

### Evaluation of the develoPPP.de programme

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# EVALUATION OF THE DEVELOPPP.DE PROGRAMME

2017



**DEval**

GERMAN  
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DEVELOPMENT  
EVALUATION

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In the past two decades, development cooperation actors have launched wide-reaching approaches to strengthen cooperation with the private sector as an active partner in financing and implementing development projects. Development partnerships with the private sector are intended to pool public and private resources, making it possible to use business know-how and capital for economic and social development in partner countries. DEval has evaluated the develoPPP.de programme, the largest programme set up by the German Federal Ministry for Economic Cooperation and Development (BMZ) to promote such partnerships.

The evaluation comprised document and literature analyses, a portfolio review of all develoPPP.de projects since 2009, expert interviews and company surveys as well as 12 comprehensive case studies in four countries. The data provide key findings with regard to the way in which the programme was steered and implemented, and its results and sustainability. The findings will be used to further develop the programme. They will also be used at policy and implementation level, and enable BMZ to comply with its accountability obligations.

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# SUMMARY

## Background and objectives

Over the past two decades, international and German development cooperation (DC) has launched wide-reaching approaches to step up proactive cooperation and partnerships with the private sector in order to finance and implement development projects. While its advocates see cooperation with the private sector as a driver of sustainable economic development, its critics point to the fact that the promotion of private sector companies oversteps the core tasks of development cooperation, and question the implications of such growth-oriented approaches that are based on the competition principle.

Development partnerships with the private sector were designed by German DC back in the 1990s as public-private partnerships (PPPs). In 1999, the develoPPP.de programme was set up as the PPP Facility and expanded to become the largest German programme to promote development partnerships with the private sector. Through the develoPPP.de programme, the German Federal Ministry for Economic Cooperation and Development (BMZ) provides financial and, if required, sector-specific support to European companies interested in investing in developing countries and emerging economies. The aim is to implement innovative projects in these countries that offer long-term benefit to the local population and also provide added value to the companies involved. The company is responsible for covering at least half of the overall costs, and cooperates with one of the three official implementing organisations that carry out the programme on behalf of BMZ: the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and sequa gGmbH.

This evaluation of the develoPPP.de programme examines both the implementation of the programme as such and its results and sustainability (in the period from 2009 to 2015). The findings are to be used

1. to further develop the programme. They will inform the overarching strategic and conceptual policy level at BMZ and be used at implementation level by the individual implementing organisations;
2. to enable BMZ to comply with its accountability obligations.

## Methodology

The evaluation pursues a theory-based approach. This centres on the programme theory as an explicit model of how develoPPP.de projects contribute to the achievement of specific impacts via a series of intermediate outcomes. Given the heterogeneous nature of the individual projects, the programme theory served to determine and delimit the areas of the programme to be evaluated, and to identify key assumptions that transcend individual projects and give the promotional approach its programmatic character. A combination of methods was used to collect data: analysis of documents and literature, semi-structured qualitative expert interviews, a quantitative portfolio analysis, a typology-based case study approach (12 projects in four countries) and a semi-structured company survey.

## Key findings, conclusions and recommendations

The prominent position of develoPPP.de as BMZ's major programme for promoting development partnerships with the private sector makes it possible to enlist support from private companies in achieving sustainable development goals, in addition to the classical stakeholders at state and civil-society level. Via its projects, the programme contributes to knowledge and technology transfer in developing countries and emerging economies. The project results endure beyond the end of the project term, but rarely extend beyond the project level. The develoPPP.de programme promotes a large number of stand-alone projects, despite its original intention of providing impetus to enhance performance across entire systems. In its current form, the programme has difficulty meeting the high demands for development effectiveness.

The evaluation recommends continuing the develoPPP.de programme under the condition that fundamental adjustments be made in terms of its objectives, design and implementation. This will become clear further down in the section containing answers to the key evaluation questions and the identification of recommendations.<sup>1</sup>

<sup>1</sup> The answers to the first three evaluation questions already contain recommendations on how to enhance the effectiveness and sustainability of the develoPPP.de programme. No separate recommendations are therefore made in the answers to the last two evaluation questions.



### How appropriate is the develoPPP.de programme for achieving relevant development objectives?

The develoPPP.de programme, and its basic approach of enlisting greater support from private sector partners to achieve development objectives, is rated as relevant. This can be seen not just from the global role that the private sector is considered to play in achieving sustainable economic growth, but also from the growing enshrinement of corporate social responsibility in companies' business models. One outstanding feature of the develoPPP.de programme is that it goes beyond a dialogue between DC and the private sector and focuses on direct cooperation between partners to tackle specific development issues. The evaluation basically confirms the role of the private sector as an initiator and driver of development. However, there are a few aspects that restrict the appropriateness of the programme for achieving development objectives:

1. Although the develoPPP.de programme addresses BMZ's overarching objective related to cooperation with the private sector, the objectives and strategic orientation of the programme itself remain unclear. It is not clear whether the added value of the programme consists exclusively in

achieving development objectives in developing countries and emerging economies, or whether the programme's accompanying function of sensitising the participating companies to development-policy issues and enabling them to learn in this respect constitutes an added value per se.

2. At the conceptual level, the programme operates in a continuum between its orientation towards the interests of the private sector and its requirements related to development effectiveness in the partner countries. So far the programme has not adequately succeeded in reconciling the tensions between the two. As a result, the synergy effects arising from cooperation are overestimated, while the programme's existing potential for achieving development objectives is not sufficiently harnessed.
3. The programme's implementation by three organisations offers an opportunity to utilise the specific skills and structures of each organisation for the benefit of the programme. However, to date, the existing added value of this division of labour and of the different forms of cooperation is neither transparently communicated in public relations activities, nor is it leveraged during project implementation.

### Key recommendations

- BMZ is advised to continue the programme. This should be done under the proviso that it takes a clear position vis-à-vis the programme's objectives and that the programme be consolidated and given a corresponding strategic orientation. In this context, it should be made clear whether cooperation with the private sector and the related function of maintaining a dialogue with companies and sensitising them to development issues represents added value in itself (which must be more precisely defined), or whether the added value of the programme should be attained exclusively by achieving development results in the partner countries.
- BMZ should make clear the extent to which there is a division of labour with bilateral DC programmes and other BMZ programmes on cooperation with the private sector, and the extent to which these programmes can be linked up. It should draw up a policy paper on this subject that explicitly defines and regulates cooperation with the private sector.
- BMZ should adjust the programme design based on a consolidated set of objectives. Existing conflicts between private sector and development-policy interests should be spelled out to make clear whether synergies can be leveraged, and where there are limits

as regards orientation towards the intended objectives. This should be supported via a dialogue between BMZ and the private sector.

- The programme design needs to be adjusted with regard to two core aspects:
  - (1) Strengthening the programme's function of sensitising the private sector to development issues and engaging in a corresponding dialogue;
  - (2) Strengthening orientation towards development priorities and impacts in the partner countries.
 The possible adjustments proposed here are not mutually exclusive: some of them can be made in parallel.

- To make full use of existing potentials, it is recommended that project implementation and the acquisition of partner companies be systematically aligned with the core competencies of the implementing organisations. Within the implementing organisations, every effort should therefore be made to dovetail activities more closely with key business segments.
- The existing forms of cooperation should be retained, but a greater distinction should be made between them, and they should be aligned with the expertise of the individual implementing organisations.

*What strategic, conceptual and procedural changes at programme level might help to increase BMZ's steering capacity?*

Steering of the develoPPP.de programme is based on a number of appropriate policy frameworks and steering instruments that have been introduced over the roughly 17-year implementation period. The evaluation has identified four areas in which BMZ's steering capacity can be improved:

1. Existing BMZ steering instruments, such as specific programme guidelines, commissions and grant notifications, are not sufficiently applied. The programme's loosely defined objectives and policy framework leave room for interpretation, which limits BMZ's scope for steering the programme.
2. The M&E systems at programme, portfolio and project level do not adequately map the achievement of objectives or the effectiveness of the develoPPP.de programme. This means that BMZ and the implementing organisations cannot use the M&E systems as effective tools for monitoring and steering.
3. Limitations in financial reporting and financial monitoring systems at BMZ and implementing organisation level strongly restrict the scope for assessing the programme's efficiency. The data basis makes it impossible to compare the efficiency of the implementing organisations or forms of cooperation.
4. Laborious coordination processes in the project selection phase increase the resources required by BMZ and the implementing organisations. They entail high transaction costs and delay the implementation of individual projects.

### Key recommendations

- BMZ and the implementing organisations should specify the project criteria of complementarity, subsidiarity as well as further criteria for strategic development partnerships with the private sector and document compliance with these criteria in a verifiable manner. This would reduce leeway for interpretation on the part of the implementing organisations and make their activities more verifiable for BMZ.
- BMZ and the implementing organisations should optimise commissions and grant notifications (standardised wording, standard set of SMART indicators, indicators specific to the implementing organisations, explanation of how M&E systems are used for monitoring and learning within the organisation).
- BMZ should develop an overarching M&E system for the programme as a whole. The implementing organisations should use this as a basis for designing M&E systems for their respective portfolio, including data on the acquisition of private sector partners, and the design and implementation phase. The first positive developments in this area, such as the recruitment of an M&E officer and the creation of a database (develoPPP.de-Cloud), have already been introduced.
- BMZ should examine the existing financial reporting systems and adjust them, particularly so as to enable adequate assessment of programme efficiency. The introduction of project-based cost allocation by the implementing organisations should be examined, for instance.
- A clearer distinction should be made between BMZ's steering function and the implementing organisations' implementation tasks when it comes to selecting projects.
- BMZ should streamline the coordination process for selecting projects, while retaining the option of randomly checking whether projects meet criteria.

*What conceptual and procedural changes could be used to adjust the processes for implementing the develoPPP.de portfolio of DEG, GIZ and sequa?*

During the long programme term, it was possible to introduce adequate regulations and processes for the various implementation phases. There is room for improvement in the following areas:

1. Partner acquisition and PR activities have so far not transparently positioned the programme on the market. The programme is not widely known in some sectors, and many companies are not familiar with the fact that it is operated by three different organisations. At the same time, demand for the programme appears somewhat limited, and the ideas competition, which is basically a useful means of selecting projects, does nothing to change this fact.
2. The expectations to be met by develoPPP.de projects, which are outlined in the project proposals, are considered too ambitious in relation to the existing time constraints and financial conditions. This is shown by the fact that the postulated causal links between results are often not verifiable, assumptions are too optimistic for the given contexts, and packages of measures are too ambitious. These aspects are due in part to the failure to disclose conflicts between business interests and development policy. While potential synergies are highlighted, potential conflicts of interest are not sufficiently taken into account.
3. When designing the projects, the implementing organisation and the company involved often fail to reach a shared understanding of the project purpose. As a result, development objectives often take a back seat to corporate objectives during project implementation or after the project has ended.

### Key recommendations

- Based on a study on target group segmentation and market potentials, BMZ and the programme's PR department should adjust their PR strategies and devise an overarching strategy for acquiring business partners. Both strategies should apply across all implementing organisations and clearly present the different profiles of the organisations.
- The implementing organisations should use this overarching BMZ strategy to drive forward and expand their own PR activities. The partner acquisition measures should be tailored to the targeted companies.
- A central portal for companies that is shared by all three implementing organisations might reduce the obstacles that companies face when accessing the programme. BMZ should examine whether this task can be assumed by the recently established BMZ Agency for Business and Economic Development.
- The implementing organisations should do more to ensure that the development interests of development partnerships with the private sector can be more realistically asserted. The foundations for this are laid in the design phase, when dialogue with the company is at its most intense, and assumptions are formulated regarding the context, causal links between results and the project's general level of ambition in terms of objectives.
- To better reflect the importance of local project partners for the projects' success, these partners should be given greater consideration when designing the project, and if possible they should be involved in the design process between the implementing organisation and the company.

*To what extent and under which circumstances is the develoPPP.de programme effective in terms of promoting develoPPP.de projects at the level of the directly involved local companies, public institutions and target groups, and at the level of European partner companies?*

As a support mechanism, develoPPP.de facilitates projects that make a significant contribution to transferring knowledge and technology to the partner countries. The programme helps mobilise private capital for development purposes, especially where there are overlaps between corporate and development cooperation objectives. Where there is less overlap between these interests, the achievement of development objectives takes a back seat to corporate interests. This reduces the added value of the development partnerships. The binding subsidiarity (i.e. additionality) criterion is only partially verifiable. There is no way of knowing whether or not companies would have mobilised resources at some projects anyway even without the programme, based on their own corporate interests.

Limited success has been made in translating the knowledge and technology transfer facilitated by develoPPP.de projects into income-generating and employment effects for the local population. Often, the projects only cover small target groups among the overall population, which means that further-reaching changes cannot really be expected. It also remains unclear how develoPPP.de intends to reconcile tensions between the target groups of development interventions and those of companies at programmatic level. While development cooperation is geared towards marginalised and vulnerable sections of the population, these are usually of little interest as corporate target groups (i.e. as consumers or producers). Against this backdrop, it cannot be presumed that develoPPP.de projects as such will contribute to inclusive economic growth in the partner countries and have poverty-reducing effects.

Through its access to a large number of companies, develoPPP.de also has the potential to mainstream development cooperation in a wider section of society. To date, this function of sensitising companies to development issues and enabling them to learn in this respect is only implicitly embedded in

the programme's objectives. As a result, the programme has so far sensitised only a few companies with regard to these issues, and little impetus has been given for organisational change.

*To what extent can the results achieved by the develoPPP.de programme's promotion of projects be considered durable and broad-based?*

The develoPPP.de programme is rather successful at safeguarding the project impetus it has provided beyond the support period. In many cases, the target groups use the innovations introduced by the projects, e.g. knowledge and technologies, after the project ends. The partner companies also often continue their engagement in the partner country after the end of the project. This said, the components that are relevant to development, or collaboration arrangements with project partners who are relevant to development, are often considerably reduced once the project comes to an end. This substantially restricts the possibility of disseminating innovations beyond the original target groups.

In most cases, the develoPPP.de programme does not succeed in disseminating project impetus beyond the project partners. Only a few of the evaluated projects explicitly envisage transferring innovations to other companies and public institutions. Even if the project design specifies that innovations should be transferred, they are usually only taken up by the project partners themselves and not disseminated beyond the projects. Moreover, since the introduced innovations are often only available in a very limited number, with limited content and in a limited number of regions after the end of the project, it is rarely possible to disseminate these innovations beyond the target groups that are directly involved in the project. Objectives related to broader income-generating and employment effects, or the strengthening of private sector structures at meso and macro level, have not been achieved. Altogether, the programme in its present form is not suitable for generating projects with broad impacts and structure-building results.

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# ABBREVIATIONS AND ACRONYMS

**AWE**

Agency for Business and Economic Development

**AHK**

German Chambers of Industry and Commerce

**BMUB**

German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety

**BMWi**

German Federal Ministry for Economic Affairs and Energy

**BMZ**

German Federal Ministry for Economic Cooperation and Development

**BRICS**

Brazil, Russia, India, China and South Africa

**CSR**

Corporate Social Responsibility

**DAC**

Development Assistance Committee (OECD)

**Danida**

Danish International Development Agency

**DC**

Development Cooperation

**DCED**

Donor Committee for Enterprise Development

**DEG**

Deutsche Investitions- und Entwicklungsgesellschaft

**DEval**

German Institute for Development Evaluation

**DP**

Development partnership with the private sector

**E4D**

Employment for sustainable development in Africa

**FC**

Financial cooperation

**GIZ**

Deutsche Gesellschaft für Internationale Zusammenarbeit

**ILO**

International Labour Organization

**IPD**

Import Promotion Desk

**LDCs**

Least Developed Countries

**MDGs**

UN Millennium Development Goals

**M&E**

Monitoring and Evaluation

**NGO**

Non-governmental organisation

**ODA**

Official Development Assistance

**OECD**

Organisation for Economic Co-operation and Development

**PPP**

Public-Private Partnership

**PSD**

Private Sector Development

**PS4D**

Private Sector for Development

**SDGs**

Sustainable Development Goals

**SMART**

Specific, measurable, assignable, realistic, time-bound

**SMEs**

Small and medium-sized enterprises

**TC**

Technical Cooperation

**UN**

United Nations



1.

# INTRODUCTION

## 1.1

### Background and objectives of the evaluation

Over the past two decades, cooperation between development cooperation (DC) actors and the private sector has gained importance at international level. As global policy changed in the 1990s and the debate concerning the social state and neoliberalism became less ideological (Schedler & Proeller, 2000), development cooperation also underwent a paradigm shift. The private sector was increasingly accepted and used as a driver of development and for assuming tasks previously performed by the state. In international development cooperation too, the private sector played a growing role in achieving sustainable economic growth and other development objectives (MDGs, SDGs). The private sector has the potential to provide additional financial resources, which is of special interest given the slow growth in official development assistance (ODA). Entrepreneurial creativity and the power to innovate are considered a key prerequisite for successfully implementing global development objectives (GRI, n.d.; UN Global Compact, 2015). The growing importance of corporate responsibility as a factor for companies' economic success (Minor & Morgan, 2011; PwC, 2011; Global Compact, 2015) creates a further essential precondition for successful cooperation between DC and private sector actors.

Cooperation with the private sector also has a long tradition within German development cooperation. Development partnerships with the private sector were designed back in the 1990s as public-private partnerships (PPPs), as a means of involving companies in development cooperation (BMZ, 1997). The aim was to tap into private sector experience and leverage comparative advantages as a contribution to economic and social development in partner countries (BMZ, 1997). While advocates of cooperation with the private sector see it as a key tool for sustainable economic development, its critics in the political sphere and civil society point to the fact that the promotion of large private sector corporations oversteps the core tasks of development cooperation; they question the implications of such growth-oriented approaches that are based on the competition principle (Martens, 2010; VENRO,

2010; Wiggerthale & Hachfeld, 2014). Little proof has been offered so far concerning the real contribution that development partnerships with the private sector make to the stated development objectives, or whether they may even generate negative effects.<sup>2</sup>

Among a growing number of instruments, development partnerships with the private sector are now considered both in German and in international DC as a key instrument for involving the private sector in cooperation with emerging economies and developing countries (BMZ, 2011a, 2013b). The develoPPP.de programme was established in 1999 as the PPP Facility and is now BMZ's largest and most important instrument for supporting development partnerships with the private sector. Twelve years after the last and so far sole evaluation of the programme, the DEval evaluation of the develoPPP.de programme examines and assesses both its implementation and potential effectiveness.

#### Objectives of the evaluation and evaluation questions

The evaluation aims to generate empirically based findings and recommendations regarding the implementation and effectiveness of develoPPP.de and of the factors that influenced these aspects. These findings and recommendations are to be used to further develop the programme both at the overarching strategic and conceptual policy level (the German Federal Ministry for Economic Cooperation and Development (BMZ)) and at implementation level (the individual implementing organisations). Beyond this, the findings on the development results of the develoPPP.de programme will support BMZ in complying with its accountability obligations.

The evaluation goals were operationalised by means of overarching evaluation questions and further differentiated using a series of sub-questions. These questions were largely identified by users (i.e. BMZ and the implementing organisations) to ensure they met user needs. Apart from questions of relevance, effectiveness and sustainability, the evaluation questions address specific aspects of the overarching strategy and operational implementation of the programme.

<sup>2</sup> The only evaluation of the develoPPP.de programme to date was carried out in 2002. It consists of a basic study (Gleich & Holthus, 2002) and field studies in seven countries, which were complemented by a synthesis report (Altenburg & Chahoud, 2002). From 2009 to 2012, various ex post appraisals of a total of 89 develoPPP.de projects were performed in 33 countries (Doc 17; see footnote 2), and selected strategic development partnerships with the private sector were appraised (Doc 20; see footnote 2). However, these evaluations did not contain any detailed surveys at target group level, and were also meant to provide best practice examples and material for BMZ's public relations work.



Evaluation question 1:

How appropriate is the develoPPP.de programme for achieving its development objectives?

Evaluation question 2:

What strategic, conceptual and procedural changes at programme level might help to increase BMZ's steering capacity?

Evaluation question 3:

What conceptual and procedural changes could be used to adjust the processes (partner acquisition, selection, implementation) for implementing the develoPPP.de portfolio of DEG, GIZ and sequa?

Evaluation question 4:

To what extent and under which circumstances is the develoPPP.de programme effective in terms of promoting develoPPP.de projects?

Evaluation question 5:

To what extent can the results achieved by the develoPPP.de programme's promotion of projects be considered durable and broad-based?

The detailed evaluation questions are presented in the evaluation matrix (see Annex 5.1). They were operationalised by means of judgement criteria and underpinned in each case by statements on indicators, data sources and data collection methods.

## 1.2

### Structure of the evaluation report

---

Section 1 describes the object of this evaluation – the develoPPP.de programme – and illustrates trends and discussions in cooperation between the private sector and DC. It serves to position the develoPPP.de programme within the international and national context and present the set of objectives and the assumptions related to the programme – the programme theory – and the resulting implications for the evaluation. Finally, it explains the evaluation approach, the data collection tools used and their methodological limitations.

Section 2 presents the evaluation findings. It starts by addressing strategic aspects (strategic orientation, basic conceptual assumptions, policy frameworks) and the organisational structure and procedures (steering by BMZ, implementation by the implementing organisations) used by the programme. Findings on the results and sustainability of the develoPPP.de programme are then presented. Key findings are summarised at the end of each sub-section. The key evaluation criteria of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) are also assessed.

Section 3 is structured in line with the five overarching evaluation questions. It summarises the key conclusions on each question and identifies recommendations for the further development of the develoPPP.de programme.

## 1.3

### develoPPP.de: the object of the evaluation

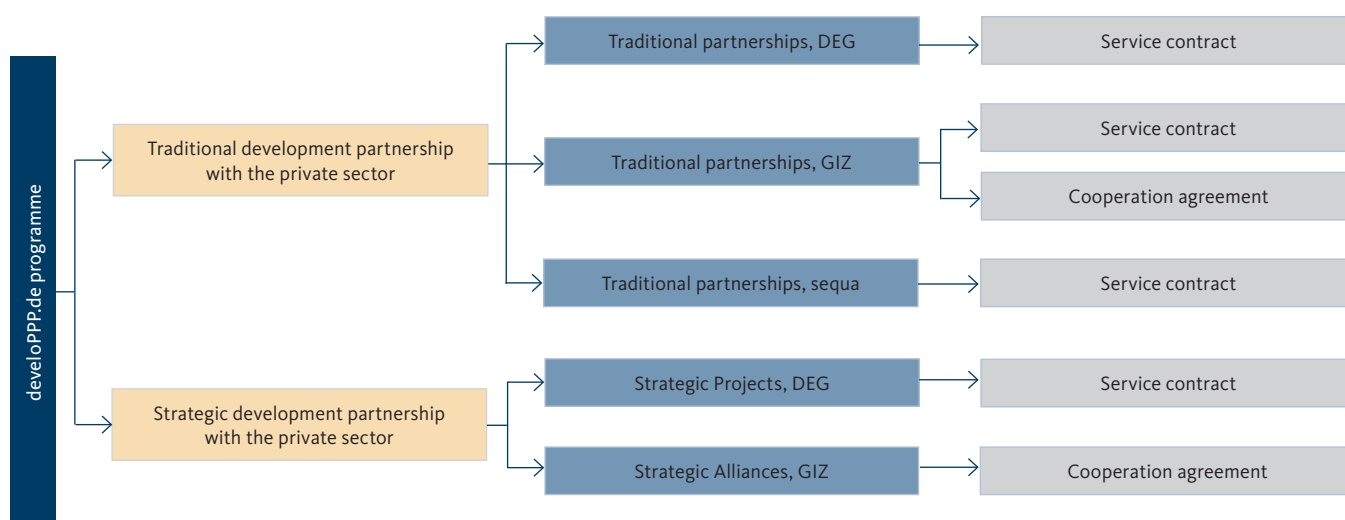
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#### 1.3.1 Description of the object and delimitation

The object of this evaluation is the develoPPP.de programme. Through develoPPP.de, BMZ provides financial and, if required, sector-specific support to European companies interested in investing in developing countries and emerging economies. The aim is to implement innovative projects in these countries that offer long-term benefit to the local population and also provide added value to the companies involved. The company is responsible for covering at least half of the overall costs, and cooperates with one of the three official implementing organisations that carry out the programme on behalf of BMZ: the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and sequa gGmbH.

The initiation of contact with partners, their acquisition and the implementation of the develoPPP.de programme were continuously developed over the past 15 years. A key innovation in the programme design was the introduction of ideas competitions in 2009. To maximise learning potential and for reasons of feasibility, the evaluation focuses on development partnerships with the private sector supported

**Figure 1: Project forms of the develoPPP.de programme by implementing organisation**



Source: authors' own

by develoPPP.de that have been implemented since the ideas competitions were introduced in 2009.

#### Forms of project within the develoPPP.de programme

The guidelines for the develoPPP.de programme (Doc 11)<sup>3</sup> specify two different forms of project: on the one hand a traditional development partnership with the private sector, carried out by DEG, GIZ and sequa, with a public contribution of up to EUR 200,000, and on the other, strategic development partnerships with the private sector with overall project funding of at least EUR 750,000. The latter must meet additional quality criteria. Strategic development partnerships are subdivided into Strategic Projects, which are carried out by DEG, and Strategic Alliances, which are carried out by GIZ. sequa does not carry out any strategic development partnerships with the private sector. Both in traditional and strategic development partnerships with the private sector, the public contribution must not exceed half of the overall project funding. Besides these two overarching forms of

project, projects also differ in terms of the type of contract they involve. For projects based on service contracts,<sup>4</sup> responsibility for implementation lies solely with the companies. GIZ is the only implementing organisation that concludes cooperation agreements as a basis for projects. In these, GIZ is both the advisory and the implementing body, and provides human and non-material resources in addition to materials and equipment. Strategic Alliances handled by GIZ are always carried out on the basis of a cooperation agreement.

Taking into account the different implementing organisations, the distinction between strategic and traditional projects and the different contract types, six distinct forms of development partnerships with the private sector can be identified (see Fig. 1). Annex 5.6 provides a detailed comparison. The evaluation examined all six forms of development partnerships with the private sector<sup>5</sup>.

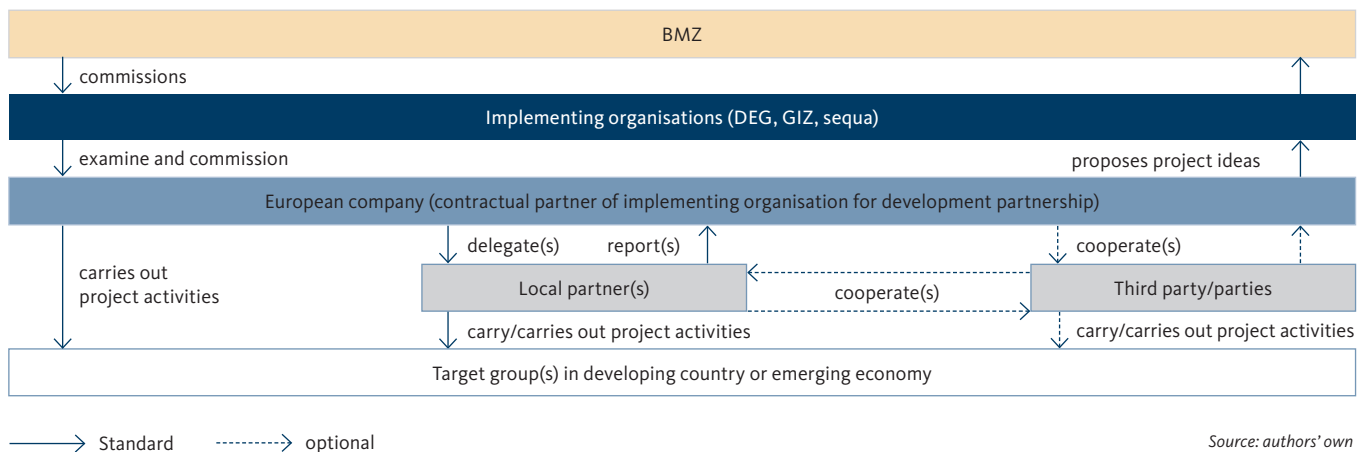
<sup>3</sup> DEval gives unpublished documents the acronym 'Doc' and a serial number if the relevant documents come from BMZ or implementing organisations, or if complete quotation would infringe the author's data protection rights.

<sup>4</sup> Service contracts subsume DEG service contracts, sequa's transfer agreements and GIZ's consulting contracts (as of recently also GIZ's implementation agreements).

<sup>5</sup> Since the evaluation already focused on cooperation agreements in connection with the Strategic Alliances, it refrained from conducting a case-study-based appraisal of traditional development partnerships with the private sector based on cooperation agreements.



Figure 2: Overview of responsibilities for develoPPP.de



### Responsibilities and programme procedure

BMZ's Division 114 (Cooperation with the private sector; sustainable economic policy) is responsible at working level for setting the framework for develoPPP.de and designing the programme. This responsibility is spelled out in a guideline document (BMZ, 2013b; Doc 11). The programme is publicised via cross-programme public relations work and the partner acquisition measures of the implementing organisations. Companies apply to DEG, GIZ or sequa for traditional development partnerships with the private sector via the ideas competitions. For strategic development partnerships with the private sector, they apply individually to DEG and GIZ. The respective implementing organisation selects promising projects based on defined criteria. This selection is agreed with BMZ before the final decision is taken to support a partnership. Companies and implementing organisations devise the strategy together during the project design phase. This procedure applies to all forms of development partnerships with the private sector. The projects are generally carried out by the companies. GIZ's development partnerships with the private sector based on cooperation agreements are the exception. In this case, GIZ is also directly involved in implementation. The companies often carry out the projects with local partner companies or subsidiaries. Third parties such as public education institutions

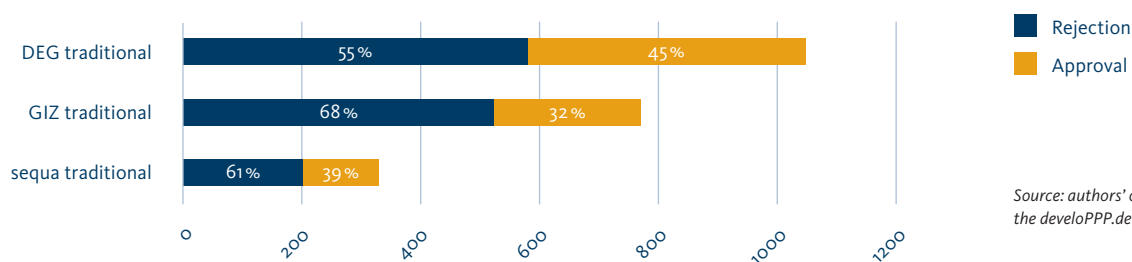
are also involved in implementation. The implementing organisations use a coordinated reporting process to keep up-to-date on project progress. Once the project is completed, the implementing organisations report to BMZ about the success of the project. Figure 2 provides an overview of the responsibilities of the actors involved.

### 1.3.2 Portfolio overview – the programme in figures

The portfolio overview is oriented to the different phases of the programme. First of all, it sheds light on the application and selection phase, then the implementation phase of the programme. The develoPPP.de Cloud is the basis for the following assessments. This is an online database developed in 2013 that provides project data on all develoPPP.de projects since the programme's inception. The develoPPP.de programme is first analysed in the context of the overarching BMZ divisional budget item 'Development partnerships with the private sector'. The findings of the previously published portfolio analysis of the programme were used for the portfolio overview (Lücking & Roggemann, 2016).

A total of EUR 91.8 million was available for the above-mentioned divisional budget item in 2015. EUR 35 million (roughly 38% of these funds) was actually spent on the develoPPP.de programme.

**Figure 3: Rejection and approval rate of project applications by form of development partnership from 2009 to mid-2015**



Source: authors' own based on the develoPPP.de Cloud as at 29 June 2015

As regards funding levels, this is therefore Germany's largest (and oldest) programme for implementing development partnerships with the private sector.

#### *Application and selection phase*

While traditional development partnerships with the private sector must officially apply to take part in the develoPPP.de programme via the ideas competitions, strategic development partnerships with the private sector are frequently initiated directly. The following statements on rejection and acceptance rates therefore only apply to traditional development partnerships with the private sector. From 2009 to mid-2015, 2,285 project applications were submitted for traditional development partnerships with the private sector. Almost half of applications (47%) were made to DEG, over a third (38%) to GIZ and 15% to sequa. As we can see, the implementing organisations have different degrees of access to interested companies. The implementing organisations accepted roughly 40% of all applications. The approval rate of submitted project

applications is higher at DEG (45%) than at sequa (39%) and GIZ (32%) (see Fig. 3). Possible explanations include greater support for projects that are close to the company's core business, and differences in the quality of applications. However, the evaluation was not able to conclusively clarify reasons for differences in the approval rates. The evaluation did not establish that the approval rate had any effect on the achievement of objectives for develoPPP.de projects (see Section 2.5.1).

#### *Implementation phase*

Since 2009, 357 projects have been completed via the develoPPP.de programme; 328 projects were ongoing at the start of the evaluation, 171 were being prepared, and 75 projects were discontinued. The overall volume (public, private and third-party contributions) implemented since 2009 amounts to EUR 408.9 million. Table 1 provides precise statements on the number of projects and funding level by form of development partnership.

