# »» 13th Evaluation Report 2013–2014

## Financial Cooperation in rural areas: to the benefit of people and nature

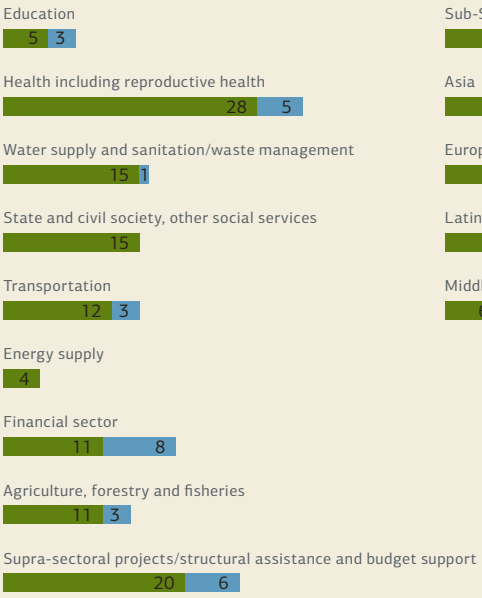
KFW

# At a glance

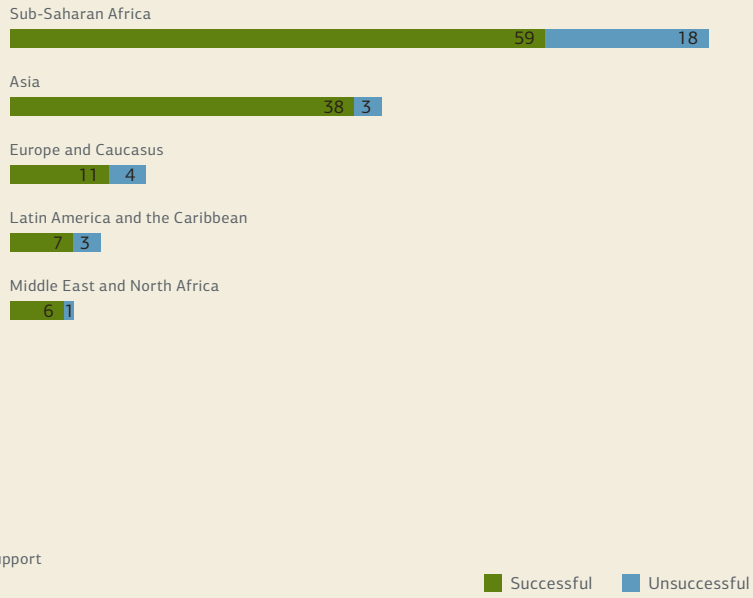
## Ex post evaluations 2013/2014

A total of 150 projects were evaluated in 2013 and 2014. These projects received EUR 1.5 billion worth of support.

### Sector results




### Regional success rates




## We finance development – KfW Development Bank's commitment

KfW has been supporting the German Federal Government in implementing its development-policy goals since 1960 within the scope of Financial Cooperation (FC). We combine financing know-how with development-policy expertise. On behalf of the German Federal Government, and primarily the German Federal Ministry for Economic Cooperation and Development (BMZ), we promote and support programmes and projects that mainly involve public-sector players in developing and emerging economies. We help partner countries to create better living conditions, while protecting the climate and the environment at the same time. Our commitment starts with the conception of the project and continues with the financing, implementation and final performance review.

KfW Development Bank approved EUR 7.4 billion for 357 new projects in 2014. Of this, EUR 1.7 billion came from the German federal budget, EUR 0.3 billion from other sponsors and EUR 5.4 billion from KfW's own funds, which we raise on the capital market. The range of sponsored investments is considerable and includes, for example, the construction of schools in Palestine, family-planning programmes in Uganda, the building of solar and wind power plants in Morocco as well as the funding of micro-loans in Eastern Europe.

Projects by the German Development Cooperation (DC) are planned with the help of impact matrices. For each project, its matrix illustrates the links and result chains between project measures, goals on the outcome and overarching impact level, assumptions and risks. The outcome and impact goals and suitable indicators for measuring whether these goals are achieved are both set out as early as the conception and planning phase. This lays the foundation for a performance review to be carried out later in the form of an ex post evaluation, which is supposed to assess the project's results as objective as possible.

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**We place a great deal of value on transparency.**
Up-to-date information on the origin, allocation and impact of our promotional funds by country, sector and at project level can be found at:
**http://transparenz.kfw-entwicklungsbank.de.**

Summaries of all evaluation reports issued since 2002, and categorised by country, are available at:
**https://www.kfw-entwicklungsbank.de/Internationale-Finanzierung/KfW-Entwicklungsbank/Evaluierungen/Ergebnisse/.**

# Evaluation impressions from around the globe

**Christian Kampen**
**Vietnam – locomotives for the Ocean Cloud Pass**
Modern locomotives are now making their way along the old railway lines in Vietnam. The transportation sector is booming. Upon closer inspection, however, the growth in the rail sector is not keeping up with growth in other means of transport and the government prefers to put money towards expanding the road system. My evaluation therefore posed the question of whether supporting a sector on which the government is placing limited priority is the right move. Does rail have any kind of future in Vietnam?

**Robert Roth**
**Palestinian Territories – building social infrastructure**
The most important personal experience was the overwhelming feeling of somehow being trapped, of not being able to move freely. The feeling never left me during the trip. Gaza City is one of the world's most densely populated areas. Its residents have little in the way of prospects due to the conflict. Having a job and doing meaningful work is extremely important for the people living here. The project has created jobs, at least for a few people.

**Marie-Lena Glass**
**Costa Rica – forest protection programme**
The evaluation took us to the most remote forests. What really impressed me was the deep commitment of employees of the Costa Rican forest development fund that is the institution aiming to preserve the country's forests. A major methodical challenge lies in how to better quantify the ecological benefit of the project, for example with regard to biological diversity. There is still a lot to learn in this respect.

**Verena Lehle**
**India – microfinance for women**
As a trainee of the development bank, I had the opportunity to evaluate a microfinance project together with an experienced colleague. I was impressed by the confidence of the bank's customers reflected in how these women master their lives and pursue their businesses. My work as a project manager today is still being enriched by the knowledge I gained during the evaluation: a successful project design is rooted in an overall understanding of real life, that is what our partner bank had in respect to their customers.

**Theodor Dickmann**
**Burkina Faso – combating child labour**
Evaluations have been a constant component of both my work and my learning ever since my first evaluation in 1989 on the Tunisian island of Djerba. The project was a ferry, considered a "classic" infrastructure measure. The project in Burkina Faso, which aimed to combat child labour and child trafficking, was something really special. I was able to personally experience how flexible FC was in offering solutions, even in this context, with a wide variety of education measures.

**Sarah Nohr**
**Zambia – study on the prevention of HIV/AIDS**
How does the price of condoms affect demand? We addressed this question with the help of a price experiment in rural Zambia. For months, we worked intensively with clinics and vendors and collected data. With our work, we intended to contribute to evaluation research that is of direct relevance for the further development of approaches in HIV/AIDS prevention.

# Foreword

Dear Readers,

"Financial Cooperation in rural areas: to the benefit of people and nature" is the heading of the latest biennial report of KfW Development Bank's independent FC Evaluation Unit (FZ E). Rural areas are high on the agenda of development policy-makers: enormous productivity increases are needed in agriculture to secure global food supplies in the long term. Hundreds of millions of poor people live in the countryside and are in need of prospects. At the same time, rural areas hold priceless natural resources, which have to be preserved.

On behalf of the German Federal Government, particularly the German Federal Ministry for Economic Cooperation and Development (BMZ), KfW Development Bank has been promoting development projects for over 50 years. Their results have been evaluated systematically from the outset. Today, a data base of more than 2,000 evaluations serves our continual efforts to learn for future engagements. FZ E has now analysed this pool of experience with a special focus on rural areas.

As an agricultural economist, I am especially interested in this topic, even more so given my familiarity with a number of projects. One example: as a project manager, I was a member of a KfW mission to Dogon region in Mali. The mission's aim was to develop ideas for meaningful FC support, in collaboration with the small-scale farmers there. It was a region in which shallots, an important vegetable for the local population, were cultivated. The result was a project aimed at irrigating the onion fields with the help of small dams. According to the evaluation, they are still in operation today.

Our evaluation experts' analyses reveal conflicting priorities that development projects in rural areas have to face. Measures aimed at reducing poverty among small-scale farmers, such as the one in Dogon region, cannot always be expected at the same time to provide the initial spark for economic development within the region and make noticeable contributions to global food security. Likewise, the protection of natural resources does not always go together with new sources of income for the people living there. The messages in this report bring to mind the first Nobel Laureate for economics, Jan Tinbergen, who called for a separate measure for each economic policy goal. When carried over to development cooperation, this translates into: we must be fully committed to facing all of the challenges posed in rural areas. When it comes to an individual project, however, a decision often has to be made as to which goal should take priority.

From my own experience, I know that this is not a comfortable position to take because it requires tough decisions. Back then, as a result of our mission in Dogon region, we would have preferred to finance much more than just the promotion of irrigation. A comprehensive approach transforming the region into a living economic centre would have come much closer to the desired development path. Yet, we had learned already that an economy cannot be planned. There are good reasons why development cooperation has turned away from the concept of integrated rural regional development. Instead of addressing everything people might wish for at the same time, providing targeted support at the weakest point can strengthen the link to the intended impact far more effectively. In this respect, the report's message is clear, even though identifying the areas in which support will be most effective remains a challenge, particularly as there are conflicting priorities.

Before you turn towards the chapter on rural areas, however, I invite you to first join me on an evaluation mission into the Caucasus by reading the following pages. This is but one example of the more than 50 evaluations carried out by KfW Development Bank every year – an effort we gladly take on to constantly improve our work.

Walter Kloppenburg

**Dr Norbert Kloppenburg**
Member of the Executive Board, KfW Group

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# »» Travel report and example projects

Georgia: Even back in Soviet times, the spa town of Abastumani was known for the treatment of tuberculosis.

# Travelling through the history of tuberculosis treatment

**A rare evaluation mission through three countries – Azerbaijan, Georgia and Armenia. A unique opportunity to compare the results of standardised project approaches aimed at fighting tuberculosis (TB). The Directly Observed Treatment Strategy, or DOTS for short, received support in all three countries. Unlike earlier treatment methods, DOTS relies on outpatient care in simple cases. Mortality and infection rates are on the decline in all countries. Nonetheless, old structures in the health-care system are tenacious even in spite of the progress made with DOTS. A travel report.**

It is behind bars that the KfW evaluation expert starts off her trip in May 2013 – in a prison near Baku, the booming oil metropolis on the Caspian Sea. Anyone incarcerated in Azerbaijan and infected with tuberculosis is brought here, the central "tuberculosis prison" for men. Our expert has been allowed in for a particular reason. Her task: to evaluate a programme aimed at controlling tuberculosis. Exchanging your passport for a respirator at the entrance is an oppressive feeling. The inmates are separated depending on the stage of the disease. They get extra food rations in order to build strength.

The prison is seen as a model project. With the help of the FC programme, a group especially at risk of TB receives high-quality treatment. TB infection rates among prison inmates are up to ten times higher than average due to their difficult living conditions, e.g. living closely together in a confined space. The project is successful from the perspective of the on-site evaluation. The institution now even serves as an educational centre for the treatment of TB in prisons.

After leaving the prison, the trip through the Caucasus continues. The tight schedule in Baku is followed by more than 1,000 kilometres of driving. A French World Health Organisation (WHO) expert, flown in from Geneva for the evaluation, comes along on the trip. As a doctor, he works to improve public health-care systems, especially in the fight against TB. There is some delay before passing the border to Georgia. The driver has forgotten his passport, so everybody has to wait until a friend carrying the passport arrives.

Armenia: Daily dose of a tuberculosis patient

Next stop: Abastumani. A spa town hidden in a gorge high in the mountains of the Lesser Caucasus. The two evaluators are met with rustic Soviet charm during their visit to a sanatorium. The medical history of TB patients can still be felt straight away: inpatient treatment, many hours of lying down, in good fresh air. Abastumani used to have a large catchment area. Once Georgia gained its independence, the patients stopped arriving. The old treatment structures collapsed. Today patients are back, namely those with very poor prognoses. Their diagnosis: extensively drug-resistant TB with very limited treatment options. This is often a consequence of discontinued treatment in the past.

Leaving Abastumani and arriving in Tbilisi, the evaluators see Georgia's modern side. The two experts assess the data from the national TB programme. They find that Georgia is already a step further along compared to its neighbouring countries. DOTS is being implemented faster here. Mortality rates and infection rates are experiencing a sharp decline. In the countryside, where facilities for outpatient treatment are often far away, nurses make house calls to administer medications. Baskets with food for the patients give them an incentive to continue their treatment and improve their general state of health.

Although the FC programme has funded modern treatment methods, the old structures continue to be used in some places. This is also observed during the evaluation mission in the third country on the itinerary, Armenia. The elderly doctor in the treatment centre of Yerevan is not satisfied with the FC support. He had hoped for a different device, but the WHO expert confirms that the medical equipment provided is adequate. DOTS has also been rolled out as a TB strategy throughout Armenia; nonetheless, a relic of the past remains. Anyone who falls ill, regardless of the severity of the case, is first treated as an inpatient at a central hospital in the capital. One thing Armenia has in common with Azerbaijan is that both are having a tough time departing from past practices of TB treatment.

This is where the trip comes to an end. The evaluation mission has taken the two experts from the prison in Baku to the sanatorium in the mountains and on to Yerevan – not just across the Caucasus, but also through the history of TB treatment.


Azerbaijan: Laboratory staff test for tuberculosis

# Foundation for modern tuberculosis treatment laid

## Example Caucasus

Within the scope of the German Caucasus Initiative, the German Federal Government provided a total of EUR 8.8 million in support to the health ministries in Armenia, Azerbaijan and Georgia for their fight against TB. The programme's objective was for the improved diagnosis and treatment of TB according to the DOTS strategy recommended by the WHO to help break the chain of infection. In particular, DOTS entails early diagnosis based on microscopy (in place of the X-ray diagnostics previously used) and standardised outpatient treatment under supervision with the aim of ensuring that the necessary medications are taken regularly. The result of the evaluation is that the FC programmes in Azerbaijan and Armenia were summarised as "satisfactory", while the programme in Georgia received an overall grade of "good".

Azerbaijan: The modern laboratory equipment enables fast and efficient analyses.

TB, which had nearly been eradicated, spread rapidly again after the collapse of the Soviet Union. Azerbaijan, for example, saw approximately 60 to 70 new TB cases and relapses for every 100,000 inhabitants per year prior to the start of the FC support. At the time of the project appraisal in 2002, diagnosis and treatment methods were obsolete and the availability of medications was sporadic. Furthermore, there was an especially high percentage of drug-resistant TB cases; many patients had to be treated numerous times. In view of the above, the programme was rated as highly relevant in all three countries (sub-rating of 1).

The programme consisted of the supply of medications, X-ray machines and medical consumables, the construction and equipping of laboratories and production of informational and educational materials. The goal of comprehensive DOTS implementation was reached for the most part, whereas the targeted treatment success rate of 85 per cent in all countries was not, presumably as the result of a relatively high rate of discontinued treatment and the high proportion of drug-resistant TB. Accordingly, the programme's effectiveness was rated as merely "satisfactory" in all countries. In addition, efficiency received the grade "satisfactory" in Armenia and Azerbaijan, due among other things to the fact that TB patients are required to undergo 90 days of inpatient treatment even though outpatient treatment is generally safer and much less expensive. Georgia is the only exception. The more consistent implementation of outpatient treatment has resulted in an efficiency rating of "good" for Georgia.

The overarching goal of the programme was met to a satisfactory extent, even in spite of the considerable amount of time needed to unfold its effects. In Armenia, for example, the number of registered TB cases has fallen considerably since 2010; the mortality rate from the disease has fallen substantially from 6.8 deaths per 100,000 residents in 2002 to 3.8 deaths per 100,000 in 2010. Georgia reported the strongest drop in mortality rates of all countries in the Caucasus region, hence the impact grade of "good". (As a comparison, the mortality rate from TB in Germany is 0.7 cases per 100,000 residents.)

As far as sustainability is concerned, the programme was rated "good" to "satisfactory". The infrastructure needed to fight TB is in place, but all three countries are still dependent on external support. Follow-up financing has been secured from the Global Fund to Fight AIDS, Tuberculosis and Malaria.

**Results: good to satisfactory – grades 2 and 3**

# National parks in the Zambezi region: a prime location

## Example Namibia

**The result of the evaluation is clear: "very good". The FC project to support wildlife corridors in Namibia's poor north-east is an exceptional one. It tackled the conflict between protecting natural resources, on the one hand, and improving the living conditions of local residents of nature parks, on the other hand, and did so in extraordinarily successful fashion. The support from FC helped protect biodiversity and game populations. The locals benefited at the same time, as tourism has flourished as a source of income.**

### Cross-border wildlife corridors promoted – local residents successfully involved

The Zambezi region in Namibia's remote north-east is rich in flora and fauna and borders the unique natural paradise of the Okavango Delta. However, the region had been severely affected by the Namibian civil war in the 1980s and the conflict in neighbouring Angola until after the turn of the millennium. Game populations were negatively impacted and traditional cross-border elephant migrations were prevented for years. This meant consequential damage for natural vegetation and agriculture. In response, the residents were tough on the wildlife – and even the gamekeepers! The project supported the Namibian government's initiative to connect the national parks in the Zambezi region through wildlife corridors, even across borders, and to make traditional wildlife migrations possible once again. The project also aimed to win over the population, all the more as Namibia with its conservation policy had been a pioneer of an approach that takes into account the interests of the local population already in the 1990s.

