulated specific project ideas that targeted conflict management and the promotion of peace, including the reintegration and medical treatment of ex-combatants, reconstruction of war-damaged housing, measures creating communal infrastructure for areas prone to conflict or employment and income to buffer crisis.

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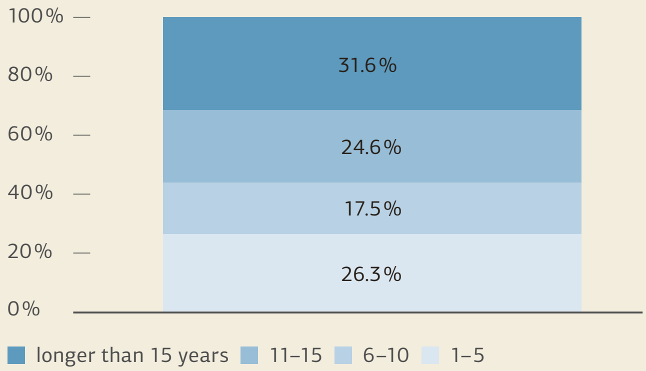
Fragility is long-lasting
This is underlined by an analysis based on the State Fragility Index

Since 1995, the Center for Systemic Peace has calculated the State Fragility Index (SFI) for every country. This makes the SFI the most long-established index for fragility. With possible scores between 0 and 25, an index value starting from 12 denotes serious fragility in a country, with 16 counting as high fragility, and scores of 20 and above classified as extreme. In the SFI, state effectiveness and legitimacy are measured in the areas of security, governance, economic development and social development.[1] Of the 165 countries included in the SFI, 49 are industrialised and 116 are developing or emerging nations. While none of the industrialised countries since 1995 has ever been classified as suffering from high or extreme fragility (SFI≥16), this was the case at least once for half of the developing countries covered by the index. The chart shows that in over 50 % of these countries with high or extreme fragility, many of which are potentially partner countries in DC, high or extreme fragility lasted for more than ten years, with nearly a third of these nations never having overcome this condition since the creation of the index.

Duration of fragility
(SFI ≥ 16; 58 developing and emerging nations in total)



Source: FZ E calculations based on SFI Matrix 1995–2012

[1] Technical Notes to the State Fragility Index and Matrix 2010, www.systemicpeace.org/SFImatrix2011c.pdf

What works in fragile settings?

Evaluation results from FC projects hold lessons for the future

What goals are realistic in fragile settings? Who are suitable partners when national structures are weak and governments either lack sufficient legitimacy or are limited in their capacities? Which approaches appear to work and which do not? Only in the last ten years has German FC really engaged with conflict management and promoting peace in conflict or post-conflict states. The pool of knowledge formed by evaluations is therefore still limited, and the development of suitable approaches still ongoing. KfW's FC evaluation department has now, for the first time, assessed the results of FC projects carried out in fragile settings. On the one hand, results are based on statistical analyses of the evaluated FC portfolio, which compare successes under both stable and fragile conditions. On the other hand and above all, results draw on evaluation findings from individual projects that suggest recurring patterns.

Afghanistan: New schools provide access to education for girls.

Finding:

The success rate in fragile settings is significantly lower, but still encouraging

FC activities in regions imperilled by conflict face higher risks. This is true in several senses. First, security risks are greater for staff, and they have to be mitigated by appropriate precautions. In addition, the effects that FC strives for – improved and more stable living conditions for the population – are by no means assured. An analysis of all evaluated FC activities from 1995 onward shows that the success rate – i.e. the percentage that largely achieved their goals – is significantly lower in fragile settings than for projects and programmes under stable conditions.

Tenuous initial conditions make success more difficult

German FC is not alone in this finding; comparable lessons can also be drawn from World Bank projects. It is evident that difficult conditions in a fragile environment pose a measurably higher

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Fragility and project success
A regression analysis based on all evaluated FC activities

Dependent variable: project success (binary); marginal effects

	KfW (1)	KfW (2)
Activities under fragile conditions	−0.0585* (0.0337)	−0.0728* (0.0430)
Project costs, logarithmic		0.0165 (0.0217)
Project duration		−0.00129** (0.000580)
GDP growth		0.00339 (0.00424)
Population, logarithmic		0.00423 (0.0133)
Current account balance		0.00456** (0.00201)
Level of investment		−0.00595** (0.00240)
Sector dummy variable	Yes	Yes
Region dummy variable	Yes	Yes
Time period dummy variable	Yes	Yes
Number of observations	614	532

Robust standard errors in parentheses; *** $p < 0{,}01$, ** $p < 0{,}05$, * $p < 0{,}1$ (p = significance level)

Source: Dudar, Olena (2013): 'Evaluation of Donor-Engagement in Conflict-Affected and Fragile States', master's thesis, University of Frankfurt, shaped through collaboration with the FC evaluation unit.

Results from the regression analysis above show that project success and fragility have a statistically significant negative relationship. For the FC initiatives under analysis, the likelihood of project success falls by around six to seven percentage points when implementation takes place under fragile conditions.

The analysis is based on data from a total of 2,143 FC projects that evaluations over the past decades have classified as successful or unsuccessful. In the end, fewer of these data points on success and failure (614 versus 532, see the row 'Number of observations') went into the assessment above, mostly because of the lack of data for the fragility variable. For the analysis, a project was classified as having been carried out under fragile conditions if the partner country's average score on the annual State Fragility Index (see explanation on p. 28) was greater than or equal to 12 during the project period.