**Table 1: Number and overall funding level of develoPPP.de projects that have been completed, are ongoing or discontinued, by form of partnership (2009–2015)**

Form of development partnership		Status							
		Completed		Ongoing		Total completed/being implemented		Being prepared	Discontinued
		Number	Funding (in EUR m)	Number	Funding (in EUR m)	Number	Funding (in EUR m)	Number	Number <sup>6</sup>
1	DEG traditional (Service contract)	197	86.7	160	70	357 (52 %)	156.7 (38 %)	71	40 (10 %)
2	GIZ traditional (Service contract)	52	18.4	77	32.6	129 (19 %)	51.0 (12 %)	1	13 (9 %)
3	sequa traditional (Service contract)	55	25.1	32	14.6	87 (13 %)	39.7 (10 %)	33	8 (8 %)
4	GIZ traditional (Coop. agreement)	27	10.3	28	14.2	55 (8 %)	24.5 (6 %)	–	5 (8 %)
5	DEG strategic (Service contract)	9	32.5	12	22.9	21 (3 %)	55.3 (14 %)	8	0
6	GIZ strategic (Coop. agreement)	17	33	18	47.5	35 (5 %)	80.5 (20 %)	16	7 (16 %)
2/4	GIZ traditional (Serv. contract or coop. agreement) <sup>7</sup>	0	–	1	–	1	–	42	2
<b>Total</b>		<b>357</b>	<b>205.9</b>	<b>328</b>	<b>202.4</b>	<b>685</b>	<b>408.9</b>	<b>171</b>	<b>75 (10 %)</b>

Source: authors' own based on the develoPPP.de Cloud as at 29 June 2015

Summing up, it can be said that over half of all projects are implemented by DEG, the majority of them in the form of traditional development partnerships with the private sector. GIZ implements only half as many traditional development partnerships with the private sector as DEG. Roughly 30% of the traditional development partnerships implemented by GIZ are based on cooperation agreements. However, GIZ implements almost twice as many strategic development partnerships with the private sector as DEG. Measured by the number of projects, sequa's project portfolio accounts for about 13% of the overall develoPPP.de portfolio. sequa only carries out traditional development partnerships with the private sector. The differences between the implementing organisations can be explained by their size-related implementation capacities, differences in how well they are

known, and access to companies via other business-related offerings. Very few differences are noted as regards the discontinuation rates between the different project types in traditional development partnerships with the private sector. As we can see in Table 1, the discontinuation rates of the traditional forms of development partnerships with the private sector lie between roughly 8% at sequa, 9% at GIZ and 10% at DEG. No Strategic Projects have been discontinued so far at DEG. Strategic Alliances at GIZ have the highest discontinuation rate, at around 16%. A comprehensive portfolio analysis by DEval (Lücking & Roggemann, 2016) examined which country-specific contextual factors have an influence on applications by companies, selection by the implementing organisations and the implementation of develoPPP.de projects. The findings are laid out in Box 1.

<sup>6</sup> Discontinuation rate as percentage of projects completed, ongoing and discontinued.

<sup>7</sup> The data basis was insufficient for distinguishing between service contracts and cooperation agreements for these projects.

### Box 1: Influence of country-specific contextual factors on the application, selection and implementation phase

During the DEval portfolio analysis, it was also examined what country-specific contextual factors influence applications by companies, i.e. make a country especially attractive or unattractive for businesses. It was also analysed whether specific contextual factors increase the probability of develoPPP.de applications being approved. Thirdly, it was examined to what extent the context in a specific country increases the probability of a project being discontinued.

The analysis showed that when applying for develoPPP.de projects, companies give preference to politically stable and democratic countries with a large domestic market and better infrastructure, i.e. countries where there are better prospects of business success. It is conceivable that companies want to minimise the business risk involved in direct investments in developing countries and emerging economies. At the same time, when applying for projects, companies prefer poorer countries and those that are of outstanding importance for German DC due to their status as a BMZ partner country. It is assumed that this is an implicit selection mechanism inherent to the programme, i.e. the programme attracts companies that want to carry out projects in countries preferred by German DC.

Moreover, the portfolio analysis highlights at least implicit steering effects by the cooperating implementing organisations when it comes to approving develoPPP.de applications. The implementing organisations tend to select applications for develoPPP.de in poorer countries, to a greater extent than can be seen at the application level itself. The selection of countries is thus in keeping with the development objectives of the develoPPP.de programme and the underlying participation criteria (see Section 1.1) (BMZ, 2013b, 2015; Doc 11). At the same time, we can see that in line with the nature of the develoPPP.de programme, implementing organisations' approvals take into consideration the cost-efficiency of projects and the commercial interest of companies. The countries approved for support tend to be democratic and politically stable countries, countries with large domestic markets and sound infrastructure, and BMZ partner countries.

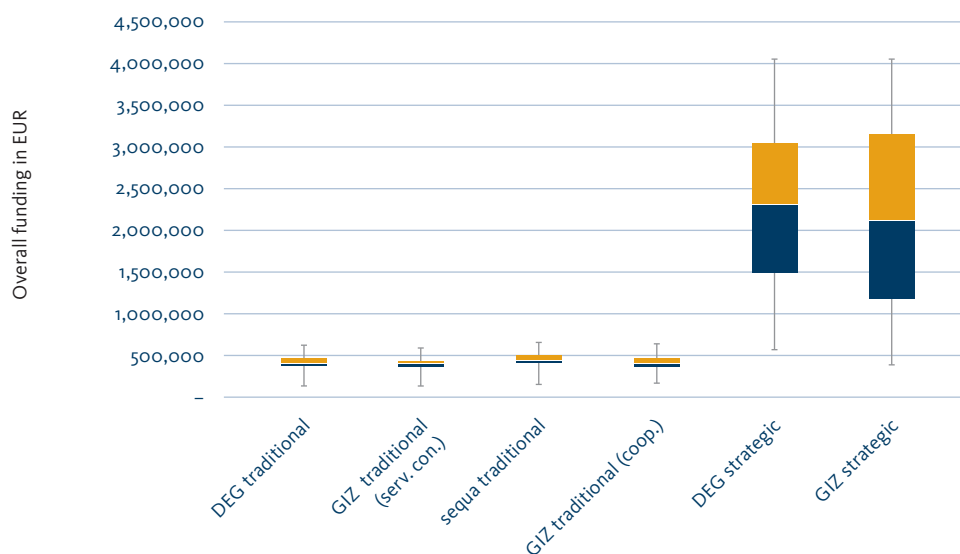
In contrast to the application and approval phases, country-specific factors have no significant influence on the discontinuation of develoPPP.de projects, which appears to be due more to project-specific factors. Given the underlying data, it is not possible to aggregate project-specific factors because no company-specific data have been systematically collected so far at programme level.

Strategic development partnerships with the private sector are designed as large-volume projects, whereas the contribution the public sector makes to traditional development partnerships with the private sector may not exceed EUR 200,000. Correspondingly, the Strategic Projects of DEG and Strategic Alliances of GIZ have median overall funding levels<sup>8</sup> of EUR 2.3 and 2.1 million respectively, several times those of traditional development partnerships with the private sector, which have

median funding levels of around EUR 400,000 per project (see Fig 4). The distributions of the overall funding levels of traditional development partnerships with the private sector are much the same at the three implementing organisations. The same is true of the distributions of overall funding levels of Strategic Alliances and Strategic Projects, although the range here is naturally much wider than for traditional development partnerships with the private sector.

<sup>8</sup> The median of a list of numerical values is the middle value that separates the higher half from the lower half of a distribution.

**Figure 4: Distribution of overall funding by form of development partnership from 2009 to mid-2015**

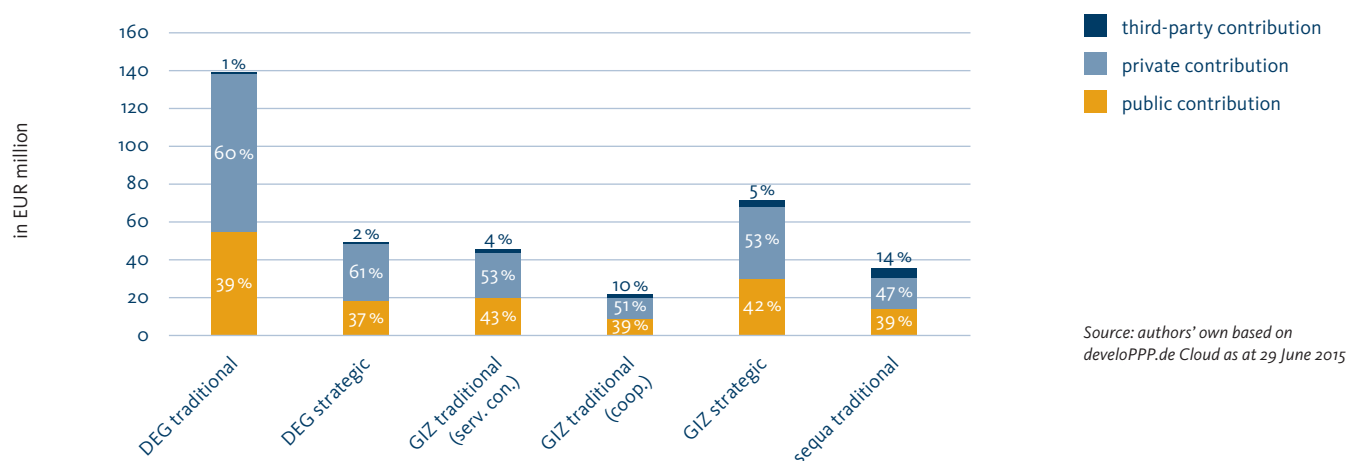


Source: authors' own based on the develoPPP.de Cloud as at 29 June 2015

Across the three implementing organisations, 40% of the project costs are borne by the public sector. Fifty-six per cent of the project costs of the develoPPP.de programme are assumed by private partners, i.e. the companies. Third parties such as associations or academic institutions finance an additional 4%. Figure 5 shows that the relative proportion of public funds as a share of the overall project costs is somewhat higher at GIZ than at DEG and sequa. It also becomes clear that any costs in excess of this at DEG projects are almost completely borne by the partner companies, while GIZ and sequa draw on third parties to a greater extent for project funding. Viewed as a whole, these figures highlight a key unique feature of development partnerships with the private sector. Via the

develoPPP.de programme, private capital can be mobilised for development purposes. However, the extent to which this mobilisation generates the intended development results depends on several factors that are discussed in Sections 2 and 3. Additionality should at least be mentioned here as a limiting factor. The evaluation shows that some project measures would have been carried out without public contributions. Whether and to what extent a project has really mobilised private capital to achieve development objectives cannot therefore be judged by an overall leverage rate for the develoPPP.de programme, but must take into account other factors such as additionality and complementarity.

**Figure 5: Origin of funds by form of development partnership from 2009 to mid-2015<sup>9</sup>**



### Regional distribution

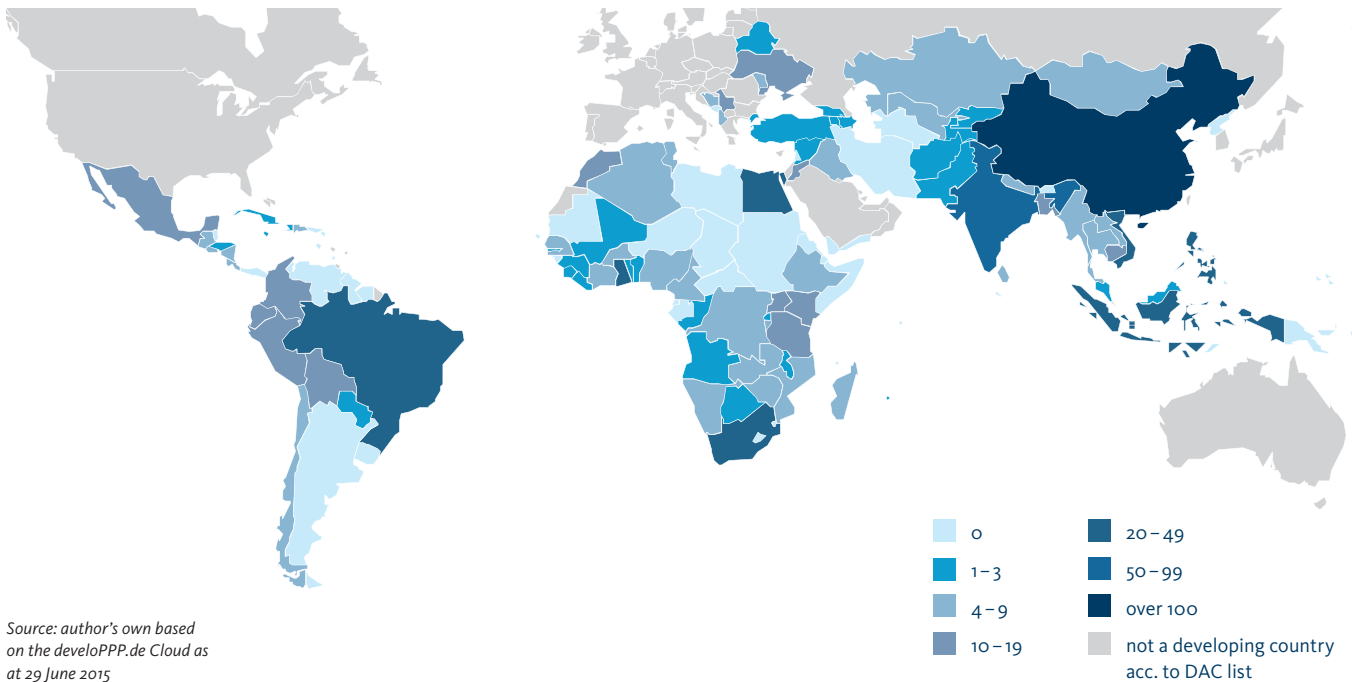
Even though develoPPP.de projects can be found in almost all developing countries and emerging economies, there are regional priority areas especially in East Asia (around 29% of all projects), sub-Saharan Africa (around 21%) and South America (about 19%).

Most projects are carried out in lower-middle-income countries, followed by upper-middle-income and low-income countries. China is the country with the most projects (105), followed by India (68), Brazil (46), Vietnam (43) and the Philippines (32).

About 15% of all develoPPP.de projects are carried out in least developed countries (LDCs). The LDCs with the most develoPPP.de projects are Bangladesh (14 projects), Tanzania (13), Uganda (11) and Ethiopia (8) (see Fig. 6). GIZ is most strongly involved in LDCs (roughly 20% of all projects), followed by DEG (a little over 15%). sequa implements the lowest number of projects in LDCs (about 12%). In LDCs, GIZ works particularly frequently within the scope of traditional development partnerships with the private sector (cooperation agreements), especially in sub-Saharan Africa.

<sup>9</sup> All statements on the overall funding level are based solely on projects completed and ongoing since 2009. Owing to incomplete data, no reliable statements can be made on the funding level of projects that have been discontinued or are being prepared.

**Figure 6: Global distribution of develoPPP.de projects from 2009 to mid-2015**



### Key findings

- Looking at the develoPPP.de portfolio of DEG, GIZ and sequa, significant differences are apparent between the three implementing organisations. Measured by the number of applications, DEG has the greatest access to potential partner companies, followed by GIZ and, a long way behind, by sequa.
- The approval rate decreases in the following order: DEG, sequa, GIZ, for reasons that could not be finally clarified.
- The ratio of public to private funds differs fairly strongly between the implementing organisations. Since it is not certain that the private measures would have been carried out without the public contributions, the evaluation refrains from referring to this ratio in general terms as a 'leverage effect'.
- Ninety per cent of traditional development partnerships with the private sector and all strategic development partnerships are implemented by DEG and GIZ. sequa carries out the fewest projects. This is mainly due to the size-related differences in implementation capacities and access to interested companies.
- Compared with traditional development partnerships, there are relatively few strategic development partnerships with the private sector. However, since project funding for strategic partnerships is five times higher, they are highly relevant in terms of their funding level.
- Most projects are carried out in lower-middle-income countries, followed by upper-middle-income and low-income countries. China, Brazil and India are the countries with the highest number of implemented develoPPP.de projects. One in seven projects is conducted in an LDC.



## 1.4

### The develoPPP.de context: international and national trends

The following section places develoPPP.de in the context of international and national (official) development cooperation. It starts by briefly summing up the international debate on cooperation between (official) development cooperation and the private sector (Section 1.4.1), and goes on to compare the objectives of German development policy with international trends in cooperation with the private sector (Section 1.4.2).

#### 1.4.1 International context and trends

Over the past two decades, cooperation between development cooperation (DC) actors and the private sector has gained importance at international level. International agreements and declarations between government representatives in OECD and partner countries, and between multilateral, bilateral and regional organisations and the private sector itself, call for greater private sector involvement in DC. The establishment of global development partnerships involving the private sector is a key target of the Millennium Development Goals (MDGs) agreed in 2000 and is also enshrined as one of the Sustainable Development Goals (SDGs) adopted in 2015 (OECD, 2008; UN, 2003, 2009). Correspondingly, the Busan High Level Forum on Aid Effectiveness (2011), the European Union's Agenda for Change (EC, 2011), the Third International Conference on Financing for Development in Ethiopia (UN, 2015) and the Development Co-operation Report 2015 (OECD, 2015) ascribe a key role to the private sector in terms of economic growth, employment, innovation and sustainable development. A distinction must be made between cooperation with the private sector (Private Sector for Development, PS4D) and private sector development (Private Sector Development, PSD). The former aims to promote cooperation between donors and other DC actors and the private sector in order to jointly achieve development objectives, while the latter predominantly comprises measures designed to develop the local economy in partner countries (Byiers & Rosengren, 2012). Against this backdrop, a growing number of corresponding cooperation

forms and programmes for cooperation with the private sector can be observed in many OECD countries (Bilal et al., 2014; Heinrich, 2013; Roloff & Finkel, 2013).<sup>10</sup>

This development was driven by three key factors:

1. Recognition of the private sector as a driver of development (UNDP, 2004). Development policy-makers have long recognised that economic development is a prerequisite for growth and prosperity, and have reacted by launching relevant projects and programmes. What is new is the approach of aiming to achieve economic development in the partner country by involving private sector actors from the Global North. This is related to the fact that 'bottom of the pyramid' markets<sup>11</sup> in developing countries and emerging economies are attractive growth markets for companies (ODI, 2010; UNDP, 2004).
2. The growing integration of corporate responsibility into business models as a key factor for companies' economic success (Minor & Morgan, 2011; PwC, 2011; UN Global Compact, 2015). This is also apparent from the growing number of voluntary commitments by businesses and participation in networks such as the Global Compact and corresponding demands by policy-makers and society, such as the OECD Guidelines for Multinational Enterprises (OECD, 2011).
3. The importance of foreign direct investment in developing countries and emerging economies that have several times the level of official development assistance (ODA) funding (OECD, 2014).

The various programmes pursued by donor countries for cooperation with the private sector are based on the assumption that jointly covering costs and pooling resources generates development benefits for the partner countries on the one hand and commercial benefits for the companies involved on the other (Bilal et al., 2014; Callan & Davis, 2013; Di Bella et al., 2013; Heinrich, 2013; Kindornay & Reilly-King, 2013; Kindornay, Tissot & Sheiban, 2014). The support instruments most frequently used by donors are matching grants and technical support services, as well as forms of financial support (such as loans).

<sup>10</sup> Di Bella et al. provide a comprehensive overview of the different modes of cooperation between DC actors (bilateral donors, bilateral development banks, multilateral financing organisations, UN, OECD, international NGOs and think tanks) and the private sector (2013).

<sup>11</sup> Bottom of the pyramid markets are geared to the needs of poor population groups and aim to integrate these into corporate value chains (Kirchgeorg, n.d.).

In most cases, cooperation is not restricted to specific thematic areas or sectors (Di Bella et al., 2013; Heinrich, 2015).<sup>12</sup>

The literature analysis shows that development goals and the demands placed on cooperation with the private sector have become more ambitious in recent years in connection with the debate on aid effectiveness and the post-MDG agenda. Following a pilot phase, the focus is increasingly on demands for contributions to systemic change and poverty-reduction results (DEVFIN Advisers, 2014; ICAI, 2014, 2015; IOB, 2014; Johansson de Silva, Kokko, & Norberg, 2015; KPMG, 2012). Studies on development partnership programmes at international level come to the conclusion that the relevance of the corresponding programmes could be enhanced by focusing on specific objectives such as poverty reduction or involvement in the poorest developing countries (DEVFIN Advisers, 2014; ICAI, 2015; KPMG, 2012). With regard to the post-2015 agenda, the European Centre for Development Policy Management (ecdpm, 2014) explicitly points to the need for a greater emphasis on country contexts and link-ups with existing programmes in partner countries. Alongside clear goals for development partnership programmes, demands include adaptation to national development strategies, since enabling institutional and political frameworks at national and international level are crucial to success (ecdpm, 2014; Pfisterer, Payandeh, & Reid, 2014). Various studies also question the high expectations of existing private sector cooperation programmes in terms of the results that can be achieved, given that the programmes' overarching development results often fall behind expectations (DEVFIN Advisers, 2014; KPMG, 2012). The Donor Committee for Enterprise Development (DCED) established that 'increasing interest in partnership mechanisms has not been matched by a growth in the evidence base regarding their impact' (Heinrich, 2015). The evaluators of the Danish business-to-business programme and Norwegian cooperation with the private sector term the results achieved as a 'drop in the ocean' because they are restricted to the local level (DEVFIN Advisers, 2014). For this reason, the Danish programme was discontinued in November 2014. IOB (2014) reaches similar conclusions with regard to Dutch cooperation

between DC and the private sector. A study by the European Parliament on the role played by the private sector in development financing (European Parliament, 2014) calls for a stronger focus on measures to dismantle barriers to private investments rather than aiming to leverage private funds on a piecemeal basis.

Overall, it can be said that the importance of the private sector as a key actor for development is emphasised at international level. At the same time, there is a trend towards focusing partnership programmes more strongly on overarching development goals and poorer countries in order to enhance the programmes' effectiveness.<sup>13</sup> At present, though, limited knowledge is available on the development effectiveness of partnership programmes.

#### **1.4.2 National context – BMZ's objectives for cooperation with the private sector**

Similarly to the development in other OECD countries, in Germany too, cooperation with the private sector has become established as an important thematic area of development cooperation. This is shown by BMZ's corresponding sector strategies and strategy papers (BMZ, 2011a, 2011b, 2013b; Doc 13) and by the multitude of instruments and support programmes developed in recent years (BMZ, 2011a; Doc 21; Roloff & Finkel, 2013).<sup>14</sup> Apart from develoPPP.de, examples include sector-specific support programmes (e.g. sector initiatives, Digital Africa programme) or investment promotion arrangements (e.g. scaling-up programme, innovation vouchers) and regional programmes (e.g. PPP Fund for Fragile States of West Africa, Employment for Sustainable Development in Africa (E4D)) (see Annex 5.3). BMZ's primordial objective is to implement overarching development goals, i.e. the guiding principle of sustainable development in the partner countries, through cooperation with the private sector (BMZ, 2011a, 2013b, 2016). Against the backdrop of the SDGs, the private sector – a driver of development – is considered to play a key role for sustainable development and the implementation of the 2030 Agenda (BMZ, 2016; German Government, 2016). This cooperation is expected to help set up competitive and

<sup>12</sup> Heinrich (2015, pp. 14-16) provides a comprehensive overview in tabular form of international PS4D programmes.

<sup>13</sup> Examples include the Danida Business Explorer Program, the Business Partnerships Platform of the Australian Department of Foreign Affairs and Trade, or the SIDA (Swedish International Development Cooperation Agency) Public-Private Development Partnerships.

<sup>14</sup> In its position paper (2011a), BMZ distinguishes between six basic forms of cooperation between DC and the private sector. Rohloff and Finkel (2013) allocate these differently and systematise the various approaches and programmes according to their levels of action (policy level, organisational level, programme level) and fields of intervention (international frameworks, local conditions, companies).

sustainable economic structures and to contribute to sustainable investments and inclusive growth in partner countries. The focus in this context is on generating reciprocal benefits for private sector and public sector partners (BMZ, 2013b, 2016).

The extensive portfolio of support instruments and forms of cooperation with the private sector is extremely heterogeneous, not just as regards the respective goals to be achieved, but also in terms of the stakeholders involved and the performance expected from DC and the private sector. Another factor that contributes to this complexity is that responsibilities at BMZ are divided between different divisions. Other ministries are also involved besides BMZ. These finance similar support programmes, e.g. as part of sector initiatives or climate partnerships<sup>15</sup>. While the majority of programmes are mainly geared towards German and European companies, there are some that are also accessible to local companies in the partner countries. The specific cooperation objectives vary depending on the form of cooperation or support programme, and include primary development goals, such as the mobilisation of private

capital and expertise for development purposes. Other goals are increases in efficiency when it comes to providing public services, and the goal of supporting German companies in tapping into markets (BMZ, 2011a, 2011b, 2016; Roloff & Finkel, 2013). The latter aspect and the support provided to corresponding programmes such as the ExperTS programme or the Import Promotion Desk (IPD) illustrate BMZ's efforts to dovetail development cooperation more closely with foreign trade promotion (BMZ, 2016). BMZ especially highlights German medium-sized enterprises as important cooperation partners (BMZ, 2011a, 2011b, 2016; Doc 3). This distinguishes BMZ from other donors, who generally have no explicit focus on promoting small and medium-sized enterprises (SMEs) (Di Bella et al., 2013)<sup>16</sup>. Seen as a whole, the development in Germany largely corresponds to international trends for cooperation with the private sector. Germany has a comparatively large portfolio of cooperation programmes and comprehensive experience with partnership projects, especially via the develoPPP.de programme.

## Key findings

- The key role of the private sector as a driver of development is underlined in international agreements and strategies. In addition, the enshrinement of corporate responsibility in companies' business models is increasingly seen to be a key success factor. As a result, a growing number of programmes for cooperation with the private sector have been set up in OECD countries over the last two decades.
- The development-related demands made on cooperation between DC and the private sector in international donor programmes have grown in recent years. This is based on the recognition that the results of the projects initiated by the programmes have mainly been restricted (to the local level). The demand is for measures that focus the projects on contributions to poverty reduction and networking with other actors to expand development results. However, little evidence has so far been provided of the effectiveness of partnership programmes.
- The development in Germany largely corresponds to trends in cooperation with the private sector at international level. Germany has developed a relatively large portfolio of different programmes. Unlike the programmes of other donors, BMZ programmes aim to cooperate with small and medium-sized enterprises in Germany and other European countries.

<sup>15</sup> The climate partnership programme receives funding from the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and is implemented by DEG. Similar policy frameworks apply as to the develoPPP.de programme (DEG, n.d.).

<sup>16</sup> According to di Bella et al. (2013), SMEs have so far been seen as target groups for development cooperation rather than cooperation partners.

## 1.5 Programme theory

Owing to its demand orientation, the develoPPP.de programme is a promotional approach that is programmed very much in line with conditions and less in accordance with a rigid framework of final objectives. If project ideas can stand up to a criterion-based selection and appraisal process, they are eligible for support independently of the respective industrial or development-policy sector (conditional programming). BMZ only provides an abstract objectives framework (final programming). As a result, the range of projects supported is intentionally large, both in terms of content, financing and regional focus. The evaluation approach is based on theory in order to draw wider conclusions from the specific project activities within this loose programmatic framework and assess the programme's effectiveness. The focus is on the programme theory as a model for how develoPPP.de is supposed to contribute to results by supporting projects. Since no such theory was in place for the programme, the theory was reconstructed in a relatively laborious process that involved the programme stakeholders.

### 1.5.1 Reconstruction of the programme theory

The evaluation defines 'programme theory' as an explicit theory or model of how one or more measures contribute to a sum of specific outcomes via a series of intermediate outcomes (Funnell & Rogers, 2011). The extremely heterogeneous nature of develoPPP.de projects made it essential to devise a programme theory in order to define and delimit together with the evaluation stakeholders the key areas of the programme that were to be evaluated. The drafting of this theory is also a precondition for identifying key assumptions that transcend individual projects and give the develoPPP.de promotional approach its programmatic character. The examination of how and why project activities contribute to achieving specific programme objectives draws conclusions from the specific project activities and evaluates the programme's effectiveness<sup>17</sup>. Ultimately, the programme theory can feed into the further strategy process of BMZ and the implementing organisations, and support negotiations and the fleshing out of a monitoring

and evaluation (M&E) system, for instance. Key steps involved in reconstructing the programme theory were the mapping of content from strategy documents (deduction step) and a comparison of operational documents with the programme stakeholders at a joint workshop (induction step). The evaluators compared the working version of the programme theory obtained in this way with the provisional findings of the content analysis, the first company survey, expert interviews and national and international literature. Key findings of this reconstruction were (1) the programme's set of objectives (see Fig. 87) and (2) the identification of key assumptions and adjustment mechanisms related to how develoPPP.de as a 'stimulus programme' can help achieve these objectives.

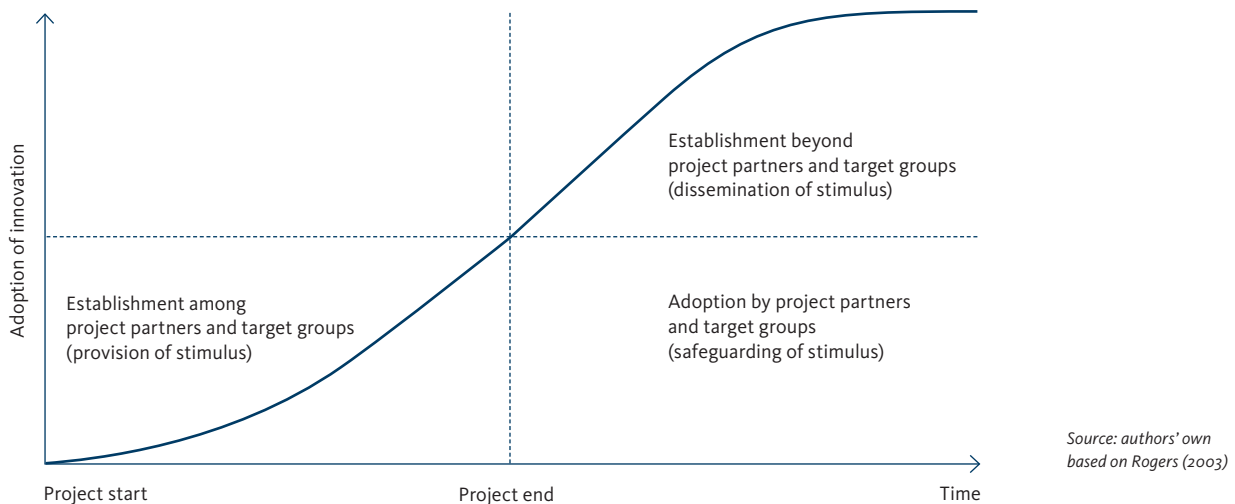
### 1.5.2 Programme theory narrative: develoPPP.de as a stimulus programme

Since the programme is intended to put innovative project ideas into practice, this rules out close alignment with preconceived objectives from the perspective of BMZ and the implementing organisations. The joint design of projects by implementing organisations and companies is also seen as a key step in the intended process of making entrepreneurs aware of development issues. In keeping with the criteria in the programme guidelines, develoPPP.de is intended to set a framework that reliably ensures that projects are designed to be commercially successful and to achieve development goals (see Annex 5.5). A further key assumption is that these projects, which meet the given criteria, achieve the objectives established during the design phase. It is also assumed that the programme will introduce companies to and enable them to learn about development issues.

develoPPP.de projects require low funding and have short project terms. Compared with the large-scale programmes of bilateral official development assistance, development partnerships with the private sector are unlikely to generate far-reaching results within the two- to three-year project term. The assumption is that they will be more likely to provide stimulus for innovations in areas that are key to development (provision of stimuli). This evaluation understands innovation

<sup>17</sup> The question of how and why activities lead to the achievement of objectives is also discussed under the term 'mechanism', e.g. of a project. Hedström (2005, quoted from Leeuw, 2012; courtesy translation) defines a mechanism as a 'constellation of entities and activities that are interconnected in such a way that they regularly generate a specific type of outcome'. See Hedström and Ylikoski (2010) for an overview. Spelling out the assumptions related to mechanisms is intended to unpack the black boxes of the develoPPP.de programme (Astbury & Leeuw, 2010). The procedure presented here is aligned with the policy-scientific approach to the reconstruction of programme theories (Leeuw, 2003).

**Figure 7: develoPPP.de as a stimulus programme for transferring innovations**



as 'doing new things or doing things in a new way' (Schumpeter, 1947; quoted in Stockmann, 2007, p. 54).

When assessing the provision of stimuli, it must be borne in mind that what makes the introduced innovation convincing is the relative advantage it presents, i.e. it is considered better than previous ideas, practices or objects (Rogers, 2003). The stimulus provided should extend beyond the end of project support. The programme guidelines attach great importance to the aspects of sustainability and broad-based impact. The latter relates to the more ambitious strategic development partnerships with the private sector. As well as providing stimuli, then, it is also assumed that the project results will endure beyond the end of support (safeguarding of stimulus) and will spread beyond the direct project stakeholders and target groups (dissemination of stimulus). Figure 7 illustrates this stimulus logic as a diagram. The diffusion of innovations over the course of time is assumed to be S-shaped. To begin with, it takes a while for the innovation to be perceived as advantageous. After that, it spreads relatively quickly and slows down as it spreads more widely (Rogers, 2003).

### 1.5.3 The reconstructed set of objectives of the develoPPP.de programme

The inputs by BMZ, implementing organisations and third parties described in the programme schedule are used to implement a variety of project activities in line with the described criteria and standards. Via various outputs in the partner country's institutional or entrepreneurial setting, the develoPPP.de projects are intended to achieve specific outcomes, i.e. short-term and medium-term effects. Effects are especially intended to be generated at target group level in the partner countries.

A develoPPP.de project is not intended to contribute to all of the impacts identified in the programme theory's set of objectives (see Fig. 8). The set of objectives instead represents the key activities and outcomes that are addressed differently in different projects. The arrows between the activities and the intended results (outputs, outcomes and impacts) represent causal links and relationships. When reconstructing the programme theory, the three key content areas and two rather more instrumental areas/cross-cutting themes were identified that are relevant to the majority of develoPPP.de projects.