Signs warning of the presence of 20,000 wild elephants living in the north-east of Namibia

Extraordinarily, several ambitious goals were achieved at the same time. In consultation with a population that was rather unwilling to cooperate at first, a resident-friendly park administration was established and cooperation between the protected areas Bwabwata, Mamili and Mudumu and their surroundings was designed in a way that managed to reflect their ecological significance and establish a wildlife corridor between Botswana and Angola via Namibia.

However, the crucial point of the promotion concept – one also successful for the residents – was an agreement, reached together with local communities, the nature reserve administration, dedicated non-governmental organisations and interested safari operators, on new management approaches. This was followed by appropriate investments to implement those approaches in the form of buildings, road systems and equipment such as vehicles, radios, etc.

The evaluation found that the quality of the nature reserve management has quantifiably improved; wildlife migrations have picked up and wildlife populations are on the rise. This is also confirmed by counts performed using aerial photography. The population has also benefited, as the locals are generating additional income, especially from tourism, as well as, for example, from collecting medicinal plants. The concept is so well-accepted that the population is even helping protect "their" resources with patrol units. The developmental impacts have therefore been assessed as "very good".

The location too helped contribute to this extraordinary success. In a region that has been pacified and is suitable for tourism, nature conservancy can also open up new sources of income. Yet these prerequisites are by no means met everywhere where natural treasures need protection.

**Result: very good – grade 1**

# Locomotives for the Ocean Cloud pass

## Example Vietnam

**Overall "not satisfactory" is the judgement on a project aimed at strengthening Vietnamese railways. The supplied German locomotives do their job reliably. However, the results are negatively impacted by high procurement costs, which mean financial burdens for the project-executing agency, as well as by the far weaker than hoped effects of rail on the economy, poverty and the environment. The Vietnamese government's strategy has remained focused on road transport.**

### Locomotives operate reliably but lack the necessary developmental impacts

The Hai Van pass is the natural border and weather divide between North and South Vietnam. The main stretch of rail from Hanoi in the north to Ho Chi Minh City in the south runs along the mountains often befogged due to the mist ascending from the nearby sea, hence the name Ocean Cloud pass. The steep, winding route is a bottleneck for overland transport, which has seen a boom with yearly growth rates of 9 per cent. Trade and mobility are exploding in the emerging region of South-East Asia.


A German mainline locomotive operates on the Ocean Cloud pass in Vietnam.

The country's government has therefore given high priority to expanding the transportation sector. Rail transport in Vietnam, however, needs restructuring, as its infrastructure is crumbling. Locomotives and train carriages are outdated. The way the system is organised is in need of reform. This is a mammoth task for the country.

FC has therefore supported a number of Vietnamese government projects aimed at modernising the rail system. The development policy goal is to strengthen the competitiveness of the railways and thereby contribute to the country's sustainable development. The projects entailed financing 16 locomotives produced in Germany, which were specifically designed for the Asian region. Technically, the locomotives were to be equipped to handle the steep stretch via the Ocean Cloud pass. This technical requirement was met without any setbacks. Year for year, each locomotive covers a distance of 150,000 kilometres, making the project very effective. For the Vietnamese railway company, however, the project caused considerable financial burden as the locomotives from Germany proved expensive. The on-lending conditions from the Vietnamese government to the railway company were strict. Rail procurement is a lot less expensive nowadays: more and more locomotives from China can be seen on Vietnamese tracks. The current number is already up to 80, and they also do their job well. As a result, the project's efficiency has fallen well short of expectations. Neither were the original hopes for the German export sector met as there were no follow-up orders for this type of locomotive in South-East Asia.

The evaluation adopted an even broader perspective and posed a fundamental question regarding the project's developmental relevance: Does rail in Vietnam still have a promising future in Vietnamese transport? In any case, the government appears to be setting aside its goals of modernising the railway system. More than 90 per cent of the budget for the transportation sector is being put towards expanding the road network. Rail is losing market shares to cars, buses, ships and aircraft. Additionally, because the poor travel by bus – if at all – and the evaluation determined that buses and coastal ships are just as environmentally and climate-friendly as rail, the developmental impacts and thus the entire project were given a rating of 4 (not satisfactory).

**Result: unsatisfactory – grade 4**

# »» FC in rural areas: not every field bears every fruit

Two farmers tilling the soil in Tanzania

# FC in areas beyond the urban world

## Highlighting food security, protection of natural resources and the fight against poverty

**Urbanisation, "megacities", rural exodus – often, the 21st century is called the century of the city. More than half of humanity now lives in cities, and the trend is rising. Does this mean that most challenges for development are found in urban areas? Not so. Rapid rises in food prices in 2008 and 2011, accompanied by news of protesting crowds, have put a spotlight on the issue of securing global nutrition. Besides providing the area to produce food, the countryside is also the home to natural habitats, which play a fundamental role in climate and environmental protection. Moreover, a majority of the poor live in rural areas; combating their poverty is a central concern of development policy. These are at least three reasons why we should address the question of how to best promote living conditions, of how to use and preserve natural habitats in areas beyond the cities.**

### Food crises – (re)awakening of rural development

The images were seen around the globe: angry protests on the streets in Egypt, reports of starving people in many countries around the world. Within just a few years, the prices of some staple foods had tripled.

According to the Food and Agriculture Organization of the United Nations (FAO), millions of people were struggling with the consequences of the price shock. It is especially alarming that hunger is on the rise again. Despite all the progress since the United Nations Millennium Declaration to cut extreme poverty and hunger throughout the world by half before 2015, nearly 800 million people are still undernourished. This figure does not include those suffering from silent hunger, which refers to malnutrition from a lack of vitamins and minerals.

Food prices have dropped lately, and experts believe the acute nutrition shortage is less a problem of insufficient food supply and more a problem of its distribution. This means an easing of the food production situation, albeit temporarily at best, as future generations will also have to be provided with adequate food.

The global population continues to grow: the planet had three billion inhabitants in 1960, and by the turn of the millennium this number had climbed to six billion. We are expected to reach nine billion by 2050, with Africa accounting for the highest growth. According to the World Food Programme, global production of food and fodder will have to be increased by 70 per cent.

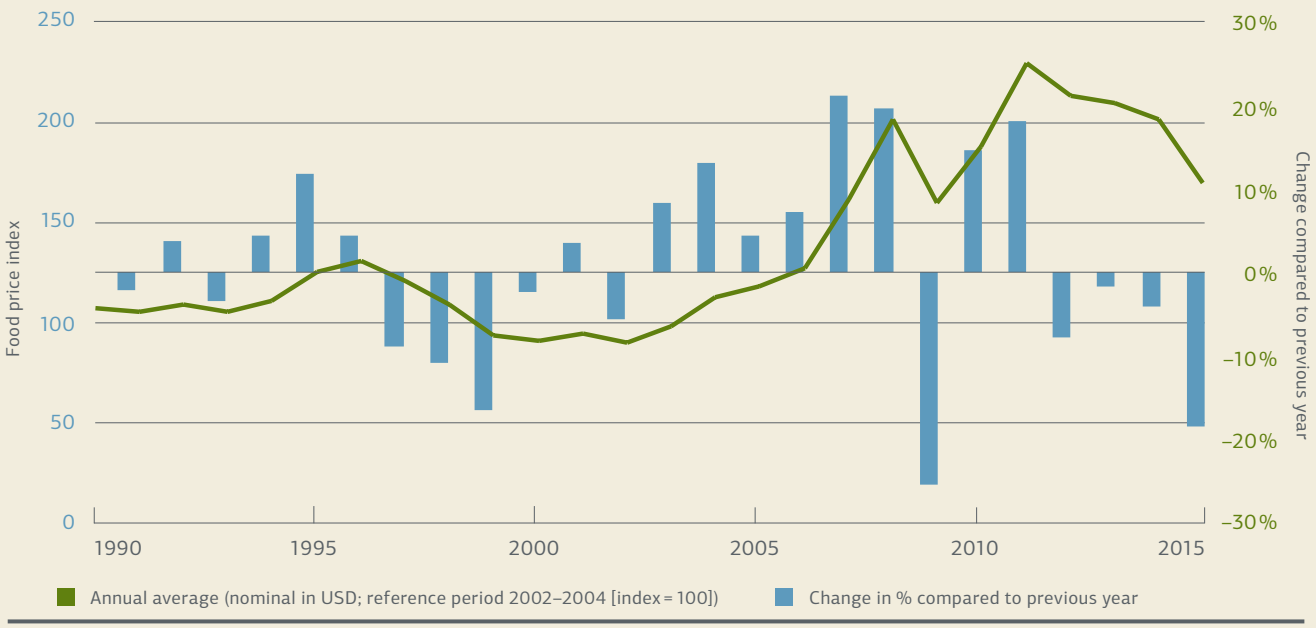
Whether it is to secure future global nutrition or to make developing countries less dependent on fluctuating global market prices by increasing their own food production, promoting rural development has become increasingly important as a response to the crisis. This is a re-awakening, as many donors (including the German Development Cooperation (DC)) had largely withdrawn from supporting rural development, and particularly agriculture, for decades. The Strategy Paper by the German Federal Ministry for Economic Cooperation and Development (BMZ) from 2011 stated: "rural development is being expanded to make it one of the key areas and promotion priorities of German development policy. Enhancing food security is the crucial motivating factor … Agriculture should be taken as the starting point and the engine of comprehensive development efforts."[1] But what does this mean for the future of living spaces and natural habitats "in the countryside"?

### Nature and climate protection – indispensable

The countryside is home to more than just agricultural production areas and habitats for many people. It also contains natural habitats, which must be preserved for the sake of protecting biodiversity and the climate. This is especially so within the tropics. An expansion of areas used for agricultural production is not the only threat here. Global forested areas are reduced by millions of hectares every year. Deforestation and forest degradation are enormous contributors to carbon dioxide emissions and damage the climate, as forests are the most important carbon reservoirs in the world. Forests, natural bush and steppe landscapes along with their fauna and flora are a refuge of biodiversity. German DC has been committed to protecting these natural habitats for many years. To keep a landscape productive on a sustainable basis, however, natural resources (especially the soils) must also be protected from overuse. How can enough be done to meet the extensive need for protection in the

[1] German Federal Ministry for Economic Cooperation and Development (BMZ) (2011): Strategy paper "Rural development and its contribution to food security", BMZ Strategy Paper 1/2011, p. 5

**Food prices 1990–2015**




**Source:** FAO Food Price Index

world's rural and unspoilt areas if cultivation is to be expanded precisely in these areas? And what are the prospects that can be provided for those who live on the land – also in and from the natural spaces worthy of protection?

## Poverty – a rural phenomenon of an urbanised world

In numerical terms, the global rural population will reach its peak in a few years and drop slightly after that, but poverty – and hunger – will remain a largely rural phenomenon in an increasingly urbanised world for the foreseeable future. The World Bank estimates the share of the world's poor living in rural areas at more than 75 per cent. For 2015, this would come up to roughly 750 million people.

The majority of poor people live not just on the land, but also from the land. There are estimates that two thirds of the world's poor earn their livelihood mainly from agriculture, with small-scale farms providing the livelihoods of the majority of these people. There is debate over the extent to which this is compatible with activities aimed at increasing productivity in agriculture. Critics see major agricultural investments not primarily as an opportunity for the economies of developing countries, but rather as a risk to small-scale farmers' living spaces. In this respect, fighting poverty and developing agriculture do not seem to go hand in hand in all places and at all times.

## Recognising core problems – resolving conflicting goals

First, food production must be increased and agriculture developed. Second, natural resources must be protected. And third, millions of people, often those making their living off small-scale farming, need support in their efforts to escape poverty.

The future of living spaces and natural habitats beyond the cities appears to depend on which of these goals are given priority.

How FC projects in the past have addressed these core problems and potentially conflicting targets and to what extent they have offered solutions suitable for meeting all three objectives will be the subject of this chapter. Evaluation results of the last few years will serve as evidence.

A village in the north of Laos is connected to the national road network as part of a rural infrastructure programme.

# Notable successes – positive outcomes for people and nature

## A variety of projects in rural regions

**What types of projects does FC use to face the challenges of rural living spaces and natural habitats? What kinds of success have been seen? Drawing boundaries of the rural FC portfolio is not a trivial matter. Sectoral boundaries, and even the spatial borders between the city and the countryside, as well as set concepts such as "rural development" and the "green sector" are limited in their capacity to help, as projects outside of the cities, "in the countryside", are found in nearly every sector and their impact is not always limited to just the project location. Therefore, the boundary between the rural and the urban portfolio cannot be drawn irrefutably. Yet we are confident that our results also hold up if the borders are shifted slightly: the number of successful projects is reassuringly high.**

### Three groups of projects

A small-scale farmer works in his field. The irrigation system has been financed by FC. Scenes like these shape our idea of rural development projects. Irrigation projects, for example the one funded at Mount Kenya in Africa, are only part of FC's involvement to meet the challenges in rural living spaces and natural habitats. Three groups of approaches can be sketched. The first includes projects to promote agriculture, which often focus on irrigation. A second, entirely different project group promotes the protection of natural resources, including their sustainable use. This includes the promotion of sustainable natural forest management in South America just as well as reforestation projects at the edge of the Gobi Desert in China or the funding of national parks in sub-Saharan Africa. A third group of projects is intended to improve the living conditions in rural regions through the provision of infrastructure, such as measures aimed at improving the supply of drinking water in rural Benin, to finance primary schools in Pakistan, to fund basic health-care services in Nepal or to build rural roads and markets in Bangladesh or Peru. These three project groups stand for three different approaches of FC support. Geographically speaking, however, the relevant target regions are in direct vicinity to one another: they address rural areas and natural habitats.

Seedlings are planted as part of an FC-financed irrigation programme on Mount Kenya.

### Other priority areas depending on the context

That is why this evaluation study deliberately breaks away from established terms and portfolio definitions such as "rural development", "rural area", "green sector" or "protection of resources". The evaluation portfolio examined for our analyses was rigorously compiled only in the sense that included projects were intended to have their main impact on "the countryside", in rural living spaces or natural habitats. At the same time, however, the portfolio was very broad in the sense that all sectors were to be included as long as they have an impact on rural living spaces or natural habitats. To obtain a sufficient database, we have classified all evaluations between 2008 and 2014 as "rural" or "not rural" in the sense described.

Of all of the 515 projects evaluated during this period, 144 (28%) were assigned to the "rural" portfolio. If we only look at the projects from the representative sample drawn each year from the total of all completed projects in order to eliminate any distortions in the evaluated portfolio[2], we arrive at 114 of a total of 372 projects (31%).

Nearly half of these "rural" projects are found in sub-Saharan Africa, while FC projects in the rural living spaces and natural habitats of North Africa and the Middle East are rather rare, making up 4 per cent of the evaluated portfolio. This also applies for Europe, accounting for only 6 per cent of the "rural" evaluation portfolio. Obviously, these types of projects were not FC's focus in these regions, as in the respective representative samples they account for less than 15 per cent of all evaluated projects. The figures for Latin America stand out. This region accounts for only 15 per cent of the 144 "rural" projects, but these make up over 40 per cent of all evaluated projects in Latin America. FC is focusing here on helping preserve precious natural habitats in Central and South America by funding nature parks, forest conservation and sustainable forest management. Environmental and climate protection is now the focal point of cooperation in many parts of Latin America, as countries such as Brazil, Chile and Peru have outgrown other areas of the cooperation due to the developmental progress made in the past.

Infrastructure projects, especially the financing of social infrastructure such as basic health-care services or basic education, as well as a number of drinking water projects, make up a considerable share of the examined portfolio for the evaluated projects in sub-Saharan Africa. This mirrors the fact that many poor countries in this region still suffer from a lack of basic infrastructure. Most of the evaluated projects aimed at increasing agricultural productivity through irrigation were also located in sub-Saharan Africa, especially in West Africa. The breakdown of the portfolio reflects the underlying structure of agriculture around the world. In global terms, Asia tops the list when it comes to irrigation, but the Green Revolution took place there decades ago and a tradition of irrigation had already long been established, whereas sub-Saharan Africa still lags far behind Asia in terms of intensifying its agriculture.

This glimpse into the evaluation portfolio shows that the type of project selected depends on the level of development in the partner country and the regional situation. The results of the analysis are therefore also generally limited in scope, something that has to be considered when interpreting the following figures regarding the success of individual project types.

**Regional distribution, rural portfolio 2008–2014**
Sample only

| Region | Share of evaluated rural portfolio | Share of all evaluated projects in the respective region |
|---|---|---|
| Sub-Saharan Africa | 44% | 32% |
| Asia/Oceania | 28% | 30% |
| Europe/Caucasus | 6% | 12% |
| Latin America | 18% | 48% |
| Middle East/North Africa | 4% | 14% |
| Total | 100% | |

**Breakdown of rural portfolio by project type with success rates**
Sample only

| Project type | Number of evaluations | Success rate |
|---|---|---|
| Securing of food, agriculture/fisheries | 23 | 70% |
| Environmental policy, conservation, sustainable use of natural resources | 26 | 77% |
| Economic and social infrastructure | 65 | 77% |
| Total | 114 | 75% |

## Success in rural areas – significantly lower only in agriculture

In rural areas, where the proportion of poor populations is high, qualified workers migrate and the expertise as well as the funds available for operations and maintenance are limited, successful projects are likely seen less often than on average. The same could be hypothesized for environmental protection and resource conservation, which are often not political priorities in the partner countries. We considered these to be plausible starting hypotheses. However, our analysis has painted a slightly different picture: although the share of successful cases with "rural" projects is several percentage points lower than in the rest of the portfolio, this difference is not statistically significant, meaning the lower success rate could also be coincidental.