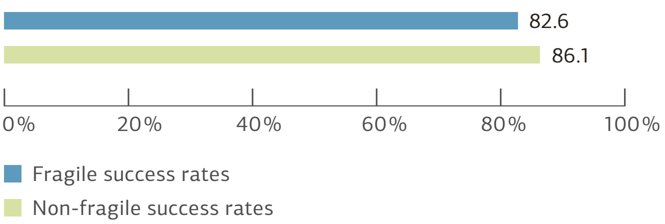
risk of failure, or at least of a smaller impact, and this coincides with previous FC analyses (see the tenth KfW Evaluation Report 2006–2008). Those analyses documented that the likelihood of success for FC is significantly influenced by the initial conditions found in a partner country. It is less demanding to achieve sustainable development results – e.g. supplying water or supporting the national healthcare system – when the partner country's political and macroeconomic environment is stable and per capita income and education levels have already reached a certain level.

Despite greater risks, astonishingly high success rates

These earlier analyses had already concluded that higher risks of failure are not a sufficient reason for reduced commitment through FC. After all, FC funds are intended precisely for those projects that no one else, and certainly no private commercial funder, is willing or able to invest in. Using DC funds primarily in those places where generating improvements for the population is most likely would simply widen the gap between poor and less poor countries, and between stable and fragile regions. In line with the new paradigm for DC in fragile settings, one must instead try to prevent a continued slide into fragility and poverty. Backing for stabilising forces is called for.

In this light, the analysis of FC activities under fragile conditions gives rise to optimism: success rates are admittedly lower, but in absolute terms they are astonishingly high. And this is the case despite the fact that many projects are included that could not rely on approaches that were tailored to fragile conditions, but rather transferred best practices from stable contexts more or less unchanged.

Fragile* versus non-fragile success rates – project appraisal from 1995 onward (by number)



Source: FZ E calculations
*average SFI score during the project period ≥12
Calculations are based on 628 evaluated projects for which SFI ratings are available for the entire project period.

Lesson:

Business as usual is not enough

High success rates even under fragile conditions – could that not just be explained by more lenient demands, and therefore by lower performance standards? This only applies for a very small number of FC activities that could be characterised as emergency aid. These are implemented under an accelerated procedure, and accordingly, place limited demands on the sustainability of projects' impact. That does not mean, however, that the hurdle to success is overcome more easily. The focus on sustainability may be lessened, but in its place, demands for rapid implementation are that much higher. Thus, standards are not lower, but different.

Standards for success are not lower, but different

This message applies to all FC measures under fragile conditions. Accordingly, their objectives and their impact logic should be adapted to a more arduous context. Such an adaptation, however, could only be detected in a small number of evaluated projects. Included among these were projects that dealt directly with overcoming the consequences of crises and conflicts, such as measures to reintegrate ex-combatants in Burundi and Rwanda.

In the large majority of cases, appraisal reports had indeed mentioned that the FC investment was going to take place under politically fragile conditions. When it came to detailing results chains, impact goals and related indicators, however, it was more or less 'business as usual' according to ex post evaluation reports. In this sense, FC projects and programmes in fragile settings hardly differed, if at all, from work in comparable sectors under stable conditions.

This is unsurprising, because the evaluated projects were initiated an average of ten years ago, at a time when it was not yet standard practice to engage explicitly with the aim of stabilisation in fragile settings. Only within the past decade has an understanding emerged that project design for fragile societies requires more thoughtful adaptation to precarious conditions.

BMZ: set realistic goals, score successes quickly

In 2013, the Federal Ministry for Economic Cooperation and Development (BMZ) established its benchmarks for DC in cases of conflict, fragility and violence through its strategy paper 'Development for Peace and Security'. In it, the BMZ recommends setting realistic goals: 'In difficult contexts, the objectives of development policy measures cannot always be achieved. Expectations are often very high and the power of external players to exert any influence is overestimated. … In many cases, development policy must assume that the lasting effect of any measures will be limited.' The strategy paper points out that, compared with projects in more stable environments, 'DC often needs to achieve rapid and visible successes in order to bolster public trust …'. At the same time, the long-term perspective should be kept in mind by reflecting from the outset on how, under different scenarios, current activities could serve as a basis for development in the future (BMZ 2013, p. 17/18).

Recommendations:

Dual objectives, avoiding parallel structures and fostering social coherence via target group selection make success more likely

Minesweepers in Sri Lanka: Emergency relief programs lay the groundwork for rebuilding.

Recommendation 1

Fragility must be approached with dual objectives

After evaluating FC activities in fragile settings, the BMZ's call for realistic goals can be phrased in more detail: as the analysis shows, a system with dual objectives and respective performance indicators is the best fit for difficult circumstances in conflict or post-conflict states. As with comparable projects in stable environments, there is an infrastructure goal: improving transportation links, housing or the water supply. Whether this goal is achieved can be measured by the usual sector-specific indicators.

An additional objective, whether more or less prominent, is attached to the same project: conflict management, stabilisation, the promotion of peace. Whether the desired impact appears can be proxied, for example, by indicators on how rapidly basic services for a large proportion of the population are tangibly improved, whether jobs – even if only temporarily – are created to defuse a crisis, whether ethnic tensions can be mitigated, and whether improvements in living conditions are associated with a legitimate government.

Reducing conflict, softening the effects of unemployment that often follow conflicts, achieving visible improvements rapidly – when pursuing these goals, possible shortcomings affecting the aspiration level concerning infrastructural achievements are to be anticipated. That is accompanied, however, by increased demands placed on the second goal of conflict management, stabilisation and the promotion of peace. In other words, goal setting in fragile environments is admittedly different, but by no means lax. During project design, moreover, formulating dual goals from the beginning adheres to a key principle of the BMZ strategy paper: 'Dealing openly with conflicting objectives and dilemmas' (BMZ 2013, p. 16).