The entry point most frequently used by develoPPP.de projects (termed causal pathway 1) encompasses activities, outputs and outcomes that help to improve existing products and services or introduce innovative new ones. This pathway particularly involves carrying out activities for knowledge and technology transfer (e.g. technical training courses), for developing innovative ideas (e.g. introducing product innovations) and introducing new high-quality process and/or production standards (e.g. activities related to certification). These are intended to help improve or launch new products and services by entrepreneurs and/or public institutions in the project country, and to enhance the quality of services and products over the course of time. Since most develoPPP.de projects are intended at the very least to contribute to this kind of innovation transfer, the case studies focus on this causal pathway.

Another point of entry for develoPPP.de projects subsumes improvements in environmental and social standards (causal pathway 2). Via accreditation, certification and standardisation activities, develoPPP.de projects are intended to improve the environmental, labour and social standards of entrepreneurs involved in the project. In terms of content, this pathway links up with the intended changes in companies in line with causal pathway 1.

A third area encompasses activities, outputs and outcomes intended to enhance employability (causal pathway 3).

Mainly by involving public institutions, activities such as setting up training centres are to help improve the quality of products and services in the initial and continuing training sector. However, project activities in this sector may also focus directly on target groups, for example by training company staff.

It is difficult to distinguish between the outcomes of individual projects at aggregated level. Often, the programme assumes that the project activities along the various causal pathways either have a direct effect on the income and/or employment

situation of the target groups, or an indirect effect via the improvement in productivity and sales of the entrepreneurs involved. The greater competitiveness of companies in the partner country is intended to help strengthen private sector structures and, depending on the sectoral context, solve key development challenges faced by the project.

In addition to these three substantive causal pathways, the set of objectives covers two instruments. To safeguard the sustainability and broad-based impact of the projects and achieve key sub-targets, many develoPPP.de projects conduct awareness-raising and PR activities, as well as activities designed to set up networks with various stakeholders at meso and macro level (see Box 2). This serves to disseminate lessons learned by the projects at meso and macro level (cross-cutting pathway 1).

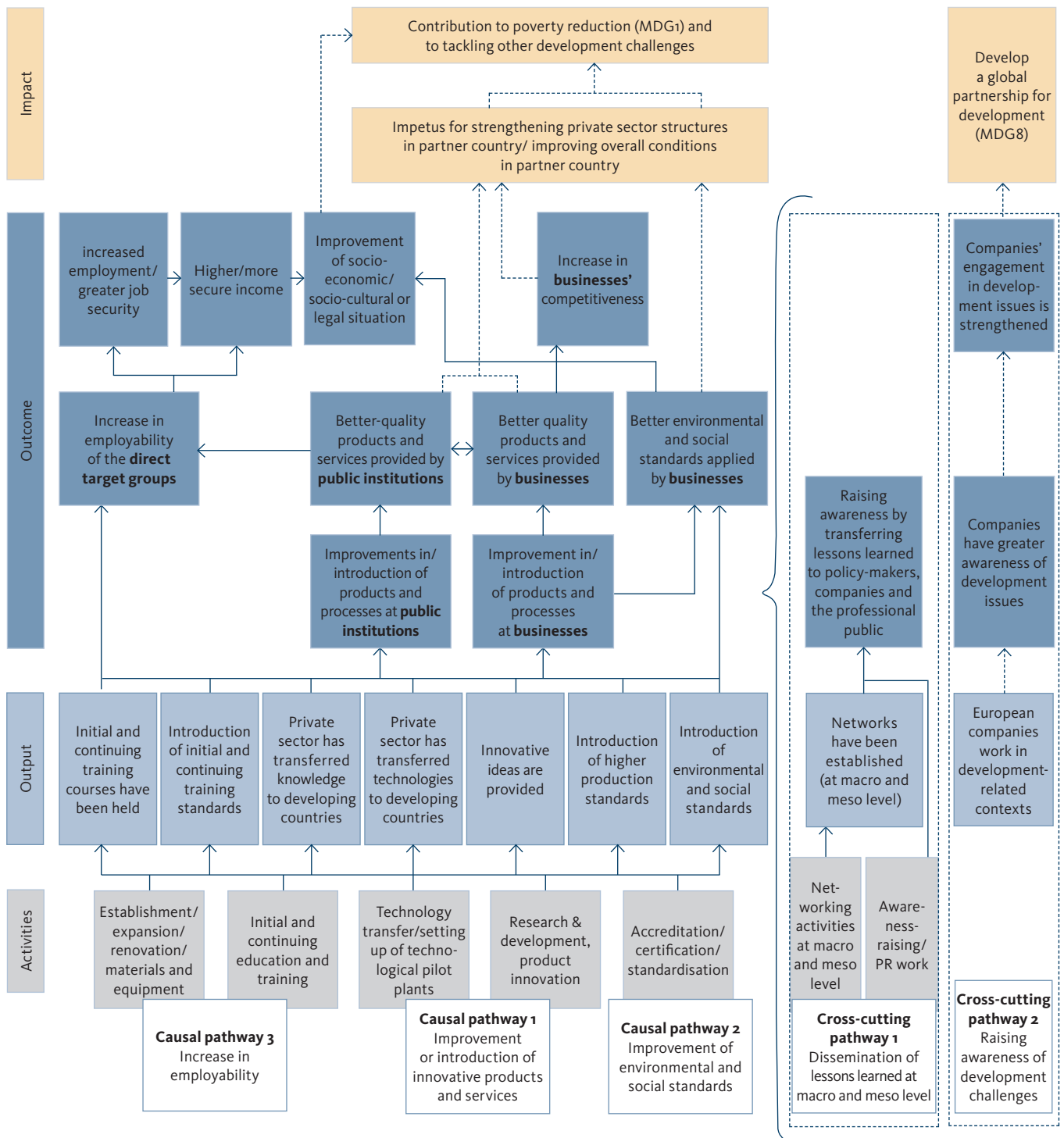
#### Box 2: Definition of terms: micro, meso and macro level

The understanding of the micro, meso and macro level in this evaluation is based on BMZ's Sector Strategy on Private Sector Development (BMZ, 2013b). This defines the level of individual companies as the micro level, that of (individual) institutions as the meso level, and the policy level as the macro level.

It is observed to what extent projects that initially address the micro level with target groups (such as local companies) link up with institutions (such as associations or policy discourse in the respective sectoral context), or establish such dialogues for the first time. The focus here is not on formal communication structures but on whether and to what extent the project is networked with its setting.

Where this distinction between policy levels is not applicable, the terms are understood to apply to regions similarly to GIZ's multilevel approach in order to assess the dissemination or reach of the projects: local/municipal – micro; regional – meso; national – macro.

Figure 8: Reconstructed set of objectives of the develoPPP.de programme





A second cross-cutting pathway refers to changes within the European partner companies. By sensitising these to development-related challenges (cross-cutting pathway 2), the projects are intended to make a contribution towards learning processes within the companies taking part in the programme. Here it is assumed that the drafting, design and subsequent implementation of projects together with the implementing organisations makes companies aware of development-related challenges and may lead to a change of attitude at the company that fosters organisational change.

#### 1.5.4 Implications for the evaluation

The above description of the object reveals a key challenge in terms of evaluation. How can we draw conclusions from a heterogeneous project portfolio that covers extremely different parts of the set of objectives in order to assess the effectiveness of the programme?

The stimulus logic presented above shows that develoPPP.de projects, independently of the specific objectives in the given industrial or development-policy sector, can be rated as successful if the key assumptions stated above can be empirically fulfilled. That includes the following aspects:

1. The projects stand up to the examination of the develoPPP.de criteria on the ground.
2. The projects achieve objectives in line with their respective sector-specific design, i.e. provide stimuli along the formulated causal pathways.
3. The project results endure beyond the end of support, i.e. the stimulus is safeguarded in order to guarantee the sustainability of the project results.
4. The project results are disseminated beyond the actors and target groups directly involved in the project. This dissemination of stimuli corresponds to cross-cutting pathway 1, the dissemination of lessons learned (at the project) at meso and macro level, and is a prerequisite for the broad impact of the projects.
5. The awareness-raising and educational function of the develoPPP.de programme as regards development issues is expressed by the fact that attitudes and behaviours at the participating companies change in harmony with the guiding principle of sustainable development (cross-cutting pathway 2).

Apart from these assumptions examined by the evaluation, key adjustment mechanisms can be identified from the programme's stimulus logic. The programme officers can exert at least an indirect influence on these mechanisms. The evaluation paid particular attention to four adjustment mechanisms:

1. Negotiations between the implementing organisations and companies when designing the project, i.e. the process that leads from a project outline by a company to a shared understanding of the project by the implementing organisation and the company, to the mutual benefit of both sides.
2. Coordination by the company during project implementation, i.e. the process of implementation by the company (possibly involving other actors) to achieve the established project objectives.
3. Monitoring by the implementing organisation, i.e. the process in which the organisation supports project implementation.
4. Establishing networks and disseminating lessons learned, i.e. the process of diffusing project results beyond the project's direct stakeholders.

These assumptions and adjustment mechanisms are constituent factors for the effectiveness of the develoPPP.de programme and are intended to apply across various projects. They are the key focus of empirical investigation by the evaluation and form the guiding framework for elaborating the evaluation approach and methods.



## 1.6

### Evaluation approach and methods

#### 1.6.1 Evaluation approach

The evaluation pursues a theory-based approach. It centres on the programme theory described in Section 1.5. Given the heterogeneous nature of the projects, the programme theory served to determine and delimit the areas of the programme to be evaluated, and to identify key assumptions that transcend individual projects and give the promotional approach its programmatic character. A combination of methods was selected for collecting data (see Fig. 9).

- The response to evaluation question 1 is mainly based on document and literature analysis, bearing in mind the findings of the subsequent methods.
- Evaluation questions 2 and 3 were examined with particular reference to expert consultations, the first company survey, ongoing content analysis of project documents and an in-depth portfolio analysis.
- The typology-based case-study approach was generally used to answer evaluation questions 3, 4 and 5.
- Statements on the sustainability of develoPPP.de projects and answers to evaluation question 5 were also generated by a second company survey.

These methods are described in detail in Annex 5.2.

The evaluation matrix (see Annex 5.1) is the basis for evaluating data collected using the various different methods and for synthesising the findings across all methods. The matrix allocates judgement criteria to the evaluation questions. Each judgement criterion was rated based on the findings of the relevant data collection methods. Finally, these findings were collated across all methods and triangulated. The criteria were assessed using five categories:

- largely fulfilled/largely successful,
- fulfilled to a significant degree/rather successful,
- partially (not) fulfilled/partially (not) successful (indifferent 'middle' category),
- not fulfilled to a significant degree/rather unsuccessful,
- largely unfulfilled/largely unsuccessful.<sup>18</sup>

#### 1.6.2 Methods

##### *Content analysis*

Based on a total of 685 development partnership projects with the private sector, a random sample of 216 projects was created for the content analysis. In the inception phase at the start of the evaluation, the cross-project activities and objectives of the develoPPP.de programme were identified by analysing the project reports. These findings were used to devise the programme theory. Furthermore, generalisable findings were generated on the degree to which individual projects adhered to implementation plans and achieved their objectives. The random sample made it possible to generalise the findings with an error rate of no more than 20 percentage points in relation to the overall population. The develoPPP.de Cloud served as the data basis.

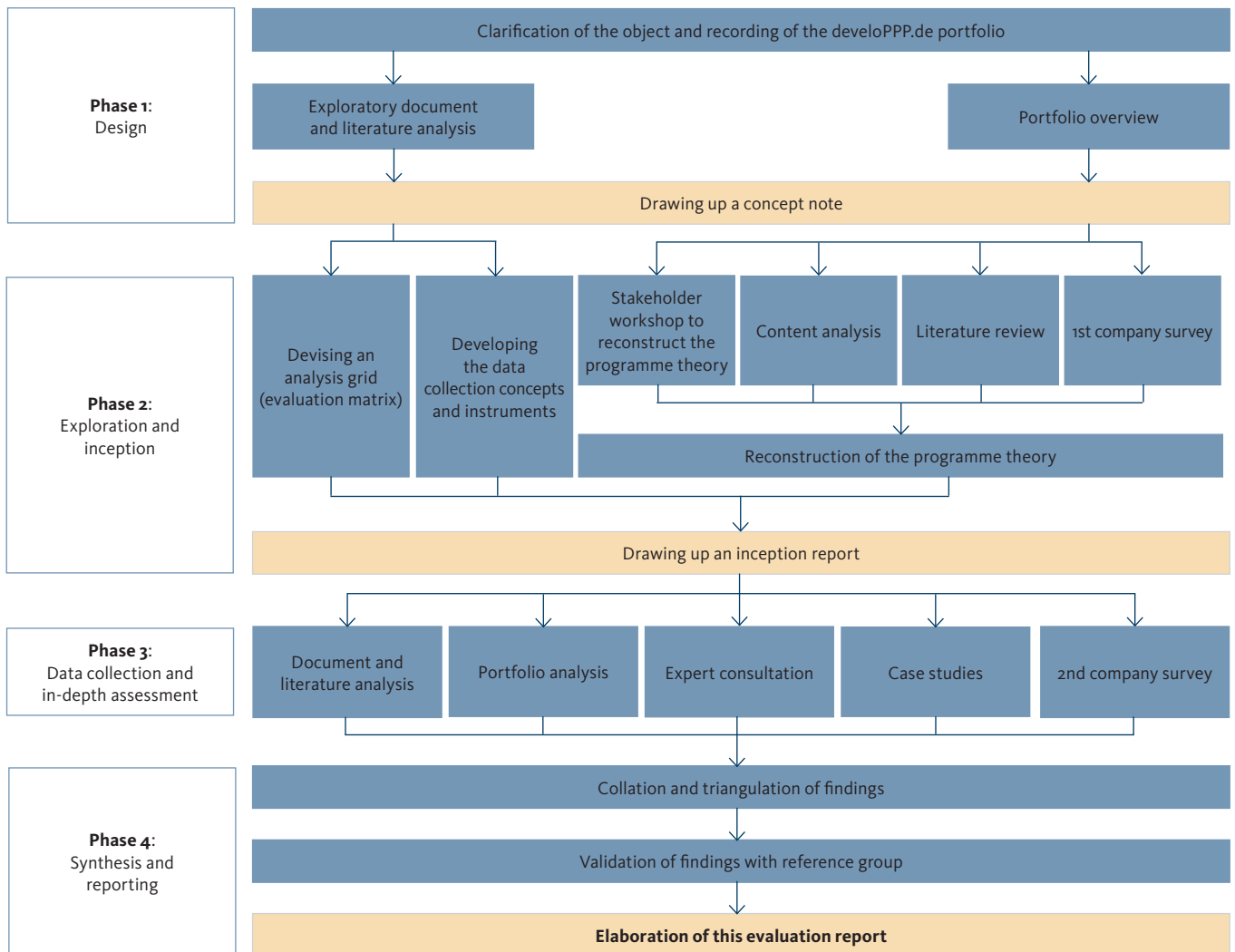
##### *Company survey*

The purpose of the company survey was to gather the lessons learned and perspectives of the companies involved in the develoPPP.de programme. During the inception phase of the evaluation, it provided exploratory findings on key private sector objectives, and also on the aspects that were conducive or obstructive in cooperation with the three implementing organisations. A second series of surveys at the end of the data collection phase was used to empirically examine aspects of sustainability and the triangulation of findings from the case studies and the other data collection methods. Semi-structured interviews were carried out by phone or face to face at a total of 36 companies<sup>19</sup>. The companies to be interviewed were selected based on previously defined criteria. The aim was to include the largest possible variety of project forms in the random sample (maximum variation sampling).

<sup>18</sup> The assessment system is explained in Annex 5.2.2.

<sup>19</sup> DEval uses the acronym 'Int' for the individual interviews with representatives of the organised business community, together with a serial number, having pledged confidentiality towards the interview partners.

**Figure 9: Overview of the evaluation's methodological approach**



Source: authors' own

*Portfolio analysis*

The portfolio analysis involved the empirical examination of the develoPPP.de programme's allocation patterns, i.e. the regional distribution of projects and the funds used. It considers the project portfolio from a macro perspective. It was examined whether the degree of need, the policy frameworks and/or the attractiveness of the market in a project country foster or impede

1. submission of an application,
2. approval of an application and
3. the premature discontinuation of a develoPPP.de project.

The findings are presented in a separate publication (Lücking & Roggemann, 2016). The develoPPP.de Cloud provided the data for the examination. This database includes statements on the projects and was supplemented by country-specific indicators on the project countries.

### *Expert consultations*

Semi-structured expert interviews were used to collect lessons learned, knowledge and assessments of the programme steering procedures (at BMZ level), of project implementation (at implementing organisation and company level) and of the coordination processes between the stakeholders. Interviews were held with 46 people on an exploratory basis or to enable validation after the case studies. The selection of experts depended on the organisation, the individuals' positions in the organisation and their ability to influence or participate in the relevant decisions or actions.

### *Case studies*

The case studies were mainly used to examine whether the key assumptions in the programme theory can be empirically fulfilled at specific develoPPP.de projects (= cases). It was examined whether the promotional approach generates develoPPP.de projects that provide, safeguard and disseminate development-related stimuli as defined by the programme theory. Twelve projects were identified in four countries (Brazil, Ethiopia, India and Uganda) using a typology-based selection process. Data were mainly collected via semi-structured individual and group interviews. The interviewed groups included representatives of companies, the implementing organisations, further project partners and various target groups. In order to assess the extent to which changes can be plausibly attributed to the projects, interviews were held with people who were comparable with the project's target groups, other companies and market players, and other experts in the given project sector and from civil society in the partner country.<sup>20</sup>

### **1.6.3 Assessment of the methodological approach**

The results were triangulated and methodological weaknesses largely offset by combining different data collection and evaluation methods. However, the following limitations must be borne in mind:

With the exception of the portfolio analysis, this evaluation makes no quantified statements on the likelihood that the effects of develoPPP.de projects will occur, or on their scope. This is not due exclusively to the chosen methodology, but also to the object of the evaluation. Whereas for content analysis it was possible to use a random sample to generalise the findings to all project reports in accordance with the definition of the population, such a rigorous approach was not feasible for the company survey and the case studies within the period scheduled for the evaluation. Owing to the programme's heterogeneity in terms of content and regions, DEval decided to maximise analytical depth rather than analytical breadth. This implied the intense and in-depth interviewing and examination of selected experts, companies and projects (cases). This approach (with its small number of units interviewed or examined) does limit the statistical possibility of generalising the findings to all units of the overall population (external validity). However, the transferability and relevance of the findings were safeguarded by using criteria-based selection procedures.

The aim was to obtain findings of the highest possible quality by a systematic approach in all methods, e.g. by basing the operationalisation of data collection tools on the evaluation matrix and by computer-assisted evaluation along the matrix. The findings were triangulated with regard to methods (synthesis across all methods), data (e.g. comparison of case study findings with non-involved sector experts and comparison groups) and team members (cross-check principle for collating cases, and for the synthesis). All evaluation products (strategy paper, inception report, portfolio analysis and this evaluation report) underwent a peer review process both at DEval and externally, and were checked with the reference group for factual correctness. Any different interpretations of findings were discussed.

<sup>20</sup> A report was drawn up on each case study. To safeguard the anonymity pledged towards the project partners, the case study reports will not be published.



## 2.

## FINDINGS

## 2.1

### Strategic orientation and conceptual framework of the develoPPP.de programme

To determine how appropriate the develoPPP.de programme is for achieving relevant development objectives (evaluation question 1), we will go on to present and analyse the key elements of the programme that can be formally designed and in which changes can be generated. These are: the programme's strategic orientation (Section 2.1.1) and the conceptual framework that lays down its formal rules (Section 2.1.2). The findings of this analysis also serve to make a final assessment of the programme's relevance in line with the OECD-DAC criteria (Section 2.1.3).

#### 2.1.1 Strategic orientation of the develoPPP.de programme

To assess the programme's strategic orientation, the programme's objectives need to be analysed. To what extent do the objectives of the programme and of the individual projects match BMZ's overarching objectives? To what extent does the programme consider the needs of the target groups of development interventions in partner countries? The latter is a fundamental component of BMZ's overarching development objectives and a key aspect for rating the programme's relevance. This section also sheds light on the programme's basic conceptual assumptions.

#### *Objectives of the develoPPP.de programme and alignment with BMZ objectives*

As shown in the portfolio overview (Section 1.3.2), develoPPP.de is one of BMZ's key programmes for cooperating with the private sector (see Annex 5.3). It addresses BMZ's overarching objective related to cooperation with the private sector. Jointly implemented projects are intended to help achieve global development goals. The focus is on the objectives designed to build a global development partnership and to reduce poverty (Doc 11). The programme's objectives are laid out in the programme guidelines. They include:

1. strengthening private sector structures in partner countries,
2. mobilising private sector resources for development cooperation,
3. transferring knowledge and technologies,
4. increasing private sector investments in developing countries, and
5. enhancing the sustainability of development results through the long-term engagement of the private sector (Doc 11).

Overall, the programme's objectives largely match BMZ's overarching development objectives (such as those of BMZ's Charter for the Future). A fundamental characteristic of develoPPP.de is the aspect of partnership, whose distinguishing feature is that the actors involved cooperate transparently and as equals 'in order to achieve a joint objective for sustainable development' (BMZ, 2011a). The focus is on the reciprocal benefit that can be achieved for the public and private sector partners. Companies are to create jobs and income in emerging economies and developing countries, transfer expertise, introduce future-ready technologies and act as role models for local enterprises by introducing labour, environmental and social standards. In return, these companies receive support in tapping into new markets and can buffer their financial risk (BMZ, 2013b; GIZ, 2013).

The content analysis of over 200 develoPPP.de projects shows that the project goals match the programme objectives and are also aligned with BMZ's overarching development objectives and strategies. There are very few differences in this respect between the different implementing organisations and forms of development partnerships with the private sector.<sup>21</sup> According to statements by the experts interviewed at BMZ, there are no specific instructions concerning the strategies with which the projects should primarily be aligned (Int 2; Int 3). The objectives depend on the project proposals and business interests of the companies, and vary widely due to the heterogeneity of the proposals submitted.

<sup>21</sup> At output level, most projects aim to achieve outcomes related to the objective of strengthening innovation (SDG 9 and Charter for the Future priority area 7), and to the programme objective of transferring knowledge and technologies. The only recognisable differences relate to alignment with the MDGs. Whereas 70% of the projects



As far as alignment with overarching development objectives is concerned, the programme's set of objectives is on the whole abstract. A programme theory that explains the objectives and assumed results of the programme was only developed to a certain extent during the evaluation (see Section 1.5). Corporate interests that are to be served by the programme are not specified in any great detail, either at programme level or at the level of the individual projects. The companies' business case, i.e. the economic investment scenario, which may extend beyond the term of the develoPPP.de project, does not figure in the project documents and is only vaguely described in most of the project applications. The findings of the expert consultation (Int 2; Int 3) and of key BMZ documents (BMZ, 2011b, 2016) indicate that the focus on German/European companies is linked to the objective of promoting the awareness of development-policy issues on the part of the involved companies, and of enhancing the social acceptance of development cooperation in Germany. This objective is not explicitly laid down in the programme, though. Despite long experience with the programme, there is no common understanding of its primary objectives either between the individual implementing organisations and BMZ, or within the implementing organisations or the Ministry itself. This is apparent from the different opinions of whether the programme should also serve to raise awareness at companies, or whether it should be coordinated with the priority areas of development cooperation. Acceptance of the programme within the organisations themselves is therefore limited in some cases (Int 2; Int 3; Int 6; Int 8; Int 23).

The programme addresses key development strategies because it is intended to engage the private sector in achieving development objectives via partnership projects. Aligning the programme with overarching policy objectives and their enshrinement in the guidelines and project designs of individual measures has raised the expectations to be met by cooperation with the private sector, in Germany as in the programmes of other donors. However, these expectations are not accompanied by specific measures for focusing the develoPPP.de programme more closely on sectors or regions that are particularly relevant for development, or aligning the programme's content more closely with the aim of poverty

reduction. On the other hand, the evidence basis is limited as regards the results of development partnerships with the private sector, both at international level and in Germany. The last evaluation of the develoPPP.de programme was carried out in 2002.

Overall, it can be stated that the programme is indeed aligned with BMZ's overarching development objectives, and takes into account international development strategies for cooperation with the private sector. However, the programme's primary objectives remain unclear due to its abstract set of objectives and the implicit goals related to the programme.

#### *Alignment of the objectives of the develoPPP.de programme with the needs of partner countries*

To identify whether the develoPPP.de programme is aligned with the needs of partner countries, the first step is to determine how it is formally incorporated within BMZ. The fact that the programme is attached to Directorate 11 (Civil society; churches and the private sector in development cooperation) gives special status to cooperation with the private sector. Firstly, projects can be carried out in all countries on the OECD-DAC list of developing countries, also those that are not BMZ partner countries. Secondly, individual develoPPP.de projects do not have to be coordinated with the partner countries. Programme officers at BMZ consider the programme's resulting flexibility to be a key prerequisite for its successful implementation (Int 2; Int 3). This also takes into account the fact that it is a partnership programme, which aims to achieve mutual benefits for the partners involved and gives equal consideration to BMZ's development-policy requirements and the companies' business requirements. On the other hand, the lack of coordination with partner countries runs counter to development strategies such as the Paris Declaration on Aid Effectiveness. The arguments in favour of formal assignment of cooperation with the private sector within BMZ's organisational structure have not been clearly documented in writing so far. The acceptance of this assignment within the organisations themselves and in the public arena is therefore limited (Int 2; Int 3; Int 4; Int 6; Int 8; Int 9; Int 11).

The evaluation findings provide the following basis for considering the needs of partner countries. Both the case studies and the literature analysis confirm that the majority of develoPPP.de projects give consideration to development needs (for example as regards the development and introduction of new technologies, or the transfer of specific expertise to the given sectors and/or regions of the partner countries). The same finding applies to the projects of other partnership programmes (Bürkle & Palenberg, 2009; DEVFIN Advisers, 2014; Doc 17; Doc 20; Johansson de Silva et al., 2015; KPMG, 2012). However, the case studies, particularly in the BRICS countries India and Brazil, show that the products developed by the companies are not always tailored to the needs of the target groups of development interventions listed in the project documents, since this runs counter to corporate interests (CS 1; CS 2; CS 5; CS 12)<sup>22</sup>. Some of the external experts interviewed come to similar conclusions. They criticise the fact that develoPPP.de projects do not adequately consider the development needs of the groups targeted by development policy because overarching corporate interests overshadow more effective alternatives (Int 33; Int 36; Int 40). The following quotation sums up this criticism: ‘Cooperation with German companies implies the use of their products. These are not always the best offerings for the beneficiaries, though’ (Int 33). Some staff members at the implementing organisations criticise the lack of or deficiencies in demand and needs analyses at develoPPP.de projects, and the related tensions between the objectives of target groups and product specifications (Int 9; Int 11).

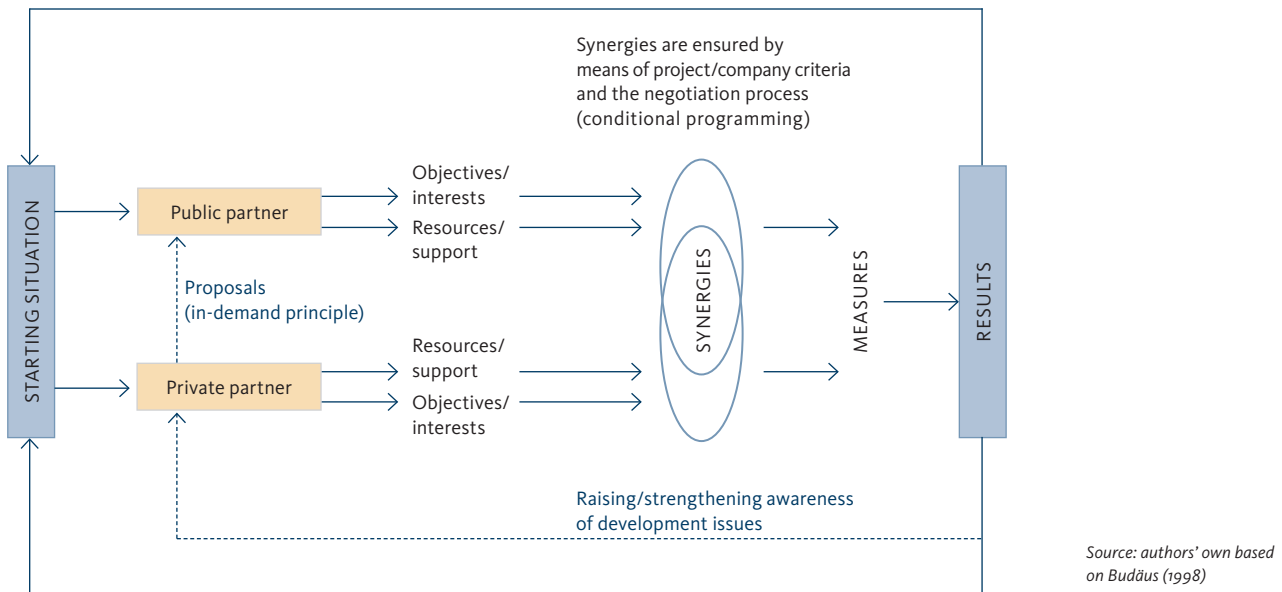
### Box 3: Project example of inadequate consideration of target group needs

One case study project was designed to develop financial products for low-income groups in order to buffer them from external shocks and minimise the risk of poverty. Given the market risks and very low overall demand among target groups for relevant financial products, the company developed a product geared to reducing risks for credit institutions. By aligning itself with the institutions’ needs, the company secured itself a sales market. Relevance for target groups of the development interventions remained limited because the product developed did not fully protect them from the risks of poverty, which was one of their basic needs.

On the whole, it can be said that the directorate to which the programme is attached at BMZ does not envisage policy coordination with partner countries governments. The flexibility this gives to the programme is consciously desired and reflects the programme’s demand orientation. However, BMZ has not yet sufficiently explained the reasons for the programme’s organisational assignment, which makes it difficult to understand. Although most of the projects are in keeping with the specific sectoral or technical development needs in the partner countries, some give no consideration to the specific needs of the target groups of development interventions described in the project documents.

<sup>22</sup> DEval uses the acronym ‘CS’ and a serial number to designate individual project case studies, in order to respect a pledge of confidentiality towards the surveyed companies.

Figure 10: Structural model of develoPPP.de



### Basic conceptual assumptions of the programme – leveraging synergies

The programme's key assumption is that corporate interests overlap with development objectives. This relationship is intended to leverage synergies for companies and DC organisations, so that the cooperation arrangement allows both partners to achieve their respective goals more cost-efficiently, effectively and quickly (Doc 11) (see Fig. 10). Since companies and DC organisations pursue their own divergent goals, the programme's orientation also gives rise to tensions between the interests of companies and development objectives. These tensions limit the synergies that could be generated and must be taken into account during the design phase, which must also position the programme appropriately between the different objectives in order to make optimal use of the existing synergies.

The condition for leveraging the synergies assumed by the programme is that the respective goals of the private sector and DC actors are compatible and indeed complementary. This makes the overall benefit of the services provided by the

partners greater than the sum of their individual services. The aim is to generate added value for both partners that would not have been possible without cooperation. In the programme guidelines, this is defined in particular via the complementarity criterion (Doc 11).

Before we can examine the extent to which corporate objectives are compatible with those of DC, we need to look at both sets separately. The specific objectives of the private sector are not explicitly defined in the programme objectives. Nor are they mapped by the programme theory that was designed for the evaluation. The statements made in the company survey were therefore used to determine the corporate objectives, and were compared with the findings of the content analysis. The company survey shows that 'harnessing or expanding existing sales markets' is the most common company objective (26 of 36 statements). Other key corporate objectives are 'to recruit or secure skilled labour', 'to set up or expand supply chains', 'to carry out corporate social responsibility (CSR) activities' and to 'raise the profile' of the company. The most frequent DC objective in over 90% of the projects covered by



the content analysis is ‘to transfer private sector knowledge and technologies to partner countries’. All surveys confirm that corporate objectives are largely compatible with DC objectives (Int 2; Int 3; Int 9; Int 11; Int 14; Int 15; Int 18; Int 19; Int 23; Int 32; Int 34; Int 35; Int 42; Int 43; Int 44). The case studies show that in those cases where the objectives were not compatible (CS 6; CS 7; CS 8; CS 11), this was due to the failure to include the dissemination of project successes in the project design. This was the case, for example, if the diffusion of an innovation that was intended to promote development ran counter to the corporate interest of securing consumer loyalty to the product. In these cases, project activities were mainly carried out in line with corporate interests, while development-policy interests took a back seat (CS 3; CS 7; CS 10).

The findings of the case studies and surveys confirm that the companies and implementing organisations provide complementary services in partnership with each other, which give rise to synergies for both partners (Int 2; Int 3; Int 9; Int 11; Int 14; Int 15; Int 18; Int 19; Int 23; Int 32; Int 35; Int 42; Int 43; Int 44). Synergies for companies were mainly related to minimising risks (CS 1; CS 2; CS 3; CS 4; CS 5; CS 6; CS 10; CS 11; CS 12). In the survey, eight out of 36 companies stated that in addition to the funding provided they had benefited from the implementing organisation’s knowledge of the country and contacts in partner countries, particularly in projects supported by GIZ. Development synergies can be leveraged primarily in the transfer of knowledge and technologies to local partner companies, or to public institutions in partner countries and DC organisations. The case studies show that in the majority of projects, the companies provide specific sectoral or technical expertise that did not previously exist in the partner countries, and that

the implementing organisations or BMZ could not provide on their own.