[2] The projects in the sample that are representative for all projects must be evaluated; other projects are additionally evaluated, however, for example because the content and geographical area are tied to a sample project or are of particular interest; see also Chapter 4 2013/2014 results in this report.

**Regression analysis: focal point "Securing of food, agriculture/fisheries" and focal point "Environmental policy, conservation, sustainable use of natural resources"**

Since 2001, thereof since 2007 only random sample

| Project type | Success yes/no |
|---|---|
| **Focal point "Securing of food, agriculture/fisheries"** | **–0.110**** |
| | **(0.0465)** |
| **Focal point "Environmental policy, conservation, sustainable use of natural resources"** | **–0.0689** |
| | **(0.0535)** |
| Sub-Saharan Africa | –0.0472 |
| | (0.0328) |
| Europe/Caucasus | –0.0453 |
| | (0.0570) |
| Latin America | –0.0237 |
| | (0.0467) |
| Middle East/North Africa | –0.122** |
| | (0.0552) |
| State Fragility Index | –0.00270 |
| | (0.00372) |
| Total cost (in 100,000) | 0.00000843 |
| | 0.000011 |
| GDP per capita | 0.00000126 |
| | 0.00000923 |
| Total population (in 100,000) | –0.00000346 |
| | 0.00000466 |
| Number of observations | 1,194 |

Standard error in parenthesis

Reference-region Asia/Oceania

*** p < 0.01, ** p < 0.05, * p < 0.1

A rubber tapper at work in Brazil

Accordingly, we went a step further in the analysis. Projects classified as "agricultural" as well as those considered "environmental protection and resource conservation", in contrast to the rural infrastructure projects, are each marked by a corresponding code. This means they can be identified using a simple filter. Therefore, in respect of "agriculture" and "environmental protection" a more comprehensive statistical (regression) analysis could be carried out that not only includes the evaluation results since 2008, but also all performance ratings since 2001, when the independent FC Evaluation Unit (FZ E) was founded.

We now actually see that the success cases in the agricultural sector are statistically significantly lower than in the rest of the portfolio. This may be traced back to the fact that agricultural projects are far more challenging than all other projects, because they often entail changing handed-down practices like cultivation methods. In addition, many agricultural projects are carried out in especially poor countries, where success is more difficult to achieve. The statistical analysis also suggests that, contrary to our starting hypothesis, projects aimed at conserving natural resources have success rates similar to other projects. Because the projects cannot be automatically identified and a regression analysis was therefore not possible, we have no corresponding results for rural infrastructure.

At this point, a statistical analysis will allow no further results. In order to better keep track of the characteristics of rural living spaces and natural habitats as well as those of the three project types illustrated, the analysis must turn away from the safety of statistics and instead venture into the sometimes more speculative investigation of the results of individual evaluations, which offers more details in return.

# Development goals in rural living spaces and natural habitats

## Not always compatible

**Three major challenges in rural living spaces and natural habitats are posed for three different groups of projects. This is the impression at first sight. The reality of the funding, however, is more complex. Many projects have more than one goal, although the various objectives are not always easily compatible with one another.**

## Conflicting priorities 1: priority on modernising agriculture or directly reducing poverty among small-scale farmers

It is clear at first glance, agricultural projects help boost productivity and production. This contributes to securing nutrition both regionally and globally, as well as developing the national (agricultural) economy, the latter in the sense of the title and core message of the World Development Report 2008: "Agriculture for Development"[3]. Upon closer inspection of the goals of agricultural projects, however, we see that things are not that clear-cut.

### Increasing productivity as a means to fighting poverty

The FC irrigation programme in the cultivated regions of the Sacaba valley in Bolivia is a typical example. The evaluation report explains the objective: "expanding irrigation aimed at raising the productivity of farming enterprises and family incomes, so as to prevent the cultivation of coca plants and alleviate the heavy pressure on the population to migrate to the nearby coca planting region Chapare." The project was classified as barely successful (rating of 3) because the 1,585 families targeted actually generated higher legal income from agriculture and, instead of just cultivating products for their own use, even increased the cultivation of more lucrative crops such as onions and tomatoes to sell on the market. Agricultural production intensity was increased significantly, in part by over 100 per cent. The farms were now yielding between USD 1,000 and a good USD 3,000 a year. Despite this success, these projects alone were not sufficient to significantly reduce the incentive to cultivate drugs; nor did they make any structural contribution to sustainable economic development beyond the Sacaba valley or even to global food security. Limited interventions like this are also not expected to have any price-reducing effect on food throughout the country via the additional supply. The programme was simply too limited for these kinds of far-reaching effects and the region was too poor; single cultivation areas are small and the farmers' expertise is every bit as limited as their connections to international markets. In any case, the focus was less on the development of Bolivian agriculture. Productivity increases were a means to an end, as the main goal was to improve the living conditions of the small-scale farmers. The aim was to fight poverty among the producers, whereby drug cultivation and migration to the city were also to be combated – and these were excessive demands on the project approach.

This Bolivian project is not an isolated case, but rather is the typical orientation of the already low number of agricultural projects in recent decades: their priority is on alleviating poverty among producers. Only some significantly older projects still feature concepts mainly intended to promote agriculture as an engine of comprehensive development and not to prioritise the reduction of poverty among small-scale farmers. These older projects seem reminiscent of the Green Revolution, which in the 1960s and 1970s established modern agricultural production methods with intensive fertilisation, mechanical cultivation of large areas and irrigation in the developing countries of that time, especially in Asia. This is a concept no

A farmer irrigating his field in the Sacaba valley in Bolivia

[3] The World Bank (2008): Agriculture for Development, World Development Report 2008

longer supported in precisely this form today due to the ecological effects. These older projects aiming at developing agricultural production include the Betsiboka rice project in Madagascar, which was designed at the beginning of the 1980s and, after several phases, evaluated in 2004 with a rating of 5 (clearly inadequate). The primary goal was to increase the yield from government-owned areas with large irrigation perimeters. It was ultimately not achieved due to the collapse of the state executing agency. Yet even in the case of the Betsiboka rice project, increasing the income of rice farmers is named as an overarching goal. For projects designed later, one thing can be said almost without exception: securing or improving the livelihoods of poor small-scale farmers is the centre of focus, regardless of whether the agriculture projects are in Dogon region in Mali, the Rio Checua region in Colombia or the Indian state of Maharashtra.

In addition to the main priority of fighting poverty among small-scale farmers, there are often connections to the conservation of natural resources like soil, water or biodiversity, for example when small-scale farmers' barren agricultural areas are threatened by erosion. In Maharashtra, for instance, funding has been put towards reforestation, small embankments offering protection against erosion, water-retention basins and hydraulic engineering measures. The project was successful in the sense that the production bases for agriculture and forestry were secured for the farmers living there (grade 2). Water resources improved, the irreversible degradation of important cultivation areas was reduced and the population's income from agricultural production increased significantly. Successful integration in the local community and participatory planning were among the success factors identified. However, neither this nor the other projects with small-scale farmers as the target group were geared towards modernising agriculture as an engine of rural economic development or towards food sovereignty for the entire country, and they likely would have failed in this regard.

This can be said even for the promotion of the irrigation landscape on the eastern and south-eastern slopes of Mount Kenya, although this project is claimed to be representative of the future role model in agriculture. A new design feature compared to the projects mentioned above is to be found in the choice of project location, in that Mount Kenya is considered a true "prime location". The owners are regarded as more motivated and active farmers than average, and they have long had a tradition of irrigation. The project approach on Mount Kenya to some extent departs from the promotion of especially poor farmers in barren areas. In return, it is becoming more important to increase productivity by specialising in the cultivation of cash crops for the market. Yet not even this project goes far enough to primarily develop Kenyan agriculture that produces food and other agricultural products for supra-regional markets, thus contributing to more employment and income. The entirety of the promoted areas under cultivation is too small and the marketing structures are too unprofessional to achieve this. In that respect, most of the success in Kenya was seen in an increase in agricultural yields, which directly improved the living conditions of the farmers; it is (only) in this sense that the promotion was successful (ratings of 2 and 3).

### Agricultural development – other approaches needed

FC projects aimed at promoting agriculture mainly focus on direct reduction of poverty; and measured against this objective many of them have been successful (to the extent their planning was adapted to the local context). Given the international community's focus on the goal of halving extreme poverty by 2015, these projects' focus makes perfect sense and deserves full support. However, if an agricultural development project does not promote poor smallholders who live off their fields – the image that we presented as typical for DC in the agricultural sector at the start – this is not a wrong decision, per se.

It is rather a decision for another likewise relevant development goal: sustainable rural economic development with agriculture as the driver behind it. If this is to be promoted, it will be necessary to focus on areas with high yields and readily marketable products. This is not automatically going along with a direct reduction of poverty, however; poverty reduction is expected to come about indirectly, namely through new jobs, also in upstream and downstream industries, as well as through higher proceeds from local, regional or even international marketing and higher tax income, which can be used to finance improved social services. Several FC projects of this type are currently in operation, but there are almost no evaluation results available yet. Just a single evaluation of a project in Moldova fits in this category. A technical service station including its outfit with agricultural machinery was financed in cooperation with a major German sugar producer. The project's objective was to support the transition to more capital-intensive production methods in the cultivation of sugar beet. Small-scale sugar beet farmers in Moldova would likely have preferred less capital-intensive methods, but this only would have delayed the death of these kinds of enterprises at best. At the start of the project there were several thousand small-scale farmers in beet cultivation, most of whom worked manually. Today beet cultivation

Agricultural irrigation and erosion prevention – an FC project in rural India

An FC-financed irrigation project helps boost yields in Mali's Dogon region.

in Moldova is limited to roughly 120 larger, mechanised operations. But at least the jobs were maintained here, since these farms were able to keep up with international competition. The development from a fragmented agricultural structure characterised by small-scale farms into larger-scale and largely mechanised agriculture seems almost inevitable. When looking back into history, this seems to be the usual pattern of transition to modern agriculture in industrialised states.

### Structural change and productivity increase – also a DC task

However, the question is raised as to whether the development of production-intensive agriculture is a task of DC or if this is better left to commercial investors. The aforementioned evaluation in Moldova comes to the conclusion that the same developments could likely have been brought about by purely private sector players and thus would have materialised without FC funding, hence the rating of a mere 3 (satisfactory). Yet it is highly improbable that waiting for the private sector to bring about change is an appropriate approach everywhere. The highest land reserves and greatest potentials for increasing agricultural productivity are in sub-Saharan Africa, namely in regions virtually untapped by commercial investors. DC is able to help pave the way here.

There is another reason favouring involvement by DC. Massive production increases in agriculture and direct alleviation of poverty among small-scale farmers can seldom be successfully targeted at the same time with the same intervention. However, this does not mean that projects geared towards boosting productivity and structural change can set the interests of small-scale farmers aside. They must always be taken into account by means of a "do no harm approach". To give just one example, traditional land rights must be respected and land grabbing must be prevented. Ensuring that DC and other international donors take on responsibility, regardless of the instrument used in doing so, offers reliable support for the national government's task of protecting basic rights.

The message in this section can be summed up as follows: not all development goals of agricultural projects can be achieved at the same time using identical project approaches. Sustainable productivity increases aimed at reducing the poverty of small-scale farmers have been the predominant objective of agriculture projects in the recent past. This should not be confused with approaches aiming at the development of rural economies, contributing to structural change, adding new jobs in new industries and increasing the added value in rural areas or securing the future of global nutrition. A decision often has to be made when designing a project as to whether it should promote agriculture as an engine of rural development or as a means to directly alleviate poverty of small-scale farmers.

Harvesting machines before being used to harvest sugar beet in the Republic of Moldova

# Conflicting priorities 2: protecting natural habitats and improving livelihoods

When ever larger fields and plantations drive on structural change in rural areas and ever greater numbers of roads and settlements cut through the land, natural habitats are jeopardised at the same time. According to an FAO estimate, 13 million hectares of forest are lost every year. These include areas that are home to an irretrievable wealth of biodiversity or play especially important roles in climate protection.

### Resource conservation, climate protection and more

Fragile mountain forests in Ecuador, tropical rainforests in Brazil and the unique natural habitat of the rainforest zone in Guinea – for decades FC has financed projects aimed at protecting biodiversity and the climate in globally significant natural habitats under imminent threat: population growth, logging, mining, the conversion of natural forests into areas with profitable agriculture and forestry.

Protecting these areas alone would be an immense challenge, as forest administrations and responsible ministries have weak personnel and financial capacities and the concept of environmental management is still a fresh one for some of our partner countries. In addition, the pressure to make economic use of natural resources is constantly rising. Some of the projects, however, impose even more challenging goals. This is illustrated by a project from the tropical forest zone in Guinea evaluated in 2010. It was intended not just to "protect and manage forest and rural resources in a sustainable manner", but also to contribute to "improved natural livelihoods for the local population". This is similar to FC projects geared towards supporting nature parks. The objective of a protected area project in Malawi evaluated in 2008, for example, was not only to contribute to the sustainable protection of the Nyika National Park and Vwaza Marsh Wildlife Reserve, but also to improve the living conditions of the local populations there.

The importance of the ecosystems is the primary reason to implement the projects, but merely protecting these systems would ignore the people living there, many of whom are frequently among the especially poor population groups. But is there a future for these people and their way of life? Can both targets find common ground?

### Success stories – at least for the duration of the projects

In spite of all the prophecies of doom, some model projects were able both to protect natural habitats and maintain or even improve the living conditions of the people in those areas, by making it possible to use the fauna and flora in a sustainable manner. One example is a project in Brazil; as part of an international pilot programme aimed at preserving tropical forests, the project also managed to secure land rights for indigenous people (grade 2). The project's objective was to protect the forests and secure the livelihoods of the indigenous people living there. It is not easy to document the preservation of a forest. Together with AidData[4], a US American research initiative to use data for better DC evaluations, the technology of geocoded data is now being used for monitoring and evaluation. The first satellite images offer up good news – the tropical forest in the areas where indigenous people hold the land rights appears to be unaffected. If the project proves successful in the long run, it will be for one simple reason: the interests of the indigenous people coincide with the protection of the forest. The forest provides the basis for their livelihoods. The indigenous people are not local residents for whom cultivating the forest has to be made consistent with forest conservation.

Preserving nature and improving livelihoods at the same time was much tougher, however, for projects in which the residents' way of life was not seamlessly matched with the goals of protecting natural resources and biodiversity.

Indigenous peoples in Brazil, the target group of an FC project for the demarcation of indigenous territories: preserving the rainforest is in their interest

[4] The research initiative at the College of William & Mary publishes geocoded data on development finance and conducts research on the targeting, coordination and evaluation of development assistance. More information: http://aiddata.org

As seen already in a cross-sectional analysis in our 12th Evaluation Report on FC funding of nature conservation parks, promoting nature conservation, on the one hand, and better living conditions for residents, on the other hand, was not easily achieved in any of the examples looked into at that time. An exceptional case is the Bwabwata Mudumu Mamili Park in Namibia, which was showcased as an example of a very successful project recently evaluated in the first chapter of this report. A forest conservation project in Ecuador was still fairly successful. It showed that it is at least sometimes possible for the local communities to manage protected forests and neighbouring buffer zones (grade 3). Reliable alliances with a variety of players are an indispensable component of promising approaches.

A female gamekeeper educates the people of north-east Namibia about Bwabwata National Park.

### Beyond pilot projects?

The ultimate goal when promoting the conservation of natural habitats is to preserve "public goods" deemed important from a global perspective, such as biodiversity and the climate. These kinds of projects are rarely considered highly significant from the perspective of FC's partner countries. At times the goals of these projects are even thwarted by opposing influences from other interest groups, occasionally backed by political forces. The Ecuadorian government formally supported a national system for natural conservation areas and offered landowners incentives to conserve their forest. Once the project came to an end, however, the ministry for the environment took on little responsibility. When yet another important player in environmental protection went bankrupt, foresters were no longer paid, forest committees no longer assembled and the initial achievements of the project were lost. Even the pressure on indigenous land in Brazil is growing. A government "growth acceleration programme" places clear priority on agricultural productivity and economic usage. It still remains to be seen whether the now strengthened organisation of indigenous peoples is able to offer some counterbalance here. In Guinea, no real support among residents was mobilised for key aspects of actual natural resource management. The unstable local conditions and lack of interest on the part of the responsible authorities also played a role in the fact that, in the end, natural habitats were not effectively protected, nor was poverty reduced (grade 4).

### Recognising conflicting priorities as the first step towards a solution

Those active in DC should be aware that they may succeed in creating successful model projects addressing concerns of nature preservation and poverty at the same time. Whether nature conservation can be successful in the long run, however, mostly depends on national policies being credibly able to address this issue. The local residents themselves, who are often poor and marginalised, will not be able to tackle this problem alone, even on the rare occasions when it is in their best interest. As for all other residents of the areas worth protecting, it appears as though other approaches will have to be sought to improve living conditions on a sustainable basis. And this will require considerable use of funds.