Burundi: an exemplary case of dual objectives

A nearly ideal example of setting dual objectives comes from a project evaluated in 2012, which aimed to reintegrate refugees in Burundi. Here, the population had suffered for years under armed conflict between Tutsis and Hutus. Setting dual goals was transparent, and even based on appropriate indicators. On the one hand, the project was to advance peace, as measured by the number of peacefully resolved conflicts; on the other, social and economic infrastructure was to be developed, as measured by improved living conditions for inhabitants and whether they could secure income independently. Thanks to the goals' transparency and a good monitoring system, the evaluation was able to check for both types of impact, and ultimately register successes. In fact, when it came to new infrastructure, prospects for sustainability unexpectedly emerged, because the users' maintenance committees were surprisingly effective.

Palestine/West Bank: standards similar to those in a stable environment

Not quite as well done were the objectives established for the fourth phase of a school construction programme in the West Bank (Palestinian Territories), also evaluated in 2012. For the predecessor activities (Phases I through III), monitoring and evaluation reports clearly emphasised a link to promoting peace, even if corresponding indicators were missing: 'The programme is to make a temporary contribution to relieving unemployment and thereby indirectly support the peace process in Palestine. Furthermore, it is to contribute to an increase in educational opportunities for the growing population ...'

In 1999, at the time of designing Phase IV of the school construction programme, the Second Intifada in autumn 2000 was still unforeseeable, and it is perhaps for this reason that goals for Phase IV only apply to income creation and educational measures – with expectations corresponding to the higher level reserved for stable regions. However, the evaluation found that schools, rather than having 40 children per classroom as intended, were only used by 26 pupils on average, far fewer than originally hoped for. In light of the exceptional circumstances facing the West Bank, this was nevertheless rated as satisfactory, for according to the evaluators, deficiencies in the infrastructure goal were compensated for by contributions to poverty reduction and conflict management. This is because schools had been built in particularly poor and remote rural areas, and sometimes in places where school construction allowed children to avoid having to cross check-points each day.

As seen here in the old town of Hebron, in many places blockades restrict mobility in the Palestinian Territories.

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Unrealistically high demands

Rebuilding Kosovo's drinking water system shows how long the after-effects of conflict last

Progress in a particular sector is not always linked with achieving greater stability. A dual objective system takes this into account right from the beginning and makes transparent potential trade-offs between the infrastructure goal and the goal of contributing to peace building and stability, allowing for more realistic performance standards.

Even years after the end of armed combat, the potential for conflict in fragile regions can still determine whether infrastructure goals are achieved. A project to rebuild a drinking water system in Kosovo makes this clear, and is characteristic of many other infrastructure projects in fragile regions whose goals and standards do not sufficiently reflect precarious conditions. Phase I of FC support from 1999 represents the first bilateral water sector project after the Kosovo War. Phases II to IV each came a year later. When establishing goals and indicators, the fragile circumstances of the project were not incorporated. Discussing Phases I and III, the 2010 Evaluation Report noted: 'Results for goals in efficiency and technical sustainability are ... fundamentally unsatisfactory from a sectoral perspective ... One can accept this situation given the de facto emergency aid conditions of Phase I and its expansion ... As for Phase III, which no longer counted as emergency aid but was still carried out under fragile conditions, the results are acceptable only with qualifications.'

Finally, when addressing Phase IV in the 2012 Evaluation Report, the idea of dual goals and related trade-offs is made explicit: 'An equitable water supply system could be established across ethnic enclaves. This was achieved, however, at the expense of economic efficiency and proper operations management, i.e. there was a tacit toleration of illegal water usage and non-payment, as well as deficiencies in collecting fees.' As for the project overall, the Report noted: 'The effects of ethnic conflict were not taken sufficiently into account during project design. More than anything, a peace process requires time, even if it means trade-offs in economic efficiency. Performance standards, as originally defined, were unrealistically high.' Phase IV, nonetheless, received an 'unsatisfactory' rating because the lack of sustainability in the water system was evaluated as threatening the social stability that had earlier been achieved by meeting inhabitants' basic needs.

Kosovo: Renewing the supply of drinking water in a region that is doubly fragile – politically and topographically.

Recommendation 2

Involve legitimate state structures as much as possible

A particular challenge when undertaking FC projects under fragile conditions is identifying appropriate implementing institutions in the partner country. They are the ones, after all, who must carry out the activities. A fragile setting, however, is often characterised by weak public institutions that are just barely accepted by the population. Even in stable environments, weak implementers are a frequent cause of FC project failures. That is why, in the past, many FC projects under fragile conditions drew on NGOs as implementers; or FC consultants effectively established implementation structures that acted parallel to and without interaction with the state system.

This may be a recipe for success when it comes to achieving infrastructure goals rapidly. However, this is not the case when trying to strengthen legitimate, but fragile state structures. For a project to be successful, it is important to include state institutions from the very beginning in accordance with their abilities, under the precondition that the partner country's government possesses a required minimum level of legitimacy. The bulk of implementation can of course rest with NGOs or another entity, but to increase the stability and acceptance of state structures, it is crucial for the partner government and state institutions to identify with the project from the start, and for the population to connect subsequent successes with the government.

Parallel implementing structures may further undermine state authority

Purely parallel structures have, at best, a neutral effect, but in the worst cases they reinforce the image of incompetent state structures and undermine already weak state authority. In no way do they contribute to an increase in state structures' capacity. Instead, when involving public institutions right from the beginning, rising capacities of public entities are a clear indication of positive contributions to the goal of 'conflict management, stabilisation and the promotion of peace'. Initial success in building state capacity can be used in later stages to expand the role of legitimate state implementers.