#### *Limitations with regard to synergies*

The potentials that arise from cooperation are offset by constraints that relativise the assumptions related to synergies. The case studies show that synergies were often not harnessed when corporate interests overshadowed development objectives during implementation. This was in part due to the fact that the implementing organisations confined their role to that of financiers, and did not sufficiently contribute complementary (advisory) skills to the projects when it came to networking with other actors or coordinating activities with DC programmes. In these cases, one-sided added value was mainly generated for the companies, with limited added value in terms of development. This predominantly applied to projects based on service contracts, under which the implementing organisations mainly contributed to project design and monitoring. It applied to GIZ’s Strategic Alliances too, however (CS 2; CS 3; CS 5; CS 6; CS 7; CS 8; CS 11). Statements made in the company survey corroborate the case study findings. Nine of the 36 companies surveyed state that the achievement of objectives could have been improved with stronger support from the implementing organisation for local implementation, better coordination with DC programmes in the partner countries, and follow-on measures after the end of the project. However, there are structural limitations to the networking efforts of companies, e.g. the fact that GIZ’s country offices can only step in if GIZ receives an official commission to do so. Seven of the 36 companies also expressed fundamental needs for closer cooperation with the implementing organisations or BMZ after the projects are completed.

#### Box 4: Project examples of comprehensive / limited use of synergies

##### Example of comprehensive use of synergies:

In the project on establishing agricultural value chains for two niche products, a concept was developed together with the company. This was intended to reach about 12,000 farmers using a relatively low public contribution of EUR 200,000 and helped to increase production and achieve positive income effects for these farmers. The synergies for development cooperation resulted from the purchase guarantees given by the company for these products beyond the project term, and from the long-term safeguarding of the effects achieved. The financial contribution reduced the risks involved for the company in setting up the value chain and helped speed up project implementation. The company also benefited from the implementing organisation's support in setting up a multiplier structure.

##### Example of limited use of synergies:

The project was designed to set up a value chain for renewable raw materials. One development objective was to create new sources of income for smallholders through the sale of raw materials. The company's objectives were to have a continuous supply of high-quality raw materials and to develop a product for the export market. The company hoped to tap into synergies by providing funding and benefiting from the implementing organisation's expertise in business development and product development in the partner country. However, the implementing organisation was not able to provide such expertise, because its special knowledge lay in designing DC processes but not in providing advice to companies or in technical product development. The implementing organisation, for its part, needed a reliable partner who would buy the raw materials from the farmers. Owing to delays in developing the export product, the company has not been able to purchase any raw materials so far. This meant that the potential for synergy along the value chain could not be harnessed as envisaged by the project design.

The interviews with experts also made clear that potential development synergies, in particular, are often overestimated (Int 4; Int 7; Int 8; Int 9). The following quote by a project manager illustrates this fact: 'Overall, the objectives and indicators of develoPPP are much too ambitious for the budget provided. The objectives and indicators resemble those of bilateral programmes, but the budget does not.' This correlates with the findings of previous studies and lessons learned from the international context (DEVFIN Advisers, 2014; ICAI, 2014, 2015; Johansson de Silva et al., 2015). For example, Altenburg (2005) draws the conclusion that the potential synergy effects resulting from cooperation are offset by risks such as conflicting objectives and interests between the public and private sector partners, as well as by deadweight effects through non-additional investments and the high transaction costs of the partnership. Overall, the findings presented here allow us to confirm in principle the programme's key assumption – that synergies are realised through the provision of complementary services by companies and implementing organisations. On the other hand, synergies are sometimes overestimated, and are not sufficiently harnessed, or are harnessed to achieve corporate objectives.

#### 2.1.2 Conceptual framework of the develoPPP.de programme

The following section examines the extent to which the conceptual framework, i.e. the formal rules that apply to the programme, are appropriate for realising its objectives and basic assumptions. For this purpose, we will first explain the basic parameters laid down in the programme guidelines before going on to address key content areas of the guidelines in separate sections. We will then go on to sum up the areas of tension inherent to the programme.

##### *Programme guidelines*

The programme guidelines set out the conceptual framework for implementation of the programme by the organisations involved. These guidelines have been further developed since the start of the programme, up to the current 2013 version. The criteria laid out in the programme guidelines form the basis for assessing whether projects are eligible for support and set the framework within which the programme operates. In line with the programme's demand orientation, the

framework for develoPPP.de is designed to provide the broadest possible scope for cooperation arrangements. The promotional approach is conditional rather than complying with a rigid framework of final objectives. Projects can be implemented if they are found to be eligible for support (from a development perspective) in the course of a criteria-based selection and appraisal process. BMZ only provides an abstract objectives framework. The criteria specified by BMZ for implementing develoPPP.de projects are aimed at 'promoting the interests of all parties involved in and affected by the project, as well as fostering sustainability' (Doc 11). We will go on to examine whether the criteria meet this standard. We distinguish between company criteria that lay down the conditions for access to the programme by companies, and project criteria, which serve to promote the interests of the parties involved in the project, and ensure that the projects are relevant and effective at development policy level. We also discuss social, environmental and human rights standards that are intended to prevent any negative effects of the projects. Although the programme guidelines do not highlight the political relevance of these standards, the programme staff consider them highly relevant in this respect (Int 2; Int 3; Int 9; Int 11; Int 14; Int 15; Int 16; Int 18; Int 19; Int 20).

#### *Company criteria*

The following companies are eligible to apply for the develoPPP.de programme: German and European companies and companies in partner countries in which German or European companies hold a stake of at least 25%. Other minimum requirements for support relate to the creditworthiness of the companies:

1. annual turnover of at least EUR 1 million,
2. at least 10 employees, and
3. at least three years of business operations.

The interviewed representatives of NGOs, in particular, question the limitation to European and German companies in view of the Paris Declaration on Aid Effectiveness. They criticise the systematic exclusion of local (and non-European) companies that might be able to provide greater expertise than German companies (Int 33; Int 36; Int 38; Int 40). An internal study to determine a best-practice strategy for the

programme (Binder et al., 2007) suggests that this could be limiting the development results achieved. Some staff members at BMZ and the implementing organisations are also in favour of expanding the countries of origin and opening up the programme to companies from developing countries and emerging economies (Int 4; Int 9; Int 14). This contrasts with BMZ's objective of dovetailing foreign trade and development cooperation more closely, and especially of enlisting support from German (and European) companies for achieving development objectives (BMZ, 2016). A further argument is that other BMZ instruments and support programmes are available for cooperation with local companies, such as GIZ's integrated development partnerships, or the Employment for Sustainable Development in Africa (E4D) programme (Int 3). Another aspect raised is the difficulty of examining the creditworthiness of non-European companies. Companies and private sector representatives, on the other hand, mainly perceive the programme as a form of foreign trade promotion (Int 34; Int 35; Int 42; Int 44). The findings clearly show that BMZ has so far not sufficiently justified or legitimised the exclusion of local companies.

Both the interviewed experts and the companies consider the criteria applied to companies for establishing their creditworthiness to be appropriate. Programme staff basically approve the current flexible application of these criteria (Int 3; Int 11; Int 14; Int 18; Int 19; Int 20), which was piloted in early 2016. The rule that companies had to have been in operation for at least three business years was reduced to two. One of the two other minimum criteria (10 employees, EUR 1 million in annual turnover) can be undershot by 20% (Doc 1). Different views are taken of any further flexibilisation, such as exceptions for start-ups or smaller companies, because these do offer the advantage of attracting more applicants (Int 1; Int 2; Int 9; Int 11; Int 12; Int 21; Int 22; Int 26), but on the other hand also entail the risk of a higher drop-out rate (Int 3; Int 15; Int 16; Int 17). The private sector also sees little point in approving smaller businesses because it sees stable corporate structures as a relevant factor for engagement in foreign countries (Int 32; Int 34; Int 35; Int 42). As one entrepreneur puts it: 'Without financial backing, a project like this would not have been possible for a start-up. Every project hits a rough patch now and then.' (Int 46). The case studies showed that

larger companies tend to be somewhat more successful as regards project implementation and effectiveness, although there are no significant differences. All companies basically meet the specified company criteria in the 12 case studies examined. On the whole, the criteria used to establish creditworthiness are rated as appropriate, as are the related appraisal processes based on these criteria. However, the complexity of the piloted 80% rule for the minimum criteria related to employees and annual turnover hampers uniform application by staff at the implementing organisations.

#### *Project criteria*

The project criteria are mainly geared to generating the synergies described above. They are designed to promote the interests of all parties affected by the project, i.e. ensure the development relevance and long-term effectiveness of the projects while giving equal consideration to company interests. We will now go on to examine whether the content of the criteria is relevant. We will then use the case study findings to examine whether the projects plausibly meet the criteria during implementation in the partner country.

The criteria ‘compatibility with development-policy objectives’, ‘complementarity’, ‘subsidiarity’ and ‘sustainability’ are meant to ensure the relevance of the projects in terms of development policy. Additional criteria apply in this context to strategic development partnerships with the private sector: ‘level of innovation’ and ‘potential for replicability’. The ‘commercial interest of the companies’ and the ‘private sector contribution’ are intended to ensure that equal consideration is given to corporate and development-policy interests, and to filter out projects that are of purely public benefit (see Annex 5.5 for a detailed list of criteria). The interviewed programme staff consider these criteria suitable for ensuring that the projects are relevant both in terms of development policy and company interests (Int 2; Int 3; Int 9; Int 11; Int 14; Int 15; Int 16; Int 18; Int 19; Int 20). They also meet European Commission criteria on cooperation with the private sector (Council of the European Union, 2014; EC, 2014).

However, it becomes clear that some of the project criteria are not specific enough. The programme officers at the three implementing organisations consider this an advantage

because it gives greater leeway for interpretation and for taking into account the different needs of the companies seeking support (Int 9; Int 14; Int 18). The selection and appraisal processes of the three implementing organisations are designed to give project staff a certain degree of flexibility when appraising the projects. At the same time, the case studies show that flexible interpretation of the project criteria jeopardises fulfilment at times. It also becomes apparent that documentation of the appraisal processes is difficult to verify. In six of the 12 case study projects, the project criteria are partially not fulfilled (CS 3; CS 5; CS 6; CS 8; CS 11; CS 12). The criteria ‘subsidiarity’, ‘complementarity’ and the additional criteria for strategic development partnerships with the private sector are cases in point.

The ‘complementarity’ criterion should ensure that public and private contributions complement each other in such a way that both partners achieve their respective objectives more quickly, more effectively and more cost-efficiently. The definition of this criterion remains very vague, though. The designs of many develoPPP.de projects neither make clear how complementarity is to be ensured, nor are relevant indicators formulated. As a result, synergies are sometimes overestimated and false conclusions are drawn about underlying assumptions. Consequently, synergies are not adequately harnessed, or are biased towards corporate objectives.

Subsidiarity means that a public contribution to a develoPPP.de project is only made if the private partner would otherwise not carry out the project, or that the project generates an appropriate economic development benefit for the developing country that exceeds any commercial benefits for the private partner. Many programme staff members consider it impossible or very difficult to verify the subsidiarity criterion (Int 3; Int 9; Int 16; Int 17; Int 28). The examination of subsidiarity is also considered an empirical challenge within international debate, where it is referred to as additionality (Heinrich, 2015; ICAI, 2015). In five of the 12 cases, an on-site review during the case studies clearly showed that the projects would have been implemented anyway in the same or slightly modified form, or at a later point in time, even without state support (CS 2; CS 3; CD 5; CS 6; CS 7). This critical finding is supported

by statements made during the company survey. The appraisal mechanisms used so far are strongly based on self-declarations by the company (Int 3; Int 16). The partnerships' subsidiarity is therefore partly hypothetical, because it is repeatedly declared as being fulfilled without convincing justification. The evaluations of comparable programmes (IOB, 2014 for

the Netherlands; DEVFIN 2010; KPMG 2012 for Finland) draw similar conclusions for subsidiarity (i.e. additionality). In this context, BMZ and GIZ stress the advantage of cooperation agreements, under which services are always delivered in the form of contributions in kind (Int 2; Int 9).

#### Box 5: Project example of a lack of subsidiarity (i.e. additionality)

The company involved in this project aimed to set up a training centre for technicians. At the time cooperation was approved by the implementing organisation in 2013, the company had already bought land and started to build the centre. Email correspondence between the implementing organisation and the company shows that the project was already well advanced when the decision was made to support the partnership. The developPPP.de guidelines explicitly state that projects may not be supported if implementation by the company has already started, unless new elements are subsequently included that are valuable in terms of development policy.

Asked how the project would have come along without support, a staff member at the project replied: *'The project was designed in 2009/2010. There was a concept and budget and resources had already been mobilised. The infusion of the developPPP.de resources had little effect on the project. The money provided was used for providing the fittings and completing the interior of the buildings. The capacity of the training centre did not change, though everything was done nicer'* (CS 11). The subsidiarity criterion was rated as *'largely unfulfilled'*.

It is virtually impossible to verify how the additional criteria for strategic development partnerships with the private sector are examined<sup>23</sup>. They are very vaguely worded in the programme guidelines (Doc 11). For example, the special potential for replicability or the multi-stakeholder approach are neither defined nor clearly mapped in the design phase. Given the lack of qualifying statements to underpin these additional requirements, it is also not clear what distinguishes strategic development partnerships with the private sector from traditional development partnerships. The latter also involve a variety of stakeholders in the project and implement innovative concepts with potential for replicability. The low degree of influence of these criteria can also be seen from the lack of a clear distinction between traditional and strategic development partnerships with the private sector in terms of their content. The rating of compliance with the additional criteria for strategic development partnerships with the

private sector is mainly negative. This suggests that strategic development partnerships with the private sector tend not to meet their higher expectations in practice. While the criteria stated so far apply both to DEG's Strategic Projects and GIZ's Strategic Alliances, the latter are supposed to meet two further criteria. They are to be carried out with at least two partner companies and in at least two developing countries. Closer inspection shows that compared with Strategic Projects, Strategic Alliances more frequently involve several partner companies as part of multi-stakeholder approaches. The second criterion is not always met. According to the developPPP.de Cloud, 15 of the 35 Strategic Alliances were only located in one country. Seven out of 21 DEG Strategic Projects were implemented in several countries. The special rules for Strategic Alliances were abolished in 2015 because the involvement of several countries sometimes proved counterproductive owing to the greater complexity involved

<sup>23</sup> The programme guidelines (Doc 11) speak of the following qualitative requirements rather than additional criteria: (1) high level of innovation and potential for replicability, (2) above-average structure-building results, (3) broad-based impact, (4) multi-stakeholder approach. As can be seen from the body of the text, DEval changed the subdivision or compilation of these aspects.

and synergies were limited (Int 1). This also became apparent in some of the case studies. Abolishing the special rules therefore appears justified, also because there are no obvious reasons why different rules should apply to Strategic Alliances and Strategic Projects.

There are also indications of different standards being applied to approvals for projects with close links to the company's core business, i.e. the business segment of a company that provides most of the company's return on investment (Int 1; Int 9; Int 22; Int 23). The dividing lines between core business and business segments eligible for support are often fluid, as the case studies show. This is especially true when companies operate in areas that are relevant to development, e.g. renewable energies or bottom-of-the-pyramid approaches. On the one hand, project staff believe such projects are especially likely to be sustainable. However, since support for the core business would simultaneously undermine a project's additionality, the tensions are particularly clear in this case. Interviews with BMZ and the implementing organisations show that no definition is in place across the programme as to what makes core business eligible or ineligible for support. Nor do the programme guidelines explicitly describe how to handle core business. The interviews suggest that the three implementing organisations take different approaches to resolving such tensions (Int 1; Int 9; Int 17; Int 22). This indicates the need for a transparent manner of addressing support for projects that are closely related to a company's core business.

#### *Social and human rights standards*

In 2011, the United Nations Human Rights Council adopted Guiding Principles on Business and Human Rights. These declare that states should introduce additional measures to protect against infringements of human rights by companies where the states provide substantial support to these companies. To comply with these requirements, BMZ developed a human rights strategy (BMZ, 2011c) and corresponding guidelines on incorporating human rights standards and principles (BMZ, 2013a). Human rights are therefore a mandatory element of

BMZ's objectives, programmes and procedures. To fulfil this responsibility also within the develoPPP.de programme, social, environmental and human rights standards were established as a guiding framework for assessing project ideas, even if they were not included as criteria in the develoPPP.de guidelines. Explicit reference is made to the 'exemplary role played by German companies for local enterprises as regards the respect for human rights or labour and environmental standards' (Doc 11).

In 2013, provisions were included in the programme contracts that oblige companies to comply with human rights due diligence requirements and to meet minimum social standards.<sup>24</sup> However, programme staff at BMZ and DEG doubt whether companies have grasped the extent of the standards they are required to meet (Int 3; Int 14; Int 15). These staff say that for many companies, it is not possible 'to guarantee compliance with social standards/ILO standards for the entire supply chain' (Int 14). Although the evaluation team acknowledges the inclusion of standards in the programme contracts, it appears that responsibility for meeting the standards is passed on to the companies via BMZ's and the implementing organisations' contracts and agreements, and that the emphasis is on setting up political safeguards (Int 2; Int 17). Case studies and expert interviews clearly show that no systematic examination of human rights aspects is incorporated either in the appraisal processes before the project starts, or in the monitoring system during project implementation (Int 3; Int 14; Int 15; Int 26; Int 29)<sup>25</sup>. This is a highly critical point – because the programme guidelines oblige implementing organisations to appraise human rights risks and impacts in the run-up to all projects (BMZ, 2013a) – and one that is also criticised by civil-society actors (Int 2; Int 12; Int 16; Int 17; Int 33). GIZ's Strategic Alliances are an exception. Here, an appraisal mechanism is embedded at least in the project initiation and design phase as part of business partner screening (Doc 5). The lack of appraisal mechanisms may have negative consequences, as shown by the project example in Box 6.

<sup>24</sup> Explicit mention is made of the OECD Guidelines for Multinational Enterprises, specifically sections II and IV, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, including the ILO core labour standards, and the UN Guiding Principles on Business and Human Rights.

<sup>25</sup> Both DEG and GIZ have complaints mechanisms for human rights infringements. The evaluation did not find any indications that develoPPP.de projects make systematic use of these platforms, however.



### Box 6: Example of a project that does not comply with ILO Core Labour Standards

A traditional project on agricultural value chains aimed to provide farmers and agricultural labourers with access to practical agricultural training and at the same time improve their social situation.

During a case study visit, it became clear that the precarious working and living conditions of the agricultural labourers had not improved at all. Instead, poor practices had become even more entrenched because underlying employment relationships at the local company had not been changed. Through indirect employment via subcontractors (middlemen), the company circumvented all of its statutory responsibility for the social protection of workers, such as health insurance. At the same time, the legal possibilities of workers are severely restricted, e.g. with regard to the right to form trade unions and the right of assembly. While the implementing organisation did refer critically to these aspects in its final report, these deficiencies were not addressed, or not to an adequate extent, in the ex-ante appraisal and the mid-term reports.

Overall, it is clear that BMZ and the implementing organisations do not yet have a common understanding of the form an appropriate appraisal of human rights aspects should take. The instruments used so far to safeguard human rights standards are rated as 'rather inappropriate'. Negative consequences for the target groups cannot be ruled out. However, BMZ is currently engaged in an overarching discussion process regarding the adjustment of existing regulations for cooperation with the private sector in terms of human rights. It would appear expedient to plan potential modifications to the develoPPP.de programme against the backdrop of this overarching discussion and also in view of Germany's forthcoming National Action Plan on Business and Human Rights.

### *Positive criteria - regional and substantive orientation of the programme*

The programme's regional and substantive orientation is examined against the backdrop of development objectives, especially the overarching objective of poverty reduction that is formulated in the develoPPP.de guidelines (Doc 11). The findings of the expert consultation and portfolio analysis show that the programme is largely open as regards regions and sectors. BMZ staff members take a positive view of this openness. Interviewees believe that a programmatic focus on specific regions, countries or sectors would not be appropriate because it would limit the programme's demand orientation (Int 1; Int 3; Int 4; Int 5; Int 8; Int 23; Int 28). At the same time, the positive criteria formulated in the programme guidelines and BMZ's shifting thematic priority areas are geared towards a regional and substantive focus (Doc 11). Projects in LDC partner countries (in line with the OECD-DAC list) and/or projects that address specific target groups (e.g. women, informal businesses, minorities) are considered particularly eligible for support. Both the findings of the portfolio analysis and the statements in the annual reports show that the majority of projects are carried out in lower-middle-income and upper-middle-income countries, i.e. in poor countries but not in LDCs (Doc 13; Lücking & Roggemann, 2016). The extent to which the supported projects focus on especially marginalised target groups cannot be conclusively determined. The findings of the case studies indicate that this tends not to be the case, however. Altogether, only two of the 12 projects examined target disadvantaged groups (CS 3; CS 8). As regards the setting of priorities, only four applications were submitted for the special ideas competition 'One World – No Hunger' in 2014 (Doc 13). Project staff make little use of the options for focusing the develoPPP.de programme on BMZ's strategic priority areas or LDCs because these are usually not in the interest of companies (Int 3; Int 15; Int 18; Int 19; Int 20). There is also a lack of incentives systems for companies to increase the number of applications in these areas (Int 14). Based on the findings, the functions of the positive criteria and the setting of priorities for the regional and substantive steering of the programme can be rated as limited.

### *Summary of areas of tension inherent to the programme*

There are tensions between the programme's required orientation towards providing a broad range of cooperation arrangements to the private sector on the one hand and focusing on development results in developing countries and emerging economies on the other. These tensions limit the synergies that can be leveraged from cooperation. Areas of tension are visible in four key areas, which are outlined in Fig. 12.

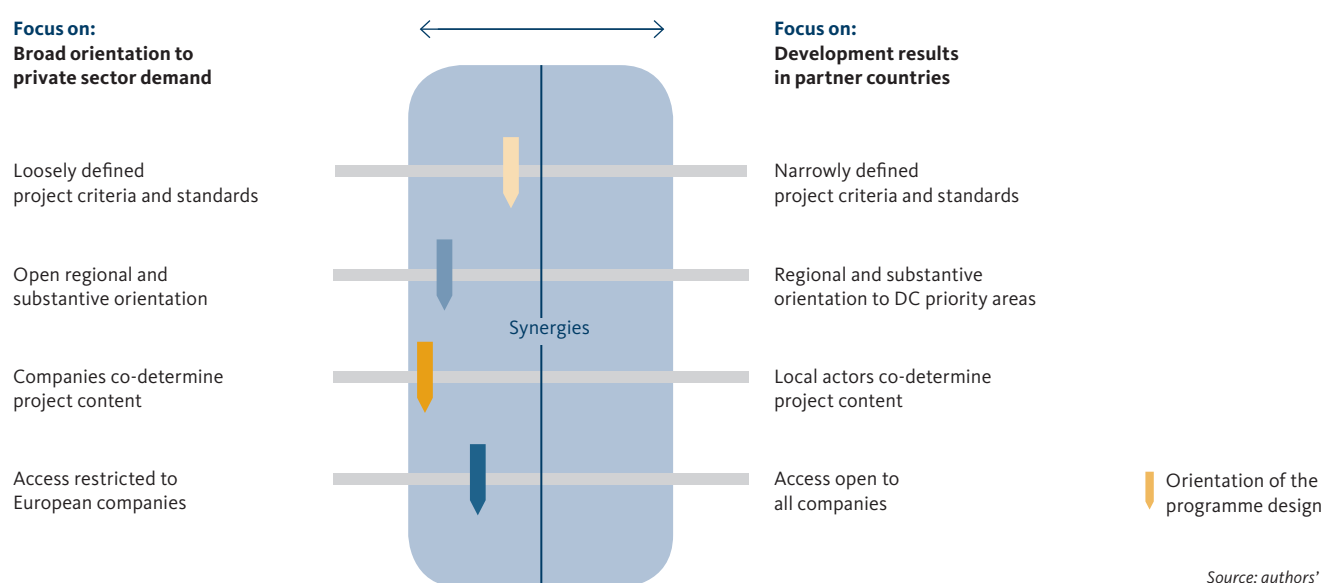
1. **Project criteria and standards:** In terms of content, the criteria are geared to ensuring the development-policy relevance and effectiveness of projects. Since they can be flexibly applied, these criteria can cover the different needs of companies and safeguard the programme's demand orientation. At the moment, the criteria tend to respond more to demand orientation. Their low specificity and high scope for interpretation mean that less consideration is given to development-policy interests.
2. **Regional and substantive alignment of the programme:** On the one hand, support is meant to enable cooperation with as many companies as possible in different segments. On the other, countries of particular relevance to development policy (such as LDCs) and development themes are also to be covered. The latter is only done to a limited extent because short-term priorities and positive criteria have little traction in terms of regional and substantive steering.
3. **Consideration of the interests of the actors involved:** The broad promotional approach and the separation of the programme from bilateral DC enable companies to submit a wide range of innovative project proposals. However, this means that project content, locations and target groups are largely determined by company interests. The scope that partner country representatives or institutions have for codetermining these elements takes second place.
4. **Limitation of support to European and German companies:** Given the objective of enlisting the support of these companies to achieve development objectives, the restriction is understandable. This objective is not explicitly laid down in the programme, though. Moreover, limiting access runs counter to calls for the untying of aid that are voiced in global development agreements<sup>26</sup>.

On the whole, the programme is currently geared more to covering the various needs of companies, in line with its demand orientation. This orientation makes sense if the objective is to achieve a large range of cooperation arrangements with German and European companies. However, it curtails the programme's orientation to development results in the partner countries.

<sup>26</sup> *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (OECD, 2008) call for the untying of aid with regard 'partner orientation'. This is expressed as follows in the Declaration: 'Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. DAC Donors will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (Indicator 8).'*



**Figure 11: Overview of programme orientation in the areas of tension between demand orientation and development results in partner countries**



### 2.1.3 Key findings and assessment of relevance in line with OECD-DAC

- Seen in the international context, the programme's underlying ambition (to enlist the support of the private sector in achieving development results via joint projects) ties in with key development strategies and is consistent with the programme approaches of other donors.
- As far as alignment with overarching development objectives is concerned, the programme's objectives framework is on the whole abstract. This framework neither clearly presents the corporate interests to be served by the programme, nor does it reflect the implicit objective of enlisting the support of German and European companies to achieve development cooperation goals, while at the same time enhancing the awareness and acceptance of development issues among these societal actors. The programme still lacks a clear strategic orientation and the related legitimisation against the backdrop of the SDGs.
- The programme's current assignment within BMZ's organisational structure limits policy coordination with governments and public institutions in partner countries. BMZ has not yet transparently explained the reasons for this organisational assignment. While the projects usually address the general development needs of sectors of industry or society in partner countries, the specific needs of the target groups of development interventions are sometimes neglected.

- The programme's key assumption – generating synergies through the provision of complementary services by companies and implementing organisations – can be confirmed in principle. Potential synergies for the companies lie in minimising their risks when tapping into new markets; for development cooperation actors, they lie in transferring technology and expertise to partner countries and implementing organisations. Potential synergies are sometimes overestimated, however, and are not sufficiently harnessed, or are harnessed to achieve only corporate objectives.
- The criteria applied to companies for establishing their creditworthiness are considered appropriate for creating a balance between companies' access to the programme and minimising the risk that they will drop out. However, the complexity of the 80% rule for the minimum criteria related to employees and annual turnover, as tested during the pilot phase, impedes standard application of the rule by staff at the implementing organisations. The programme ties aid by limiting support to German and European companies. This has not yet been sufficiently justified and legitimised and goes against the requirements for partner orientation set out in global agreements.
- The project criteria are rated relevant because they cover both corporate and development-policy aspects. However, since they are not very specific and can be flexibly interpreted by the implementing organisations, they are only partially applied and jeopardise the success of the programme's conditional approach.
- The following-up of social and human rights standards has been 'rather inappropriate' to date. The guidelines and contracts that apply to the programme transfer responsibility from BMZ to the companies, via the implementing organisations. Compliance with standards has not been systematically examined so far.
- The usefulness of the positive criteria and the setting of priorities for the regional and substantive steering of the programme can be rated as limited.
- The programme operates in a continuum between its focus on overarching development objectives on the one side and corporate interests on the other. At present, it is geared more to the various needs of the companies and the related demand orientation. This orientation makes sense given the objective of realising a wide range of cooperation arrangements with German and European companies. In the final analysis, though, it lessens the focus on specific regional and substantive development priority areas. Overall, there is a need for a clear orientation framework for the programme's conceptual orientation.

#### **Assessment of relevance in line with OECD-DAC<sup>27</sup>**

Given the key role the private sector is believed to play in the development of emerging economies and developing countries, the develoPPP.de programme can be considered relevant also in the international context. This is due to its objective to enlist greater support from the private sector in achieving development goals through cooperation arrangements. However, the programme's unclear strategic orientation and related conceptual weaknesses impede implementation in accordance with its objectives and the programme only partly achieves its high ambitions as a result. Beyond this, its lack of orientation towards the needs of marginalised target groups of development interventions in partner countries, and its failure to consider key demands of international agreements such as the Paris Declaration on Aid Effectiveness, have not been adequately justified so far. Altogether, the programme is therefore rated as only partially relevant.

<sup>27</sup> The OECD-DAC relevance criterion (OECD, 2009) is intended to enable a summary assessment of the extent to which a programme's objectives and design meet development-policy requirements and are appropriate against the backdrop of changes in the general framework (BMZ, 2006).

## 2.2

### Organisational structure of the develoPPP.de programme

We will now discuss two key elements of the develoPPP.de's organisational structure. Section 2.2.1 addresses how programme implementation is broken down across three implementing organisations. Section 2.2.2 presents the available resources. By comparing the conceptual justification for these elements with their actual application, we seek to establish whether the organisational structure can be considered appropriate for achieving the programme's objectives. The findings are summarised in Section 2.2.3.

#### 2.2.1 Programme implementation via three implementing organisations.

Dividing implementation responsibility across three different implementing organisations goes back to the pilot nature of the programme when it was established in 1999 (Altenburg & Chahoud, 2002; Binder et al., 2007). The programme was set up to explore options for fostering development alliances with the private sector and to make available experience on mainstreaming PPP approaches in bilateral technical cooperation (TC) and financial cooperation (FC) (Altenburg & Chahoud, 2002). Encouraging 'competition' between the implementing organisations was also designed to boost efficiency (Binder et al., 2007). Fifteen years after its inception, one must ask whether this division of responsibility between three organisations has succeeded in generating added value for the programme.

#### *Using the implementing organisations' expertise for the programme*

The three implementing organisations have different corporate principles and tasks, and therefore offer different skills profiles. In line with its role as an implementing organisation, DEG's core expertise lies in financing and providing advice to investors, whereas GIZ's key skills are in technical cooperation, organisational development and capacity building. GIZ's field structure also gives it extensive contacts and networks in developing countries and emerging economies. Through its partnership programme with chambers and associations, sequa has long-standing experience in cooperating with the

organised business community in Germany and in developing countries and emerging economies. It has also amassed experience in its vocational training partnerships programme.

The professional public is often unaware that three implementing organisations are responsible for programme implementation. Six of the 36 surveyed companies explicitly underlined this lack of transparency, which was also criticised by business associations and consultants (Int 32; Int 35; Int 39; Int 44). As a result, decisions by companies to cooperate with a specific implementing organisation are largely unrelated to the expertise of the given organisation, especially for first-time applications. As a rule, companies do not consciously weigh up the different cooperation options. This is shown by a statement from one entrepreneur: 'When I applied, I had no idea the programme was also run by other implementing organisations. My colleagues told me about this programme with GIZ' (Int 47).

While the fact that the programme is operated by three implementing organisations is not widely publicised, participating companies do notice the organisation's specific expertise when designing and implementing the project. Eight of 13 companies that cooperated with GIZ positively highlighted its contacts, structures and reputation at the local level. Five of the 14 companies that cooperated with DEG underlined its close contacts with the business community and its entrepreneurial expertise. Specific skills were less apparent at sequa, a smaller implementing organisation with a less extensive product range than GIZ and DEG. Here, close contacts with associations were the deciding factor for cooperation at two of nine companies.

Analysis of the literature shows that despite repeated recommendations for closer alignment with the implementing organisations' specific expertise, there has been no fundamental change in implementing structures since the programme's inception 15 years ago. As far back as 2002, Altenburg & Chahoud recommended that the implementing organisations specialise more strongly on their relevant expertise and the business clients they target. The study by Binder et al. (2007) also advises such a focus, and comes to the conclusion that the parallel implementation structures of the three organisations

lead to increased costs without recognisable added value. This correlates with current views at BMZ, which believes that the added value of having three implementing organisations results less from use of their specific key expertise or their links with other business segments than from the enhanced potential to acquire business partners for the programme (Int 2).

#### *Differences between the portfolios of the implementing organisations*

In terms of content and regions, there are few differences between the implementing organisations' portfolios. The main differences lie in the size of the cooperating companies. The content analysis shows that 80% of projects supported by sequa are carried out with smaller companies (annual turnover of less than EUR 50 million). DEG and GIZ cooperate more often with larger companies too, particularly as regards strategic development partnerships with the private sector and cooperation projects, which are predominantly conducted with large companies. Overall, the differences in the portfolios do not indicate that wide use is made of the implementing organisations' core areas of expertise.

One key difference between the implementing organisations at conceptual level is that GIZ and DEG also implement strategic development partnerships with the private sector as well as traditional development partnerships based on the ideas competition. GIZ also operates development partnerships with the private sector based on cooperation agreements, as well as those based on traditional service contracts. For GIZ at least, this expands the range of services so that the public contribution can also be provided through its own inputs. However, the allocation of forms of development partnerships to the implementing organisations based on their specific areas of expertise does not always seem to be determined by conceptual considerations. It may also be for pragmatic reasons. GIZ, for example, carries out traditional development partnerships based on service contracts although the transfer of funding to another implementer does not really correspond to its own understanding as an organisation (Int 9).