These kinds of new approaches are already being tried out, for example with "payments for environmental services", meaning payments made to locals to care for their forest. The evaluation results from 2014 for the pioneer project in Huetar Norte, Costa Rica, sound promising (grade 2). However, financing has to be secured on a permanent basis for these kinds of programmes if sustainable effects are to be generated in endangered natural habitats, and the amount of funding will have to make preserving the habitat the best possible alternative for the owners.

In the case of other projects, such as the promotion of protected areas in Peru (grade 2) and Brazil (grade 1), which were evaluated in 2010 and 2011, it was clear that the priority was on protecting the resources. As the evaluation report on the protection of the rainforest in Minas Gerais, Brazil, states, putting the emphasis on nature preservation can even result in losses of income for some residents, such as small-scale timber producers. This eans that "creating sustainable alternative livelihoods, particularly for the poorer communities in the north of the country is an urgent challenge that the state government is increasingly seeking to address by introducing and pursuing well-targeted regional development strategies." As the evaluation rating illustrates, this open-minded approach to handling conflicting priorities does not have a negative impact on the performance rating. If the preservation of resources works, other instruments have to be identified to fight poverty. The evaluation report on Brazil is not the only reference to this; the following sections on the promotion of rural infrastructure – our third type of project – also address it.

Recognising when there are conflicting goals of resource conservation and promoting the local population are the first steps to tailoring approaches to one problem or the other wherever possible while trying to secure sufficient funds to address both problems – with different projects.

# Conflicting priorities 3: high costs require a clear commitment to reducing rural poverty

The building of infrastructure, which makes up the bulk of projects in the evaluation portfolio identified as "rural", directly helps improve the living conditions of people in the countryside, where the majority of the poor live. However, sparsely populated regions and weak organisational structures make reaching people in rural regions with FC measures expensive. Does the imperative to deal efficiently with development budgets suggest concentrating on poor people in the city?

### Developing rural areas is expensive, but is proving effective

It is when suitable project designs are used and the necessary costs are born that noticeable impacts benefiting poor people in rural areas are generated. For the first time, remote villages are getting access to health units. Modernised water supply makes the human right to clean drinking water a reality and is helping women in particular by reducing their workload of water transport. Rural projects are able to reach marginalised groups, be they indigenous people in Latin America or ethnic minorities in Asia, and DC projects can open up new prospects for these people.

However, bringing about these changes to the better is very expensive in remote areas. FC promotes rural development in some of the countries with the lowest population densities in the world. Countries such as Mongolia, Namibia and Mauritania have a mere 2–3 residents per km². As a comparison, Germany has 226 (as at 2014). Supplying infrastructure to people in more sparsely populated areas quickly becomes costly. The locations are often many hundreds of kilometres from the capital. Project management and transport costs are correspondingly high. This means that connections to a power grid or road connections per resident are much more expensive than in the city. A study by the World Bank shows that a private water line in a sparsely populated area can cost more than ten times as much per person as in major cities, and even a water tap at a covered well costs on average a good three times as much in the countries examined.[5] These results were confirmed in an analysis of 133 evaluated FC water projects: assuming comparable quality, the costs per user were statistically significantly higher in the countryside.[6]

### "Costs per beneficiary" – an efficiency benchmark with shortcomings

Against this backdrop, is it inefficient to improve the living conditions of poor people in the countryside as long as there are still less expensive possibilities to reduce poverty in urban areas? The answer is a clear "no". Assessing the impact efficiency, meaning the ratio of outcomes and impacts generated to the inputs, depends on more than just the volume of the infrastructure provided with the funds available, for example the

Bangladesh: A man on his way to market finds the going tough.

Mali: Villages in the Dogon region gain access to clean drinking water and health provisioning.

[5] The World Bank (2011): Africa's water and sanitation infrastructure: access, affordability and alternatives

[6] Result of an analysis by Laura Metzger, ETH Zurich, Center for Development and Cooperation (NADEL), based on KfW data

number of water connections or classrooms. Aiming for the lowest cost per user is a misleading guideline to efficiency. Instead, development policy should aim for the highest-possible development benefit per unit of available funds.

In the countryside, where poverty is especially dominant and projects can frequently reach out to disadvantaged groups, the target group can derive far more benefits from new infrastructure than in cities, where the supply and service rate are already much higher. In this respect, a clear commitment to the fight against poverty in rural areas is needed despite the high costs, especially when there is a high urban-rural divide. Nonetheless, customised solutions must be sought out in rural areas to deal with the problems in less densely populated regions as well as to keep costs in reasonable perspectives.

Even if the evaluation benchmark of impact efficiency does not automatically prioritise the poor in the city as the target group of FC, there is still a conflict between the high costs and the desire to reach a large number of people. Up to now, attempts have been made to confront this conflict with concepts adapted to rural areas, but as the following examples show, the success in doing so is limited if the quality of access to infrastructure or the standard of services is supposed to be equal in both the city and the countryside.

### User groups: a maintenance concept with limits

Rural and urban infrastructure projects usually differ considerably in the maintenance concept. Far away from urban centres, the responsible authorities are often weak in terms of their financial and organisational capacities. Where national maintenance concepts exist, the priorities are usually not on rural areas, e. g. the national road usually gets new asphalt before the rural road network is maintained. FC's most frequent answer to this foreseeable risk to the sustainability of impacts is to mobilise the people who stand to benefit to take on self-responsibility. Village committees set up for the maintenance of nearby dirt and gravel roads, water committees for the operation and maintenance of the modernised source of drinking water from a closed borehole using a hand pump, parent committees for the maintenance of rural schools – routine maintenance of rural infrastructure is shifted to user groups.

The watering hole in the proximity of Abomey in Benin is also a place for social interaction.


Laos: "Love your nation, maintain the roads" – a patriotic appeal for maintenance of the road network

The sheer number of committees alone suggests that the concept has its limits. Evaluations time and again show that user groups that were established when the infrastructure was built are now collapsing or are merely rudimentary. Examples are found in the Guatemalan provinces of Baja and Alta Verapaz, where a number of user committees for rural water supply had already disbanded or the knowledge of sitting committees was not sufficiently passed on to subsequent members. The committees almost always function differently than had been intended. One example: using the fee charged by urban water works as a role model, rural water committees are instructed to regularly collect money from the users and keep it on an account for repairs. Not one evaluation showed this kind of system to be functional. Sometimes there was money on the account, sometimes not. There were almost never any regular payments, only spontaneous collections any time a spare part actually had to be purchased. Yet the sustainability of the projects was rarely ever questioned in full. The reason is that school buildings, water boreholes with pumps, etc. are generally built with extremely robust and low-maintenance quality, so they were found to be up to 80 to 100 per cent functional in almost all evaluations, even ten years after construction. One example is seen in the Palestinian Territories, where especially stable and low-maintenance materials were used to build schools.

However, rural infrastructure threatens to outgrow the user group concept due to more sophisticated technology. The wishes of the people in the countryside are starting to more closely resemble those of city dwellers: a water connection in the house, a paved road outside the


India: FC-financed ambulances in the Bankura district of West Bengal bring help more quickly.


Brazil: Connection to the modern world, even from an indigenous village

door, a nearby school and a health unit. This is understandable, and the trend towards more advanced solutions cannot be halted. In some places, such as in the rural regions of Morocco not too far from cities, almost all households have piped water connections in their dwellings. Users no longer accept anything less. In many developing countries, however, there are still large rural areas and a number of sectors where more sophisticated technological solutions would be prohibitively expensive or cannot be realised for lack of functional maintenance solutions. What kinds of concepts can FC offer here to bridge the urban-rural gap?

### Physical infrastructure – it depends on the location and mobility

If not every village can have a health unit or a school, access has to be ensured another way. One solution is to bring the infrastructure to the user, for example in the form of an ambulance or even a mobile test station or mobile clinic. Such a mobile solution was sought in Zambia where FC financed mobile HIV test stations. These had already performed 30 per cent of all the country's tests at the time of evaluation that rewarded the achievements of the project with a grade 2 (good results). An alternative to mobile infrastructure is a solution which works the other way around: users come to the infrastructure, for example students reach secondary schools with the help of public transport or pregnant women get to the clinic using a special taxi voucher, as in India.

Regardless of who is on the move, transport routes, especially roads, play a key role in these types of solutions. They are extremely significant not only when it comes to accessing social infrastructure, but also in terms of supporting economic development. Agricultural produce that goes beyond own subsistence needs can literally only be brought to the market – be it urban markets or even export markets – if these markets are physically accessible.

The evaluation of a project for the expansion of roads and markets in rural Bangladesh showed that sales at the markets rose, but the expanded roads also allowed for a faster trip to the health station and children were able to attend their secondary school in the nearest town every day. In densely populated Bangladesh, social and economic goals easily find common ground in this project (grade 1). When budgets are limited and the region is sparsely populated, it often has to be asked whether rural roads mainly follow social or economic criteria and which standard should be used in expanding them. What kind of access does the village in Burkina Faso have to schools and health units? How many months per year is the Lao village completely cut off from the road network during the rainy season? These kinds of questions determine how rural routes to be rehabilitated are selected. The economic potential of the project region plays a subordinate role here. The standard of development is usually a gravel or earth road, the condition of which is often already heavily degraded at the time of the evaluation. Instead of having an earth road in front of the building, which after a relatively short time can only be travelled by bike or on foot, does it make more sense to have a paved road that is maintained nationally and ensures a connection to urban areas all year round, but passes the village at a distance of two to three kilometres?

The World Bank called for a discussion along these lines several years ago with a publication, which put the efficiency of rural road construction at the forefront. At least we should consider this kind of rethinking when it comes to connecting the rural regions[7].

### Compromises cannot be avoided – despite mobile and other innovative solutions

As good as optimised and in part mobile solutions may be in adapting physical infrastructure and transport options to the context of rural regions, the quality of services will often remain inferior to those available in the city. Mobile infrastructure such as an ambulance cannot be in several places at once. A road that school buses can drive on throughout the year cannot be built everywhere, meaning children will have to fall back on a boarding school solution – which FC also successfully supports, for example in India – instead of riding to a secondary school every day.

The future may hold better solutions. The invention of the mobile phone has impressively proved in the past how rural regions can suddenly be better supplied due to independence from fixed lines. Mobile banking or telemedicine solutions are based on this innovation. This benefits rural regions, although we are not yet able to illustrate this with evaluation results. Do transport and logistic solutions not dependent on roads, for example with drones, hold the secret to the next innovative advance?

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## Nomadic schools – a special type of mobile solution

The north of Mali is a very nomadic region. The nomads follow traditional routes to escape the usual stationary institutions of the villages and cities. The result is an extremely low literacy rate, even by Mali's standards. Children simply have no opportunity to go to school at a single location. A project with FC support in cooperation with Welthungerhilfe, a big German NGO, has found a solution: the school moves along with the nomads. More than 4,000 children have received an education from the more than 80 mobile schools, in which teachers follow along with the nomads.

The impact of these schools was actually intended to be measured using rigorous evaluation methods, with the help of a comparison of children's learning outcomes from mobile schools with those who have no access to schools. The evaluation planning experienced a setback when a military conflict broke out in northern Mali. The staff responsible for the school project was glad that the project was able to be implemented at all; a rigorous evaluation with a randomised placement of schools to create the most reliable division into target and control groups was simply impossible. Nonetheless, valuable information was obtained from a survey prior to the project, which showed very promising potential effects from this special type of mobile solution. The survey showed that education is deemed very valuable among nomadic parents, but the children and younger generation had fewer reading and writing skills than their parents' generation. This is an unusual and very alarming finding, even for a developing country. Without school, children were unable to learn properly unless they left their families and remained in the city. The moving schools now offer an alternative. The prerequisites for considerable impact are therefore especially good. All of the information that we have obtained from the region states that the schools are very well received.

[7] The World Bank (2009): Rural Road Investment Efficiency: Lessons from Burkina Faso, Cameroon and Uganda

# Outlook: Complex analyses, straightforward solutions

**Conflicting priorities will persist in development support for rural living spaces and natural habitats. The complexity of the "rural" challenge is highlighted when stressing the interdependence and interaction between "rural development" and the protection of biodiversity and climate, as we did in this analysis. Further, "the countryside" is not isolated from "the city", even if we have omitted to show this in our analysis for matters of simplification. Every project that has an impact on rural living spaces and natural habitats has to take this complexity into account. However, this does not mean that every project has to reflect the complexity in its system of goals and aim at solving all of the problems at the same time. Instead, a decision has to be made in each particular case as to which measures are appropriate for which goal?**

### Endure the tension of conflicting priorities

Our analysis began with three challenges: promoting agriculture as an engine of rural development and global nutrition security; protecting natural resources and the climate; and reducing poverty. It appeared as though FC had all the right answers prepared given the three types of project approaches set up for agriculture, nature conservation and rural infrastructure. A closer look, however, showed that the targets relegated to an individual project often go far beyond one of the three challenges. This is overstraining a number of projects. If one general conclusion can be reached, it is that conflicting priorities must be endured without insisting that all problems be addressed at the same time and that all fields of tension be resolved.

### Thinking spatially

Of course, the areas of conflict have to be considered as part of the project analysis, and not just the ones that were pointed out here. Our focus on "rural" might have fostered the illusion that rural living spaces and natural habitats are geographically clearly defined and separated from urban areas. The usual classification of projects as "urban" and "rural or natural habitat", which we have followed, is not well suited to address the complexity and interdependence between the city and the countryside. Cities supply rural regions with secondary schools, specialised health-care services, financial institutions and economic infrastructure. Cities are a reference point for farmers wishing to market their products. Between remote villages and central metropolises, there is a smooth transition of municipalities, district cities, medium-sized cities and peri-urban areas. The growing degree of mobility of the population and modernity of telecommunications means a closer interaction between city and countryside. Life in the city influences what people in the countryside want and need just as much as their decision to move to the city. Natural habitats are often easier to reach. This may pose a greater risk to irretrievable natural treasures, but at times it also makes protecting them easier, for example because income can be generated from nature parks. These kinds of interdependencies have to be kept in mind. Rural living spaces and natural habitats must be developed as part of an urbanising world. When designing development projects, this complexity also has to be considered, but without giving in to the temptation to add migration and urbanisation to the three areas of conflict already described "in the countryside".

### It's the portfolio, not the individual project

Complex analyses need to be followed by clear decisions. A single project cannot impact on all target dimensions, and if it does, this is more the exception than the rule. If an individual project consistently and exclusively increases productivity, it can certainly be the right approach as long as the "core problem" lies in deficits in the structural development of the rural economy and the rights of the local population are respected. An entirely different approach may be needed to promote smallholder structures or reduce poverty among subsistence farmers. And nature conservation does not always have to benefit the residents at the same time. There are justifications for all targets, but they do not have to be met with a single project. It ultimately depends on whether the interplay between all of the projects, programmes and strategies of the partner countries and the donors for a country's rural regions is coherent. The entire portfolio, rather than a single project, determines the prospects of a rural region and its people.

A banana market in Kenya – the destination for produce cultivated as part of an FC-financed irrigation project on Mount Kenya

# “Small-scale farmers have enormous potential – when the context is right”

**Increasing agricultural yields is a necessary part of feeding the growing global population. What role can small scale-farmers play in this? FC evaluation results give rise to some scepticism, even though the projects were geared more towards directly reducing poverty on the part of subsistence farmers and less towards food security. The FC Evaluation Unit’s findings are put to the test in the discussion with agricultural economist Joachim von Braun. He is familiar with and contributed to the research on food security and rural communities and he knows the reality faced by small-scale farmers around the globe as well. This makes him one of the most sought-out experts for development policy advice. Prof Dr Eva Terberger, Head of the FC Evaluation Unit, poses questions to Prof Dr Joachim von Braun.**

Prof Dr Joachim von Braun is an agricultural economist and Director of the Economic and Technological Change department at the University of Bonn’s Centre for Development Research (ZEF). He previously worked as Director General of the International Food Policy Research Institute in Washington, DC. He is Vice President of the NGO Welthungerhilfe and Chair of the German Federal Government’s Bioeconomy Council.

**Terberger:** Our evaluations suggest that approaches intended to reduce poverty among micro-scale farmers, even when they lead to high percentage rates of production increases on the farmers’ relatively small fields, are inadequate when the objective is to make significant contributions to food security…

**von Braun:** That’s something I’ll jump on right away and vehemently disagree with. Small-scale farmers have enormous potential. The discussion about food security should not simply be one about categories such as the big and the small. It’s not correct to suggest that investments in small-scale farmers are automatically less productive, because of smaller areas involved, than those of larger farms. I’m not just being optimistic or politically correct here; this is based on facts. The roughly 450 million smallholdings around the world make a considerable contribution to food security, and farms of less than two hectares produce the largest share of food in developing countries.

**Terberger:** Where are these small-scale farmers with potential to be found?

**von Braun:** Eighty per cent of small-scale farmers are in Asia. Let’s take a look at China. In the years following the economic reform of 1979, farms covering 0.4 hectares or less generated annual growth rates of six to eight per cent. This wasn’t just the key to success in the fight against hunger; it was also a crucial contribution to the general economic upturn. Today, African countries such as Ethiopia have similarly high rates of agricultural growth. Central America also has competitive small-scale farmers, for example in the western highlands of Guatemala. They are cultivating areas of less than half a hectare there – not just corn and beans for their own needs, but also high-value vegetables for export – and at the same time some household members typically earn additional income outside of agriculture.