Mali: autonomous structures are difficult to transfer to state authority

FC work in Mali shows how difficult it is, even after more than ten years of support, to transfer autonomous implementing structures to the authority of the state. This lesson can be traced back to an emergency reconstruction project in northern Mali, the area that was hardest hit by the Tuareg rebellion from 1990 to 1994. Phases VII to IX were evaluated in 2011. As is common in the presence of weak state structures, the design of the first phase of this project drew on a social investment fund, a classic parallel structure that was meant to improve living conditions as quickly as possible. In later phases of the project, German technical cooperation assumed implementer-like responsibilities under the clear stipulation that local actors should be included as much as possible. In this way, activities could at least be carried out in line with the expectations of target groups (refugees and the remaining population, local leaders and civil servants from previous administrative bodies). In the 2006 Evaluation Report, where Phases I to III were assessed, it was already apparent that local participation and support, though necessary, were not sufficient to ensure sustainability in social and economic infrastructure. For more extensive repairs, municipalities and government ministries have to be involved.

In later project phases – which, starting with Phase V, focused on small-scale irrigation – authority was transferred to Mali's Ministry for the Environment, but the actual implementation structure remained largely autonomous. Similar to the 2006 Evaluation Report, the 2011 Report resumed that 'the regulatory sector framework, which is a key determinant of sustainability, can only be influenced by state institutions through appropriate reform measures'. Not least because of the most recent armed conflict in northern Mali, it remains to be seen whether follow-on activities, which in early 2010 were placed under the auspices of the Agriculture Ministry, will be successful in further embedding the programme into state structures.

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Gradually include and strengthen weak governments

Leading by example: programmes in Indonesia, Afghanistan and Burundi

More recent project designs are full of ideas when it comes to gradually including weak governments. The challenge facing these projects is how to use externally funded implementing structures to strengthen, rather than undermine, state capacity. Nevertheless, it needs patience and perseverance until state institutions in partner countries will be able to assume full responsibility.

Particularly impressive is the implementing arrangement in a reconstruction programme from Aceh, Indonesia. Evaluated between 2012 and 2013, this programme saw FC funds directed to a reconstruction agency founded in 2004 following a civil war and the December 2004 tsunami. Though created by the Indonesian central government and staffed by high-level personnel, the agency was located in the province of Aceh. This institution even developed into a kind of integration and education centre for a new generation of administrators, because after a peace agreement in 2005, the agency employed former rebels and became known for its strict anti-corruption policies. Former employees, following the reconstruction agency's closing in 2009, even declared their candidacy in elections on local political party lists.

The 'Afghanistan Reconstruction Trust Fund (ARTF)' can serve as another example of an institutional set-up, which is specifically adapted to the fragile conditions in the country. The ARTF is funded by several donors and German FC contributions were evaluated in 2010. While money is administered by the fund, resource allocation is directly targeted at the strengthening of state institutions by financing national priorities in the construction of basic infrastructure. In part, funds also cover the payment of public salaries.

A reintegration programme in Burundi also found a way to gradually involve state structures after a multi-year civil conflict between Tutsis and Hutus. At the beginning of the programme, immediately after a 2003 peace agreement, it was not yet possible to work with the local government, which had not yet been legitimised through elections and did not enjoy the population's trust. In response, the Ministry for National Solidarity, Human Rights, and Gender, though formally the FC cooperation partner, assigned implementation duties to GIZ International Services and a local NGO. Stronger direct involvement of state institutions came only after free elections in 2005 and the establishment of a local administration a year later. These structures were strengthened through German technical assistance in a follow-up programme, which provided support for the local administration in the designing of municipal development plans, thereby enhancing good governance.

Peaceful coexistence in Burundi: Successful reintegration of ex-combatants in village communities.

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Going local can be crucial
Microfinance banks can successfully take root even in fragile states

Involving local actors is important, including for support of the private sector. If this is done, private microfinance banks can be successfully established even in extremely fragile circumstances.

Democratic Republic of Congo: Women often engage as micro entrepreneurs using the service of microfinance institutions.

This is documented by evaluations from projects supporting the founding and financing of two microfinance banks: one in the Democratic Republic of Congo and one in Afghanistan. Both banks have become cornerstones in the provision of financial services to large swathes of the population and small enterprises, even if expansion to rural areas – not least due to security concerns – has been halting. The evaluations from 2011 rate the development impact from 'good' to 'very good', even though performance standards were no less strict than for projects in more stable environments.

Of course, such positive results do not appear everywhere. A similarly conceived project in highly fragile Sierra Leone, virtually a twin of the project in Congo, was rated in its 2011 evaluation as unsatisfactory. Even years after its founding, the bank was unable to establish itself long-term in Sierra Leone's financial sector, clearly falling short of goals related to client numbers, portfolio growth and cost-effectiveness.

So what was the bank in Sierra Leone missing, and what contributed to the positive development of the banks in Afghanistan and Congo? What proved critical was support from national institutions and authorities in the partner country, as well as the possibility to recruit qualified executive staff that could tap local networks. The banks in Congo and Afghanistan could build good relations with institutions and advocates from the banking sector without having to engage in the corruption endemic in these countries. Top management positions could be filled by locally acknowledged personalities; and local personnel, supported by appropriate training activities, went on to rise quickly, at least in Congo, to positions with management responsibilities.

These kinds of conditions were not available in Sierra Leone. The population's generally low level of formal education did not permit a hiring of local staff that rapidly could assume management responsibilities. Accordingly, the bank's management was lacking local networks. This proved to be a decisive shortcoming in an environment where the rule of law was shaky. The bank's management was having constant run-ins with local authorities. At the same time, the ambitious portfolio growth that was aimed for ultimately had no institutional foundation to rely on. The resulting problems finally led to the decision to let the microfinance bank be taken over by an international African bank.