Overall, the core areas of expertise of each implementing organisation are not systematically used for the programme. Although they are fed into project implementation to differing degrees, no specific profiling or systematic use of these areas of expertise can be detected in the way responsibility for the programme is divided among the three organisations.

#### **2.2.2 Provision of resources to the programme**

##### *The programme's human resources*

The programme is steered at BMZ by a desk officer and receives support in the areas of M&E and public relations from the GIZ Sector Project Private Sector Cooperation. Discussions with staff at BMZ and the implementing organisations show that the available staffing level at BMZ is not considered appropriate, and that the Division's heavy workload leads to implementation delays (Int 2; Int 3; Int 8; Int 9; Int 18; Int 19). Since BMZ, as a federal ministry, is bound by a staffing plan and cannot increase its staffing resources, BMZ staff see the stepping up of cooperation with the Sector Project as one possible means of tweaking the system (Int 1; Int 2; Int 3). As far as human resources are concerned, frequent staff turnover within BMZ's Division 114 (four desk officers since 2009) is seen as a strong limiting factor. Processes are set back every time there is a change in staff, and adequate knowledge management systems have not yet been put in place. These findings lead to an assessment of BMZ's staffing levels as 'rather inappropriate'.

In 2015, 10 people worked on the develoPPP.de programme at DEG, 29 at GIZ and eight<sup>28</sup> at sequa. Whereas the staffing level remained constant at DEG and sequa from 2009 to 2015, it has risen slightly at GIZ since 2013, from 23 to 29. No precise information was available from GIZ for the period prior to 2013 because programme restructuring within GIZ made it impossible to determine how staff were allocated before 2013<sup>29</sup>. On average, DEG staff manage the most projects and GIZ staff the least. GIZ says this is because of the additional effort involved in implementing cooperation agreements, among other reasons (Int 9; Int 10). sequa and GIZ calculate higher annual personnel costs than DEG. However, since DEG

<sup>28</sup> While the statements both at DEG and at GIZ related to full-time equivalents, the time management systems at sequa do not allow jobs to be calculated on this basis. We therefore state the number of staff who spend at least 50% of their working hours on the develoPPP.de programme.

<sup>29</sup> Owing to restructuring within GIZ, costs and staff positions for the develoPPP.de programme have been settled differently since 2009 (Int 9; Int 10). The develoPPP.de programme was divided between three regional departments at GIZ prior to 2011.

posts especially high additional costs (such as overheads) as compared with sequa and GIZ, the data suggest that the higher number of projects per staff member does not necessarily equate to higher production efficiency during programme implementation.

Staff at the implementing organisations consider staffing levels to be adequate both in terms of quality and quantity. Critical comments were made regarding the limited business know-how of some staff, and at GIZ particularly the frequent staff changes, as shown by the company survey and a company study carried out in 2013 (Doc 16). On the whole, though, the case studies, the company survey and the company study all rate the qualitative skills of programme staff positively. HR levels at the implementing organisations are therefore assessed as 'rather appropriate'.

#### *The programme's financial resources*

In 2015, BMZ provided funding of roughly EUR 35 million for the develoPPP.de programme, which accounted for 38 % of the funds available for the divisional budget item 'Development partnerships with the private sector' (EUR 91.8 million).<sup>30</sup> Between 2013 and 2015, 45 % of the overall budget was allocated to GIZ, 46 % to DEG and 9 % to sequa. Since 2009, programme funds have only grown slightly by an average of 1.4 %. Since the number of project applications has remained fairly constant over the years, it was possible to support all projects classed as eligible with the existing funds, as the expert consultations confirm (Int 1; Int 3). The current good funding level for the programme – compared with applications (see Section 2.4.2) – means that competition among the implementing organisations plays a more minor role than originally intended. The programme's financial resources are therefore considered adequate. Bearing in mind the limited use of the competition mechanism, the question is whether the resources provided exceed the programme's actual requirements.

Given the programme's good funding level, it should be examined whether the programme funds are used cost-efficiently. In the develoPPP.de guidelines, BMZ emphasises

minimising administrative costs during project implementation as a key judgement criterion (Doc 11). Since the programme is implemented by three organisations, analysing the administrative costs across all three should provide important information for programme steering at BMZ. This is almost impossible based on the available financial data. Firstly, the financial systems at DEG, GIZ and sequa do not allow costs to be allocated to individual projects, nor to the different forms of development partnerships with the private sector. This means that the costs of the different forms of development partnerships with the private sector cannot be compared<sup>31</sup>. Secondly, GIZ's statements for the years 2009 to 2012 do not contain all administrative costs for the develoPPP.de programme. This is due to restructuring processes within GIZ (for example, some of the programme-related administrative costs were settled via the regional departments prior to 2011) (Int 9; Int 10). GIZ says that the statements for 2013 to 2015 are representative (Int 10). Thirdly, there are other administrative costs for the develoPPP.de programme that are not financed via the implementing organisations but via the Sector Project Private Sector Cooperation, e.g. the costs for PR activities across the programme. It was not possible to record these costs either during the evaluation.

The different forms of contracts and agreements present an additional challenge when it comes to comparing the administrative costs incurred by the implementing organisations. Whereas administrative costs can be clearly allocated to projects based on service contracts, this is more difficult for cooperation agreements, which GIZ staff use to implement projects. According to GIZ (Int 10), staff members financed from project funds exclusively perform project work for the programme, and do not take on any overarching administrative tasks. Staff on the GIZ core team therefore handle GIZ projects based on cooperation agreements as well as projects based on service contracts, whose costs are settled via develoPPP.de. It may well be that project staff lighten the GIZ core team's workload and thus go some way towards reducing GIZ's administrative costs. A similar situation can be presumed as regards cooperation with external consultants assigned in particular to DEG and

<sup>30</sup> In addition to develoPPP.de, the following programmes are also funded via this budget item besides: The DC Scout Programme, the GIZ Sector Project Private Sector Cooperation, innovative cooperation approaches, feasibility studies and business support services, partnerships with chambers and with the Savings Banks Foundation for International Cooperation, Import Promotion Desk, BMZ's Agency for Business and Economic Development, AFOS (Foundation for Entrepreneurial Development Cooperation), practice-oriented partnerships with DAAD, DEG innovation vouchers and subsidies for transaction costs.

<sup>31</sup> For sequa as a grant recipient with a lump-sum administration rate and only one form of project, this limitation is of less importance.

sequa projects. Any possible distortions in this context appear negligible. However, to assess the efficiency of the different modes of implementation, it would be important to know what proportion of funds flows back to GIZ from projects based on GIZ cooperation agreements via salaries and subcontracting, and what funds are paid to external consultants by DEG, sequa and possibly GIZ via subcontracting. Funds have not been broken down in this way so far.

Bearing in mind the restrictions described above, it becomes clear that statements regarding production efficiency, which relates the resources used for develoPPP.de to the services provided, are difficult to make. Owing to the cut-off date at GIZ, comparative statements on the average administrative costs at the three implementing organisations can only be made for the period from 2013 to 2015. For this period, the average administrative costs at DEG were 19.2%, compared with 16.67% at sequa and 16.3% at GIZ. That amounts to average programme administrative costs of 17.7% for 2013 to 2015. The programme's total administrative costs are higher. Owing to data availability, costs that are settled via the Sector Project cannot be taken into account. Compared with similar programmes by other donors, the administrative costs of the develoPPP.de programme are rather high. Administrative costs at the Danish Business-to-Business Programme amount to 8% and to 17% at the Dutch Private Sector Investment Programme (Triodos Facet BV, 2010). Other international evaluations do not provide any information in this respect. These programmes differ from develoPPP.de as regards implementation and a direct comparison can only be made to a limited extent.

The programme makes no statements about total administrative costs. Nor was the evaluation able to make reliable estimates, because of the limited data available. These data restrictions also make it impossible to compare the implementing organisations and the forms of development partnership with the private sector. It becomes clear that the available financial data do not permit an adequate assessment of production efficiency, and therefore allow no in-depth analysis of differences in efficiency between the implementing organisations or the implementation of individual forms of development partnership. The limited data available point to major deficits in financial monitoring, and make informed policy decisions virtually impossible. This constraint appears all the more weighty in view of the standard laid down by BMZ in the programme guidelines to use administrative costs as a judgement criterion for the implementing organisations. It also deserves critical examination given the programme's good resource levels. Although the expansion of financial systems to record management-related data would require increased resources at the implementing organisations, it appears indispensable for facts-based programme steering.

### 2.2.3 Key findings

- Programme implementation by three implementing organisations offers potential in that the organisations have complementary expertise. However, the main added value for the programme so far is only reflected in broader access for companies, because the division of responsibility between three implementing organisations does not raise their specific profiles or make systematic use of their expertise.
- The conceptual justifications given for the allocation of forms of development partnership with the private sector to the implementing organisations are not sufficient. Systematic allocation based on expertise is only obvious in relation to GIZ's cooperation agreements.
- The staffing level at BMZ is considered inadequate. Staff tend to have a very heavy workload. Staffing levels at the implementing organisations appear to be adequate, though. The number of projects handled by each staff member varies from one implementing organisation to the other, making any statements on efficiency impossible.
- The programme's financial resources are considered adequate. The limited use of the competition mechanism raises the question whether the provided resources exceed the programme's actual requirements.
- Very little financial data is available on the programme's administrative costs. Firstly, the financial systems at DEG, GIZ and sequa do not allow costs to be allocated to individual projects or forms of development partnerships with the private sector. Secondly, statements on GIZ's administrative costs for 2009 to 2012 are not representative. Thirdly, additional costs incurred via the Sector Project Private Sector Cooperation are not recorded.
- Based on the available data, robust estimates of the programme's total administrative costs can only be made to a very limited extent. These show average programme administrative costs of 17.7 % for 2013 to 2015. The financial data only allow limited comparisons between the implementing organisations and none between the different forms of development partnership with the private sector.
- It is virtually impossible to make informed policy decisions on the continuation of the tripartite programme structure based on production efficiency. The poor data basis also highlights strong deficits in financial monitoring. This limitation appears all the more weighty in view of the standard that BMZ laid down in the programme guidelines to use administrative costs as a judgement criterion for the implementing organisations. Improving financial systems would appear to be a key prerequisite for fact-based steering.

## 2.3

### Steering of the programme by BMZ

The following section provides findings related to evaluation question 2. It analyses the processes that influence BMZ's ability to steer the programme. We start by taking a look at the instruments that allow BMZ to set an overarching policy framework (Section 2.3.1). BMZ takes a very meticulous approach to steering the selection of projects. The relevant steering instruments will therefore be looked at separately (Section 2.3.2). The chapter concludes by examining the

monitoring and evaluation systems (Section 2.3.3) and summing up the key findings (Section 2.3.4).

#### 2.3.1 BMZ's steering instruments

This section describes and discusses the instruments used to steer the programme. The programme guidelines were already addressed in the context of the programme's design in Section 2.1. We will go on to analyse the extent to which the implementing organisations' offers and applications for approval, the develoPPP.de team meetings and the creation of thematic reference frameworks enhance BMZ's capacity to steer the programme.



### *Commissions/grant notifications*

BMZ steers the programme by means of the programme guidelines, by means of commissions for programme implementation to DEG and GIZ, and grant notifications to sequa. The objectives and modes of implementation that apply to the individual implementing organisation are laid down in the relevant offers or applications for the programme. However, the policy frameworks and objectives defined in the programme guidelines are rarely specified in further detail. Although performance indicators apply to the performance of the commission by GIZ and DEG, these are rather unspecific and hard to verify (Doc 6; Doc 7; Doc 8). The interviews show that BMZ makes very limited use of the grant notifications to sequa and the commissions granted to DEG and GIZ to steer the programme content. A programme officer at one of the implementing organisations explicitly criticised the usefulness of offers in steering the develoPPP.de programme (Int 10). BMZ uses commissions and grant notifications more as a means of steering and controlling outgoing funds to the individual implementing organisations. Critical mention is made of the different types of process for GIZ and DEG on the one hand and sequa on the other, because these increase administrative effort at BMZ. The effort involved for the grant allocation procedure is considered particularly high (Int 2; Int 3).

### *develoPPP.de team meetings*

The responsible desk officers in BMZ's Division 114 chair the develoPPP.de team meetings, which take place every three months. Points on the agenda include the comparison of project proposals received under the three-monthly ideas competition, and consultation on overarching programme topics such as PR work. The findings are noted in minutes and apply to further implementation of the programme. Permanent participants are the responsible desk officers at BMZ and the programme officers at DEG, GIZ and sequa. Sector Project staff and PR officers take part as required. The project applications are discussed based on project lists that are drawn up by the implementing organisations prior to the meeting and shared with BMZ's Division 114. Both the implementing organisations (Int 9; Int 14; Int 18) and BMZ (Int 2) state that the meetings are efficient and expedient on the whole (Int 2; Int 9; Int 14;

Int 18). Use of the minutes is also rated positively. Challenges can be discussed at an early stage, joint solutions worked out and generally applicable changes can be promptly recorded and decided on via the minutes.

### *Thematic reference framework*

BMZ's Division 114 endeavours to focus the programme on themes of particular relevance to development policy by cooperating with the sector divisions and initiatives, the Special Initiative 'One World - No Hunger', and the 'Partnership for Sustainable Textiles'. The 'Reference framework for development partnerships in the agri-food sector' was the first instrument to refer the relevant projects directly to the respective programmes at BMZ and in the field. The framework contributes to networking without impairing the thematic flexibility of the develoPPP.de programme. A similar reference framework is currently being created for cooperation with the 'Partnership for Sustainable Textiles' (Int 2; Int 5). This cooperation is rated positively both by staff at BMZ's Division 114 and in the sector divisions. Staff members clearly see this as a possibility of increasing the programme's development-policy relevance without curtailing its flexibility (Int 2; Int 4; Int 5). For their part, programme staff at the implementing organisations take a critical view of the reference framework because further criteria defined therein prevent companies from making applications but do not create any additional incentives (Int 14; Int 19; Int 20). This assessment is corroborated by the low number of applications related to specific thematic areas (see Section 2.1.2). Overall, though, the creation of the reference framework and closer cooperation between BMZ's Division 114 and the sector divisions are seen as important steps towards more extensive networking of the develoPPP.de programme inside BMZ and in the country programmes. The criteria set out in the reference framework are considered necessary since they call for standards that should apply to all BMZ projects in the agricultural sector. The incentives systems and acquisition measures envisage a number of adjustment mechanisms that appear to have been unable so far to motivate the specific corporate target group to become more involved in the programme.



### 2.3.2 Steering processes involved in project selection

During the project selection phase, BMZ steers the programme via a coordination process on the one hand and the recently introduced management information bulletin on the other. Several individual coordination meetings are also held by BMZ and the implementing organisations during project selection. These will be discussed below. We examine the extent to which these rather meticulous steering processes improve implementation of the develoPPP.de programme.

#### *Two-step coordination process involving the regional divisions*

Most decisions to provide support are made by the implementing organisations without consulting BMZ in each individual case. develoPPP.de projects in politically sensitive countries are an exception. These are decided via a one-step coordination process between BMZ's Division 114 and the implementing organisation. Strategic development partnerships with the private sector, and projects in thematic priority areas, which are decided in a two-step coordination process, are another exception. Only once this process has taken place does the company receive final approval. BMZ's Division 114 involves the responsible regional or sector division in this process and asks for its comments. Based on BMZ's internal comments, the project is further developed by the implementing organisation and the company, and then submitted to BMZ's Division 114 for final approval in the two-step process (Int 2; Int 3). Programme staff at BMZ considers these coordination processes to be necessary (Int 2; Int 3). The coordination of projects in countries such as Chad or Ethiopia is due to their political sensitivity and the need to give consideration to security aspects. The coordination of larger strategic development partnerships with the private sector and projects in thematic priority areas is due to the strong relevance of these projects for the country programmes, and to the higher risk they pose to the reputation of BMZ and the implementing organisation.

Both BMZ and the implementing organisations describe these processes as labour-intensive and time-consuming. The approval periods may last up to six months in some cases (Doc 16; Doc 19; Doc 20; Int 9; Int 14; Int 16; Int 17). This applies in particular to the process used for strategic development partnerships with the private sector (Doc 20; Int 9; Int 14). BMZ also highlights the fact that dividing responsibility for programme

implementation between three organisations makes communication and coordination processes more laborious. This applies to this form of cooperation between BMZ and the implementing organisation, but also to other cooperation arrangements (Int 2; Int 3). Both BMZ (Int 2) and the implementing organisations (Int 9; Int 14; int 18) propose that the process be streamlined. The delays are sometimes attributed to lengthy feedback processes at BMZ (Int 9; Int 16; Int 17), which are due among other factors to the time-consuming consultations between BMZ's Division 114 and the regional divisions (Int 3; Int 9). This points to tensions between the key requirements of BMZ's Division 114 and the regional divisions. While Division 114 stresses the programme's demand orientation and expects the regional divisions to assess the overarching security aspects (Int 2; Int 3), the staff members in the regional divisions underline the need for coordinating content matter or for embedding the projects to a greater degree in the priority areas of the respective country (through active networking, use of potential synergies) (Int 6; Int 8; Int 23). Since the procedural guidelines and responsibilities of the regional divisions in this coordination process are not transparent, and the regional desk officers are indeed sometimes unaware of them (Int 6; Int 7; Int 8), this process is sometimes extremely time-consuming. Nor is the added value of the second review step by BMZ's Division 114 entirely clear. It is more a formal step in the process, since any discrepancies in terms of content will already have been clarified at this point. It should not therefore be necessary for BMZ to conduct another appraisal.

#### *Management information bulletin for project selection*

Since 2016, BMZ's Division 114 has been using a management information bulletin (Doc 2; Int 2; Int 9; Int 15; Int 19) to reach agreement with BMZ's management on project applications for the develoPPP.de programme. This bulletin informs the management level about all project proposals eligible for support in the given quarter and of newly commenced projects. BMZ's management uses the bulletin on the one hand to meet the detailed information requirements of members of the German Bundestag (German Federal Parliament) (Int 2; Int 3). It informs members of parliament directly about new projects that have been initiated in their constituency. At the same time, it involves the BMZ

management level directly in the selection process, although this in fact primarily comes under the implementing organisations' responsibility for implementation according to the programme guidelines (Doc 11). The implementing organisations can only send out rejections or approvals after they have been notified of the decision by BMZ's management level (Doc 2). This delays programme implementation (Int 2; Int 9; Int 15; Int 19), increases the required staff capacities (Int 9, Int 15) and cancels out previous simplifications, such as shorter reporting intervals (Int 2). Although the programme guidelines make explicit reference to possible coordination with BMZ, neither the expert consultations nor an analysis of the management information bulletin provided any verifiable justification or indication of the added value of involving BMZ's management level in the selection decision.

#### *Individual agreements on multiple funding*

Although the programme has been running for 15 years, BMZ's programme framework does not contain clear instructions on how to address key elements of project selection. This increases the number of individual agreements and results in a heavy workload (Int 2; Int 3; Int 9; Int 14; Int 18). Such agreements concern the application of company criteria, but especially multiple funding. Although the programme guidelines state that multiple funding is 'not desirable', it is possible, pending approval by BMZ on a case-by-case basis (see Doc 11: page 5). The lack of instructions on action to be taken appears to be due above all to information deficits at BMZ, since no robust data are available on the effects of multiple funding on project success, nor on its compliance with European State aid law. The assessment of a random sample taken from the develoPPP.de Cloud suggests that a large number of the projects involve multiple cooperation arrangements. Some companies or their subsidiaries have been supported more than 10 times since 1999. A ban on this would presumably lead to a sharp reduction in the number of projects eligible for support. The findings of the case studies show that the implementing organisations consider the negotiation process at such projects to be easier and less problematic (CS 1; CS 2; CS 3; CS 5). 'The actors are already known in the lead-up to the project, which makes for very trusting and constructive cooperation' (CS 5). Multiple

funding can indeed generate positive projects and boost efficiency during cooperation. The findings do not generally speak against approving project applications from companies that have already received support. In addition to this content-related component, the subject of multiple funding also needs to be examined in light of European State aid law. This bans the provision of aid 'in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods ... in so far that it affects trade between Member States' (Treaty on the Functioning of the European Union, Article 107 para. 1<sup>32</sup>).<sup>33</sup> It has not yet been clarified whether this applies to multiple funding. This lack of clarity prevents a relevant decision from being taken. Addressing the legal aspects of compliance with European State aid law exceeds the scope of this evaluation. The legal expert opinions drawn up so far do not appear to offer BMZ the necessary information base to take a clear position for or against the implementation of multiple funding (Int 3).

### **2.3.3 M&E systems of the develoPPP.de programme**

This section analyses whether the M&E systems support BMZ and/or the implementing organisations in performing their role of monitoring and steering the activities at programme and portfolio level. It also examines how the monitoring systems at project level provide the information required to help make individual develoPPP.de projects successful.

#### *M&E systems at programme and portfolio level*

The monitoring system at programme level is based on two instruments; develoPPP.de's annual reports and the executive summaries of the final project reports (Int 2; Int 3). Staff at BMZ and the implementing organisations highlight the substantial added value of the develoPPP.de Cloud both for drawing up the annual reports and for everyday work processes. Since 2013, the content of the annual reports has been based on a standard report template and focuses exclusively on output level (e.g. number of projects carried out in specific sectors) (Doc 12; Int 3). Impacts are only highlighted using exemplary best case scenarios (Doc 12). Programme staff at BMZ, among others, criticise the low informative value of the annual reports (Int 2; Int 3; Int 12). A review of the one-

<sup>32</sup> Corresponds to Article 87 Section 1 of the Treaty establishing the European Community, now the Treaty on the Functioning of the European Union, which was in force up to 2009.

<sup>33</sup> In specific, exceptional, cases the European Commission can approve subsidies (although this involves a lengthy process). The *de minimis* regulation was introduced to simplify this process. This rules that subsidies below a specified minimum level can be awarded without notification to or clearance by the European Commission. This applies to aid that is provided by a Member State or through State resources to individual companies and does not exceed the current ceiling of EUR 200,000 within the present calendar year and the last two calendar years.

to two-page summary reports on projects that are collected and submitted once a year to BMZ's Division 114 shows that the quality of the content matter is often insufficient for judging the success of the project, and project results are often presented too positively. The large number of projects completed each year (about 100) also makes it impossible for the responsible BMZ staff at portfolio level, much less at programme level, to make an overall assessment. Neither the annual reports nor the summary reports enable BMZ to assess the achievement of objectives by developPPP.de projects, or the results at outcome or impact level. The monitoring systems at programme level are therefore largely rated 'inappropriate'. There are signs of serious attempts on the part of the stakeholders to make improvements in this area, though. Apart from the developPPP.de Cloud, particular mention should be made of the recruitment of an M&E officer by the Sector Project, and of theme-related meetings between BMZ and the implementing organisations, and sectoral conferences on this subject.

From 2009 to 2012, additional external ex-post appraisals of a total of 89 developPPP.de projects were performed in 33 countries (Doc 17), and selected strategic development partnerships with the private sector were appraised (Doc 20). This can generally be considered positive. However, the focus on successful projects that can be used for PR and the quality of the scientific approach greatly restrict the usefulness of these assessments (Doc 17; Doc 20). The only evaluation of the developPPP.de programme published to date was carried out in 2002 (Altenburg & Chahoud, 2002). Another study by Binder et al. (2007) on the developPPP.de programme was only published in excerpts. The evaluation instruments used so far are therefore rated as 'rather inappropriate'.

Altogether it must be stated that the present M&E systems do not permit an assessment regarding the achievement of objectives or results either at portfolio or programme level. BMZ's Division 114 and the implementing organisations can therefore only perform their overarching role of monitoring project content at portfolio level to a very limited extent. Steering (and decisions concerning the continuation of the programme) are based on inadequate information.

#### *M&E system at project level*

Monitoring systems across the programme and portfolio use the monitoring information provided by individual developPPP.de projects, which is collected in mid-term reports, progress reports and final reports. Analysis of the case study reports shows that the project objectives are often multidimensional. Although the case studies rate most of the project indicators as SMART (specific, measurable, assignable, realistic, time-bound), they only partially measure the results to which they are attributed. The achievement of objectives is frequently only assessed at the level of individual project activities, not for the project as a whole. There are also differences in the assessment systems of the implementing organisations. All three implementing organisations clearly focus on indicators at input and output level. Indicators at the outcome level are seldom used, and indicators at impact level are hardly ever used. This explains why the monitoring instruments at portfolio and programme level do not extend beyond the output level. Many mid-term and final reports point to insufficient documentation of the fulfilment of indicators, and thus of the achievement of results and objectives. Both the content analysis and the ex-post evaluations (Doc 17, Doc 18; Doc 19; Doc 20) suggest that the anticipated results formulated in the final reports, in particular, are presumed to have been achieved rather than being substantiated by facts, and that potentials are described rather than the results that were actually generated. This poses a risk of misrepresenting the degree to which project objectives are achieved.

Differences between the implementing organisations are apparent as regards project monitoring. This is usually done based on the mid-term and final reports by the implementing organisations' project manager. The reports are underpinned by evidence such as lists of participants. However, the case studies show that this evidence often does not have to be provided for all of a project's indicators. Frequently, they remain at output level, and the project managers find it hard to trace them back. Some project staff clearly stated that it 'is very difficult to get a handle on project progress based on the reports alone' (Int 30). Project visits allow a better assessment of project outcomes and impacts, but only DEG systematically visits the majority of projects. The case studies show that the focus of these visits is more on examining whether funds

are being correctly used than to appraise results. There is no systematic assessment of whether project objectives are achieved. No differences are apparent in the detail with which DEG's traditional and strategic development partnerships with the private sector are appraised. GIZ makes project visits as part of the overall implementation of projects under Strategic Alliances and cooperation agreements. However, these missions tend to focus rather on joint tasks related to project implementation. GIZ commissions additional mid-term reviews to be carried out at Strategic Alliances. The case studies show that these reviews were only carried out at two of three Alliances visited (CS 4; CS 12) and that only one of them is of the required quality to provide information for improving the project (CS 4). In general, DEval gives a positive rating with regard to project visits and mid-term reviews. However, the way in which they are implemented is only partially appropriate.

This is also confirmed by the case studies. In six of the 12 projects, the implementing organisations lack the ability to assess project success based on the systems used so far (CS 2; CS 3; CS 5; CS 7; CS 8; CS 11). The option of reorienting activities in order to achieve objectives is limited due to information deficits. No systematic differences are apparent either between the monitoring systems used by the implementing organisations and the forms of development partnership with the private sector, or as regards the quality of indicators and reports.

Programme staff confirm the challenges described as regards the programme and project monitoring systems (Int 2; Int 3; Int 9; Int 11; Int 12; Int 18; Int 19; Int 20). 'That [the M&E system] is a really sore spot in programme implementation' (Int 2), as one staff member put it. This aspect was already criticised in previous ex-post evaluations (Doc 17; Doc 20). At the same time, project staff note that both specific partner constellations and the modest project sums (at least for traditional projects) have to be taken into account when designing monitoring activities. In this context, the surveys and case studies

(CS 10; CS 11) show that the majority of companies and consultants (Int 42) rate the reporting system and the related cooperation with implementing organisations as 'relatively uncomplicated'. However, 10 companies in the company survey rated monitoring and especially auditing as 'rather time-consuming'. On the whole, companies show understanding for the need to have M&E systems that provide robust information.

Summing up, it can be said that the monitoring systems used by the implementing organisations at project level are strongly based on trust. They sometimes lead to information deficits at the implementing organisations and are not adequate for verifying the projects' development activities and results, and for safeguarding these in the final analysis. They also offer little scope for enabling BMZ and the implementing organisations to learn from experience. Only the systematic assessment of lessons learned makes it possible to judge what forms of project are successful, and in which areas private partners can make the best contributions. As well as having good M&E data, this presupposes the willingness to report on negative experiences with cooperation and to exchange views. This applies both to the exchange of experience between public and private partners and to exchanges between the implementing organisations and BMZ. Carrying out innovative projects also means testing new methods that may prove unsuitable. The develoPPP.de programme should also keep an open mind as regards possible failures or partial failures (Doc 15; Doc 20). The documented Lessons Learned for project managers (Doc 22) and the develoPPP.de sectoral conferences offer positive approaches in this regard. Beyond these, neither project reporting nor systematic assessment and exchange platforms appear to actively support this kind of experiential learning. Binder et al. (2007) also pointed out in 2007 that this wastes development opportunities. Similar findings relate to comparable international programmes (Binder et al., 2007; ICAI, 2014; IOB, 2014; Johansson de Silva et al., 2015).

### 2.3.4 Key findings

- BMZ's instruments for steering the develoPPP.de programme are not sufficiently used to further define the objectives and policy framework of the programme, as formulated in the develoPPP.de guidelines. In particular, insufficient use is made of the offers for implementation of the programme by DEG and GIZ, and applications for approval from sequa.
- The develoPPP.de team meetings are highlighted as an instrument for the rapid and uncomplicated establishment of the policy framework.
- The meticulous nature of the steering processes used to select projects, as well as their unclear rules and workflows, makes them relatively complex and resource-intensive. While the two-step coordination process can generally be considered expedient, there is still room for improvement as regards coordination with the regional divisions and the number of appraisal steps.
- BMZ's management information bulletin appears suitable for covering the management level's information requirements. However, it is not apparent that this resource-intensive coordination with the management level of all projects eligible for support offers any added value for the develoPPP.de programme.
- Individual agreements regarding the unclarified question of multiple funding increase the need for coordination and slow down the selection procedure. It has not been possible so far to make a decision regarding multiple funding due to information deficits at BMZ. The evaluation findings do not speak against approving project applications from companies that have already received support. Addressing the legal aspects of compliance with European State aid law exceeds the scope of this evaluation.
- The M&E systems at programme and portfolio level are not considered appropriate because they do not permit either BMZ or the implementing organisations to assess the develoPPP.de programme or portfolio in terms of the achievement of objectives or effectiveness. BMZ can therefore only use them to a very limited extent for monitoring and steering purposes.
- This is due to deficiencies in the monitoring systems of the implementing organisations at project level. The findings confirm that the project monitoring systems are not adequate for verifying the projects' development activities and results, or for safeguarding these in the final analysis. De facto, the monitoring systems are strongly based on trust and may lead to information deficits at the implementing organisations.

## 2.4

### Implementation of the develoPPP.de programme by DEG, GIZ and sequa

This section provides findings that address evaluation question 3. Which conceptual and procedural changes could be used to adjust the processes for implementing the develoPPP.de portfolio of DEG, GIZ and sequa? It follows the programme's implementation stages and successively analyses PR and acquisition (Section 2.4.1), the application and selection process, the design process and project implementation (Section 2.4.2). The findings are summarised in Section 2.4.3 and efficiency is rated in line with the OECD-DAC criteria.

#### 2.4.1 PR and acquisition by BMZ and the implementing organisations

In the following section we identify the degree to which the develoPPP.de programme is known, the demand for the programme, and the implications for partner acquisition and PR activities. We then discuss the potential of additional advisory services during the application phase.

##### *Extent to which develoPPP.de programme is known and demand for the programme*

Demand on the part of companies is closely related to the level of awareness of the programme (Int 2; Int 3). No representative data are available on the extent to which German or European businesses are familiar with the develoPPP.de programme.

Most of the experts interviewed, including BMZ programme staff (Int 2; Int 3), representatives of business associations and consultants, rate the degree to which the programme is known among German businesses as rather low (Int 34; Int 35; Int 42; Int 44). The company survey confirms this rating. As one entrepreneur underlines: ‘... it would be good to expand the instrument and advertise it more widely. At present you only come across the programme if you explicitly search for it’ (Int 46). Programme staff at GIZ and DEG (Doc 9; Int 14) and an online survey in 2014 (Doc 21) come to a different conclusion. They establish that the programme is relatively well-known compared with other BMZ programmes for cooperation with the private sector. Altogether, the findings reveal an ambivalent picture, but suggest that the programme is not yet widely known.

At the same time, there are indications of certain constraints regarding demand for the develoPPP.de programme. Both experts and the surveyed consultants underline that the programme is only of interest for some German and European companies (Int 22; Int 42). For instance, the programme is of limited interest for many medium-sized companies – one of the programme’s key target groups according to the develoPPP.de communication strategy (Doc 10) – because risky investments in developing countries are not very attractive for many medium-sized enterprises (Int 22). One must ask how large the actual target group of the develoPPP.de programme really is, and the extent to which the market is already saturated. The number of develoPPP.de applications has been constant since 2009. The large number of multiple funding arrangements and corresponding statements on similar programmes in other countries (DEVFIN Advisers, 2014; Triodos Facet BV, 2010) support the assumption that the programme is only attractive for a portion of European companies, and that the German market, at least, may be somewhat saturated now that the programme has been operating for more than 15 years. Beyond the superficial segmentation of target groups in the communication strategy, the companies of relevance for the programme have not been classified so far. This makes it difficult to assess this aspect. To make the programme interesting for a larger number of companies and expand its reach, companies and business associations propose that support be provided to a higher proportion of companies. Some project staff take a critical view of this proposal (Int 12;

Int 15; Int 20), because you ‘can lead a horse [i.e. a company] to water but you can’t make it drink’ (Int 12).

The findings make it clear that it is not enough to publicise the programme on a broad scale in order to tap the full market potential of the develoPPP.de programme. Firstly, the programme’s market potential should be assessed and the companies for which the programme is of interest should be clarified. PR work and acquisition activities can only be efficiently adjusted once this information is obtained.