**Terberger:** These kinds of “high value” harvests have to be sold. Accordingly, small-scale farmers with potential are able to reach the markets?

**von Braun:** Access to markets is a decisive success factor. Economic infrastructure, from financial and marketing institutions to roads and harbours, is extremely important in this regard. A lack of infrastructure is one of the main reasons why agricultural projects, not just from the FC, but also with other development partners such as the World Bank, fail more often than development support in other sectors. Investments in physical infrastructure, institutions and production do not stand alone; they have to be planned in an integrated way. Project designs should not take a narrow focus on increasing agricultural production while forgetting about the underlying essentials, from rural feeder roads to financing and marketing structures. Together with investments in agriculture, those in rural infrastructure are among the most productive approaches in development policy.

**Terberger:** Infrastructure is important, as our evaluations have also confirmed. But aren't there other requirements for the cultivation of profitable, high-value crops, such as good soil, that poor subsistence farmers often lack?
**von Braun:** This perception that the quality of the soil has anything to do with big and small is wrong. The lack of sustainable soil management leads to erosion, water shortages, soil salinity and nutrient deficiencies. Scientific studies, also here at ZEF, show that the land under cultivation of both large and small-scale farms is equally affected by these factors.

**Terberger:** But it's mainly large-scale operations that are responsible for over-exploitation. Don't small-scale farmers' methods of production preserve resources?
**von Braun:** No, that cannot be generalised. As confident as we are that small-scale farmers can play an important role in the future of agriculture, it's a misconception that we could better protect natural resources by abandoning large-scale mechanised agricultural farming and just stick to smallholdings. A rethink is needed here on the part of both, the large and the small operations.

**Terberger:** FC for example has had some success in combating soil erosion with subsistence farmers in Maharashtra, India. But success stories such as these are not enough to secure the natural resources needed for food production in the future.
**von Braun:** Sustainable soil use in subsistence farming is necessary, but it's not enough of a strategy for food security in a world that is becoming increasingly more urbanised. What needs to be done is boost productivity for all agricultural production factors using innovation. And this is best done within the scope of a sustainable bioeconomy.

**Terberger:** What do you mean by that?
**von Braun:** The definition offered by the Bioeconomy Council is a bit bulky: "knowledge-based production and use of biological resources to provide products, processes and services for all sectors of the economy within the framework of a sustainable economic system". For agriculture, this simply means that we have to use all our expertise to ensure that, with higher yields, farming is ecologically sustainable as well. The emphasis is on the use of knowledge, and that's not done just by going back to traditional cultivation methods.

**Terberger:** So not just infrastructure and fertile soil, but also knowledge as one of the fundamental pillars of agricultural production for food security?
**von Braun:** Yes, that's exactly what I'm getting at. Knowledge and therefore training are indispensable factors in innovation, also for smallholders. The millions of smallholdings are incredibly heterogeneous. We can roughly classify them by the quality of their natural resources and the state of their expertise. For those small-scale farmers with inadequate resources and very little knowledge and no opportunity for a change to the better, we should not focus on investments in agriculture as they need other support first. This group includes some poor

Morocco: The mechanisation of soil cultivation helps fully utilise yield potential.

subsistence farmers, which is where the FC evaluation results are focused. On the other hand, the group of small-scale farmers with good resource and innovation potential, that's who we should turn our efforts to and do everything we can to boost their agricultural productivity.

**Terberger:** What would that entail?
**von Braun:** The use of modern technology, including communication technology – key concepts such as price information by text message and e-farming come to mind here – and of course training in order to adequately take advantage of the technological progress. The potential that practical agricultural training yields is still used far too little in development cooperation. Instead of ever more agricultural advisory services expected to take effect overnight, a sound educational investment in the future of younger generations intending to earn their living through agriculture makes a lot more sense.

Successful agriculture in Ethiopia offers prospects for the younger generation as well.

**Terberger:** But will future young generations even live in the countryside? Isn't a migration into the cities more the anticipated trend?
**von Braun:** Not only is that anticipated, but this kind of structural change is necessary. But there are complex processes at work in urbanisation. City and the countryside are not separate worlds, but rather are closely intertwined. Urbanisation will be dominated by mid-sized towns and not, as many believe, by megacities such as Mexico City or Mumbai. Such mid-sized towns often work like oversized villages, for example in the Nile valley or Nigeria, and are inextricably linked to agriculture, and not just because small-scale farmers find their markets in the neighbouring cities. The earning potential in a town determines the opportunity costs for agriculture.

**Terberger:** What do you mean by that?
**von Braun:** Simply put, if agriculture fails to pay as well as comparable work found in a city, workers will migrate in the long run. The work found in agriculture therefore has to be more productive if it's to keep up with the city. For small-scale farms, the solution often initially lies in a combination of work found in the services or commercial sectors and continuing agriculture as additional income – as in my earlier example from Guatemala. This diversification of sources of income means a better spreading of risk. That's important when people have no insurance options. Over time, however, many places will see a structural change in the sense that micro-scale operations will give up and land will be sold or leased out. But that will take many years. The transformation of a farm landscape shaped by farm sizes of about one hectare each into an agricultural economy with average farm sizes of ten hectares takes approximately 45 years if we assume an annual relinquishment of five per cent of the one-hectare operations. It should also be noted that few countries have ever seen farm ownership change rates as high as five per cent per annum over a longer period of time.

**Terberger:** So there is a trend in the direction of large-scale farming after all, even if it takes a long time. Can foreign direct investment in the agricultural sector help with this structural change? In general, foreign direct investment is seen as a good thing in development policy, not least because of the transfer of knowledge, but the public has an entirely different perception of this when it comes to the agricultural sector.
**von Braun:** Foreign direct investment can be helpful in agriculture, especially in processing. But undesirable developments have to be prevented, for example excessive land acquisition by questionable means, also referred to as "land grabbing". To my mind, the first wave of this trend, which started around 2007, was and remains a huge problem. Countries have aimed to "secure" land at the expense of the target countries' residents. This is where the term "land grabbing" applies in the literal sense. The second wave, still going on, came about from commercial investors. There are cases of excess here as well, but there are also opportunities for the populations of partner countries in terms of new jobs in particular. We're currently seeing a third wave of land acquisition, which is again worrying: local elites expecting land and property to appreciate in value are acquiring mid-sized farms where land rights are not secured, sometimes at the expense of traditional users.

**Terberger:** That's alarming. What can we do to protect the native population, including the small-scale farmers?
**von Braun:** A lack of transparency abets the exploitation of superior institutional knowledge. Therefore, in addition to training, measures such as promoting transparency and protecting existing land rights have to be at the top of the agenda. One solution here is to establish land registry systems with reliable registers. The costs of land registers have fallen sharply thanks to IT.

›››› Anywhere that agriculture grows successfully, even young people are increasingly drawn to a future on the land.

**Terberger:** So clear, secured ownership rights for land and property would also curb the potential for conflict in commercial investments that come along with the promise of new jobs?
**von Braun:** That's often the case, but conflicts in agricultural investment don't just involve land. There are also disputes over who is able to take advantage of the new job opportunities. We saw this recently at a project site in Africa. The local population was upset because they had to compete with immigrants for the sought-after jobs created as a result of investment in agriculture, and they lost out.

**Terberger:** Immigration to a rural area, that's a new phenomenon.
**von Braun:** Anywhere that agriculture grows successfully, such as in Ethiopia, even young people are increasingly drawn to a future on the land, as our surveys have shown; we are seeing rural-to-rural migration to agricultural sites that are productive. Technology is also playing a role here, as it reduces city-urban disparities not only with regard to the productivity of labour, but in other respects as well. Modern forms of communication mean that a person in the countryside is no longer cut off from the world. There's more equality when it comes to accessing information as well as to political participation and the things that simply make life more enjoyable, such as music or cinema.

**Terberger:** The urban-to-rural relationship is changing. We sensed this in our evaluations, but are not yet able to sufficiently prove it. There's certainly a lot more to discover in research and evaluation. I've learned many new things from this discussion. When our discussion started off with what could almost be called a dissent about big and small, I never expected us to end up almost in perfect harmony. Thank you for the open and interesting discussion.
**von Braun:** My pleasure as well. Development cooperation including FC is facing new opportunities in agriculture. It's important to stay engaged in small-scale agriculture with a deep understanding of its diversity and dynamics.

Rich onion harvest for a smallholder in India

# Thematic Workshop

Ethiopia: Student at a vocational school – good training for a secure future

# Rigorous impact assessments yield exciting results

## But are not applicable at all times and in all places

**In addition to ex post evaluations, the second pillar of FZ E's range of activities is thematic work. Issues relating to the overall impact of projects, which have particular relevance to FC, are explored here, often employing more elaborate methods than those able to be used in standard ex post evaluations. "Do microloans contribute to over-indebtedness among households?" "Should free condoms be handed out to prevent HIV?" "What do we know about the effect on employment of promoting small enterprise?" The material found in this insight into our thematic workshop provides the answers. Three projects were selected, whose methods are especially sophisticated and at the same time illustrate that thematic impact assessments are no less colourful and exciting than ex post evaluations.**

### Sophisticated methods of impact assessment as a common feature

Despite the range of topics, the works selected here have one thing in common. Unlike standard ex post evaluations, which ultimately rely on fact-based expert judgements, all three of the projects presented here use methods that come close to the gold standard propagated for impact assessments. Inspiration for this is the pharmaceutical experiment in which the efficacy of a drug is measured by comparing a group of patients receiving the actual medication with a control group merely taking a placebo. The test subjects are randomly assigned to one of the groups and do not know whether they receive the actual medication or the placebo. This method of measurement cannot be applied directly to the actions of development cooperation (DC), partly due to the fact that there is no placebo within DC. Yet comparing the target group of a measure with the closest possible control group not affected by the measure is one prerequisite if the impact assessment is to be recognised as "rigorous".

### Absence of a control group harbours risk of false conclusions

Our first thematic example shows just how important a control group can be. The project was prompted by earlier work, also supported by FZ E, which did not have a control group. The older study[1] examined the over-indebtedness of microfinance customers in Ghana from the customer's perspective and classified 30 per cent of the more than 500 microfinance customers interviewed as over-indebted. This is an alarming message, which the public perceived as being linked to the granting of micro-loans. But is it possible that the financially precarious situations of those Ghanaian households surveyed were not simply a reflection of the poverty of typical microfinance customers, poverty not caused by micro-loans but perhaps even reduced by them? This is the question addressed by FZ E in the follow-up study on over-indebtedness, this time not in Ghana, but in Uganda's capital. The main difference to the Ghana study is that micro-loan customers are compared with other subjects appearing most suitable as a control group. The latter could not be established through the incorruptible random mechanism, as it is in experimental impact studies, but nevertheless by comparing borrowing households with those of a similar socioeconomic status that are without debt or indebted to anyone other than formal institutions (quasi-experimental study). The result of the comparison is that micro-loans are seen in an entirely different and much more positive light.

[1] See Schicks, J. (2011): Over-Indebtedness of Microborrowers in Ghana. An Empirical Study from a Customer Protection Perspective, Center for Financial Inclusion at Accion, Publication No. 15, Washington. See also: KfW Development Bank (2011): Measuring outcomes, assessing results, learning for the future. 11th Evaluation Report on Projects and Programmes in Developing Countries, pages 44 and 45.

Uganda: Micro-loans open up big opportunities for small entrepreneurs.

# Financial struggling is not a systematic result of microloans, but rather a symptom of poverty

## Loans from formal microfinance institutions help borrowers deal with financial burdens

**The demand for microfinance products continues, even though the microfinance approach is no longer considered a panacea when it comes to fighting poverty. While the value of savings options and payment transactions is undisputed in terms of development policy, micro-loans give rise to the concern that they might not only provide access to productive investments that increase a family's income but can also pave the way to a debt trap. FZ E together with researchers from the Swiss Federal Institute of Technology (Eidgenössisch Technische Hochschule, or ETH for short) in Zurich carried out research in Uganda to determine whether micro-loans contribute to over-indebtedness.**

How much debt can a household bear, and at what point is the line between debt and over-indebtedness crossed? Default rates reported by financial institutions offer limited insight into this. Once a loan is in default, it is generally too late; the customer and his or her family may have already had to make great sacrifices in order to pay back their loan. In terms of development policy, these sacrifices, which may include child labour, or foregoing food or medical treatment, entail a potential risk which needs to be addressed by all means. FZ E, together with the SMART campaign, a global campaign aimed at protecting microfinance customers, supported a 2010 study intended to assess over-indebtedness from the customer's perspective for the first time measured in terms of unreasonable hardship ("Sacrifices approach", Schicks 2011). More than 500 microfinance customers in Accra, Ghana were surveyed, and the results were shocking: almost a third credibly reported events that indicated pronounced financial difficulties (referred to as stress events, e.g. no money for medicine, cutting back on the quality of food, etc.) and, according to the study's definition, were classified as over-indebted. However, the study was not able to demonstrate a correlation between borrowing and the precarious financial situations of these households; the level of "over-indebtedness" measured by the victims' hardships may have had nothing to do with debt. Without a control group, it is impossible to draw a distinction between financial difficulties in general and over-indebtedness caused by borrowing from microfinance institutions.

In order to actually learn something about the relationship between micro-loans and over-indebtedness, FZ E teamed up with ETH Zurich (Isabel Günther and Joeri Smits) in 2013/14 to perform another study based on the sacrifices approach. The study[2] surveyed 1,500 households in Kampala, Uganda, about their debts (how much and with whom) as well as how often they were affected by various stress events. One difference from the previous study was that the interviewees were not exclusively indebted to formal microfinance institutions. Some had taken out loans with semi-formal (not regulated by the central bank) or informal institutions (e.g. money lenders) or they had no credit obligations whatsoever. These groups were thus able to be compared with one another, and the results were astonishing.

The findings of the 2010 study in Ghana were confirmed to the extent that a large portion of the population of Uganda, comprising typical microfinance customers, have also been suffering from a considerable amount of financial stress. A fifth of the households surveyed that had been affected by someone falling ill in the previous month stated that they did not have enough money to buy medicine. However, as soon as a distinction is made between the comparison groups, we can see that customers of semi-formal and informal sources of credit more frequently have to make serious cuts in their basic provisions in order to get by financially than do customers of formal microfinance institutions. When other household characteristics are also included in an econometric analysis, we even find that customers borrowing from formal microfinance institutions were not significantly more often affected by stress events than comparable households that had not taken out any loans.

The findings of the survey with comparison groups suggest that despite the number of households in Uganda that have financial problems, there is no reason to assume that borrowing from formal microfinance institutions systematically contributes to the over-indebtedness of households. On the contrary, a formal micro-loan is more advantageous than informal debt. Another important finding of the study is that a higher level of financial education offers a certain degree of protection against financial stress. Uganda is apparently well on track with the programme aimed at improving financial literacy[3], which has been supported by the country's central bank since 2013 and has also received the support of formal financial institutions.

[2] Gietzen, T.; Günther, I.; Smits, J.; Terberger, E. (2014): Financial Struggling in Uganda: Who struggles more and why?, https://www.kfw-entwicklungsbank.de/PDF/Evaluierung/Themenbezogene-Evaluierungen/Nr2_Financial_Struggling_in_Uganda.pdf

[3] See Bank of Uganda (2013): Strategy for Financial Literacy in Uganda, https://www.bou.or.ug/opencms/bou/bou-downloads/Financial_Inclusion/Strategy-for-Financial-Literacy-in-Uganda_August-2013.pdf

### Rigorous impact assessment answers questions related to operational issues

The second example of our thematic evaluation work illustrates how questions related to operational issues are answered with experimental impact assessment; this is a strength of the methodology which did not become apparent in FZ E's past attempts to rigorously measure impact. In keeping with the tradition of ex post evaluations, the aim at that time was to measure the effect of completed projects. Compared to our high expectations of the additional knowledge gained, however, the results were rather disappointing. The lessons learnt for FZ E: even rigorous impact assessments are not lab experiments; for ex post assessments of effectiveness and impact these methods are only suitable to a limited extent; and they do not work at all when aiming at impact measurement of big infrastructure FC projects such as the promotion of a power plant or a nation wide land registry, given that these kinds of projects do not have a specific target group and neither can control groups be identified. The following example from our thematic work in the health-care sector paints an entirely different picture of the usefulness of rigorous methods. It fully accentuates the strengths of rigorous impact assessment ex ante as a valuable information source for project design. A random experiment can be used to answer questions arising from projects with a direct impact on the target group, which are relevant to operational issues. In this case, the question answered pertains to the role of price in marketing condoms.