Recommendation 3

Consider potential conflicts when choosing target groups

Perhaps the most important lesson that can be drawn from evaluated FC activities in fragile settings concerns the selection of project beneficiaries – the actual target groups. Mistakes made here can unintentionally undermine stability. Smouldering conflicts between rival groups, for example, can be fuelled, if one group benefits from the project while the other does not. In the Kosovo water project, for instance, it would have been a terrible mistake to use a sequential process when connecting inhabitants to the water system, which would have initially excluded ethnic minority villages. This is true even if, as the evaluation shows, it would have had positive effects on the collection of water fees – fees that the majority of residents in ethnic enclaves refused to pay (see p. 35).

Rule of thumb for target groups: better to be too inclusive than not inclusive enough

Analysing evaluation results leads to this rule of thumb: when in doubt, one should prefer a broad rather than a narrow target group. At first glance, this seems detrimental to efficiency since, given limited resources, the greatest effects unfold when those resources are concentrated where support is most needed. On a closer look, this way of thinking falls short: by overemphasising infrastructure or material components, it neglects the goal of conflict management and promoting peace. Examples from the reintegration of ex-combatants in Burundi and Rwanda, as well as reconstruction measures in Indonesia and Sri Lanka, make one thing clear: if project activities concentrate on only one population group, the potential for former adversaries to come together diminishes.

This rule of thumb is also supported by research on the subject of targeting, which has shown: when designing poverty reduction programmes, there is a tension between the precision of targeting the poor on the one hand, and the breadth that political acceptance requires on the other. To play off the title of a 1997 article by Jonah Gelbach and Lant Pritchett, 'More for the Poor Is Less for the Poor: The Politics of Targeting', one can conclude that for projects in fragile societies, even when the target group is very broad – thus limiting the services that accrue to each individual – it still becomes easier to reach programme goals because the activities are backed by more people's support. That, in turn, helps to avoid conflict and promotes stability.

Best practice in Burundi: an inclusive approach promotes peaceful coexistence

In Burundi, an inclusive approach was pursued: all population groups – not just ex-combatants – were to benefit from the project. Returning refugees, internally displaced persons, ex-combatants and those who remained in their home village during the war – they all received assistance. Youth who had previously engaged in combat were selected by village elders for reintegration camps where they built new houses for war widows and refugees, acquiring vocational skills in the process. Schools and health-care centres were built. Entrepreneurs obtained start-up support and training in bookkeeping. And families in rural areas received seeds and fertiliser in order to establish a livelihood in the first year after the civil war.

The activities' contributions to stability and peace are confirmed not only by anecdotal evidence collected in conversations with beneficiaries during the evaluation mission. Positive impact is reflected as well in objectively measurable indicators such as the number of peacefully resolved conflicts in villages and equal representation of long-term residents, more recent returnees and refugees in municipal councils. The war-affected inhabitants live peacefully together in their various communities and earn a living through their own efforts.

A fragile new beginning in Sierra Leone: Even a scrapped tank can become a makeshift home.

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Broadly defined target groups – a model for success
Post-tsunami reconstruction in Indonesia also supported civil war victims

Starting in 2005, the beneficiaries of reconstruction aid in the Indonesian province of Aceh included not only tsunami victims but also those affected by a protracted civil war. This approach proved far-sighted because in the end it improved social cohesion in the region.

The Indian Ocean tsunami of 26 December 2004 led to the deaths of 166,000 people in Aceh alone. Along the coast, housing and infrastructure was almost completely destroyed. The human suffering triggered an enormous reaction in international aid and provoked worldwide sympathy.

Suffering was overlooked, however, among a small group of mountain farmers who protested in Aceh to demand their share of tsunami aid. They too were victims – not of the tsunami, but of a 30-year-long civil war over Aceh's autonomy, which imposed tremendous suffering on the mountain inhabitants. At a cost of EUR 10 billion, the purely material damages left behind by the civil war amounted to more than twice the tsunami's.

In 2007, the third Coordination Forum for Aceh finally addressed this aid imbalance publicly. 'How can it be', asked Kuntoro Magnusbroto, head of the reconstruction agency in Aceh, 'that we only do reconstruction of coastal areas destroyed by the tsunami while five kilometres further there are villages destroyed by the conflict? That's why in future the reconstruction tasks in Aceh will be rendered in an integrated way ...'

This approach was nothing new for FC projects. Already in 2005, soon after the Helsinki peace agreement ended the civil war, KfW Development Bank, under the direction of BMZ, launched various reconstruction activities in Aceh. From the beginning, these activities targeted very broad beneficiary groups, with coastal and mountain regions included equally.

As evaluations for these activities showed, be it in the health sector or in housing and settlement construction, opting for broad target groups was a good decision. Houses, access roads, water supply and health-care centres were also restored in mountain areas, while coffee and cocoa plantations were rendered arable again. All those interviewed for the evaluation concluded that the project not only contributed to reconstruction, but also to the peace process. Mountain farmers who were interviewed indicated almost unanimously that they could finally go about their daily lives in peace. In both coastal and mountain regions, inhabitants who were asked to assess stability gave consistently high marks (between 6 and 10) on a 1-to-10 scale.

Indonesia: Damages wrought by the decades-long civil war are twice as high as those from the tsunami on the coast.