#### *Cross-programme PR work and acquisition*

PR and acquisition are key mechanisms for increasing the number of applications. Acquisition is handled by the implementing organisations and involves encouraging companies to apply to the programme. As part of the Sector Project Private Sector Cooperation, PR activities come under the direct remit of BMZ and are intended to support the implementing organisations with acquisition (Int 13).

The company survey, literature analysis and expert interviews clearly show that the majority of companies become aware of the programme via the existing contacts and networks of the implementing organisations (Int 1; Int 3; Int 18). GIZ makes particular use of its field structure (CS 12; Int 11) and even tasks staff members in some countries with handling acquisition (Int 28). DEG uses direct customer contacts with companies from other business segments (Int 14) and to German Chambers of Industry and Commerce (AHKs) (Int 15). For sequa, both its own programmes such as the Import Promotion Desk (IPD) and chambers, associations and AHKs play a key role in initiating contacts (Int 1; Int 19). The possibility of acquiring projects via the decentralised systems of the three implementing organisations represents major added value for the programme. Proactive acquisition measures by the implementing organisations, such as trade fair visits and informative events, on the other hand, rarely lead to project applications. With regard to consultants (i.e. external service providers who acquire companies for the develoPPP.de programme and support them in designing and implementing projects), on the other hand, acquisition appears to work especially well via trade fair visits (Int 34; Int 42). This points to a certain degree of advertising potential via such measures, which the implementing



organisations make limited use of to date. BMZ and the implementing organisations appear to have no shared understanding of the extent to which proactive acquisition measures, such as directly approaching companies in specific sectors, are worthwhile or permissible (Doc 4; Int 2; Int 18), although this is standard practice for GIZ via staff at its country offices, for instance (Int 28). Given the tensions that exist between the programme's demand orientation and its development effectiveness, which were outlined earlier on, a clear acquisition strategy would appear essential in order to enhance the usefulness of acquisition measures.

Staff at BMZ and the implementing organisations, as well as business associations, rate the PR support, especially via the provided PR materials, as good to satisfactory (Int 2; Int 11; Int 13; Int 14; Int 20). The failure to adapt the materials to the needs of the individual implementing organisations is criticised in some quarters (Int 18; Int 19). The materials contain very few messages for specific target groups, e.g. family-run medium-sized enterprises<sup>34</sup>. Most of the key objectives laid down in the communication strategy, such as making the programme more widely known, are not backed by indicators and are therefore not monitored. This makes it difficult to judge how successful PR work has been so far. The higher than expected click-through and download rates on the develoPPP.de web page suggest that PR has a positive influence on familiarity with the programme as a whole. However, companies and representatives of the organised business community say it has not been possible so far to position the develoPPP.de programme transparently on the market (Int 34; Int 35; Int 39; Int 42; Int 44). The following quote by an entrepreneur bears this out: 'The plethora of support options is too big to handle. Companies have no knowledge of the support programmes that exist. That's because there are no suitable information channels to publicise them.' These tasks cannot be handled using only the PR capacities available to the develoPPP.de programme, which correspond to less than 1% of overall programme funds. This is a cross-sectoral challenge that faces all of BMZ's support programmes, as well as those of other ministries. By setting up the new Agency for Business and Economic Development (AWE) in April 2016, BMZ created a key point of contact for companies that want to become

involved in developing countries and emerging economies. The Agency is designed as an interface between development cooperation and the private sector, and intended to pool information on the existing instruments of German DC for cooperation with the private sector. However, it is obvious that the programme staff are not yet clear about the role that BMZ's management level has assigned to the Agency for Business and Economic Development. They fear that involving AWE will increase the amount of bureaucracy without creating true added value for the programme (Int 2; Int 14).

The DC Scout Programme<sup>35</sup> is also intended to increase the transparency of BMZ's support programmes and specifically acquire companies, also for the develoPPP.de programme. The 2014 Annual Report highlights some positive aspects of the DC Scout Programme (Doc 13) and the DC scout evaluation shows that develoPPP.de is the programme most frequently advertised by the DC scouts (Doc 14). Many programme staff members, though, believe that the DC scouts have had little success in acquiring projects so far (Int 2; Int 3; Int 14). The case studies and company survey do not explicitly mention DC scouts even once. Owing to a lack of available data on the acquisition channels (see also Doc 14; Int 13), no robust statements can be made on the number of projects generated through the work of the DC scouts. In all, the findings suggest that DC scouts have had little influence so far on project acquisition.

#### *Advisory services during the application phase*

Staff at BMZ and the implementing organisations as well as other experts highlight the need to provide greater support during the application phase, especially for small companies (Int 2; Int 22; Int 41) and projects in LDCs (Int 4; Int 41) (Int 2; Int 3; Int 4; Int 11; Int 18; Int 22). Thought is currently being given to involving consultants, i.e. external service providers, to a greater extent in project acquisition (Int 3; Int 16) and in providing support with submitting applications (Doc 1; Int 2; Int 3; Int 16). The proportion of projects acquired for the programme by consultants has not been documented at a higher level so far. Statements by programme officers and consultants indicate that this proportion lies somewhere between 10 and 20% (Doc 13; CS 7; CS 9; Int 2; Int 17; Int 42).

<sup>34</sup> Neither the develoPPP.de brochure, the develoPPP.de booklet nor the develoPPP.de website make explicit reference to this target group.

<sup>35</sup> In the DC Scout Programme, DC scouts advise German companies on global engagement for sustainable business. DC scouts are seconded to business associations, country associations, chambers of industry and commerce and chambers of skilled crafts as contacts for all matters related to development cooperation.



This shows that consultants are highly relevant for acquiring projects for the programme. The quality of these projects, on the other hand, receives an ambivalent rating from programme staff, both in the company survey and the case studies (Int 2; Int 16, Int 17). Besides some good examples, some ‘consultant-driven projects should be handled with caution’ (Int 17) since the consultants’ expectations do not always match the specifications of the develoPPP.de programme. What is more, the ‘farming out’ of key aspects of cooperation, such as aspects of communication regarding reports, appears to run counter to the programme’s concept of partnership and may lead to companies devoting less attention to the programme. The programme guidelines spell out that it is the task of the implementing organisations to ensure that projects are aligned with development policy, using their own core expertise (Doc 11). Farming out these tasks to consultants deserves critical attention. Finally, it must be asked whether the services of consultants, which eat up between 7 and 12% of the funding (Int 42) can be considered more efficient than the provision of similar services by the implementing organisations. While consultants may well represent added value in terms of acquisition, the support they provide during the application phase and during the programme is rated rather critically. The findings suggest that additional advisory services and support during project implementation should be provided by the implementing organisations. They also indicate that thought should be given to greater involvement of the DC scouts and possibly AWE in providing advisory services (Int 2; Int 18).

#### **2.4.2 Selection, design and implementation of develoPPP.de projects**

We will now examine the key implementation stages of develoPPP.de projects. Alongside the application and selection processes, we will examine the design process and project implementation.

##### *Application and selection procedure*

The develoPPP.de programme has a systematic application procedure that takes a different form for traditional and strategic projects. A joint internet portal was set up in 2009 to provide information to companies. However, companies continue to apply directly to one of the three implementing organisations.

Companies can apply in one of the four ideas competitions each year to carry out traditional projects with DEG, GIZ and sequa. Overall, programme staff at BMZ and the implementing organisations rate the ideas competitions positively as a form of selection procedure (Int 2; Int 3; Int 14; Int 18). They are suitable for ensuring equal access by German and European companies, which averts the risk of distorting competition. While the ideas competitions offer equal access to all companies, the relatively low number of good project applications in relation to resources contradicts the basic idea of the competition. In the final analysis, all projects that meet the minimum criteria are supported (Int 1; Int 3; Int 17; Int 20). Limited demand restricts scope for selecting the best projects from a large number of high-quality applications. Owing to the constraints in selecting the best applications, the procedure is only rated as ‘partially appropriate’.

Throughout the year, companies apply for strategic development partnerships with DEG and GIZ. How these applications are initiated is less clear than in the case of the ideas competitions. Projects often arise from existing programmes or contacts; some of them are proactively initiated by the implementing organisations, as shown by case studies and the company survey (CS 3; CS 6; CS 11; CS 12). There are no reservations in terms of competition because GIZ’s Strategic Alliances are carried out on the basis of cooperation agreements, and DEG’s Strategic Projects are examined by legal experts with regard to their compliance with competition law (Int 14). Since strategic development partnerships with the private sector call for a more intensive exchange between the implementing organisations and companies during the application phase, it makes sense to use a more flexible procedure than with the ideas competitions. Given that the additional criteria for strategic development partnerships with the private sector are frequently not met, the lack of transparency in the business initiation processes is seen as a deficiency. The application procedure is therefore only rated ‘partially appropriate’.

##### *Development of the project design by implementing organisations and companies*

Companies jointly elaborate their declarations of interest with the implementing organisations during the design phase.

Here, we examine whether they succeed in devising high-quality project designs and developing a joint understanding of the project's objectives.

The project designs usually give a good and verifiable overview of the project context, project objectives and corresponding measures. This can be seen from the designs reviewed during the case studies. Most of the attached plans of operation are also easily verifiable. However, the designs of six of the 12 case studies still show major deficiencies (CS 1; CS 4; CS 5; CS 8; CS 9; CS 11). Some of the intended results and causal links are not apparent or are based on overly optimistic assumptions and ambitious packages of measures (see Box 7). Phasing-out or exit scenarios are only very briefly outlined. Similar deficiencies were highlighted in previous evaluations and studies (Altenburg & Chahoud, 2002; Doc 17; Doc 20).

Expert interviews and process documents show that the project design, indicators and plan of operations are devised using similar procedures at DEG, GIZ and sequa (Int 9; Int 14; Int 19). Analysis of the project designs shows that the processes used so far make it possible to anchor development objectives in the designs. Conflicts with divergent corporate interests and the resulting risks are not adequately disclosed, however. The project designs are therefore too optimistically designed.

### Box 7: Project example of challenges during the design phase

According to its design, the project was intended to minimise the risk of poverty for low-income population groups by developing and disseminating a financial product. The experience gained by the project was also to be shared with other companies in this sector. The overlaps between corporate and development-policy interests were clearly identified in the design, but potentially diverging interests were not explicitly addressed.

During a field visit, it became clear that the development objectives described during the project design had been too optimistically formulated. Owing to market risks and the rather low overall demand from solvent clients, the company finally decided to disseminate a product with the highest added value for the company, not the one with the highest added value in terms of development policy. The relevance to the target groups described in the project design remained limited because the product that was finally developed did little to cover their needs for protection against the risks of poverty. It also became clear that planned activities to disseminate business know-how to other companies with global operations were not carried out because this was not in the company's business interest.

The case studies make clear that it is often not possible to develop a joint understanding of project objectives among all project partners, beyond the written project design (CS 1; CS 4; CS 5; CS 9; CS 10). This aspect is extremely critical because expert consultations, analysis of the literature and case studies consider this as the key success factor for achieving the project's development objectives. If development objectives and company objectives diverge, priority is mainly placed on the business objectives (Int 9; Int 19; Int 37; Pfisterer et al., 2014). The local implementing partners in particular are often not aware of the development objectives, or accord them lower priority (CS 2; CS 3; CS 4; CS 5; CS 7; CS 8; CS 11; CS 12). The implementing organisations' design processes do not envisage any systematic involvement of the local partners in the design process; it is up to the European company to involve the local partner company in the negotiation process. This has been done to an insufficient degree to date. The European companies are generally well involved, though. In the three cases where no consensus could be reached, there are deviations from the standard processes because neither the project design nor the indicators were jointly devised to any significant degree (CS 6; CS 7; CS 11). The companies underline that they would like the design phase to be handled swiftly. The company survey and case studies show that this is achieved to a large degree. The effort involved for companies in designing the project should be kept to a minimum. This can only be done if the design phase is sufficient for addressing the challenges described above. The design processes used so far are rated only partially appropriate for meeting this requirement. The processes should therefore be expanded in some cases.

The way in which the design process is elaborated, e.g. the type and frequency of communication, varies less between the implementing organisations DEG, GIZ and sequa than between the responsible project managers. GIZ carries out additional internal consultation processes with sectoral divisions and country offices. One aim of these processes is to link measures up with existing bilateral programmes. The design phase is therefore often more time-consuming and demanding, a fact that some companies explicitly criticised. It also becomes clear that the higher conceptual demands to be met by strategic

development partnerships with the private sector are reflected to a very limited degree in the project designs. Both the content analysis and the case studies confirm this. The higher expectations in terms of the broad-based impact and structure-building results of Strategic Projects and Strategic Alliances are due to the higher funding level and in part because the projects are carried out in several countries. Special content-related approaches play a lesser role here. GIZ's Strategic Alliances are also geared more strongly to the meso/macro level through activities to disseminate lessons learned at institutional level and multi-stakeholder approaches.

#### *Project implementation by companies*

Companies are responsible for implementing developPPP.de projects. Case studies, the company survey and expert interviews show that a local partner or local subsidiary is often responsible for key aspects of project implementation on site, and not the European company. The local company/subsidiary is therefore of crucial importance for the quality of project implementation (Doc 4; CS 8; CS 10; Int 9; Int 16; Int 17; Int 18; Int 19; Int 20). The case studies rate project implementation by the companies as professional for the most part (CS 1; CS 2; CS 3; CS 4; CS 5; CS 7; CS 8; CS 9; CS 10; CS 11). Although the coordination and agreement between the European and the local company, or within the project team, could be improved in some cases (CS 2; CS 5; CS 8), overall both the European and local partners usually have appropriate financial and human resources to implement the developPPP.de project in a professional manner. Only in two cases are the project management capacities of the implementing companies questioned to some extent (CS 6) or to a large extent (CS 12). Overall, the quality of project implementation by the companies is rated as rather high. However, project implementation confirms what was indicated in the design phase: where company and development-policy objectives diverge, priority is given to implementing business objectives. Since the implementing organisations exert relatively little influence on project implementation, with the exception of projects based on cooperation agreements, there is an obvious need to improve the processes used to develop the project design. Further developing the projects' M&E systems would also appear essential (see Section 2.3.3).

In projects based on cooperation agreements, companies receive support from GIZ in carrying out the projects. GIZ's contribution may be made either in the form of services or in kind. The type, mode and extent of support vary from project to project<sup>36</sup>. Companies highlight collaboration on cooperation projects as especially positive. The case studies also show that a lack of clarity concerning the responsibilities of implementing organisations and companies may lead to a disproportionate level of steering effort at the companies (CS 3; CS 4). The implementing organisations do not always succeed in involving field structures to an adequate degree

in designing and implementing development partnerships with the private sector. While DEG and sequa have very limited field structures, or none at all, GIZ has the greatest potential in this respect based on its core expertise. However, the case studies make clear that the networking of develoPPP.de projects and the field structure varies greatly from one country programme to another. Statements by GIZ staff members indicate that this may have to do with the country offices' affinity with the programme (CS 8; Int 9; Int 28). Countries in which traditional DC business is declining have higher incentives in this respect (Int 9).

#### 2.4.3 Key findings and assessment of efficiency in line with OECD-DAC

- The develoPPP.de programme is not widely known among companies. However, publicising the programme on a broad scale would probably not be enough to increase the number of applications. Expedient adjustments to PR work and acquisition measures can only be made by assessing the market potential and precisely segmenting the corporate target groups. This applies in particular to medium-sized companies, which is precisely the group the programme wants to address.
- The possibility of acquiring projects via the implementing organisations' wide array of decentralised networks is one of the major advantages of the programme's tripartite structure. So far the implementing organisations have no programme-wide acquisition strategy, though this would appear essential given the tensions between the programme's demand orientation and development effectiveness. DC scouts have little influence on project acquisition.
- Apparently it has not been possible so far to position the develoPPP.de programme transparently on the market. The creation of the new Agency for Business and Economic Development might remedy this situation, but it may also increase bureaucracy.
- Consultants may well provide added value in the acquisition context. However, their further provision of support during the application phase and during project implementation is viewed critically. It would be better for the implementing organisations to provide such additional advisory services in the application phase and support during project implementation.
- Ideas competitions are suitable for guaranteeing equal access by German and European companies. At the same time, limited demand restricts the way the ideas competition work in terms of selecting the best project ideas. The processes used to initiate strategic development partnerships with the private sector are not designed in an entirely verifiable manner.
- The design processes are rated partially appropriate. The limited verifiability of the causal links, overly optimistic assumptions with regard to results and overly ambitious packages of measures deserve particular criticism. The shared and diverging interests of implementing organisations and companies, and the resulting risks, are often not handled transparently.
- A common understanding of both business and development objectives by all project partners is key to achieving project objectives. In practice, this common understanding is often lacking. Local and European project partners tend to give greater priority to the business objectives.

<sup>36</sup> Whereas in one project, the GIZ manager who handles coordination is based at GIZ Head Office in Eschborn and only plays an overarching coordination role (CS 3; CS 4), in another project, the GIZ staff member is located in the project country and also plays an active role in the everyday business and implementation of the project (CS 12).

- It is also clear that the higher conceptual demands to be met by strategic development partnerships with the private sector are reflected to a very small degree in the project designs. Both the content analysis and the case studies confirm this. The higher expectations to be met in terms of broad-based impact and structure-building results are due more to the higher funding level. The concepts for Strategic Alliances are also geared more strongly to the meso/macro level through activities to disseminate lessons learned at institutional level and multi-stakeholder approaches.
- Project implementation by the responsible companies is rated as rather positive. Limiting factors are inadequate coordination between the European and the local company, and in isolated cases a lack of management capacities.

#### **Assessment of efficiency in line with OECD-DAC:<sup>37</sup>**

The programme's financial systems strongly restrict scope for assessing the programme's efficiency. Bearing in mind the substantially limited data available, the programme's average administrative costs for 2013 to 2015 are estimated to be at least 17.7%. This means that they are high compared with similar programmes of other donors. Comparisons between the implementing organisations and forms of development partnership with the private sector cannot be made based on the available data. A final assessment of the efficiency of the develoPPP.de programme can only be made with reservations. So far it has not been possible to harness the substantive value of having the programme implemented by three organisations. At the same time, this reduces the possibility of exploiting economies of scale and increases administrative effort for the programme. The cost-efficiency of programme implementation is therefore rated as 'rather inappropriate'.

## 2.5 Effectiveness

This section presents findings that answer evaluation question 4. To what extent and under which circumstances is the develoPPP.de programme effective in terms of promoting projects at the level of the directly involved local companies, public institutions and target groups, and at the level of European partner companies?

The reconstructed programme theory, and the related logic of develoPPP.de as a stimulus programme, are the starting point for assessing effectiveness. We begin by examining whether the projects achieve the objectives established in the design phase, i.e. provide a stimulus along the formulated causal pathways (Sections 2.5.1 and 2.5.2). Section 2.5.3 examines whether there are changes in the attitudes and behaviours of the participating companies, in keeping with the guiding principle of sustainable development (cross-cutting pathway 2). The key findings are then summarised and effectiveness is rated in line with the OECD-DAC criteria (Section 2.5.4).

### **2.5.1 Achievement of objectives by develoPPP.de projects in accordance with their design**

The content analysis, company survey and case studies are used as a basis for assessing whether develoPPP.de projects achieve the objectives that were established in the design phase. The content analysis of 104 final reports suitable for evaluation shows that 96% of the completed projects (100 out of 104 projects) are considered to have 'fulfilled' their targets or 'fulfilled [their targets] to a significant degree'. It should be borne in mind that this rating is based on the projects' own reports. Only in one case is the target rated as 'not fulfilled'. The company survey comes to a more critical conclusion: Here, 26 of the 36 company representatives interviewed report that project objectives are only 'fulfilled to a significant degree'. Since this assessment is not based on a representative sample, though, it cannot be transferred to all projects, unlike the content analysis.

The 12 case studies probably represent the most stringent form of appraisal. As well as an independent survey of project stakeholders, these studies also include a factual on-site

<sup>37</sup> The OECD-DAC efficiency criterion is intended to allow a summary assessment of whether and to what extent the development measure has achieved the programme objectives cost-efficiently. A distinction is made between two results levels. To determine production efficiency, the resources used for the development measure are placed in relation to the services provided. To determine allocation efficiency (also termed impact efficiency), the resources and results that are placed in relation to each other (BMZ, 2006).

examination of whether objectives were achieved. This is therefore not solely based on self-assessment of the project indicators. Only half of the 12 projects fulfilled their objectives 'to a significant degree'. Although this finding cannot be generalised to all develoPPP.de projects (e.g. expressed as a percentage success rate), the very divergent assessments based on the different methods applied point to problems in the current reporting practice. Project reports tend to overestimate the projects' actual effectiveness. In their contracts with the implementing organisations, the participating companies assume accountability for the use of funds and project success, and for reporting by means of self-reports and appropriate forms of evidence. They therefore bear a two-fold responsibility for implementing measures and monitoring success. The implementing organisations, in turn, are accountable to BMZ for the use of funds and the success of their product portfolios. Added to this, because of the programme's demand orientation both BMZ and the implementing organisations have a (legitimate) interest in using effective PR measures to present the projects in a positive light in order to acquire further companies for develoPPP.de. This system therefore creates incentives for reports that highlight the success achieved rather than for critical status reports that are relevant for steering. The almost complete lack of external measures to verify the companies' self-assessments and the challenges related to the M&E systems that are discussed in Section 2.3.3 tend to encourage positive ratings.

#### *Comparison between the achievement of development-policy and company objectives*

The develoPPP.de programme guidelines specify that projects should achieve development-policy and company objectives to largely the same degree. We will go on to examine whether this expectation is fulfilled.

The companies consider that the cooperation arrangements have largely provided the expected added value in terms of development. Two thirds of the 36 companies surveyed state that both development-policy and company objectives were

achieved. This points to a balanced response to company and development interests, from the perspective of the surveyed entrepreneurs. The case studies serve as a means of comparison. The company objectives are largely achieved in all 12 case studies. By contrast, the achievement of development objectives is rated 'successful' in only six of the 12 cases (see Box 8). This discrepancy between the two ways of looking at the objectives achieved suggests that greater added value is generally leveraged for companies than for development policy, measured against the project design. This is due to the design process. The main focus when formulating project objectives is on development objectives, whereas company objectives are only implicitly contained in the activities and the outputs to be generated. As a rule, company objectives and DC objectives overlap at the projects. However, companies carrying out the projects do not subscribe to some of the development expectations and objectives because they are not in their key interests. The tensions that arise between divergent company and development interests are not disclosed, which means causal development assumptions are frequently too optimistic. We have already mentioned (see Section 2.4.2) the project partners' failure in many cases to achieve a common understanding of the project during the design phase. The available findings corroborate this fact. It is true that the projects essentially achieve their outputs in line with the project design and manage to provide development impetus. However, if we break down the achievement of objectives into the dual structure (public sector/private sector), which is the assumption underlying each development partnership with the private sector, the achievement of DC objectives systematically decreases across the case studies. In absolute terms, this reduces the added value of development partnerships with the private sector, which are intended to serve development-policy and company interests in equal measure.

The case study and company survey findings do not point to any major differences in the projects' achievement of objectives between the implementing organisations or between traditional and strategic development partnerships.<sup>38</sup>

<sup>38</sup> Because of the low number of case studies and surveyed companies, the findings cannot be applied to the entire develoPPP.de programme in general. However, the criteria-based selection and in-depth examination of projects do make it plausible to apply the content of the findings to the programme in general. If we break the findings down further, e.g. to implementing organisation level or forms of development partnership, the number of cases is so low that the differences would need to be very clear in order to be transferrable. We therefore interpret any differences very cautiously. However, the fact that no major differences can be established between the different implementing organisations and types of contract using the given methods constitutes a finding in itself.

**Box 8: Example of a project where company and development-policy objectives are not equally achieved**

The company involved in this project aimed to expand the market for its products. Since the products are more environment-friendly and safer to use in the workplace than common alternatives in the partner country, they can be considered to offer clear environmental and social added value. This is where the public interest comes in: the project is intended to raise the sector's awareness of resource-saving production methods and occupational safety, and also achieve results that are not related to the product.

The project is based on the assumption that awareness-raising workshops in the partner country can serve both company and development interests. The workshops are designed on the one hand to provide the sector with information on resource conservation and occupational safety independently of the product, and on the other

to promote commercial solutions to these problems by means of product presentations. According to a further assumption, raising awareness in this way will disseminate more environmentally friendly and socially compatible production methods.

The on-site case study showed that the workshop organisers saw themselves as sales representatives and not as multipliers for occupational safety and resource conservation. It also transpired that the target groups were already informed about resource conservation and occupational safety. This questioned the key assumption of a lack of awareness in this sector, and with it the eligibility for support of awareness-raising measures. The workshops therefore served mainly to make a competitive product more widely known.

*Influence of design and adherence to implementation plans on the achievement of objectives*

In order to improve the achievement of project objectives, it is crucial to decide whether adjustments should be in the design phase, or only during implementation. This differentiation is discussed in the evaluation literature as 'theory vs. implementation failure' (Stame, 2010).

With regard to the design phase, we already established that while most of the indicators in the project designs are SMART, the project designs themselves often contain postulated causal links that are not verifiable, as well as overly optimistic contextual assumptions and overly ambitious packages of

measures (see Section 2.3.3). The evaluation also reaches a positive assessment of the implementation of projects on the ground by the companies. These aspects are the first sign that problems in terms of achieving objectives are due more to conceptual weaknesses than to implementation problems on the part of companies.

The content analysis confirms this: the 106 randomly selected projects were examined in terms of their adherence to implementation plans, i.e. the extent to which projects were 'carried out as planned' (Dusenbury, Brannigan, Falco, & Hansen, 2003) (see Table 2).



**Table 2: Adherence of develoPPP.de projects to implementation plans**

Dimensions of adherence to implementation plans	Frequencies in % (N = 106 final reports)	
	Yes	No
1 Coverage of target group(s) according to plan?	63	37
2 Adherence to schedule?	41	59
3 Adherence to envisaged activity frequency?	66	34
4 Adherence to substantive objectives and/or activities?	58	42
5 Adherence to financial plan?	75	25

Source: authors' own; dimensions 1–4 based on Carroll et al. (2007), dimension 5 was added by DEval

There are no significant differences between implementing organisations or forms of partnership as regards adherence to implementation plans (see Box 9). However, many changes are apparent across the board in terms of content and schedule. Around 60 % of the completed projects had to be adjusted during the evaluation period in terms of their schedule, and roughly 40 % in terms of their content (see Table 2). Successive

companies take part in develoPPP.de and implement projects, but project design and planning is supervised by the three implementing organisations, which also bear sectoral responsibility for the projects vis-à-vis BMZ (Doc 11). The findings therefore indicate that the planning assumptions made during the design phase are sometimes too strong.

### Box 9: Company size as a factor influencing project effectiveness

The case studies show that there are no differences between larger companies (i.e. those with an annual turnover greater than EUR 50 million) and smaller companies at the project design level. However, projects implemented by larger companies adhere more closely to implementation plans, i.e. they are more closely aligned with the project design. They also tend to fare better in terms of achieving the objectives outlined in the design. Of the twelve case studies, six of the eight projects that were implemented by larger companies were assessed as (rather) successful, whereas all four projects implemented by smaller companies were assessed as (rather)

unsuccessful. This finding is supported in principle by the company survey.

The literature evaluation provides a further breakdown of these findings. Context-specific factors such as the company size, international experience and whether the company is financially sound positively influence the project results to a certain degree, as does trust between the partners and their motivation level (DEVFIN Advisers, 2014; Johansson de Silva et al., 2015; KPMG, 2012; Pfisterer et al., 2014).

All in all, the findings of the case study and of the content analysis show that any deviations from plans during project implementation were primarily due to the fact that the assumptions made were too strong and to plans being unclear rather than to a lack of project management capacities within the companies themselves. Overall, the objectives laid down in project plans are assessed as rather too ambitious.

### 2.5.2 Contributions made by develoPPP.de projects to the programme results

Simply analysing the objectives achieved by the projects based on their design does not do sufficient justice to develoPPP.de's programmatic character as a support mechanism. It is not enough to ask whether the programme implements projects that achieve their objectives. It is also important to examine whether the programme will achieve results that transcend individual projects. To this end, we will now take a look at the

three causal pathways from the reconstructed programme theory (see Section 1.5).

#### *Improvement or introduction of innovative products and services (causal pathway 1)*

The 'improvement or introduction of innovative products and services' (causal pathway 1) is develoPPP.de's key area of impact. A content analysis of a random sample of project documents shows that in 96% of the projects examined, activities were implemented that help transfer private sector know-how and technologies to partner countries. This transfer falls under the definition of innovation as used in this evaluation ('doing new things or doing things in a new way') (Schumpeter, 1947; quoted in Stockmann, 2007: 54). The crucial factor when assessing innovations is that they are perceived to be better than previous ideas, practices or objectives (Rogers, 2003) – i.e. they offer a relative advantage (Box 10).

#### Box 10: Project example of successful innovation transfer

This project offers training and multiplier activities to smallholders to help them increase their productivity, taking into account social and environmental standards, and to improve their access to the export market. The innovative element here involves the introduction of new production methods via a comprehensive multiplier approach, together with high-quality, broad-based training measures.

The relative advantage offered by the innovation is evident in the fact that no comparable training courses are available in the project region. Furthermore, the production methods taught are very positively assessed by the smallholders on

the whole. Although some participants are more critical of the content – the new methods are more labour-intensive than traditional methods – any additional effort is offset by guaranteed sales and higher profits generated by crops produced in this way. What is more, preparation of the training content, which is relatively simple and target-group-oriented, and the use of the multiplier approach have helped to comprehensively disseminate the methods among about 12,000 farmers within just under three years.

On the whole, the project is assessed as successful in introducing innovative services among the target groups.

In seven out of 12 cases, the programme's effectiveness in terms of introducing innovations to the private sector may be assessed as (rather) successful (CS 1; CS 2; CS 4; CS 6; CS 7; CS 9; CS 10). These projects help develop innovative products and services at the local company level. In the other five cases, the products and services developed are so similar to existing ones or the constraints in relation to needs orientation for the intended target groups are so restrictive that sector experts and target groups of the measure regard the relative added value as minimal. For these projects, the project innovations cannot be assumed to generate a significant improvement, as the example in Box 11 shows. These case study findings tend to be confirmed by the company surveys. Of the 36 entrepreneurs surveyed, 16 (i.e. almost half) state that the projects helped develop innovative products and services in the partner countries. Examples given include changes in production and in the introduction of quality standards at suppliers. Two interviewees qualify their statements by saying that this only happened to a limited extent. Based on the case studies and company survey, this means that the programme's effectiveness in relation to introducing innovations in the private sector in partner countries is rated as rather successful overall. Systematic differences between the implementing organisations or between traditional and strategic development partnerships with the private sector cannot be distinguished here.

#### Box 11: Project example of unsuccessful innovation transfer

The objective of this project is to introduce practice-oriented, in-service training in the area of planning, installing and servicing sustainable energy plants on a commercial basis. The planned innovation is incorporated into the courses' educational content and design. According to the sector experts interviewed on site and a comparison group similar to the target group, there are already similar courses on offer in the region that some of them regard as being of higher quality than the new courses. The approach chosen to transfer the courses' educational content did little to transfer problem-identification and problem-solving expertise, an aspect that is incorporated into other measures. As a result, the courses are only viewed as relatively advantageous to a limited degree.

On the whole, the project is assessed as rather unsuccessful in introducing innovative services among the target groups.

The objective of transferring innovation to public-sector institutions (rather than to private sector companies) was not a selection criterion used in the case studies. As it was the objective in five of the case studies, however, it could have been examined in parallel. In terms of content, projects that aim at transferring innovation to public-sector institutions tend to deal with cooperation arrangements with training providers or advisory services for public-sector infrastructure facilities (in the areas of sanitation and health care, for example). In this context, four of these five cases are rated as (rather) successful in a comparable assessment. This rating is supported in principle by the company survey. Based on the case studies and company survey, this means that the programme's effectiveness in relation to introducing innovations at public institutions is rated as successful overall.

*Increasing income and employment (causal pathway 3)*

In accordance with the programme's set of objectives, successful innovation transfer is a means to an end to a certain degree and in itself only offers limited added value. The relative advantage of the innovation should also be reflected in the consolidation of private sector structures in partner countries (Doc 11), more specifically in the form of tangible income-generating and job-creation effects among the target groups in the local population.

The design of 10 of the 12 case studies examined is geared to helping achieve income and employment effects. An actual contribution can only be identified in five of the 10 cases (CS 2; CS 4; CS 5; CS 6; CS 10). This is reflected, for example, in improved employability due to 'in-demand' qualifications in initial and continuing training projects, or in safeguarding/increasing income among participating target groups in agricultural projects by increasing production. In the other five cases, the projects' contribution is assessed as marginal. Either the income and employment effects only relate to a very specific group or there are no or only very minor income effects (see Box 12). These findings are supported by the company survey. Just under two thirds of the companies surveyed (20 of 36) state that the projects helped increase income and employment among the direct target groups. However, six of these companies regard the contribution as marginal or only related to a very specific group. Systematic differences between the implementing organisations cannot be identified in the case studies and company survey.<sup>39</sup>

Comparatively speaking, the income and employment effects of similar international programmes are also assessed as weak in other evaluations. These programmes usually target the participating companies' consumers and producers rather than poor sections of the population. Therefore, inclusive economic growth and strong trickle-down effects are required if the poorest sections of the population are to benefit. As conditions are not always conducive to such effects, these evaluations indicate that the programmes should be expected to have only moderate direct impact on the poor (ICAI, 2014; IOB, 2014).

### Box 12: Project examples of successful and unsuccessful contributions to income generation and employment creation

#### Positive example

In one project offering continuing training on a commercial basis, it can plausibly be assumed that income and employment effects will be generated. Graduates state that their expertise is in demand on the labour market and between 70 and 80% of them are placed in employment, with an average starting salary slightly above initial salaries for similar positions, according to the sector experts surveyed.