### Employment effects: meta-analysis reveals knowledge gaps

The third example from our thematic work ventures into methodological terrain that FZ E has entered for the first time with the study to be presented: the meta-analysis of a number of individual rigorous impact assessments of similar types of intervention, also known as a systematic review. Turning back to the comparison with medicine, a single test series does not provide sufficient evidence of a medication's efficacy. Only when the experiment has been repeated several times and in different contexts and the results show similar trends can we be convinced of the

# HIV prevention and the price of condoms

## Lower prices increase sales and prevention – a valid statement for social marketing brands

**A number of social marketing projects around the globe have demonstrated that condoms, as an important means of preventing HIV/AIDS, can be sold even when they are handed out for free at public clinics. The market price of commercial condom brands is out of the reach of poor parts of the population in developing countries, but if condoms are sold privately at subsidised prices, they can reach people other than those served by the public health-care system for free. This is the general rationale of promoting social marketing projects intended to prevent HIV/AIDS. But how high can the price be before the goal of the broadest possible use of condoms is negatively impacted? Hardly anything is known about it. In an effort to change this, Sarah Nohr (FZ E) in cooperation with David Seidenfeld (American Institutes for Research)[4] conducted a field experiment in Zambia, a country in sub-Saharan Africa hit especially hard by HIV/AIDS.**

In a remote area still completely untouched by social marketing, where condoms could only be obtained – for free – in the five far-flung public clinics, a new condom sales programme was set up with the help of a local non-governmental organisation. The sales programme ran temporarily for four months as it was part of an experiment. The condoms were sold by nearly 120 community health

Meeting the highest methodological standards – a random draw of condom prices

workers, each located in one of the surrounding villages in the five catchment areas of the clinics. The methodological subtlety of the pilot sale meant that every one of these points of sale was randomly assigned one of three prices. The highest price was the same as the subsidised price in the city. The result was three groups of points of sale (high, medium and low price) for which the sales (effect) could be compared. Given that the price was assigned randomly, statistically the groups differed systematically only in terms of the price. This made them suitable as mutual comparison groups.

The experimental sales programme supported what has been seen with many other social marketing projects: condoms are purchased even when they are also offered at clinics for free. This may be because of the time saved by not having to travel far to a clinic, because it ensures the purchaser more privacy, or because there is a risk that stocks at the clinic will have run out. Much more important, however, is the result of the random experiment. Halving the in any case already subsidised price nearly doubled sales. Despite the very low and extremely subsidised prices, demand was very sensitive to the price level.

The experiment and its results give reason to fundamentally reconsider the strategic mix when it comes to supporting the prevention of HIV/AIDS. Can we really accept the administrative costs of a social marketing agency, which are not inconsiderable, in order to be able to sell condoms at subsidised prices? Experience gained from numerous standard ex post evaluations over the last few years shows that sales proceeds are not nearly high enough to cover the recurrent costs of social marketing agencies. Social marketing needs permanent support in this area. Moreover, there are now indications – scientifically confirmed by the thematic work presented, since they were obtained by means of an experimental impact assessment – that small absolute price variations lead to relatively large changes in demand. Instead of selling condoms, is it not better to ensure that they are available for free at significantly more locations than just public clinics?

We do not have a conclusive answer to this question. There are arguments against free distribution. Selling condoms means there is an incentive not to waste them. In countries where it is difficult for the public health-care system to implement educational programmes due to religious or political resistance, private social marketing offers a clear additional benefit. Nonetheless, the results of the sales experiment give new reason to reconsider social marketing approaches, especially since rates of condom use in some countries are stagnating at dangerously low levels in spite of years and, in some cases, even decades of educational programmes carried out via social marketing agencies.

[4] See Nohr, S. (2014): Research with Immediate Impacts: Improving Access to Condoms in Rural Zambia – Report for the PEGNet Best Practice Award 2014, http://www.pegnet.ifw-kiel.de/event/conferences/conference2014/program-2014/full-paper/BPA_nohr.pdf

A rural area in Zambia with potential for better HIV prevention

efficacy. A systematic review re-examines the results of individual impact assessments from an overall perspective. Again, FZ E has cooperated with researchers in performing this methodologically challenging task, this time with Michael Grimm and Anna-Luisa Paffhausen from the University of Passau.[5]

### Rigorous impact assessments – only in select cases

The experiment looking at the influence of prices on demand for condoms underscores the strength of the rigorous impact assessment. Experience with the systematic review, in contrast, reinforces the suspicion already held from our initial experience with impact assessments: measurements based on a control group comparison and thus the systematic reviews based on those measurements, as rigorous as they may be, have a methodological bias, making them suitable to only a limited extent for typical FC measures (and perhaps the most effective ones for promoting employment). The most manageable and controllable environment possible is sought out for exact impact measurements, while an environment allowing for a broad impact is sought out for good FC measures.

For the time being, we have thus come to the following conclusion for the work done at FZ E: rigorous impact assessments and systematic reviews have their place as methodological tools in the thematic workshop. They are used whenever they are deemed helpful to answer our questions. Yet the method is determined by the question and not the other way around.

[5] Grimm, M.; Paffhausen, A.-L. (2014): Creating jobs in small businesses. Evidence from a systematic review. OECD Evaluation Insights, Number 9 May 2014. Grimm, M.; Paffhausen, A.-L. (2015): Do interventions targeted at micro-entrepreneurs and small and medium-sized firms create jobs? A systematic review of the evidence for low and middle income countries. Labour Economics 32 (2015): 67–85.

# Employment effects of promoting small enterprises

## Results of a systematic review on employment effects of DC measures

**What is the effect on employment of promoting small companies in developing countries? This question carries considerable weight in DC. However, not enough is known. The results chain of almost every measure in this area, whether it pertains to training and further education or promoting access to finance, assumes that improvements in companies' business situation and earnings position ultimately contribute to a rise in employment. However, ex post evaluations rarely go beyond plausibility checking when it comes to evidence of employment effects. A systematic review of the evidence from rigorous impact assessments around the world presents itself as a suitable instrument for drawing reliable conclusions regarding the employment effects of promoting small companies in developing countries.**

A systematic review already lives up to its name with its organisation of the search for sources, which might incorporate an impact assessment as to the employment effects of small company promotion. The search method is painstakingly recorded in a protocol prior to the search and scrutinised by a group of experts. Any deviation from the set strategy during implementation has to be documented. The research team in Passau took on the meticulous task of reducing the more than 2,000 hits in the search for matching key words in several languages and a number of literature databases, newspapers, websites, etc. to fewer than 150 sources, which actually dealt with the required topic. There were fewer than 50 studies remaining after the quality check showing whether employment effects from individual promotion measures were actually rigorously assessed using experimental or quasi-experimental methods. It is a staggeringly low yield when the significance of employment effects is considered.

The remaining results for the employment effects measured were a varied portfolio of diverse interventions, ranging from microfinance funding and training measures to voucher systems for new hires and the promotion of innovation. An overall view of these rather heterogeneous individual results had little in common with a meta-analysis of test series for a medication.

In light of this variety among the measures and assessments, it was not possible to make solid statements such as "this type of intervention for the benefit of small companies is more suitable for creating jobs than that one". There were some interesting findings, however, above all the realisation that far less concrete information about how small company promotion affects employment is known than was assumed. In addition, the reviews found and analysed show relatively little in the way of proven effects in the form of new jobs or the foundation of new companies, and a number of assessments identified no employment effects whatsoever. However, nearly all of the promotional measures reviewed had other goals, such as promoting women or training young people, which may have been easier to reach than the goal of creating jobs.

Nonetheless, just as the volume of evidence was rather disappointing, so were the demonstrated effects. This prompted FZ E to reflect on whether a systematic review was really the right instrument to address the question of employment effects. Rigorous impact assessments require a control group. Therefore, a

Employees at the construction site of a waste water project in Vietnam

systematic review of rigorous impact assessments can only cover measures directly impacting the target group, which allow a precise distinction to be drawn between who was promoted and who was not. These types of FC projects do not have to correspond to those deemed especially promising in terms of creating jobs. We followed up on this assertion. The literature was reviewed, this time not quite so systematically, and again in cooperation with Prof Michael Grimm. The review documented the employment effects of infrastructure measures in the transportation and in the energy sectors, i.e. of projects aimed at improving economic performance and creating new jobs, which often cannot be measured using a control group approach. Lo and behold, the employment effects reported in this review were actually far greater than those measured with the types of intervention that were available for a control group comparison and therefore held their own in the quality check of a systematic review.

# »» Results 2013/2014

Kenya: Employees of a cooperative check the coffee beans laid out on drying tables.

# A consistently high overall success rate

## Individual results, however, often just short of expectations

**What is the percentage of projects that are successful, and how high is the failure rate? KfW Development Bank's evaluations have been answering this question for 25 years, previously by grading all completed projects, and since 2007 using random sampling, which allows for conclusions to be drawn regarding all projects. Following this tradition, the 13th Evaluation Report continues to provide information on the overall success rate. In order to avoid misinterpretations, the success rate does not tell the whole story when it comes to the actual quality of Financial Cooperation (FC), as external factors also have an influence on whether a project succeeds or fails. In this regard, the environment in which FC has been operating in the last few years has, on the whole, become more difficult, as an increasing number of partner countries are characterised by fragility.**

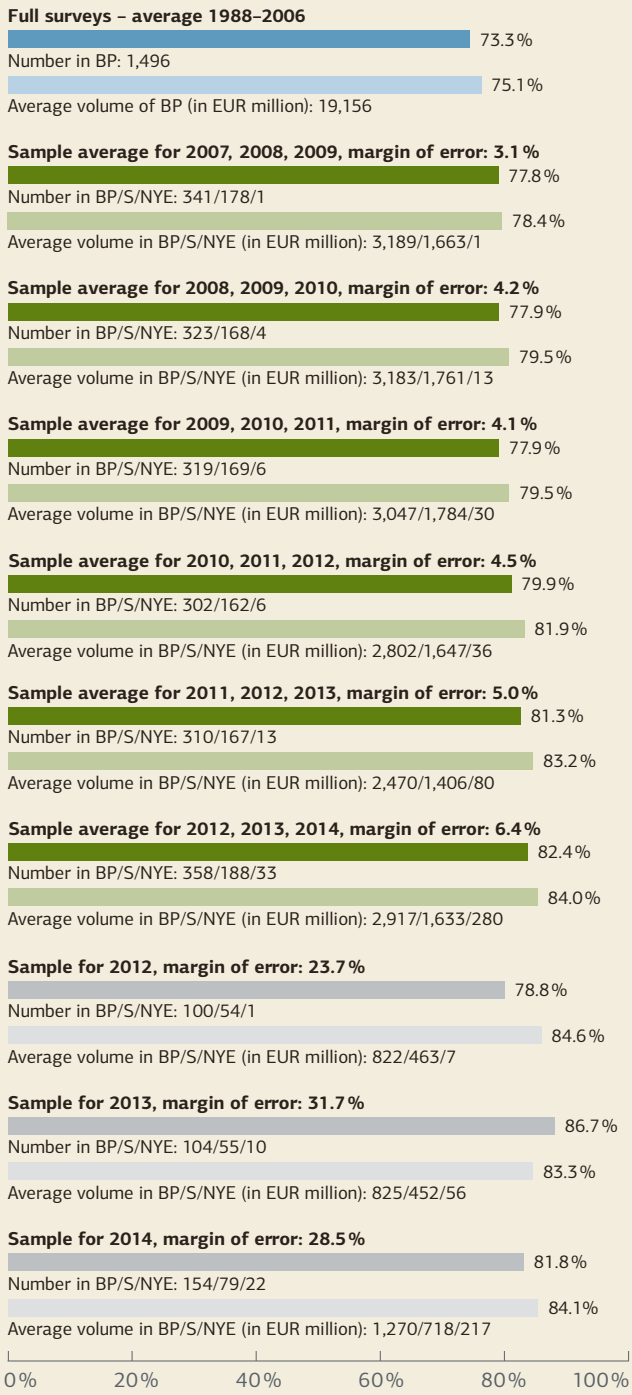
### The data

At the forefront of every evaluation is a qualified comparison of targets envisaged at project appraisal with the actual results that can be observed at the time of the evaluation. Unintended consequences, whether positive or negative, are also included in the evaluation. Each year, a sample is drawn comprising half of the completed projects and programmes from each sector, e.g. education, health care or energy. For 2013 and 2014, the grand total of completed projects was 104 and 154, respectively. A sample is drawn randomly from that pool to avoid biases. In the event of an odd number of projects in a sector, the evaluation looks at 50 per cent plus one project. Thus, the reporting period produced a sample of 55 projects for 2013 and 79 for 2014.

### Success rate estimate

Not all projects in the sample can be evaluated in the year they were selected. Some projects require a time-consuming collection of data in the field. Sometimes a project is evaluated together with other financing partners, which may require a longer planning and coordination process. In some cases the project locations are not accessible for safety or security reasons. This is currently the case in the Central African Republic, Yemen and eastern Ukraine, to give some examples. Pending evaluations are listed in the graph "Comparison of long-term success rates" on page 42, as well as the statistical error that – in part due to pending evaluation findings – the published success rates are subject to. Of the 79 projects included in the sample for the year 2014, evaluations of 57 projects had been completed up to the editorial deadline of this report and 22 evaluations were yet to be performed. This results in a high margin of error of 28.5 per cent for 2014. This margin is reduced with each additional completion of a single evaluation. However, even when all of the evaluations of a year's sample have been completed, the margin of error usually stays above a level of five per cent, the scientifically recognised benchmark for

## Comparison of long-term success rates




[1] The volume quoted here corresponds to the budget funds provided by BMZ. For some projects these are complemented by KfW's own funds, resulting in a higher total volume of promotion.

sufficient accuracy. This benchmark is met when a summary of three years is compiled. The margin of error for the three-year period of 2010–2012, for example is just 4.5 per cent, while the figure for the three-year period with the current results now stands at 6.4 per cent due to the fact that some individual evaluations are still missing.

### Success rate of over 80 per cent

For the samples from 2013 and 2014, 86.7 per cent and 81.8 per cent of projects respectively were successful while the figure for the current three-year period (2012–2014) is 82.4 per cent. An even higher value of 84.0 per cent is derived for the funding volume used in the three-year period based on the budget funds made available by the German Federal Ministry for Economic Cooperation and Development (BMZ). The figure is 84.8 per cent if weighted with the total FC funds used, including the BMZ funds plus KfW's own funds, which are made available as loans for some of the projects deemed suitable for this. The current results are slightly higher than past figures. A total of 33 evaluations from the last three years still have to be carried out, meaning these results are only preliminary.

A success rate of more than 80 per cent sounds like very good news, but it should be noted that all of the projects with a rating of 1, 2 or 3 are categorised as successful even though for projects with a score of 3 ("successful") the results actually achieved did not fully meet the original targets. The ratio of projects that have met or even exceeded expectations in the appraisal is just 40 per cent for 2013 and 2014.

# New insights into sectors and regions

## The individual project is important

**What lessons can be drawn from the 2013 and 2014 evaluations for Financial Cooperation (FC) in individual regions or sectors? Here, the interpretation of success rates makes limited sense because the low number of evaluations in individual areas does not allow a representative sample. We are more interested in trends and changes emerging in the individual sectors, as reflected in the individual projects.**

## Sectoral results

### Overview of evaluations by sector

In this section and the following illustration we will use not only the sample as material for our analysis, but all 150 projects evaluated in 2013 and 2014. These may originate from earlier samples in addition to those from 2013 and 2014, or they were pooled with the evaluated sample projects as a result of their proximity in terms of content and geography. All in all, these projects received EUR 1.537 billion worth of support, with budget funds from BMZ accounting for EUR 1.316 billion and EUR 221 billion coming from KfW's own funds. A detailed list of all evaluated projects can be found in the annex.

### Strong engagement in health-care

As in previous years, the "social infrastructure" sector also dominated the 2013/2014 reporting period (72 of 150 projects). One new trend is the large number of health-care projects (33). The majority of the projects evaluated were designed between 2000 and 2006. This was a phase in which BMZ was significantly expanding its work in the health-care sector, in view of the United Nations Millennium Declaration adopted in September 2000 with the aim of halving extreme poverty. Three of the eight sub-goals of the Millennium Declaration related to health-care.

The projects provided funding for health-care infrastructure, specifically hospitals and decentralised health units including medical equipment, in places such as India, Tanzania and the Indonesian province of Aceh (which was severely affected by the 2004 tsunami). Other health projects represented the German participation in programmes aimed at fighting polio in Nigeria and tuberculosis in Georgia, Armenia and Azerbaijan. Reproductive health was the main focus of the evaluated health-care projects, with fifteen individual projects in ten different countries. These include projects aimed at family planning through the supply of contraceptives, preventing HIV/AIDS by financing educational campaigns and the sale of subsidised condoms as well as programmes in which screenings for prenatal care and safer childbirth are promoted. Projects in this last category were classified as successful, with two exceptions (Albania and Guinea).

### Social marketing reaches its limits

The predominant idea behind the evaluated projects in the field of reproductive health is social marketing, in which contraceptives are marketed at subsidised prices through private distribution channels, which have been set up alongside the public health-care system. Despite the fact that most projects are still successful, the evaluations show that this concept is slowly reaching its limits. Contrary to what was originally hoped, income from the sale of subsidised contraceptives falls far short of the amount needed to cover the recurrent costs of social marketing agencies. The result is a continuous need for subsidies. Social marketing campaigns have also been increasingly disappointing


Uganda: Health service delivery has greatly improved.