Conclusion

Preventing change to the worse stands for positive impact too

Fragile settings do not mean development policy has nothing to offer – the evaluated activities give vivid proof. Even if the stabilising forces that DC can help unleash are small in comparison with the powers governing war and peace, and even if the risk is high that new conflicts will break out and fragility will linger for years, the following is clear: The design of FC projects and programmes can and should be well-adapted to fragile settings – from defining adequate result chains and realistic goals, which consider potential trade-offs between infrastructure objectives and stabilisation, to selecting target groups and choosing implementing structures with an awareness for the underlying causes of fragility. Well-adapted concepts can help improve the basic living conditions of people in affected regions, and they can contribute to stability and peace at the same time.

Impact – as a fundamental rule of evaluation – cannot be pinned down in before-and-after comparisons. Impact manifests itself in the comparison between what is observed and a hypothetical scenario that would have arisen in the absence of an intervention to support development. Measured by this standard there is positive impact, even if DC projects and programmes 'only' prevent a further slide into poverty and fragility, 'only' maintain a tenuous status quo or 'only' prevent a change to worse . In this sense, evaluation standards lend support to the new paradigm of cooperation with fragile partners in fragile regions. However, that does not mean there is not much more to learn in the future about what works under fragile conditions – and how.

A successful conclusion to a resettlement managed according to conflict-sensitive principles during an energy project in Uganda: New housing, new schools, and satisfied families.

»» Annex

Assessments, benchmarks, standards

Key criteria for evaluations and rating scales

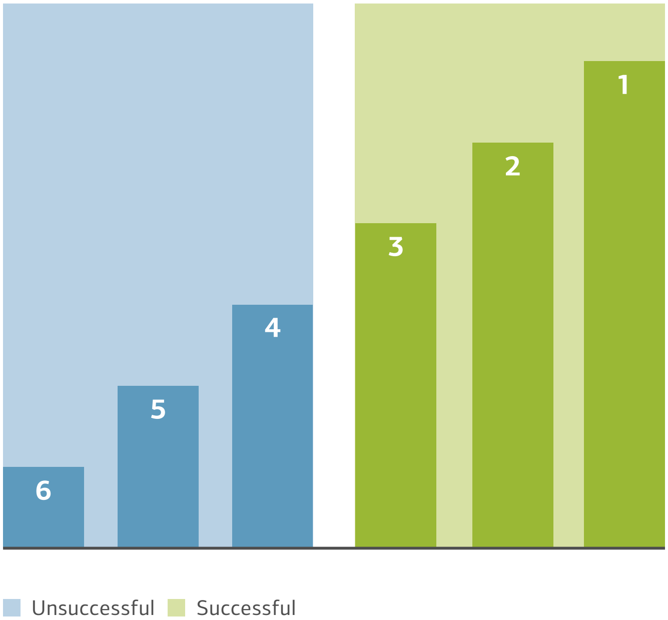
The ex post evaluation of an individual project is the final step in the project cycle of an FC intervention. All ex post evaluations have a standard methodological approach: actual project outcomes are systematically compared to the intended outcomes envisaged at the time of appraisal.

However, it may well be the case that by the time an intervention is evaluated, both the methodology and the development debate have further advanced compared to the time of appraisal. Therefore, we apply additional benchmarks derived from the current sectoral and supra sectoral concepts of the BMZ and the partner country as well as from current general development policy standards. In this sense, the 'state of the art' is a decisive factor in evaluation.

In order to evaluate a project's development results, it is analysed with regard to the five key criteria agreed upon by the international donor community through the OECD Development Assistance Committee (DAC): relevance, effectiveness, efficiency, impact and sustainability.

KfW evaluates the first four key criteria individually using a six-point rating scale. Scores of 1 to 3 indicate that the project is considered 'successful', while scores of 4 to 6 indicate that it was 'unsuccessful'. Sustainability is rated on a four-point scale. The scores for the five key criteria are then combined using a project-specific weighting system to produce an overall score or rating. This overall score indicates at a glance whether a project was successful or not, and how highly the success of the project is rated.

Rating scale



(1) Very good (2) Good (3) Satisfactory
(4) Unsatisfactory (5) Clearly inadequate
(6) The project is useless; the situation has worsened

Palestinian Territories: Improved educational opportunities for girls.

Relevance – are we doing the right thing?

The criterion of relevance is used to measure 'the extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities, and partners' and donors' policies' (OECD-DAC Glossary of Key Terms in Evaluation and Results-Based Management). We therefore need to assess the extent to which the project focusses on an important development problem (development priority), and whether there is a plausible causal link between the project and its development objectives (validity of the results chain). We also need to assess the extent to which the intervention is aligned with (sector) policies and strategies of the partner country (national plans, poverty reduction strategy) and partner institutions, as well as with the goals and guidelines of the BMZ and international standards (international agreements, Paris Declaration, etc.).

[1] OECD-DAC Glossary of Key Terms in Evaluation and Results Based Management, http://www.oecd.org/dac/evaluation/dcdndep/43184177.pdf

The ibis population rebounds thanks to strict protective measures in China.

Effectiveness – are we achieving the objectives of the development intervention?

The criterion of effectiveness is used to measure 'the extent to which the development intervention's objectives were achieved […] taking into account their relative importance'[1]. We therefore need to assess the actual results of a project in terms of its direct benefits. The intended results are reflected in the project or programme objectives. To be able to evaluate effectiveness, the project objectives, starting from the appraisal phase, have to be supported by concrete indicators in order to measure performance. For example: supply of 50 litres per day of drinking water to each of 50,000 inhabitants year-round; 98 % of water samples meet WHO standards. Acceptable limits must be established for anticipated negative side effects during project appraisal. Unexpected (positive or negative) effects are included in the evaluation of effectiveness in the same way as the intended results.

Georgia: The comprehensive overhaul of the water and sewage system is still in progress, but initial improvements are already evident.

Indonesia: On the way to a sound future – thanks in part to tsunami relief assistance.