#### Negative example – effects on a very specific target group

This strategic development partnership with the private sector aims to train skilled experts over and beyond the company's requirements, which in turn should generate income and employment effects by offering better job opportunities among the local population. Interviews with graduates show that, job-wise, they benefited from the course content. However, to date less than 40 graduates have been trained over two years in this strategic development partnership with the private sector – 50% less than planned.

The findings of case studies, company surveys and evaluations of other PS4D programmes show that translating innovation transfer into income and employment effects among the local population is successful to some degree. Many projects only cover small target groups/segments of the population, only achieving limited change as a result. Consequently, the programme's effectiveness in terms of contributions to income and employment effects is only rated partially successful on the whole. It also remains unclear how developPPP.de intends to reconcile tensions between the target groups of development interventions and those of companies at programmatic level.

<sup>39</sup> Strategic development partnerships with the private sector usually address larger target groups, which is why the constraint of marginal effects rather than of a very specific group applies (some examples in the case studies also show the opposite, however – see Box 12). It is not evident from the case studies or from the company survey that strategic development partnerships with the private sector have stronger income-generating effects among individual representatives of the target group.

While development cooperation is geared towards marginalised and vulnerable sections of the population, these are usually of little interest as corporate target groups (i.e. as consumers or producers). Against this backdrop, it cannot be presumed that develoPPP.de projects as such will contribute to inclusive economic growth in the partner countries and have poverty-reducing effects.

#### *Improving environmental and social standards (causal pathway 2)*

An improvement in environmental and social standards was not a selection criterion for the projects where case studies were conducted, although it does represent a key area in the programme's set of objectives. It was possible to examine the achievement of objectives in three of the 12 case studies that pursued related objectives. Of these three projects, two can be assessed as successful. In one of these, the company involved offered training to approximately 12,000 small-scale agricultural producers on internationally tried-and-tested environmental and social standards. In the project that was rated unsuccessful, the design included training measures on improving compliance with environmental standards among local industries. However, local project staff state that this course was not run as there was no commercial demand for it. Based on the interviews, no correlation can be established with climate change adaptation and resource conservation either. All in all, the company survey also corroborates the positive findings, though: eight of the 36 interviewees say that their projects aim to improve environmental and social standards; two of these assess the contributions as minimal. Overall, the findings suggest that positive effects were achieved in this context. Given the restricted data base however, the effects are merely illustrative and are not deemed to be transferable to the programme level.

#### *Unintended effects*

There are no indications from the evaluation findings of positive or negative unintended effects that transcend individual projects. Any unintended effects are project-specific and are not systematically generated by the programme. Positive unintended effects are observed in four of the 12 case study projects and four of the 36 projects examined in the company survey. Here, there are positive spillover effects (CS 6; CS 7; CS 9; CS 11) that usually involve the project

objectives being surpassed, i.e. objectives and target groups are reached to a greater degree than anticipated, because for example, an unexpected large order helped bring about an (unintended) multiplication of the innovation supported by the project. Negative unintended effects are observed in two case studies and include losses of reputation (e.g. of the company and of German DC due to slower-than-planned project implementation and poor management of expectations) and moral hazard (a financial product is offered that indemnifies against losses and farmers therefore make no provision for lower yields; as a result, their socio-economic circumstances are worse than those of uninsured farmers in the region).

#### **2.5.3 Fostering change at the level of participating European companies**

In addition to the development objectives of the individual projects, the strategic orientation, conceptual structure and implementation of the programme give rise to an additional programme objective that is not explicitly mentioned in the guidelines. develoPPP.de aims to raise private sector awareness of development issues in order to mainstream development cooperation to a greater degree within society as a whole, above and beyond the state and civil society. Staff at BMZ and at implementing organisations therefore give an ambivalent assessment of the corresponding potential of the develoPPP.de programme.

#### *Changes in attitude and behaviour among participating European companies*

Approximately one third of the 36 companies surveyed in the company survey and six of the 12 involved in the case studies stated that their awareness of development issues had changed (CS 1; CS 3; CS 4; CS 7; CS 9; CS 12). Companies reported a greater awareness of development cooperation language and of 'how the DC world works'. Usually however, there was no critical reflection of the intended and unintended results brought about by companies' investments as part of a project, and the possibility of generating added value in terms of development. That said, this was usually the first time that the companies involved had come into contact with DC, and this was thanks to develoPPP.de. In the other six case studies, the companies had already developed a special culture of social responsibility before participating in develoPPP.de, as

had eight of the 36 companies surveyed, so that no changes can be observed. This indicates that the companies decided to become involved in the programme on their own volition. In other words, participation in develoPPP.de happens because a company already has a fine-tuned sense of social responsibility and is willing to commit to a development engagement for which develoPPP.de is viewed as a specific source of funding. On the positive side, at some of the projects examined, participation in the programme facilitated initial exposure to development engagement; at others it offered an opportunity to step up an existing commitment (see Box 13).

#### **Box 13 Company size as a factor influencing awareness of development issues**

Some studies purport that smaller companies (i. e. with an annual turnover of under EUR 50 million) are better able to develop an awareness of development issues because projects are 'within easier reach' of the management board (Doc 15; Int 41). The findings of this evaluation contradict this assumption, however. Of the 12 case studies, three of the eight larger companies report (a greater likelihood of) changes, whereas all four of the smaller companies involved state that there are no changes (in all likelihood). The company survey also clearly shows that the companies that reported change tended to be larger companies with which Strategic Alliances or Strategic Projects were implemented.

The fact that it was usually not possible to sensitise participating companies to development issues is regarded as problematic. Twenty-four of the 36 entrepreneurs surveyed say that they had not gained greater awareness of development issues, even after the project had finished. It is also noted that even where a company had developed such an awareness, the impact on the company was often weak. More often than not, the projects sensitised individuals, such as project managers, to aspects related to 'responsible business'. Such concepts rarely gained hold throughout the company as a whole and, as a result, rarely triggered change beyond the individual level, as proven by case studies and company surveys. The company survey shows that GIZ projects in particular – above all Strategic Alliances – helped sensitise companies to development issues. The case study findings fail to clearly corroborate this fact, however.

As a result, the programme is assessed as being only partially successful in terms of its ability to sensitise companies to development issues. In terms of the programme's further development, it may be noted that the companies – as a target group of the programme – are broken down into segments. Some are coming into contact with DC for the very first time, while others are looking for funding opportunities for an existing engagement. It is obvious too that some companies who wish to participate in the programme have their eye first and foremost on securing a public-sector subsidy rather than on nurturing any real engagement with development issues. Given the different expectations in terms of PR activities and acquisition measures, each of these segments will react differently and can be expected to require different forms of advice when project ideas are being fleshed out. As regards support for companies in the last segment, the question that arises for BMZ and for implementing organisations is whether it is considered sufficient for projects to achieve development results in the partner country or whether they should always go hand-in-hand with fostering a greater awareness of development issues. The programme's function of sensitising companies to development issues therefore needs to be fleshed out to a greater degree.

### *Use of the lessons learned from projects by participating European companies*

The case studies show that the lessons learned from projects are by all means used at the business level. In six of the 12 case studies, additional changes are observed following participation in the develoPPP.de programme. This is due to former project activities being mainstreamed into the company's core business following the end of the promotion term (CS 2; CS 3; CS 5; CS 6; CS 11). In these cases, products and services developed or modified as part of the project were incorporated into the company's key activity area once the project had finished. Almost one third of the 36 companies interviewed in the company survey also report being able to leverage business opportunities more successfully. Eight companies say that the project boosted their business experience at the international level. In two cases, the project is used for marketing and in one instance, the company uses it to gain a foothold in new business segments. An analysis of evaluation literature from other PS4D programmes further corroborates these findings. European companies can benefit from the lessons learned by becoming involved in new markets and being exposed to other cultures, which enhances their competitiveness (Bürkle & Palenberg, 2009; DEVFIN Advisers, 2014; KPMG, 2012).

These postulations raise the question we would all like answered: are there any specific corporate goals and business cases that increase the development effectiveness of projects? Providing a corresponding answer is beyond the scope of this evaluation, unfortunately.<sup>40</sup>

The assumption that companies wish to become involved in the programme out of an increased sense of social responsibility is believed to fall short of the mark. Any incentives to conduct business and achieve DC objectives in the process must be motivated by entrepreneurial logic and must serve business interests above and beyond the project. A desire to act in favour of the common good is not enough. This requires strategic reflection and decision-making on the part of BMZ and implementing organisations: in terms of development needs, what changes should develoPPP.de projects bring about together with the participating company? Furthermore, what changes can be initiated for the company in the process? Otherwise, the involvement of private sector actors in develoPPP.de projects will not unlock their full development potential. Explicit objectives for the involvement of private sector actors should therefore be formulated for the programme.

#### **2.5.4 Key findings and rating of effectiveness based on OECD-DAC criteria**

- Based on the achievement of objectives, as outlined in the project designs, develoPPP.de's projects are successful.
- On the negative side, the case studies show that the corporate added value outweighs that for development. If we break down the achievement of objectives into the dual structure (public/private sector), which is the assumption underlying each development partnership with the private sector, the achievement of development objectives systematically decreases across the case studies. In absolute terms, this reduces the overall added value of development partnerships with the private sector, which should serve development and private sector goals to an equal degree.
- As regards the achievement of objectives by projects in accordance with their design, no significant differences can be established between the implementing organisations or between traditional and strategic development partnerships with the private sector.

<sup>40</sup> The case studies cannot be used as the cases were selected based on the activities implemented, in accordance with programme theory and not on corporate interests. Therefore, any comparison drawn would have no informative value. It is also impossible to correlate corporate interests with project effectiveness in the content analysis as the (self-) assessment of project success in the random sample taken from the content analysis came to 96%. This lack of variation (ceiling effect) prevents variances from being examined. The main corporate interests stated in the company survey were as follows: Development of sales markets/market expansion for companies' products (20 of the 36 companies surveyed), creation and expansion of supply chains (ten companies) as well as launching of services or advisory inputs on the market (five companies). Of the 36 companies surveyed, 26 stated that the business case had been implemented. Although most of the failures reported lie in the area of developing new sales markets for products, the ten cases in which the business case was not successful or was only successful to a limited degree do not allow any robust conclusions to be made regarding improved business activities, due to the low number of cases involved.



- Any differences between the activities outlined in project designs and those actually implemented are mainly due to assumptions being too ambitious or to plans being unclear rather than to shortfalls in companies' project management capacities. Overly high expectations of projects are another factor.
- The reports submitted by companies to implementing organisations tend to highlight positive success ratings, giving rise in some cases to information asymmetries between the implementing organisation and companies that render adjustments by the implementing organisations difficult.
- At the overarching level, the programme's projects help promote knowledge and technology transfer to the private sector in partner countries. Effectiveness is restricted here above all by the product focus being too strong. Overall, develoPPP.de is rather successful in stimulating innovation.
- The programme is less successful in translating this transfer into income and employment effects among local target groups, as many projects only cover narrow segments of these groups or trigger minor changes. Furthermore, it cannot be assumed that develoPPP.de projects as such will contribute to inclusive economic growth in the partner countries because the groups that companies target (consumers, producers) usually do not belong to poor sections of the population.
- The evaluation findings do not indicate any positive or negative unintended results that transcend individual projects.
- Among the companies surveyed, only some degree of sensitisation to development issues can be identified. Organisational change has only occurred to a minor extent. Some of the companies say that this is due to the fact that they were already aware of development issues before the programme (the companies decided to become involved in the programme on their own volition).
- Other companies that carried out a project state that they did not gain an awareness of development issues, however. The question for BMZ and implementing organisations is whether it is deemed sufficient for projects to achieve development results in the partner countries or whether they also need to raise participating companies' awareness of development issues as a mandatory element. The programme's function of sensitising companies to development issues therefore needs to be fleshed out to a greater degree.
- For companies, participation in develoPPP.de generates a far greater awareness of corporate – rather than development – issues.
- develoPPP.de seems to have been more successful in supporting and strengthening existing development activities than actually initiating such engagement in the first place. Overall, the programme can only be assessed as being partially successful in terms of its ability to sensitise companies to development issues.

#### Assessment of effectiveness based on

##### OECD-DAC criteria<sup>41</sup>:

Overall, develoPPP.de as a support mechanism facilitates projects that are generally successful and that help transfer innovation to the partner countries (innovation stimulus). As the programme's results have been rather fragmented, however, expectations – in terms of income and employment effects or strengthening private sector structures, for example – tend not to have been fulfilled. Whereas corporate objectives are frequently achieved, this is much less true of development objectives. The function of raising private sector awareness of development issues, which develoPPP.de aims to pursue, is fulfilled to a limited degree. Its main role involves supporting and strengthening companies' existing engagement rather than initiating a commitment in the first place. Consequently, the programme's effectiveness in terms of the objectives it pursues is generally deemed to be only partially sufficient.

<sup>41</sup> According to OECD-DAC (OECD, 2009), the effectiveness criterion should facilitate an overall assessment of the degree to which the programme's achievement of objectives is deemed sufficient (BMZ, 2006).

## 2.6

### Sustainability

This section presents the findings in relation to evaluation question 5: To what extent can the results achieved by the develoPPP.de programme's promotion of projects be considered durable and broad-based? The findings are based primarily on the case studies and on the company survey.<sup>42</sup> In keeping with the view that develoPPP.de is a stimulus programme, this evaluation is based on a functional definition of sustainability ('What is set in motion' (BMZ, 1989: 88ff, quoted in Caspari, 2004)) rather than on a structural definition ('What is left behind'; *ibid.*).<sup>43</sup> This section looks at the establishment of the prerequisites for sustainability within the framework of projects (Section 2.6.1). The extent to which former project partners (Section 2.6.2) and project target groups (Section 2.6.3) use project results beyond the promotion period is then examined. In other words, to what extent are innovations safeguarded in the long term (safeguarding of stimulus)? Section 2.6.4 looks at whether the stimuli provided by the projects spread beyond the actors and target groups that are directly involved. In other words, to what degree do develoPPP.de projects help achieve broad-based change? The most important results are then summarised and the programme's sustainability and impact are assessed based on OECD-DAC criteria (Section 2.6.5).

#### 2.6.1 Creating the prerequisites for sustainability

Whereas 'sustainability' in itself refers to the continuation of project results beyond the end of support, the required underlying framework is laid earlier, during project implementation. In seven of the 12 case studies, activities were carried out at the end of the project to ensure that the cooperation arrangements established during the develoPPP.de programme will continue and sustainably build capacities on the partner side. At five projects (CS 6; CS 7; CS 8; CS 11; CS 12), it was not possible to implement the planned measures laid down in the project design for continuing activities after the end of the project. In the company survey too, most entrepreneurs said that strategies had been developed in the

projects in order to establish measures in the project countries in the long term. This supports the case study findings that the transfer of project activities following the end of the promotion period was rather successful. However, this related primarily to the aspects of the projects that were of special corporate interest. Company activities that served public interests (e.g. training more individuals for participation in the labour market than were required by companies) were scaled back.

In nine of the 12 case studies, the projects have been embedded in long-term business relationships between the participating European companies and the partner companies (CS 2; CS 3; CS 4; CS 7; CS 8; CS 9; CS 10; CS 11; CS 12). In the company survey, 18 of the 36 companies questioned state that cooperation with the local partner company has continued following project completion. Just as activities are scaled back to areas that are relevant for core business following the end of the project, activities and cooperation partners also tend to be reduced in line with business considerations; development aspects played a more minor role. As regards these aspects, no significant differences are recognisable between the implementing organisations or between traditional and strategic development partnerships with the private sector, based on the case studies and the company survey.

The scaling back of DC-related activities at the end of the project is due to challenges in the design phase. Although the programme guidelines include a sustainability criterion that states that 'a develoPPP.de project must be embedded in the long-term sustainable involvement of the company in the developing or emerging country' (Doc 11, p. 6), this criterion is often only reflected in the project design in vague expressions of intent by the company to have longer-term business interests in the corresponding country. No further details are given regarding the extent to which this will result in the project's development objectives being pursued beyond the project cycle. The documented findings show that this is not enough to consistently sustain the overlaps between business and public interests beyond the promotion period.

<sup>42</sup> Eight of the 12 case studies examined had been completed at the time the evaluation took place. The four projects that were still ongoing had been in operation since 2013 at least, which meant that they had progressed enough to allow a prognostic assessment of sustainability. Support for the completed projects had finished at least four months – and on average one year – previously.

<sup>43</sup> The evaluation is therefore in keeping with the understanding of 'impact' held by OECD-DAC (OECD, 2009) and, consequently by BMZ, which covers model character, structure-building and broad-based results (BMZ, 2006). The one thing all aspects have in common is that they presuppose that DC measures achieve long-term results that extend beyond the end of the promotion period (Caspari, 2004).

Section 2.4.2 describes how in many of the case studies examined, it has not been possible to give companies an adequate understanding of a project's development objectives. The findings show that this has a negative effect not just on

implementation but also on the projects' sustainability. In order to step up the degree to which local implementation partners 'buy in' to a project, these partners need to be incorporated into project design to a greater degree.

#### Box 14: Project examples of the creation of prerequisites for sustainability

##### Positive example

One of the projects included in the case studies incorporated a transfer strategy into the project design. To this end, the target group representatives were given seminar materials and a strategy that had been devised by the project in the local language. The representatives also networked with each other in events organised by the project. This network continued to run following the end of the promotion period. All of these activities strengthen the prerequisites for sustainably applying the know-how transferred by the project after its completion.

##### Negative example

Another project examined by a case study also made provision for handover at the end of the project. Here, local training institutions were established to sustainably

embed the training strategies developed by the project within the region. The courses were to be funded by the payment of a participation fee. Additional public funding was also to be acquired to facilitate participation by individuals who could not afford the fee.

However, the local implementation partner has little interest in these project activities as they lie outside its core business. Cooperation with public institutions is also regarded as too time-consuming, and implementation is not being purposefully driven as a result. Public funding cannot be acquired within the country and the local training institutions cannot be established within the region. As public advisory services are already being provided free of charge, there is little demand for further training.

#### 2.6.2 Continuation of the innovations by the corresponding project partner following project completion

Continuation of the processes, standards, products and/or services by the former project partners beyond the promotion period only takes place to a limited degree. In eight of the case studies, the local project partners only made the innovations introduced by the projects available to a limited degree in terms of regions, content and quantity following the end of support (CS 1; CS 2; CS 3; CS 4; CS 7; CS 8; CS 9; CS 11). In all cases where implementation of innovations was subsequently continued to a lesser degree, it is noticeable that there was

a greater focus on key business interests, while aspects that were designed to generate added development value tend to be dropped. The findings of the case studies are consolidated by the company survey. In 15 of the 30 completed projects, the interviewees state that the local implementation partners involved also continue project activities beyond the project term. In all other cases, activities were either very restricted or completely discontinued. Neither the findings of the company survey nor of the case studies indicate differences between the implementing organisations or between the different forms of development partnership with the private sector.

### Box 15: Project examples of the continuation of project innovations by the corresponding project partners

#### Positive example:

In one project examined in a case study, continuing training measures were offered on a payment basis. The company's implementation partner at the local level was an education provider that has a strong interest in continuing and expanding the courses on offer beyond the end of the project, as the return on investment had been fully leveraged during the project. There is demand for the measures and they are therefore still being offered. In terms of continuation of the innovations introduced by the project, the corresponding project partners therefore assess the case study positively.

#### Negative example:

Another project designed a training strategy for agricultural cultivation techniques. The rationale behind the strategy's added value is that the region lacks holistic training strategies that go above and beyond a learning-by-doing approach and enable farmers to cultivate their crops independently. The local partner, which buys crops from the farmers, helped develop the training measures and implemented them. Following the end of the project, however, the measures were scaled back to a minimum and were only implemented sporadically by the former project partner as on-the-job training. In this context, only the activities that were relevant for the former project partner to achieve an appropriate product quality were continued. Any activities designed to enable the farmers to become financially independent were dropped, however.

In terms of continuation of the innovations introduced by the project, the corresponding project partners therefore assess the case study negatively.

### 2.6.3 Continuation of the innovations by the corresponding target groups following project completion

Based on the case studies, the (former) project target groups' use of the innovations introduced by the projects after their completion can be assessed largely positively. In 10 projects, the intensity and frequency with which the target groups used the processes, standards, products and services introduced in the project either did not decrease at all (CS 1; CS 3; CS 4; CS 6; CS 11), or only decreased marginally (CS 2; CS 5; CS 7; CS 9; CS 10). This means that skills learned by the target groups continue to be used after graduation or project completion (see Box 16). In one case, the target groups make very little use of the content, as the training strategy developed is only marginally geared to target group needs (CS 8).<sup>44</sup> According to the companies interviewed in the company survey, the processes, standards, products and services continue to be used by local partner companies or target groups in half of all completed projects. Neither the findings of the company survey nor of the case studies indicate differences between the implementing organisations or between the different forms of development partnership with the private sector.

### Box 16: Project example of the continuation of project innovations by the corresponding target groups

One of the projects studied in the case study set up and operationalised a training centre. The training on offer covers theoretical elements and has a strong application focus too. In this way, it helps redress a shortfall of experts in a new – but increasingly relevant – sector in the partner country.

All of the graduates interviewed stated that they can continue to fully use the content they have learned by applying the acquired problem-solving skills. This was also true for individuals who no longer work in the sector: they can transfer the sales and marketing skills they acquired, which are not industry-specific, to their new work area.

<sup>44</sup> One project (CS 12) cannot yet be assessed for sustainability as no results have been achieved yet.

Continuation of the innovations introduced in the projects by the project partners once the support period has ended is assessed as partially successful. Furthermore, develoPPP.de is rather successful in safeguarding the project impetus among the target groups above and beyond the project term too. In all, the develoPPP.de programme is rather successful at safeguarding the stimulus the projects generate also beyond the promotion period.

#### **2.6.4 Dissemination of innovations beyond the project term**

Once the project innovations have been safeguarded, it is planned to scale them up. This can be done by disseminating the innovations above and beyond the project target groups, and by other companies and institutions adopting them in the long term. The relevance of examining the latter aspect in particular relates to the programme's goal of strengthening private sector structures in the partner country, thereby achieving impact above and beyond the project (Doc 11). The programme objective of disseminating stimuli was mapped in the programme theory via the cross-cutting pathway 1 'Dissemination of (project) lessons learned at meso and macro level'.

##### *Use of innovations above and beyond the target groups directly involved in the project*

Use of the innovations introduced above and beyond the original project target groups is planned in all of the case studies examined. Plausibly enough, since the corresponding project partners only continue to use the innovations to a minor extent, the innovations can only be sustainably disseminated to a limited degree beyond the original project target groups (see negative example in Box 15). Consequently, the evaluation makes clear that based on the programme's stimulus logic, the projects examined tend to be unsuccessful in sustainably disseminating the introduced innovations above and beyond the original target groups, without large-scale restrictions.

This is due to the stronger focus on purely corporate objectives once the project finished. There were early indications during project implementation and when establishing the prerequisites for project continuation after the promotion term that successful scaling up would be

difficult. At the overarching level, the findings show that the involvement of private sector actors in projects does not necessarily lead to development results being sustainable. As the criterion of sustainability by its very definition is geared beyond the end of the promotion period – and beyond the end of the contract period too – it is unclear whether a reliable forecast of sustainability can be made before the start of the project, let alone the corresponding contractual provisions made. There are therefore two key starting points for increasing sustainability. Firstly, the programme could call for and provide targeted support for greater corporate social responsibility, thus leveraging greater scope for action related to sustainable development following the end of the project. For this purpose, the programme's function of sensitising companies to development issues would first need to be fleshed out (see Section 2.5.3). The underlying assumption would be that this would motivate companies to continue development activities and bear any resulting additional costs. In addition, or alternatively, project design could pay greater consideration to ensuring that business activities generate development results as a side effect. An entrepreneur interviewed in one of the case studies pinpointed the sequence of the causal chain from a company's perspective as follows: 'Benefits must follow profits – and not the other way around' (CS 12). This option addresses the eligibility for promotion of projects in areas related to companies' core business.

This constitutes a major decision. Given the political and legal implications, the evaluation cannot make appropriate recommendations to support decision-making. Above all, this decision would limit the additionality/subsidiarity of public funding. In terms of sustainability and broad-based impact, however, the findings show that develoPPP.de in its current form simply places too ambitious demands on projects.

##### *Adoption of innovations by companies and institutions that are not directly involved in projects*

In addition to innovation transfer over and above the original target groups, develoPPP.de can disseminate stimuli through the adoption of innovations by companies and public institutions that are not directly involved in projects. Whereas the public interest lies in comprehensively disseminating innovations as widely as possible in order to spread the

impetus, the unprotected dissemination of these innovations to some extent runs counter to companies' commercial interests. For example, whereas trademark and patent law restricts the wide-scale dissemination of innovations on the one hand, it also facilitates innovation by safeguarding the heavy investments companies make in terms of development costs. While all vested interests as such are legitimate, the question arises how develoPPP.de can pursue dissemination of the lessons learned in projects at the macro and meso level in order to encourage systematic participation by other actors in the partner country in project achievements.

All implementing organisations state that the conditions required to enhance the sustainability and broad-based impact of results are created during the project design and implementation phases (Int 9; Int 11; Int 16; Int 17; Int 18; Int 19). The interviews show, however, that expectations in terms of disseminating innovations are limited. The organisations implementing the programme expect to achieve impact mainly at the micro level (Int 2; Int 3; Int 4; Int 7; Int 15; Int 18; Int 20; Int 26; Int 28; Int 31). The intention to achieve system-wide changes at the meso or macro level is, however, considered presumptuous (Int 7), or such changes are at least very rarely expected to be achieved (Int 2; Int 3; Int 20). Based on the following findings, the evaluation also draws the conclusion that the requirements applied to the programme in terms of initiating systematic change at the meso and macro level are too ambitious. This is due to the limited size of develoPPP.de projects and the unsatisfactory degree to which they have reconciled divergent corporate and development interests.

In eleven of the 12 case studies, the project design contains at least an indirect requirement to further disseminate lessons learned from the projects. The project in which this requirement had not been formulated was a strategic development partnership with the private sector, which set out to achieve outstanding development benefits. However, the fact that measures to disseminate lessons learned had not been taken into account in the project design phase was deemed 'a key shortcoming in the project' by the responsible project manager (CS 11). Of the 11 case studies that cater for the further transfer of lessons learned, the public dissemination of new know-how generated by the project is only explicitly laid down in the design of four projects (CS 3; CS 4; CS 8; CS 12). The fact that all of these projects, most of which are Strategic Alliances, are implemented by GIZ is noteworthy.<sup>45</sup> This attests to the higher conceptual requirements of these projects in relation to broad-based impact, which is achieved by involving stakeholders. In this context, however, companies and public institutions that were not directly involved in the project usually (in three of the four projects) did not successfully adopt the innovations introduced in the projects. This can be attributed to the fact that commercial corporate interests prevented the free distribution of lessons learned in the project to competitors (Box 18). No further distinctions can be made between implementing organisations and forms of development partnership with the private sector. The country context does tend to shape circumstances, however (Box 17).

<sup>45</sup> This is confirmed by the content analysis. Of all project types, GIZ projects, particularly Strategic Alliances, most frequently target public institutions and decision-makers when disseminating lessons learned. They are followed by sequa projects. Traditional development partnerships with the private sector usually try to reach local companies, whereas DEG strategic projects try to reach the (professional) public and consumers.

### Box 17: Significance of the country context for sustainability of a project

The case studies indicate that the business environment in the BRICS countries Brazil and India is more conducive to project sustainability than in the LDCs Uganda and Ethiopia. The corresponding target groups and/or project partners in BRICS rate the continuation of innovations after the project term better than in LDCs. Dissemination of lessons learned by the projects at the meso and macro level in partner countries also receives a better rating in the case studies in BRICS countries.

The findings of the portfolio analysis deserve another mention here (Lücking & Roggemann, 2016). The country-specific factors examined there have no statistical influence on early termination of the project. Overall, companies in LDCs are presumed to move in an environment that is both challenging in corporate terms and supportive in development terms. In LDCs too, a project that is well designed and implemented is not only justified, it also has good prospects for success.

In the other cases, it cannot be assumed that innovations were transferred by organisations that were not directly involved in the project, due to the lack of conceptual enshrinement. Whereas the project designs provide for the use of the innovations introduced beyond the original target groups in principle – as outlined above – they rarely include activities to network the project results at the organisational level. This means that the dissemination of lessons learned is primarily limited to promoting the outputs that are generated and commercially marketed by the project, in the form of continuing training measures, for example (CS 1; CS 2; CS 5; CS 6; CS 7; CS 9). The findings of the company survey depict a similar picture. Around two thirds of those surveyed (25 of 36

interviewees) state that awareness-raising measures were carried out to disseminate project content. Just seven of the 36 companies surveyed confirm that lessons learned by organisations at the macro and/or meso level were disseminated, however. All except one were strategic development partnerships with the private sector implemented by GIZ and DEG.

### Box 18: Project examples of dissemination of lessons learned

#### Positive example

One project examined in the case studies aims to transfer know-how to smallholders to enable them to adapt their cultivation methods to the challenges posed by climate change in the region. To this end, instructions were devised and packaged in combinable modules, taking into account different regional factors. The lessons learned in this context are presented at local and international forums and can be accessed on the internet from practically any location around the globe. There are some examples of the innovations that were introduced being adopted by public institutions and companies that were not involved in the project.

#### Negative example

In another project, a portfolio of commercial services was developed for low-income groups in the partner country. The concept incorporates activities to disseminate at conferences and on the internet lessons learned and best practices that relate to project content and can support the business strategy. This will support replication of the project approach by other companies. However, the sector experts surveyed state that the project has not published any material so far that would facilitate replication. According to the same experts, this would amount to the equivalent of awarding a competitive advantage.



These findings correspond with previous evaluations carried out by similar programmes. Here, enhanced performance across entire systems is only assumed where business support measures are carried out or linkages are established with ongoing development programmes. It is argued that development partnerships with the private sector should illustrate and provide information on the reforms required at the economic

framework level and that changes to framework conditions need to be brought about via more comprehensive DC measures (DEVFIN Advisers, 2014; ICAI, 2014; IOB, 2014; Johansson de Silva et al., 2015). In this respect, as a stimulus programme, develoPPP.de is assessed as being largely unsuccessful at disseminating and sustainably mainstreaming the stimuli generated by the projects beyond the partners that are directly involved.

### 2.6.5 Key findings and rating of sustainability based on OECD-DAC criteria

- Continuation of the innovations introduced in the projects by the project partners once the support period has ended is assessed as only partially successful. This is due to the stronger focus on purely corporate objectives once the project has ended, an aspect that is already evident during the implementation phase. The assessment of the continuation of innovations by the target groups is more positive. They tend to use the innovations introduced by the programme after support comes to an end. In all, the develoPPP.de programme is rather successful at safeguarding the stimuli the projects generate beyond the promotion period too.
- Use of the innovations beyond the corresponding target groups must be assessed as rather unsuccessful. When compared with the objectives in the original designs of the projects examined, the innovations introduced were frequently only made available to a limited degree in terms of regions, content and quantity. This means that sustainable dissemination beyond the project boundaries is therefore limited.
- In most cases, companies and public institutions that were not directly involved in the project usually did not adopt the innovations introduced in the projects, however. In the DEG and sequa projects examined by the case studies, the companies involved did not seek systematic interlinkage with institutions at the meso and macro level. Four of the five GIZ case studies, most of which were Strategic Alliances, provide for innovation transfer at the institutional level in their project designs, on the other hand. However, this transfer was largely unsuccessful.
- Other significant differences between the implementing organisations or between traditional and strategic development partnerships with the private sector cannot be distinguished. The case studies in India and Brazil suggest that, compared with LDCs, BRICS countries offer an environment that is conducive to safeguarding and disseminating the stimuli provided by develoPPP.de projects.

#### Assessment of sustainability and impact based on OECD-DAC criteria<sup>46</sup>:

Use of the innovations introduced in the develoPPP.de projects by the direct target groups once the support period has ended is assessed as largely successful. However, the programme is only partially successful in encouraging companies to continue the innovations once the promotion period has drawn to a close. The components that are relevant to development in particular, or cooperation arrangements with project partners that are relevant to development, are frequently scaled back to a considerable degree once the project comes to an end. The criterion of programme sustainability is therefore assessed as only partially fulfilled. The durable dissemination of stimuli above and beyond the actors and target groups directly involved in projects or even at the meso and macro level is not successful in most cases, however. Potential for generating overarching development results in partner countries via develoPPP.de projects is thus assessed as low. Aggregated changes that generate broad-based impact in partner countries, based on develoPPP.de projects, are presumed to be the exception rather than the rule.

<sup>46</sup> OECD-DAC's criterion of sustainability (OECD, 2009) should provide an overall assessment of the extent to which the positive results of a development measure will continue beyond the end of assistance (BMZ, 2006). OECD-DAC's impact criterion should provide an overall assessment of whether and to what extent a development measure contributes to the achievement of overarching development-policy goals. In the context of this evaluation, it is documented under the broad-based results achieved by develoPPP.de projects.



3.

## CONCLUSIONS AND RECOMMENDATIONS

In this section, we provide answers to the five overarching evaluation questions. For the first three evaluation questions, a summary of the key conclusions is given, and the recommendations for further developing the develoPPP.de programme that have been derived on this basis are outlined. The answers to the first three evaluation questions already contain recommendations on how to enhance the effectiveness and sustainability of the develoPPP.de programme. Therefore, no separate recommendations are made in the answers to evaluation questions four and five. Some concluding remarks are outlined at the end of the section.