## Sector results – performance by rating of projects evaluated in 2013/2014

| Sector | Number | Volume of funds* Budget funds | Volume of funds* Total funds | Rating | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 | 1–3 | 4 | 5 | 6 | 4–6 |
| **Social infrastructure** | **72** | **618.58** | **618.58** | **0** | **25** | **38** | **63** | **9** | **0** | **0** | **9** |
| – Education | 8 | 75.97 | 75.97 | 0 | 1 | 4 | **5** | 3 | 0 | 0 | **3** |
| – Health care | 18 | 150.61 | 150.61 | 0 | 5 | 10 | **15** | 3 | 0 | 0 | **3** |
| – Population policy and reproductive health | 15 | 74.01 | 74.01 | 0 | 4 | 9 | **13** | 2 | 0 | 0 | **2** |
| – Water supply and sanitation/waste management | 16 | 153.49 | 153.49 | 0 | 2 | 13 | **15** | 1 | 0 | 0 | **1** |
| – State and civil society | 10 | 132.87 | 132.87 | 0 | 9 | 1 | **10** | 0 | 0 | 0 | **0** |
| – Other social infrastructure and services | 5 | 31.63 | 31.63 | 0 | 4 | 1 | **5** | 0 | 0 | 0 | **0** |
| **Economic infrastructure** | **19** | **241.47** | **371.18** | **0** | **9** | **7** | **16** | **3** | **0** | **0** | **3** |
| – Transport | 15 | 206.97 | 256.12 | 0 | 8 | 4 | **12** | 3 | 0 | 0 | **3** |
| – Energy generation and supply | 4 | 34.50 | 115.06 | 0 | 1 | 3 | **4** | 0 | 0 | 0 | **0** |
| **Financial sector** | **19** | **168.22** | **259.36** | **2** | **5** | **4** | **11** | **5** | **3** | **0** | **8** |
| **Production sector** | **14** | **75.86** | **75.86** | **0** | **7** | **4** | **11** | **3** | **0** | **0** | **3** |
| – Agriculture, forestry and fisheries | 14 | 75.86 | 75.86 | 0 | 7 | 4 | **11** | 3 | 0 | 0 | **3** |
| **Cross-sectoral/structural assistance** | **26** | **212.36** | **212.36** | **1** | **8** | **11** | **20** | **6** | **0** | **0** | **6** |
| – General environmental protection | 3 | 30.43 | 30.43 | 1 | 1 | 1 | **3** | 0 | 0 | 0 | **0** |
| – Other multi-sectoral programmes | 10 | 55.21 | 55.21 | 0 | 3 | 4 | **7** | 3 | 0 | 0 | **3** |
| – Emergency aid | 3 | 43.52 | 43.52 | 0 | 2 | 1 | **3** | 0 | 0 | 0 | **0** |
| – General budget support | 10 | 83.20 | 83.20 | 0 | 2 | 5 | **7** | 3 | 0 | 0 | **3** |
| **Total** | **150** | **1,316.49** | **1,537.34** | **3** | **54** | **64** | **121** | **26** | **3** | **0** | **29** |

*In millions of EUR

in the last few years with regard to the objective of reaching additional strata of the population. One of the reasons for this is that the diseases condoms prevent have become less frightening as a result of new treatment methods such as antiretroviral drugs as a life-prolonging measure for AIDS patients. The result is a resurgence of risky sexual behaviour. Although most of the measures are still classified as satisfactory, the evaluation results suggest that the design of these kinds of projects and social marketing's relationship to the public health-care system should be reconsidered.

### Health indicators showing a positive trend

Despite results in social marketing that failed to meet expectations, overall engagement in the health-care sector was more successful than the average (85 per cent satisfactory or better). Aside from the two reproductive health projects classified as unsuccessful, there was only one other failure, namely a multi-phase programme jointly financed by several donors to support reforms in Tanzania's health-care sector. The health-care sectors in the partner countries undeniably benefited enormously from the Millennium Declaration overall. It mobilised considerable amounts of additional donor funds and brought increased attention to the health-care sector. The partner countries also invested more of their own resources in health-care and implemented sectoral reforms. Despite all of the measurable successes in the health-care sector, for example lowering maternal and infant mortality, containing polio and increasing vaccination rates, there are still major challenges. Examples include the establishment of comprehensive health-care provision, the ultimate eradication of polio or combating HIV.

### A mixed picture in education

FC's involvement in the education sector is traditionally rather limited. Of the eight projects evaluated, five were classified as successful. The focus here is on basic education, on the one hand, and vocational education, on the other. Success is not just measured by the number of classrooms provided, nor does it lie in the number of children who go to school. The learning outcomes are much more crucial. A typical benchmark of success in primary education, for example, is the number of students successfully completing primary school. When it comes to vocational training, an important indicator of success is the proportion of graduates able to find adequate employment in their own country after completing their education. Evaluations in the area of vocational training show that attempts to "export" the German system of dual vocational training (meaning the combination of practical training in a private enterprise and attendance of a public vocational school) to partner countries of development cooperation (DC) are often not entirely successful. Some of the typical flaws are a lack of interest and little involvement on the part of the private sector, training not sufficiently geared to the needs of the labour market, and insufficient quality or too much emphasis on theory in vocational schools. Our observations in large

Young women learn to be seamstresses in a vocational training project in Laos.

The construction of latrines in rural Nicaragua – an urgently needed improvement in hygiene for local residents

part coincide with a cross-sectional analysis of vocational education projects that was issued by GIZ[1]. It is interesting that the German controversial discussion about the increasingly academic nature of professional training is being paralleled in many developing and emerging countries. In these countries successful secondary school graduates show a strong preference for white collar jobs rather than blue collar jobs as industrial workers or craftsmen. As a result, well-performing and motivated graduates are attracted to universities, while practical vocational education suffers from a poor public image, rather unjustly in our view.

### Water sector: 15 of 16 projects successful

The projects pertaining to water supply and waste water disposal were mostly successful in the period under review. However, drinking water supply in rural areas, which generally comes from drilled wells and water kiosks as opposed to pipes and house connections, still faces the challenge of being exposed to the risk of contamination during transport and storage.

### Results in the financial sector marked by exceptional factors

The proportion of successful projects in the financial sector has fallen significantly in the last few years; the low point so far was reached in this reporting period, with nearly 40 per cent of the 19 projects evaluated being classified as unsuccessful. A bundle of three closely related projects is partially responsible for this, however. Each of these supported the same financial institution in the strategy of concentrating exclusively on rural financing, which has proved problematic in retrospect. In addition and beyond the random sample, we evaluated several credit guarantee funds in the period under review. These guarantee funds were located in various countries, but followed the same concept. They do not award loans of their own, but rather provide guarantees against default for loans granted by others – similarly to the German guarantee banks. It became apparent that credit guarantee funds, which safeguard loans from commercial banks to microfinance institutions, have flaws in their design, simply due to the fact that the risk diversification on which the concept of a guarantee fund is based is very limited when it comes to exclusively safeguarding loans to microfinance institutions in a single country. The positive results of an evaluation of a credit guarantee fund in the Palestinian Territories, which guarantees loans to small companies in this fragile context, came as a pleasant surprise. Given the very risky environment, the guarantees provided by the fund have helped boost lending from the banking sector to small and medium-sized enterprises.

[1] Gesellschaft für Internationale Zusammenarbeit (GIZ) (2012): Synthesis and meta-evaluation of vocational training; available at: https://www.giz.de/de/downloads/giz2011-de-synthesebericht-berufliche-bildung.pdf

Rural Laos: A family on their way to the market

### Transportation sector moving in the right direction

Economic infrastructure accounted for 19 evaluations, 15 of which pertained to transport projects and four to energy supply projects. The transportation sector comprised almost the entire spectrum, from harbours, ferries, rail and bridges to rural road construction. With just a few exceptions, the outcome here was positive. Traffic monitoring documents an intensive use of the infrastructure financed. The low number of energy projects evaluated is explained by the fact that energy supply was a focal area of DC in very few countries at the start of the 2000s. This only started to change in the middle of the decade, when climate protection considerations were increasingly integrated into DC.

### Reforestation: use and protection of resources

The "production sector" in FC is largely synonymous with "agriculture and forestry as well as the protection of natural resources", as industrial and mining projects receive FC funds – primarily being reserved for public partner institutions – only very rarely. The majority of the projects in the production sector typically have two objectives: on the one hand, they aim to increase the target group's income from agriculture or forestry, while on the other hand, the management of natural resources such as water, soil and forests is to be made more sustainable. The projects have generally not been carried out at attractive locations with regard to the agriculture or forestry. Instead, most measures were implemented in ecologically fragile locations and areas degraded due to overuse. Accordingly, emphasis was put on the protection of natural resources. The content of many of the evaluated projects came close to that of pure nature conservation projects, which according to the OECD's classification are not considered as belonging to the "production sector", but rather are classified as "multisectoral" environmental projects. This relationship is also seen in the success achieved: afforestation projects with a strong nature conservation component – such as pure nature conservation projects – were almost all successful, perhaps in part because the expectations regarding an increase in production were limited from the outset at degraded locations. Obtaining a precise assessment of the effect of projects aimed at stopping deforestation or slash-and-burn cultivation remains a challenge. Satellite images and geographic information systems will make this assessment both easier and better in the future.

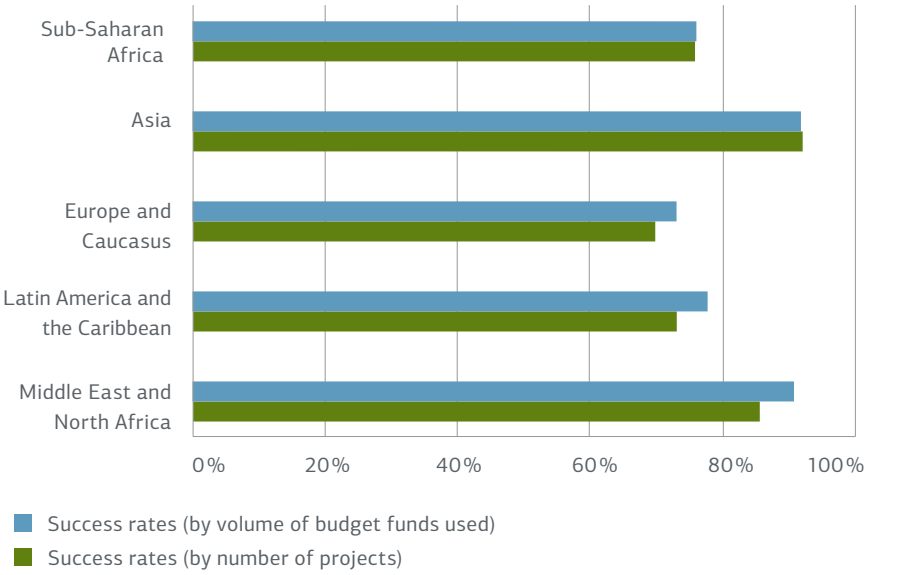
# Regional results

### Africa has made headway both quantitatively and qualitatively

The regional focus of the projects evaluated was in sub-Saharan Africa, with 77 of 150 projects, followed by Asia, Latin America, Europe and North Africa. With a time lag, evaluations reflect the decisions made by BMZ and the German Bundestag to reserve half of the bilateral budget funds for Africa. The result is that sub-Saharan Africa is increasingly shaping KfW's work as well as the success rates of FC.

One thing worth noting about the regional results is that sub-Saharan Africa ceased to be the poorest performing region, which was sub-Saharan Africa's rank pretty regularly during past years. With success rates of around 77 per cent of the projects evaluated, the region is just below the global average now. Sub-regionally speaking, the failures were concentrated in the Sahel region in particular (Mauritania, Chad) and individual West African countries (Côte d'Ivoire, Guinea).

**Regional success rates for projects evaluated in 2013/2014**




### Asia remains the top region despite projects in fragile contexts

With over 90 per cent of the evaluated projects having been classified as successful, Asia tops the list and is at a high level equal to that of 2011/2012. This is partly attributable to an entire series of reconstruction projects classified as successful following the 2004 tsunami in Indonesia and Sri Lanka. It may seem surprising at first glance that nine projects in Afghanistan were also rated as successful. The main message from the last evaluation report in 2013 confirmed that FC is capable of achieving results in fragile contexts, even in spite of the greater risks.

Goat farming in Albania

One would expect the favourable conditions in Europe and Latin America – higher per capita income, higher levels of education, stronger partner institutions – to also be reflected in a higher percentage of successful projects. In the period under review, however, this is overshadowed by a low number of evaluated projects, sectoral effects and individual outliers.

There are only seven evaluations for the region of North Africa and the Middle East. This is not enough to make any reliable statements. In two cases, the evaluators noted explicitly negative influences that the ripple effects of the Arab Spring have had on projects.

All in all, the results of FC across all regions and sectors can be considered as highly satisfactory.

# Annex

# Learning from experience

## The Evaluation Unit: internal yet still objective

As an administrative unit, KfW's Evaluation Unit (German acronym: FZ E) reports directly to the KfW Executive Board. It works independently of the operational country departments, which are responsible for planning and implementing the projects. For these evaluations, the unit draws on its own staff and commissions independent experts. These experts may be employees from KfW Development Bank's operational teams or independent specialists, but never individuals who themselves were involved with the evaluated project. Since 1990, findings of the evaluations have been published in a report and summarised using a success rate.

The German Institute for Development Evaluation (DEval), founded in 2012, has taken over the evaluation of country and sector strategies, policies and processes as well as the further development of evaluation methods, whereas the Evaluation Unit of KfW focuses on evaluating individual projects, the specific instruments of Financial Cooperation and institutional learning within KfW Development Bank.

Whether a project is successful or not is determined chiefly by asking the following questions: What has the project achieved for the people in the partner country? Has their situation improved on a sustainable basis? Three to five years after a project has been completed, the independent Evaluation Unit of KfW Development Bank therefore conducts an independent evaluation for roughly half of the projects completed. These ex post evaluations examine whether the goals were reached, the resources used efficiently, and whether the impacts proved sustainable.

The developmental efficacy of the projects is assessed using the five criteria of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), which are recognised as the international standard, and on the basis of a six-stage grading scale.

With its evaluations, KfW Development Bank not only gives an account of the success of the individual projects funded. Above all, the evaluations help the bank learn from the experience gained and constantly improve its work.

### Representative random samples replace full inventory assessments

Until 2006, all completed FC projects were evaluated (full inventory assessment), 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 ready for evaluation in a given year, the total survey population. Due to the significantly higher number of completed projects and programmes annually over time and a large sample size of more than 50 per cent, 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 a more profound analysis of particular interventions and themes.

### What works – and why?

Beyond individual projects, FZ E – often in cooperation with universities – undertakes evaluations on selected thematic areas in order to explore the context of particular results, specific sectoral questions or the appropriateness of certain development approaches. Rigorous statistical methods can be applied where appropriate. A database with results from currently some 2,400 ex post evaluations also permits cross-cutting analysis on various subjects.

### A great deal of value is placed on transparency

KfW provides up-to-date information on the origin, use and impact of its promotional funds by country, sector and project at https://www.kfw.de/microsites/Microsite/transparenz.kfw.de/en/. Summaries of all evaluation reports issued since 2002, categorised by country, can be found at: https://www.kfw-entwicklungsbank.de/Internationale-Finanzierung/KfW-Entwicklungsbank/Evaluierungen/Ergebnisse

# Assessments, benchmarks, standards

## Key criteria for ex post evaluations and rating scales

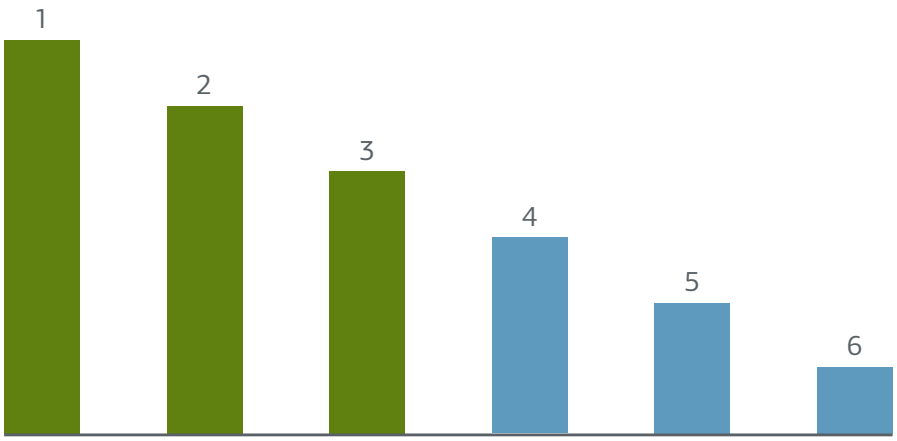
The ex post evaluation of an individual project is the final step in the project cycle of an FC intervention. All ex post evaluations have a standard methodological approach: actual project outcomes at the time of evaluation are systematically compared to the intended outcomes envisaged at the time of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

However, it may 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 cross-sectoral concepts of BMZ or the partner country as well as from current general development policy standards. In this sense, the "state of the art" is the 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. Grades of 1 to 3 indicate that the project is considered "successful", while grades of 4 to 6 indicate that it was "unsuccessful". Sustainability is rated on a four-point scale. The grades for the five key criteria are then combined using a project-specific weighting system to produce an overall grade. This overall grade indicates at a glance whether a project was successful or not, and how highly the success of the project is rated.