Efficiency – are results achieved in a cost-effective manner?

Efficiency is 'a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results'[1]. First of all, we ask whether the goods and services (outputs) generated by the project were produced at an appropriate cost (production efficiency). Even more important, however, is the question of allocation efficiency, i.e. the appropriate relation between the funds spent and the outcomes/impact achieved. Evaluating allocation efficiency requires a comparison of alternative options that achieve similar results. Here, cost–benefit analyses provide important indicators.

Impact – does the development intervention help achieve overarching goals?

Positioned above project objectives are overarching development goals, i.e. the goals that ultimately justified supporting the activities on development policy grounds. In the case of a water supply project, for example, the main issue is not how much water the target group consumes (direct benefit), but rather improvements to the group's health status resulting from the improved water supply, through reduced health risks from water-borne diseases. Impact cannot always be measured precisely, but has to be estimated and made plausible based on circumstantial evidence.

Sustainability – are outcomes long-lasting?

Sustainability is one of the more ambiguous terms in the international development debate. The sustainability criterion is met when the project implementer or target groups are able – once external financial, organisational or technical support has ended – to continue the project activities independently and generate positive results for an appropriate period. Risks that might affect the sustainability of the development intervention are evaluated based on the likelihood that they will materialise.

While the first four criteria pertain to the actual state of affairs at the time of an evaluation, assessing sustainability rests on expectations regarding the future course of an intervention, and thus depends particularly on estimating the prospects and risks that will influence its future impact.

Ex post Evaluations in 2011 and 2012

Country	Project title	Volume of funds* (EUR million)	Rating
Social Infrastructure – Education			
China, PR	Chinese-German Training Centre for Printing Techniques (CDAD)	6.4	2
Dominican Republic	Primary School Building Programme II	5.1	3
	Primary School Building Programme III	5.5	3
Guinea	Primary Schools I	12.5	4
India	Boarding Schools Rajasthan	13.3	2
Palestinian Territories	EGP (Employment Generation Programme) Schools IV	4.1	2
Uganda	Vocational Training Centres II	5.1	3
Uzbekistan	Vocational Education Promotion Programme	8.8	3
Yemen	Expansion and Rehabilitation of Elementary Schools in Ibb and Abyan II	5.1	3
Social Infrastructure – Health			
Cameroon	Sector Programme for Health I	7.7	4
India	Polio Immunisation Programme I	25.6	3
	Polio Immunisation Programme II	7.7	3
	Polio Immunisation Programme III	10.2	3
	Polio Immunisation Programme IV	7.7	3
	Polio Immunisation Programme V	10.0	3
	Polio Immunisation Programme VI	6.1	3
	Polio Immunisation Programme VII	10.6	3
Nigeria	Leprosy and TB Control Programme	9.2	3
Philippines	Medical Cold Storage Chains	2.6	2
Uzbekistan	Programme to Combat Tuberculosis II	2.6	2
Vietnam	Health Programme Hospitals	7.9	3
Social Infrastructure – Population Policy and Reproductive Health			
Caribbean Community (CARICOM)	HIV/AIDS Prevention in the Caribbean	6.0	3
Chad	Family Planning and HIV Prevention, Phase IV	3.5	4
India	Social Marketing II	6.1	2
Kenya	Family Planning and Combating Sexually Transmitted Infections/AIDS	5.1	3
Vietnam	Sector Programme - Health and Family Planning II	16.0	2
	Sector Programme - Health and Family Planning III	8.2	2
	Sector Programme - Health and Family Planning IV	10.0	2
Yemen	Family Planning and Family Health	4.0	4
Zambia	HIV/AIDS Prevention I	2.0	3
	HIV/AIDS Prevention II	3.0	2

sample in grey

Country	Project title	Volume of funds* (EUR million)	Rating
Social Infrastructure – Water Supply and Wastewater/Waste Management			
Albania	Kavaja – Water Supply and Sewage Disposal I	7.0	3
	Economic Development through Expanding Municipal Infrastructure in Elbasan	8.5	4
	Lake Ohrid Environmental Protection Programme – Pogradec Sanitation I	9.1	3
	Water Supply Kavaja II (Manskuria)	2,0	4
	Kavaja – Water Supply and Sewage Disposal II	5.5	3
	Lake Ohrid Environmental Protection Programme – Pogradec Water Supply	4.6	2
	Lake Ohrid Environmental Protection Programme - Pogradec Sanitation II	5.8	3
Azerbaijan	Open Programme for Municipal Infrastructure I	11.1	5
Bolivia	Oruro Wastewater Disposal	17.0	5
Brazil	Pernambuco Sanitation Project	6.6	4
Ghana	Rural Water Supply III	4.6	2
Kosovo	Rehabilitation of Urban Water Supply and Sanitation IV	5.0	4
Macedonia	Environmental Protection – Lake Ohrid	10.2	4
Montenegro	Water Supply and Wastewater Disposal – Adriatic Coast	2.6	3
	Water Supply and Wastewater Disposal – Adriatic Coast, Phase II	4.0	3
Morocco	Drinking Water Supply in the Loukkos Region**	23.2	2
	Rural Water Supply I	7.9	2
	Rural Water Supply II	6.3	2
Namibia	Wastewater Recovery Windhoek	9.2	4
Palestinian Territories	Water Supply (Jenin) and Sewage Treatment (Tulkarem)	5.6	3
Philippines	Provincial Towns Water Supply Programme I	14.7	2
Rwanda	Rural Water Supply to 8 Municipalities around Kigali, Phase I	4.3	2
	Rural Water Supply to 8 Municipalities around Kigali, Phase II	2.6	2
Senegal	Water Supply in Regional Towns	17.0	2
Tunisia	Water Supply for Dispersed Rural Settlements III	12.8	2
Uganda	Water Supply and Wastewater Disposal Entebbe	14.6	3
Uzbekistan	Drinking Water Supply Chorezm, Phase I	10.2	2
	Drinking Water Supply Chorezm, Phase II	2.0	2
Yemen	Sanitation Zabid	7.4	3
	Sewerage Bajil and Bait Al-Faqih	17.9	4
Social Infrastructure – State and Civil Society			
Georgia	Cadastre and Land Register	15.1	3
	Cadastre and Land Register II	7.9	3
Malawi	Local Development Fund	2.0	3
Rwanda	Support to the Reintegration of Ex-Combatants	6.7	2