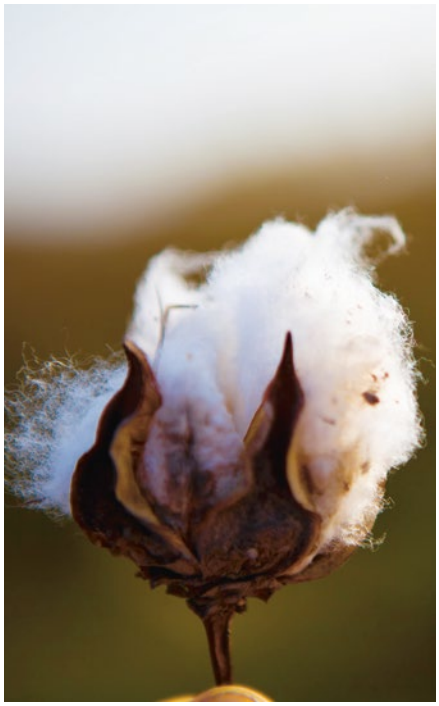
**Rating scale**




Successful Unsuccessful

(1) Very good (2) Good (3) Satisfactory (4) Unsatisfactory

(5) Clearly inadequate (6) The project is useless; the situation has worsened



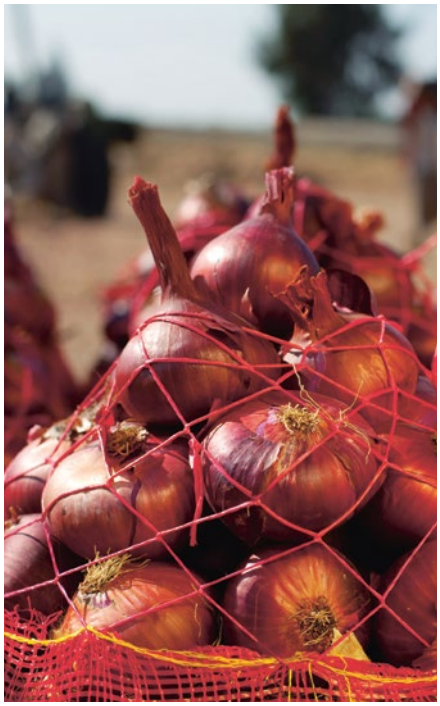
## Relevance – are we doing the right thing?

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"[1]. We therefore need to assess the extent to which the project focuses 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 BMZ and international standards (international agreements, Paris Declaration, etc.).

## 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, already in 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 per cent of water samples meet WHO standards. Acceptable standards have to be defined for predictable negative side effects. Unexpected effects are also included in the ex post evaluation.

[1] DAC Criteria for Evaluating Development Assistance, http://www.oecd.org/dac/evaluation/dcdndep/39119068.pdf



## 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 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 living conditions resulting from the modernised water supply, for instance 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 2013 and 2014

| Country | Project title | Rating | Budget funds (EUR million) | KfW's own funds (EUR million) |
|---|---|---|---|---|
| **Social Infrastructure – Education** | | | | |
| Afghanistan | National Basic Education Programme EQUIP II | 3 | 10.0 | - |
| | Contribution to the "National Basic Education Programme" (EQUIP) in connection with the ARTF | 3 | 18.0 | - |
| | National Basic Education Programme EQUIP II | 3 | 10.0 | - |
| Côte d'Ivoire | Primary and Secondary Schools in Bas-Sassandra | 4 | 16.3 | - |
| Laos | Vocational Training | 4 | 4.5 | - |
| | Vocational Training, Phase II | 4 | 4.0 | - |
| Mozambique | Promotion of Basic Education/Parallel Financing ESSP | 2 | 8.0 | - |
| Niger | Primary Education II | 3 | 5.1 | - |
| **Social Infrastructure – Health** | | | | |
| Armenia | Regional Tuberculosis Control Programme | 3 | 2.3 | - |
| Azerbaijan | Regional Tuberculosis Control Programme | 3 | 3.0 | - |
| Burundi | Health Sector Programme II | 2 | 10.2 | - |
| Georgia | National Tuberculosis Control Programme | 2 | 2.6 | - |
| | Regional Tuberculosis Programme | 2 | 1.0 | - |
| India | Basic Health West Bengal | 2 | 29.4 | - |
| | Secondary Hospitals Karnataka II | 2 | 13.2 | - |
| Indonesia | Reconstruction Aid for District Health Care Services in Aceh/ North Sumatra | 3 | 14.0 | - |
| Malawi | Support of Health Sector Strategy | 3 | 5.0 | - |
| | Support of Health Sector Strategy II | 3 | 5.0 | - |
| | Support of Health Sector Strategy III | 3 | 10.0 | - |
| Nigeria | Polio Eradication, Phase II | 3 | 10.0 | - |
| | Polio Eradication, Phase III | 3 | 15.0 | - |
| Rwanda | Health Sector Support Programme | 3 | 5.0 | - |
| Tanzania | District Health-Care Tanga | 3 | 5.0 | - |
| | Health Reform Programme II | 4 | 10.0 | - |
| | Health Reform Programme III | 4 | 3.0 | - |
| | Health Sector Support Programme | 4 | 7.0 | - |
| **Social Infrastructure – Population Policy and Reproductive Health** | | | | |
| Albania | Family Planning III | 4 | 1.0 | - |
| CABEI (Central American Bank for Economic Integration) | AIDS Prevention in Central America | 3 | 10.0 | - |
| CABEI (Central American Bank for Economic Integration) | HIV/AIDS Prevention in Central Africa | 3 | 4.6 | - |
| | HIV/AIDS Prevention in Central America, Phase II | 2 | 3.0 | - |

Random sample in grey

| Country | Project title | Rating | Budget funds (EUR million) | KfW's own funds (EUR million) |
|---|---|---|---|---|
| Ethiopia | Combating HIV/AIDS II | 2 | 3.0 | - |
| | Family Planning and HIV Prevention | 2 | 2.6 | - |
| Guinea | AIDS Prevention as a Cross-Sectional Task | 4 | 2.5 | - |
| | Promotion of Reproductive and Family Health III | 3 | 7.0 | - |
| | Social Marketing II | 3 | 10.5 | - |
| Malawi | HIV Prevention, Phase III | 2 | 2.6 | - |
| Niger | HIV Prevention, Phase III | 3 | 3.0 | - |
| | Social Marketing for HIV Prevention | 3 | 5.1 | - |
| Rwanda | HIV/AIDS Prevention and Social Marketing, Phase III | 3 | 3.1 | - |
| | Health Care Sector Budget Financing (SWAP Santé) | 3 | 8.1 | - |
| Tanzania | Co-Financing the Social Marketing of Condoms and Contraceptives | 3 | 8.0 | - |
| **Social Infrastructure – Water Supply and Waste Water/Waste Management** | | | | |
| Afghanistan | Water Supply Herat | 3 | 8.0 | - |
| | Water Supply Kunduz | 3 | 4.0 | - |
| Benin | Rural Water Supply IV | 3 | 4.0 | - |
| | Water Programme, Phase Ia | 3 | 9.2 | - |
| | Rural and Urban Water Supply Programme, Phase Ib | 3 | 9.5 | - |
| | Water Sector Programme, Phase Ic | 3 | 4.5 | - |
| Burundi | Sector Programme Urban Water Supply, Phase I | 2 | 3.5 | - |
| China, PR | Water and Waste Disposal Chamdo (Tibet) | 3 | 6.1 | - |
| | Communal Waste Water Disposal Programme I (Huaihe) | 3 | 27.3 | - |
| El Salvador | Rural Drinking Water and Sanitation II | 3 | 10.0 | - |
| Guatemala | Rural Water and Basic Sanitation Programme IV | 4 | 5.3 | - |
| India | Rural Water Supply Maharashtra | 3 | 11.5 | - |
| Sri Lanka | Infrastructure Programme Batticaloa District | 3 | 15.0 | - |
| Tanzania | Rural Water Supply Hai District, Phase IV | 2 | 6.8 | - |
| Zambia | Water Supply Livingstone | 3 | 8.8 | - |
| | Water Supply Southern Province | 3 | 20.1 | - |
| **Social Infrastructure – State and Civil Society** | | | | |
| Afghanistan | Afghanistan Reconstruction Trust Fund VII | 2 | 20.0 | - |
| | Afghanistan Reconstruction Trust Fund VIII | 2 | 20.0 | - |
| | Afghanistan Reconstruction Trust Fund IX | 2 | 25.0 | - |
| | Afghanistan Reconstruction Trust Fund X | 2 | 30.0 | - |
| Bolivia | Support Programme to the National Compensation Policy | 3 | 12.1 | - |
| Burkina Faso | Human Rights/Combating Child Labour and Child Trafficking II | 2 | 2.0 | - |

Random sample in grey

| Country | Project title | Rating | Budget funds (EUR million) | KfW's own funds (EUR million) |
|---|---|---|---|---|
| Liberia | Reintegration and Reconstruction Programme I | 2 | 10.8 | - |
| | Reintegration and Reconstruction Programme II | 2 | 5.0 | - |
| Tanzania | Support of Local Governance Processes I | 2 | 5.0 | - |
| | Support of Local Governance Processes II | 2 | 3.0 | - |
| **Social Infrastructure – Other** | | | | |
| El Salvador | Reconstruction and Municipal Development via FISDL III | 2 | 5.6 | - |
| Nicaragua | Social Investment Fund FISE V | 2 | 5.6 | - |
| Palestinian Territories | Restoration of the Historic Centre of Hebron | 2 | 1.8 | - |
| | Poverty-oriented Infrastructure EGP II | 2 | 2.6 | - |
| | Poverty-oriented Infrastructure EGP III | 3 | 16.0 | - |
| **Economic Infrastructure – Transportation** | | | | |
| Benin | Bridge Lac Nokoué/Steinmetz Flyover II | 2 | 2.8 | - |
| | Bridge Lac Nokoué/Steinmetz Flyover | 3 | 33.8 | - |
| Burkina Faso | Labour-Intensive Road Construction HIMO, Phase I | 4 | 2.6 | - |
| | Labour-Intensive Road Construction HIMO, Phase II | 4 | 4.1 | - |
| | Self-Help Fund in the East, Phase III | 2 | 6.1 | - |
| Cambodia | Rural Infrastructure Programme Siem Reap and Kampong Thom I | 2 | 6.5 | - |
| | Rural Infrastructure Programme II | 2 | 7.0 | - |
| Ghana | Rehabilitation of the Sogakope-Akatsi Road | 2 | 11.5 | - |
| Indonesia | Passenger Ferry 24 | 3 | 39.0 | 36.0 |
| Kenya | Rehabilitation of Maai Mahiu-Narok Road | 3 | 19.9 | - |
| Laos | Rural Infrastructure | 2 | 4.7 | - |
| | Rural Infrastructure in Northern Laos II | 2 | 4.0 | - |
| Uzbekistan | Electrification of the Tashkent-Angren Railway Line | 2 | 25.1 | - |
| Vietnam | Mainline Locomotives | 4 | 35.8 | 13.2 |
| | Da Nang Workshop Programme | 3 | 4.4 | - |
| **Economic Infrastructure – Energy Generation and Supply** | | | | |
| India | Energy Efficiency Programme | 3 | N. A. | 70.0 |
| | Energy Investment Programme Hirakud Sub-Measure II | 3 | 11.3 | 10.6 |
| Mongolia | Sectoral Programme Energy I | 3 | 12.6 | - |
| Mozambique | Rehabilitation of Rural Power Distribution Infrastructure in Gorongosa District | 2 | 3.6 | - |
| **Financial Sector** | | | | |
| Bosnia-Herzegovina | Credit Guarantee Fund for the Promotion of SMEs and Business Start-Ups | 4 | 12.8 | - |
| Caucasus (regional programme) | Support for the Private Sector | 1 | 11.0 | - |

Random sample in grey

| Country | Project title | Rating | Budget funds (EUR million) | KfW's own funds (EUR million) |
|---|---|---|---|---|
| Congo, DR | Sector Programme Microfinance I | 3 | 10.0 | - |
| India | Capitalisation Programme for Microcredits via SEWA | 2 | 4,1 | - |
| | Microfinance Facility (SIDBI) | 3 | N. A. | 85.0 |
| Mozambique | Finance Sector Programme | 5 | 3.0 | - |
| | Finance Sector Programme – Credit Lines to Rural Microfinance Bank | 5 | 7.4 | - |
| | Finance Sector Programme – Rural Microfinance Bank | 5 | 1.0 | - |
| Palestinian Territories | European Palestinian Credit Guarantee Fund II | 2 | 2.3 | - |
| Philippines | MSME (Micro, Small and Medium-Sized Enterprises) Financing Programme | 3 | 11.7 | - |
| Senegal | Promotion of Youth Employment in Urban Area, Phase I | 3 | 8.0 | - |
| | Promotion of Youth Employment in Urban Area, Phase II | 2 | 4.0 | - |
| Serbia | Credit Guarantee Fund for the Promotion of Small and Medium-Sized Enterprises (SME) as well as Business Start-Ups | 4 | 4.1 | - |
| South Africa | Rural Low-Cost Housing | 4 | 25.6 | - |
| | Rural Low-Cost Housing, Phase II | 4 | 12.5 | - |
| South-eastern Europe | European Fund for South-east Europe Western Balkan (EFSE) | 1 | 25.0 | - |
| Tunisia | Industrial Environment Fund III | 4 | N. A. | 6.1 |
| Turkey | Support for Small Businesses | 2 | 4.0 | - |
| Uganda | Programme Development of the Financial Sector | 2 | 6.0 | - |
| **Production Sector** | | | | |
| Brazil | Integrated Natural Forest Management | 4 | 9.3 | - |
| | Integrated Natural Forest Management II (Promanejo), Phase II | 3 | 4.2 | - |
| China, PR | Afforestation Sichuan (Yangtze Protection Forest) | 2 | 6.1 | - |
| | Afforestation and Resources Protection Sichuan | 2 | 2.6 | - |
| Costa Rica | Forestry Project Huetar Norte | 2 | 10.2 | - |
| Ecuador | Afforestation and Forest Protection, Chongón-Colonche | 3 | 7.7 | - |
| Kenya | Small-scale Irrigation Programme Mt. Kenya, Phase I | 3 | 3.3 | - |
| | Development of the Private Agriculture Sector (Small-scale Irrigation Programme Mt. Kenya, Phase II) | 2 | 3.5 | - |
| Mauritania | Small-scale Dams in Hodh el Gharbi | 4 | 9.0 | - |
| | Management of Natural Resources in Guidimaka | 4 | 4.0 | - |
| Namibia | Promoting Community Forests in Namibia | 3 | 2.1 | - |
| Vietnam | Afforestation Ha Tinh, Quang Binh and Quang Tri | 2 | 7.0 | - |
| | Afforestation III (Bac Giang, Quang Ninh and Lang Son) | 2 | 4.5 | - |
| | Afforestation III, Phase 2 | 2 | 2.6 | - |

Random sample in grey

| Country | Project title | Rating | Budget funds (EUR million) | KfW's own funds (EUR million) |
|---|---|---|---|---|
| **Cross-Sectoral/Structural Assistance** | | | | |
| Brazil | Demarcation of Indian Territories | 2 | 14.1 | - |
| | Natural Resources Policy Project (NRPP) | 3 | 13.8 | - |
| Chad | Rural Development Programme Mayo Dala und La Kabbia | 3 | 5.0 | - |
| | Rural Development Programme Mayo-Kebbi and Quaddai-Biltine IIa | 4 | 10.0 | - |
| | Rural Development Programme Mayo-Kebbi and Quaddai-Biltine IIb | 4 | 5.0 | - |
| Egypt | Participatory Urban Development in Manshiet Nasser | 2 | 7.2 | - |
| | Participatory Urban Development in Manshiet Nasser, Phase II | 2 | 8.7 | - |
| Ethiopia | Co-Financing of PRSC I of the World Bank | 4 | 4.0 | - |
| Indonesia | Infrastructure Assistance of Housing and Settlements | 2 | 5.0 | - |
| | Rehabilitation and Reconstruction of Housing and Settlements | 3 | 36.1 | - |
| Laos | Rural Infrastructure in Northern Laos | 2 | 4.3 | - |
| Namibia | Protection Areas Bwabwata, Mudumu and Mamili | 1 | 2.6 | - |
| Nicaragua | Poverty Reduction Support Credit (PRSC) I-II | 4 | 6.0 | - |
| | Co-Financing Poverty Reduction Support Credit (PRSC) of the World Bank | 4 | 4.0 | - |
| Rwanda | Macroeconomic Programme Support EDPRS I | 3 | 10.0 | - |
| | Macroeconomic Programme Support EDPRS II | 3 | 14.0 | - |
| | Macroeconomic Programme Support EDPRS III | 3 | 7.0 | - |
| Senegal | Support for Local Development and Decentralisation (Kaolack and Fatick) | 3 | 4.1 | - |
| | Support for Local Development and Decentralisation (Kaolack and Fatick) II | 3 | 3.6 | - |
| | Support for Local Development and Decentralisation (Kaolack and Fatick) III | 3 | 2.4 | - |
| Sri Lanka | Reconstruction Jaffna, Housing and Schools | 2 | 2.6 | - |
| Tanzania | Co-Financing of PRSC I–II of the World Bank | 2 | 10.0 | - |
| | Co-Financing of PRSC III of the World Bank | 2 | 5.0 | - |
| | Co-Financing of PRSC IV–V | 3 | 15.2 | - |
| | Co-Financing of PRSC VI | 3 | 8.0 | - |
| | Rural Development Programme Mayo-Kebbi and Quaddai-Biltine III | 4 | 5.0 | - |

Evaluated projects of the random sample

Pooled projects: projects evaluated in 2013/2014 in addition to the projects of the random sample due to a close linkage to the impacts of a project of the random sample or a specific thematic interest.

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