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Country	Project title	Volume of funds* (EUR million)	Rating
Economic Infrastructure – Transportation			
Cambodia	Rural Infrastructure	7.0	2
Cameroon	Bridge Rehabilitation Programme I	4.3	3
	Douala Port Rehabilitation Works	5.1	3
Kenya	Road Maintenance I	7.7	2
Timor-Leste	Development of the Maritime Transport Sector	5.5	3
Uzbekistan	Modernisation of Tashkent Airport – Terminal Modernisation	11.2	3
	Modernisation of Tashkent Airport – Raising Safety Standards	1.1	2
Economic Infrastructure – Communications			
Indonesia	Radio Network Development II**	14.8	5
Economic Infrastructure – Energy Generation and Supply			
Azerbaijan	Rehabilitation Programme in Electricity Transmission II	15.2	3
China, PR	Wind Farm Programme III**	3.5	3
Kenya	Olkaria II Geothermal Power Station	11.9	1
Nepal	Load Dispatch Centre and Extension of the Balaju Substation	20.5	2
Pakistan	Ghazi-Barotha Hydropower Station**	84.5	3
Financial Sector			
Afghanistan	Establishment of a Microfinance Bank	3.5	1
Africa (regional)	TCX Subordinated Convertible Debt Facility	40.0	2
Azerbaijan	Development of a Deposit Insurance Fund	5.0	2
Bolivia	Financial System Development III	5.9	2
Central American Bank for	Small and Medium Enterprises – Environmental Line of Credit**	7.0	4
Economic Integration (CABEI)	Credit Line for Regional Microfinance II	3.3	3
Congo (DRC)	ProCredit Bank Congo	1.2	2
Honduras	MSE Financial Sector Development	6.0	2
India	Private Sector Infrastructure Facility at State Level, Phase I**	43.0	3
Moldova	ProCredit Bank	1.7	2
Mongolia	Microfinance Project XacBank	2.7	2
Montenegro	Establishment of a Deposit Insurance Fund	2.5	2
Peru	SMEs – Subordinate Loans, Phase II	5.1	2
Philippines	Credit Programme to Finance Local Government Investments in Waste Management**	15.0	3
Sierra Leone	Microfinance Sector Programme I	3.0	3
	Microfinance Sector Programme II	0.7	3
	ProCredit Bank	0.6	5
South Africa	Promoting Small and Medium-Sized Enterprises**	30.7	5
Southeastern Europe	Interest Rate Reduction Fund for South-East Europe	2.9	3

sample in grey

Country	Project title	Volume of funds* (EUR million)	Rating
Tunisia	Loan Programmes Mise à Niveau – Private-Sector Development, Phase I**	40.2	3
	Loan Programmes Mise à Niveau – Private-Sector Development, Phase II	6.1	3
Production Sector			
Chile	Sustainable Management of Natural Forests, Phase I	5.1	2
	Sustainable Management of Natural Forests, Phase II	4.1	2
China, PR	Afforestation Jiangxi	8.6	2
	Poverty Reduction in Sichuan	0.4	4
India	Erosion Control Maharashtra II	12.8	2
	Erosion Control Maharashtra I	6.1	2
Indonesia	Credit Line for Industrial Efficiency and Pollution Control II	9.0	3
Moldova	Construction of Agricultural Equipment Service Centres	2.0	3
Pakistan	Groundwater Development Northwest Province, Wana Plain and Jani Khel	10.2	4
Multisectoral/Structural Assistance			
Albania	Social Investment Fund I	3.1	3
	Social Investment Fund II	2.3	3
	Social Investment Fund III	2.3	3
Bangladesh	Rural Markets and Roads, Khulna Division	15.0	1
Burundi	Support for Reintegration Programme I	9.2	2
	Support for Reintegration Programme II	3.0	2
Chad	Rural Development Programme Ouaddai-Biltine	5.0	3
Dominican Republic	Conservation of Natural Resources, Alto Río Yaque del Norte I	5.1	3
	Conservation of Natural Resources, Alto Río Yaque del Norte II	2.0	3
Ghana	District Capitals III	5.6	4
	District Capitals IV	6.4	4
Israel	International Center for Combating Desertification, Sede Boqer	25.6	2
Mali	Programme for Northern Mali IV	5.1	2
	Programme for Northern Mali V	1.5	2
	Programme for Northern Mali VI	5.0	2
	Programme for Northern Mali VII	3.0	2
	Programme for Northern Mali VIII	1.5	2
	Programme for Northern Mali IX	2.5	2
Peru	Protected Areas	5.1	2
Tanzania	Debt Repurchase Programme	3.8	2
Zambia	Joint Programme for Macroeconomic Support I (PRBS I)	10.0	3

■ Evaluated projects in the random sample.
■ Projects that were not included in the sample, but evaluated additionally in 2011/2012, either because they were closely linked to a projects in the sample or were of special interest.
*Total expended amount from budgetary funds made available by the BMZ and from KfW resources
**In addition to BMZ funding, KfW resources were provided for this project.

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