### 3.1 How appropriate is the develoPPP.de programme for achieving relevant development objectives?

Overall, the develoPPP.de programme, and its basic approach of enlisting more support from private sector partners to achieve development objectives, is rated as relevant in both the German and international context. This can be seen not just from the global role that the private sector is considered to play in achieving sustainable economic growth, but also from the growing enshrinement of corporate social responsibility in companies' business models. One outstanding feature of the develoPPP.de programme is that it goes beyond a dialogue between DC and the private sector and focuses on direct cooperation between partners to tackle specific development issues. The programme's relevance is restricted by its current conceptual design which, due to its unclear strategic orientation is not considered appropriate for achieving the targeted overarching development objectives. Key aspects that determine the programme's appropriateness with regard to the achievement of relevant development goals include the objectives of the programme itself, their development orientation and the programme's design and structure.

#### 3.1.1 Objectives

The develoPPP.de programme's objectives tie in with BMZ's overarching goals for cooperation with the private sector due to the fact that projects implemented in tandem by the public and private sectors are designed to help achieve global development goals. The evaluation basically confirms not

only the role of the private sector as an initiator and driver of development but also the programme's basic underlying assumption – which ties in with this role – that cooperation helps work towards achieving development objectives. As regards orientation towards overarching development goals, the programme's set of objectives is abstract, however, and the strategic orientation remains unclear. Among other things, this can be seen from the fact that there is no uniform understanding of the programme's primary objectives at the level of the implementing organisations and of BMZ. As a partnership programme that strives to achieve 'win-wins' both for companies and development cooperation organisations, develoPPP.de is intentionally based outside of bilateral DC. So far, however the division of labour between develoPPP.de and other programmes on cooperation with the private sector implemented by BMZ and bilateral DC has not been sufficiently defined. What is more, the DC objectives need to be reconciled with companies' interests, which in some cases results in a situation whereby the concerns and needs of relevant target groups in the partner countries are only taken into consideration to some degree. On the whole, the status of cooperation with companies within the programme is unclear. Does cooperation with the private sector and the related function of maintaining a dialogue with companies and sensitising them to development issues represent added value that in itself renders a certain loss of efficiency in terms of implementation acceptable? Or does the programme's added value consist exclusively in efficiently achieving development objectives by implementing measures in partnership with the private sector?

The orientation towards an abstract objectives framework also means that the overlaps between companies' interests and DC objectives have been overestimated both at the programme and at the project level. As a result, any diverging interests that cooperation partners may have are not taken into account to a sufficient degree. At the project level, this means that the development objectives of projects are often too ambitious and that the results they are expected to achieve are unrealistic. The findings of the case studies in particular show that the assumption that companies wish to become involved in the programme out of an increased sense of social responsibility falls short of the mark. Any incentives to conduct business and achieve DC objectives in the process

must be motivated by entrepreneurial logic and not just by a desire to act in favour of the common good. This therefore requires strategic reflection and decision-making on the part of BMZ and implementing organisations regarding not just what changes developPPP.de projects need to bring about together with the participating company in a project but also what changes can be initiated within the company in the process. Otherwise, the involvement of private sector actors in developPPP.de projects will not unlock their full development potential.

To sum up, direct cooperation between DC organisations and the private sector determines the programme's relevance. Releasing the full potential of this cooperation can leverage opportunities for development cooperation. The programme's unclear strategic orientation restricts its relevance, however. The evaluation comes to the conclusion that continuation of the programme is linked to BMZ taking a clear position vis-à-vis the related objectives. This is the only way of increasing the programme's legitimacy and relevance.

#### *Recommendations*

1. BMZ is advised to continue the programme. This should be done under the proviso that it takes a clear position vis-à-vis the programme's objectives and that the programme be consolidated and given a corresponding strategic orientation. In this context, BMZ should make clear whether cooperation with the private sector and the related function of maintaining a dialogue with companies and sensitising them to development issues represents added value in itself (which must be more precisely defined), or whether the added value of the programme should be attained exclusively by achieving broad-based development results in the partner countries. Prioritisation of this added value should be explicitly enshrined in the programme's set of objectives.
2. The programme theory devised for the evaluation should be used as a basis for consolidating the set of objectives. The ongoing debate on the Sustainable Development Goals (SDGs) should also be taken into consideration. Corporate objectives need to be spelled out and weighed up against development objectives in order to recognise joint overlaps to a greater degree and pinpoint possible areas of conflict.

This should be done based on dialogue between BMZ and the private sector. BMZ should initiate an accompanying dialogue process with civil society in order to improve acceptance and create the greatest possible degree of transparency.

3. When consolidating strategic aspects of the set of objectives, the extent to which there is a division of labour with bilateral DC programmes – and particularly with other BMZ programmes on cooperation with the private sector – needs to be clearly established. This would increase the programme's legitimacy externally. Internally, it would also improve its ability to adhere to project plans. Furthermore, the extent to which the programmes can be networked to a greater degree needs to be examined, in order to safeguard coherence between the programmes and to leverage further cooperation potential. BMZ should produce a policy paper on this subject that explicitly defines and regulates cooperation with the private sector.

#### **3.1.2 Design**

The programme design is fundamentally geared to the programme's overarching objectives, i.e. cooperation between DC organisations and the private sector within the framework of a partnership arrangement in order to achieve development objectives. In this context, the programme operates in a continuum between its orientation towards the interests of the private sector and its requirements in terms of development effectiveness in the partner countries. For the participating companies, the synergies generated in this continuum relate primarily to the minimisation of risks related to accessing new markets through funding and advisory services provided by the implementing organisations. For development cooperation, synergies can be leveraged through the transfer of technology and know-how to partner countries and DC organisations as well as by making measures more sustainable. Given the programme's orientation towards an abstract objectives framework, however, it is difficult to specify exactly what synergies can be harnessed. If the results actually achieved by the programme are compared with the planned results outlined in the project designs, the causal relationships outlined there are frequently too comprehensive, the contextual assumptions too optimistic and the demands of the packages of measures too ambitious and difficult to meet.

The project criteria laid down in the programme guidelines are geared to safeguarding the relevance and effectiveness of the projects from a development perspective. At the same time, however, the criteria are intentionally flexible and open to interpretation so as to meet the needs of the wide array of companies involved in the programme. The case studies show that, in some cases, this flexibility and scope for interpretation actually restricted the degree to which projects could meet the requirements for development effectiveness. The programme's openness in terms of themes and regional location has meant that the project content, project locations and the target groups are determined to a large degree by the companies' interests. This increases the number of potential project partners and opens up scope for innovative project ideas outside of traditional DC measures. It also impacts on the programme's orientation towards specific priority areas for development, however. So far, efforts to select projects that can generate particularly strong synergies in terms of development, based on priority areas and positive criteria, have been hampered by a lack of project proposals from participating companies. This is not in keeping with ongoing activities by international donors to increase the relevance of such programmes by focusing on poverty reduction measures or engagement in LDCs. The rationale for limiting programme funding to German and European companies has so far not been sufficiently justified. 'Tying' funding in this way also contravenes global agreements on partner involvement. The question for BMZ and implementing organisations is whether it is enough for projects to achieve development results or whether projects need to incorporate the sensitisation of participating companies to development issues as a mandatory element. This accompanying function of sensitising participating companies to development-policy issues and enabling them to learn in this area has not yet been included in the programme design and further thought is required on how it can be incorporated.

The evaluation findings allow us to draw the conclusion that the programme design only fulfils the aspiration of safeguarding the interests of all project stakeholders and target groups to a limited extent. In its present form, the

programme cannot meet the implicit expectation that it will help raise awareness of development issues among a large number of companies and promote comprehensive dialogue between DC and the private sector too. Nor can it meet high expectations in terms of achieving development effectiveness in partner countries. As the tensions that arise within the continuum in which the programme operates (programme's orientation towards DC objectives on the one hand and companies' needs on the other) are not spelled out to a sufficient degree, expectations in terms of the programme's development effectiveness are on the whole too high. In order to boost effectiveness, the programme needs a clear conceptual orientation that takes into consideration potential synergies as well as possible conflicts of interest.

#### *Recommendations*

4. BMZ should adjust the programme design based on a consolidated set of objectives. Existing areas of tension between private sector and development-policy interests should be spelled out to make clear whether synergies can be leveraged, and where there are limits as regards orientation towards the intended objectives.
5. Depending on the programme's primary objective, the programme design needs to be adjusted with regard to two core aspects (see Box 19):
  - (1) Strengthening the programme's function of sensitising the private sector to development issues and engaging in a corresponding dialogue.
  - (2) Strengthening orientation towards development priorities and results in partner countries.

The possible adjustments proposed here are not mutually exclusive: some of them can be made in parallel. These adjustments will give rise to certain areas of tension, which must be taken into consideration. Such areas include the definition of project criteria and standards and the identification of regional and thematic priority areas. Responsibility for deciding what approach needs to be taken to deal with tensions and whether the programme should target one, or both, of the core aspects at a given time, lies with BMZ.



**Box 19: Areas for adjustment in the programme design****Strengthening the programme's function of sensitising the private sector to development issues and engaging in a corresponding dialogue through comprehensive cooperation with German and European companies**

At the conceptual level, the programme is already geared to this function. In order to consolidate these activities, the design needs to be adjusted in order to increase demand for the programme and involve more companies. Changes also need to be made to raise awareness of development issues among companies and increase acceptance of DC measures among as many companies as possible. This goes hand in hand with the expectation that companies will also orient their business activities more closely towards sustainable development outside the develoPPP.de programme, and that they will continue development-related activities and are prepared to assume the associated additional costs. It must be accepted however, that the degree to which projects can focus on particular development priorities and/or target groups in the partner country remains limited.

**Strengthening orientation towards development priorities and results in partner countries**

This core aspect would above all require that conceptual adjustments be made in terms of greater delimitation of and stronger programme orientation towards relevant DC areas and the specific needs of DC target groups in partner countries. It would also involve adjustments to help establish a greater awareness of development issues among participating companies. Orientation towards development priorities would be in line with trends in international programmes. Focusing on this core aspect would probably result in fewer cooperation arrangements, however, which would in turn reduce scope for innovative projects.

6. The conditional framework set out by the programme criteria appears logical and should be retained in principle. BMZ should adapt the programme criteria accordingly, depending on the programme's orientation towards the two core aspects outlined above – sensitising the private sector to development issues and a greater orientation towards fostering development results in partner countries.
7. In order to embed the function of sensitising companies to development issues more strongly in the programme design, BMZ should identify appropriate objectives and devise corresponding implementation measures together with the implementing organisations (such as annual dialogue forums with representatives from BMZ, the implementing organisations, civil society and the private sector). If a greater degree of orientation towards this core aspect is decided on, the following additional measures are also recommended:
  - BMZ and the implementing organisations should devise measures that would enable develoPPP.de projects to be used to a greater degree at the overarching level as a platform for engaging in dialogue with and sensitising the private sector. Cooperation with other programmes such as the DC Scout Programme should also be taken into consideration in this context.
  - Where appropriate, targeted training measures to accompany develoPPP.de projects should be designed and offered to companies on topics such as the Global Compact.
  - In addition, project design could give greater consideration to ensuring that business activities generate a greater degree of development impact as a side effect. This would involve providing a greater degree of support for companies' core business activities.
8. In order to ensure that activities are oriented to achieving development results in partner countries, the programme design should incorporate basic criteria to check that projects are aligned more closely with bilateral DC projects. Furthermore, BMZ should specify parameters for orienting activities to priority areas for development (e.g. in relation to target groups and key sectors) and ensure that they are clearly defined. The set of objectives could be strategically consolidated using the following options:

- Aiming to achieve a critical mass of develoPPP.de projects in certain countries and sectors in order to accumulate momentum for reform in the partner country and not just drive stand-alone measures.
  - Gearing the programme towards a division of labour with bilateral development cooperation by using develoPPP.de projects as good examples of (reform) strategies in policy dialogue with the partner country (e.g. in the area of sustainable economic development, agricultural value chains, etc.). In this context, BMZ's thematic reference frameworks should be used to a greater degree as networking instruments.
  - Where appropriate, lifting (or 'untying') funding constraints and opening up the programme to local companies in partner countries.
9. BMZ should set clear parameters for the role that positive criteria play in project selection.

### **3.1.3 Programme structure – implementation by three implementing organisations (DEG, GIZ and sequa) and forms of development partnership with the private sector**

Implementation of the programme by three different implementing organisations offers opportunities for utilising the specific skills and structures of the implementing organisations for the benefit of the programme. DEG's specific expertise lies in the area of financing and investment advice, while GIZ has comprehensive experience in providing organisational advisory and development services and has a wide range of structures and networks in developing countries and emerging economies. sequa's core area of expertise is in vocational training and in cooperation with business associations and institutions in developing countries and emerging economies, where it has long-standing experience.

The evaluation's findings allow us to conclude that the potential added value of this division of labour is neither transparently communicated in PR activities, nor is it sufficiently leveraged during project implementation. Although the expertise of these three organisations is incorporated into project implementation to varying degrees, the programme does not make systematic use of their competencies and has done little to raise their profiles. This is particularly the case with

regard to the use of GIZ's country structures, which the programme could leverage to a greater degree. Most of the companies that apply to participate in the programme are not aware that activities are implemented by three different organisations or that these organisations have different areas of expertise. As regards content and regional distribution, the differences between the implementing organisations project portfolios are minimal.

At the conceptual level, the implementing organisations use different 'forms' to operationalise development partnerships with the private sector. The logic used to allocate these different forms to each implementing organisation is not very clear. Assigning 'cooperation agreements' to GIZ is the most logical allocation, as these require the implementing organisation to deliver its own inputs and to carry out projects together with partner companies. They are therefore particularly suited to GIZ's area of expertise. However, GIZ implements traditional development partnerships with the private sector too, in addition to DEG and sequa. This form is based on service contracts and, as responsibility for implementation lies solely with the companies, it is less well suited to GIZ's profile.

At implementation level, the main difference between Strategic Projects implemented by DEG and traditional development partnerships is the higher amount of funding involved in Strategic Projects. No additional conceptual differences are detectable. GIZ's Strategic Alliances are always implemented on the basis of cooperation agreements, and therefore differ in terms of implementation processes. Furthermore, their conceptual focus is geared to a greater extent towards disseminating lessons learned for use in other projects and programmes. In terms of effectiveness, the findings show that there are only minor differences between 'traditional' and 'strategic' development partnerships with the private sector and between service contracts and cooperation agreements. Although strategic partnerships tend to fare better in terms of the broad-based impact achieved, this is primarily attributed to the higher level of funding involved in strategic partnerships rather than to conceptual differences. GIZ's Strategic Alliances are equally as effective as Strategic Projects implemented by DEG. Sensitisation of partner companies to development issues tends to be observed



primarily in GIZ projects that are implemented based on cooperation agreements. This is attributed to the fact that these projects involve a greater degree of exchange between the implementing organisation and the company during the design and implementation phase. There are no differences in the effectiveness of traditional development partnerships with the private sector implemented by the different implementing organisations. One of the advantages of the different forms of development partnership with the private sector is that the varying needs of both companies and DC in terms of content and finance can be taken into consideration when implementing develoPPP.de projects. Overall, the added value gleaned from the different forms of development partnership with the private sector has so far been very limited, given the conceptual differences (which tend to be minor enough) and the challenges faced at implementation level.

Apart from the different types of expertise offered by the individual organisations, the added value of having three implementing organisations also depends on efficient programme implementation. However, it is difficult to comment on the efficiency of programme implementation by DEG, GIZ and sequa as the financial systems of all three organisations prohibit project-based cost allocation in this context. The lack of a mechanism for rating efficiency deprives BMZ of the opportunity to make informed policy decisions in this context. Therefore, the question whether implementation by three organisations is expedient can only be answered using substantive arguments. The following conclusion can be drawn in this regard: retaining the 'tripartite' structure only appears expedient if the implementing organisations' existing potential is used in full to generate added value for the achievement of programme objectives. As regards the different forms of development partnership with the private sector, the evaluation team believes that a certain degree of 'fine-tuning' is required at the conceptual level as well as programmatic assignment to the individual implementing organisations, against the backdrop of the develoPPP.de's overarching strategy.

#### *Recommendations*

10. To make full use of existing potentials, it is recommended that project implementation and the recruitment of partner companies be systematically aligned with the core competencies of the implementing organisations. Within the implementing organisations, efforts should therefore be made to dovetail activities more closely with key business segments. On this basis, the following recommendations have been drafted for the individual implementing organisations.
  - GIZ: consistent use of targeted in-country expertise and of existing networks and structures in partner countries by stepping up the involvement of its field structure and networking develoPPP.de projects with TC programmes;
  - DEG: Use of existing expertise and know-how in relation to country-specific investments by companies; provision of corresponding advisory services to companies within the framework of the develoPPP.de programme (e.g. on funding opportunities for follow-on investment within the framework of pilot projects);
  - sequa: develoPPP.de projects should be networked to a greater degree with chambers and associations and with the Import Promotion Desk; this applies to projects in the area of vocational training in particular. Project support should focus on projects with equivalent potential.
11. BMZ should review the extent to which its Agency for Business and Economic Development should act as an 'entry portal'. Can it serve as a first port of call and offer interested companies initial advice? In this context, companies should receive specific information on the different forms of cooperation, the services provided by the various implementing organisations as well as their key areas of activity. The companies would then be pointed in the direction of the most suitable implementing organisation, based on their needs.
12. Given the large-scale constraints in terms of rating efficiency, BMZ should examine the financial reporting and monitoring systems used to date and make the necessary adjustments. For example, it should look at introducing a project-based cost allocation system at the implementing organisations.
13. The existing forms of development partnership with the private sector should be retained, but a greater distinction should be made between them, and they should be aligned with the corresponding expertise of the individual

implementing organisations. The following measures are recommended in this context:

- GIZ should focus on cooperation agreements. Implementation of service contracts by GIZ should be gradually reduced. Cooperation agreements should cover both traditional and strategic development partnerships with the private sector.
  - DEG should concentrate on implementing traditional development partnerships with the private sector, based on service contracts. It should only implement strategic development partnerships with the private sector in cases where it would clearly generate added value in terms of sensitising participating companies to development issues and where linkages with technical cooperation projects and programmes are either not feasible or not expedient. (One such example would be a large company that does not need the implementing organisation to make specific inputs and for which a small develoPPP.de project is not an attractive option either.) The function of sensitising companies to development issues should be given due consideration. In this context, the extent to which Strategic Projects can follow on from traditional projects should be examined, in line with the rules on multiple funding.
  - sequa should continue to implement traditional development partnerships with the private sector, based on service contracts.
14. The criteria for strategic partnerships should be tightened in order to enhance the effectiveness of strategic development partnerships with the private sector. A clear distinction should be made between strategic and traditional partnerships. Given the objective of achieving outstanding development benefits via strategic development partnerships with the private sector, this type of partnership should only be implemented in BMZ partner countries. Within the context of Strategic Alliances, which are conducted by GIZ, the implementation of parallel DC support measures should be reviewed in addition to the linkages to existing DC programmes. To this end, GIZ should introduce binding criteria for networking with existing DC programmes.

## 3.2

### What strategic, conceptual and procedural changes at programme level might help to increase BMZ's steering capacity?

According to the evaluation's findings, there are three areas where BMZ's steering capacity could be increased and the related workload reduced. BMZ's steering capacity is determined by the quality of the underlying policy framework on the one hand and by the mechanisms set down in M&E systems on the other. Both areas evidently pose challenges. Furthermore, there is also scope for improving how BMZ steers the project selection phase.

#### 3.2.1 Identifying the policy framework

BMZ can use the following documents to set down key requirements for implementing the programme: the develoPPP.de guidelines (above all regarding company and project criteria), offers (DEG, GIZ) and applications and grant notifications (sequa) of the implementing organisations. The minutes of the resolutions adopted at develoPPP.de team meetings also come in useful in this context. Positive aspects include the develoPPP.de team meetings and communication between BMZ and the implementing organisations. They allow challenges to be identified early on, joint solutions to be devised and generally valid changes to be identified and decided on at an early stage via the minutes. The company criteria, which are geared to companies' business strengths, are also deemed to be an appropriate means of establishing a balance between access to the programme and minimising the risk of discontinuation. On the negative side, the available data do not allow robust statements to be made on the correlation between company-related factors and the risk of companies dropping out.

In some cases, the overarching project criteria for implementing the programme are not specific enough and are open to interpretation, which jeopardises the achievement of development objectives. Although the criteria cover key aspects related to business and to development, the criteria of complementarity and subsidiarity in particular are formulated very flexibly. Synergies are not fully leveraged as a result, which increases the probability of deadweight losses by the companies involved. The wording of additional criteria for strategic development

partnerships with the private sector is also not specific enough to ensure that a clear substantive distinction is made between them and traditional development partnerships with the private sector. Furthermore, the examination of criteria and documentation of review findings by the implementing organisations are not handled uniformly, which further increases the time and effort BMZ needs for checking. Offers submitted by DEG and GIZ and approval of applications by sequa have so far not been used to a sufficient degree to consolidate the programme's unclear policy framework for individual implementing organisations.

On a positive note, a provision related to exercising due diligence in relation to human rights has been added to develoPPP.de contracts. However, it is still unclear what companies' obligations are in this context. Furthermore, neither BMZ nor the implementing organisations have yet developed a structured process to monitor compliance with these standards.

BMZ should use these key adjustment mechanisms to regulate the framework for the implementing organisations to a greater degree and to consolidate its own steering role.

#### *Recommendations*

15. BMZ should specify the project criteria of complementarity, subsidiarity and additional criteria for strategic development partnerships with the private sector and document compliance with these criteria. This would reduce leeway for interpretation on the part of the implementing organisations and make their activities more verifiable for BMZ.
  - A review of subsidiarity/additionality should adhere to the standards of the Donor Committee for Enterprise Development (DCED) on measuring additionality (Heinrich, 2014). In order to leverage complementarity, it should be spelled out how each project fulfils each of the requirements (cost efficiency, speed, effectiveness).
  - The criteria for strategic development partnerships with the private sector should be embedded in the programme design to a greater degree. A high level of innovation and potential for replicability should be mapped using a plausible line of reasoning, and underpinned by corresponding measures. Structure-building results should be operationalised using tangible indicators such as the establishment of a link with actors in the partner country and the use of a multi-stakeholder approach. Both of these elements need to be defined in greater detail.
- Documentation of the review findings should be improved and made available to BMZ. A uniform checklist of all criteria should be attached to all project concept papers and filled out for each project. Risks as regards human rights aspects should be added to the checklist.
16. BMZ should provide the implementing organisations with clear instructions on how to deal with the issue of human rights within the scope of develoPPP.de, in line with the recently published National Action Plan on Business and Human Rights (currently only available in German). The key prerequisite here is that BMZ defines the term 'due diligence in relation to human rights' and determines how the implementing organisations should ensure compliance within the framework of the develoPPP.de programme.
17. A human rights risk analysis for all implementing organisations and forms of development partnership with the private sector – as required by BMZ's Guidelines on Incorporating Human Rights Standards and Principles, including Gender, in Programme Proposals for Bilateral German Technical and Financial Cooperation – and monitoring of compliance via M&E systems are deemed expedient.
  - In order to increase transparency, selected project data (company name, project name, sector, type of project) should be published. Where applicable, the company should approve publication of this information in writing in the contract.
  - As called for in the above-mentioned BMZ guidelines, BMZ should appraise the need for introducing a human rights complaints mechanism for actors in BMZ project countries.
18. BMZ and the implementing organisations should optimise and compare offers/commissions and applications/grant notifications. This should include the following:
  - consistent use of terminology, e.g. use of terms 'results' or 'module objectives'.

- BMZ and the implementing organisations should define a standard set of realistic indicators that are Specific, Measurable, Attainable, Relevant and Time-bound.
- The implementing organisations should clearly set out how their internal M&E systems are used for monitoring and inner-organisational learning.

### 3.2.2 M&E systems

The design of the monitoring and evaluation systems is relatively unbureaucratic and company-friendly. In keeping with the programme's demand orientation, the systems therefore do little to reduce the programme's attractiveness. As a result, they only enable BMZ to fulfil its role in steering and monitoring content at the programme level to a very limited degree and make it difficult to assess the programme's effectiveness (i.e. the degree to which it has achieved objectives). The overarching monitoring system for the programme is therefore evaluated as having significant scope for expansion, which is closely linked with the quality of the monitoring systems at the level of the implementing organisations' portfolios. Overarching report formats/the underlying data basis at the portfolio level do not sufficiently map the achievement of objectives by developPPP.de projects, further-reaching results or their sustainability. Even the implementing organisations therefore find it impossible to make a robust assessment of these aspects of the programme at portfolio level, which in turn can be attributed to the inadequate monitoring systems used by the individual projects. The monitoring of substantive results achieved by the projects is largely based on trust. It relies on self-assessment forms filled out by the companies. On-site monitoring visits are only carried out to a very limited degree. The resulting information asymmetries between companies and implementing organisations render post-adjustment by the implementing organisation more difficult. Although the cross-programme ex-post evaluations that BMZ commissions and conducts annually represent a positive approach, their added value as regards steering/monitoring the developPPP.de programme can be considered very limited due to their methodological restrictions. Overall, it is evident that there is a mutual interdependency between insufficient monitoring mechanisms, or a total lack thereof, at the project, portfolio and programme level. BMZ (and implementing organisations

too) are restricted to a large degree in terms of steering the content of the overall programme and of the portfolios/individual projects. At the same time, BMZ and the implementing organisations can only fulfil their role in the areas of accountability and legitimacy to a very limited extent. Furthermore, the function of learning from monitoring and evaluation is restricted to a significant degree. When realigning the M&E systems and the associated instruments, the specific partner set-up, i.e. project implementation by companies instead of by implementing organisations, should be considered. The M&E systems need to be designed in as unbureaucratic and company-friendly a manner as possible, but only so long as it is ensured that BMZ and the implementing organisations are able to fulfil their monitoring tasks in their entirety.

#### *Recommendations*

19. At the programme/portfolio/project level, BMZ and implementing organisations should consolidate their functions in terms of steering, monitoring and learning by expanding M&E systems in a coherent manner. To this end, BMZ should develop an overarching M&E system for the programme as a whole. Implementing organisations should set up M&E systems for their corresponding portfolios on this basis. These should contain data on the acquisition, design and implementation phases. DCED's Standard for Measuring Results in Private Sector Development offers a good starting point in this context and should be taken into consideration in this context. The information required by BMZ and by implementing organisations needs to be identified, in line with the modified set of objectives. (Which actors should use which information and how?). Corresponding reporting formats should be further developed by BMZ and the implementing organisations, and appropriate standards introduced.
  - For M&E at the project level, the implementing organisations are advised to update report formats and align the structure and the terms used across the three implementing organisations.
  - The indicators used across all three implementing organisations should correspond to SMART criteria and should be attributable (output level/intermediate outcome level).

- Indicators should clearly operationalise public sector and development objectives.
  - Standardised scales should be used to rate progress in the projects.
  - The implementing organisations should introduce project visits by project managers as a standardised format that serves as a random verification instrument for project reporting.
  - Drafting of steering mechanisms for project managers, e.g. review of the degree to which the disbursement of public project funding can be coupled with the achievement of project milestones.
20. In consultation with Division 105, BMZ's Division 114 should carry out external evaluations every one (to two) years. These evaluations should comply with research standards to a greater degree and where possible, adhere to standardised requirements in order to synthesise the findings and track trends. Different themes – the next evaluation will focus on sustainability, for example – also appear expedient. As has already been the case for DEG, GIZ and sequa should also stipulate in develoPPP.de contracts that project evaluations may be conducted. Furthermore, programme evaluations should be conducted at routine intervals (every five years).
21. BMZ and the implementing organisations should further expand their knowledge management systems. Monitoring data and the findings of project and programme evaluations/ex-post evaluations should be routinely collected via the develoPPP.de cloud in order to improve the possibility of learning from previous projects. Indicators such as company size, number of staff, multiple funding (yes/no) and the achievement of project objectives should be included. BMZ and the implementing organisations should devise additional formats to step up experiential learning within and between the organisations. Both positive and negative lessons learned during project implementation should be collected in a targeted manner and exchange formats (further) developed so as to disseminate these lessons both within and between the implementing organisations.
22. BMZ should continue to draw on support from the Sector Project Private Sector Cooperation. Implementing organisations retain responsibility for ensuring the appropriate

use of resources for M&E at the portfolio and project level. They should include such activities in offers and applications and budget for them accordingly. BMZ should provide implementing organisations with a suitable budget for M&E.

### 3.2.3 Steering procedures during project selection

During the project selection phase, the steering and coordination processes between BMZ Division 114 and the implementing organisations are very complex. Given the high priority of the develoPPP.de programme internally at the political level and the strong risks in terms of reputation externally, this level of complexity and detail in terms of programme steering by BMZ is understandable. The implementing organisations handle the selection criteria relatively flexibly and the selection decisions they make are only transparent to BMZ to a limited degree. The coordination processes required are laborious and entail high transaction costs and substantial resources for BMZ and the implementing organisations, which delays implementation of individual projects. This is particularly the case for strategic development partnerships with the private sector. The evaluation findings clearly show that the coordination processes in this phase could be structured more efficiently without curtailing BMZ's scope of influence to any great degree. Firstly, the workflow involved in the two-step coordination process could be designed more efficiently. This also applies to cooperation with the regional divisions. Secondly, the number of individual discussions could be reduced. This relates both to multiple cooperation arrangements and to the flexible interpretation of the company criteria. Finally, the documentation of projects eligible for support in the form of the BMZ management information bulletin could be discontinued. It eats up a lot of resources and offers no discernible added value for the develoPPP.de programme. The evaluation team draws the conclusion that the current degree of complexity of steering during the project selection phase is justified to some degree, but that processes could be designed more efficiently. This would help cut down on resources and speed up the implementation of individual projects.

#### Recommendations

23. BMZ is advised to reduce the complexity of steering during the project selection phase. Implementation tasks such as

the selection of projects eligible for support should be carried out by the implementing organisations where possible. BMZ should focus on steering the programme at the overarching level by identifying a suitable policy framework and appropriate monitoring mechanisms.

24. Use of the BMZ management information bulletin should be discontinued in order to reduce the degree of coordination required. At the same time, BMZ should be given the opportunity to spot-check whether projects fulfil the specified criteria.
25. Holding individual discussions to coordinate Strategic Alliances and Strategic Projects and projects in politically sensitive countries are expedient activities. BMZ should streamline the coordination processes involved, however, by:
  - Eliminating the second review stage, i.e. formal confirmation of the decision on funding by BMZ. It does not provide any added value.
  - Improving cooperation with the regional divisions by having BMZ's Division 114 define the role of the regional divisions during the selection and design phase in writing and discuss and agree this document with the divisions.
26. Individual discussions on exemptions regarding company criteria and multiple funding should be discontinued.
  - The current design of the company criteria is endorsed for the most part. To streamline matters, it is proposed to simplify the piloted criteria and embed them in the programme guidelines, e.g. at least two years of business operations, at least eight employees, turnover of at least EUR 800,000.
  - Multiple funding: BMZ is advised to establish an overview of the corresponding legal situation. Depending on the findings and on the details of the programme's set of objectives, multiple funding should either be explicitly prohibited or clearly enshrined in the guidelines. Possible criteria include: only one develoPPP.de programme per company at any given time; no more than one new project every three years, positive criterion for initial support.

### 3.3

#### Which conceptual and procedural changes could be used to adjust the processes for implementing the develoPPP.de portfolio of DEG, GIZ and sequa?

Conceptual and procedural changes by the implementing organisations could target the following areas: acquisition and PR, selection of the project ideas submitted by companies as part of the ideas competitions and structuring of the projects during the design phase. The following sections take a look at these areas.

##### 3.3.1 Acquisition and PR

Based on its findings, the evaluation concludes that the programme is only known in the German private sector to a limited degree. However, the level of awareness alone is not the only factor that determines the number of applications. Against the backdrop of potentially limited demand and the issue of which companies are interested in the programme in the first place, a detailed target group segmentation would appear to be a more obvious prerequisite for identifying an overarching PR strategy. No cross-programme acquisition strategy has so far been put in place. The main added value to be gained from implementation by three organisations lies in the potential for acquiring private sector partners via the organisations' wide array of decentralised networks. PR activities for the programme and the procedures used to approach and acquire private sector partners do not visibly highlight the organisations' different skills, however. This means that the added value of a tripartite structure for the programme's success is undermined as early on as the application stage, as companies frequently tend to apply to the implementing organisation with which they first happened to come into contact.

The use of proactive acquisition measures by the implementing organisations is controversial and is not handled consistently. However, embedding acquisition within the programme's strategy plays a key role in reconciling the tensions between demand orientation and development effectiveness, and in clarifying existing uncertainties. Consultants can by all means add value within the framework of acquisition, whereas other forms of support they provide during the application phase or in the programme itself are assessed critically as they may



have a negative influence on project quality. The implementing organisations should provide advisory services during the application phase and should also support project implementation.

Furthermore, it has so far not been possible to position the programme in a transparent manner. As regards the diversity of measures BMZ offers to companies, this would not appear to be a problem that is specific to *develoPPP.de*; rather it is necessitated by the nature of the overall package of services that BMZ provides. Any solutions therefore need to be devised centrally, e.g. at the Agency for Business and Economic Development rather than at the level of the programme's PR activities.

#### *Recommendations*

27. BMZ should commission an analysis of whether the limited number of applications can be attributed to a lack of awareness or to inadequate demand for the promotional approach. A detailed study of target group segmentation and of market potentials appears expedient, as does a comparison with similar support programmes operated for example by the German Federal Ministry for Economic Affairs and Energy (BMWi) or the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB).
28. Based on this study and together with the programme-based units responsible for PR, BMZ should tailor its PR strategy and draft an overarching acquisition strategy. Both strategies should cover all implementing organisations and clearly present the different profiles of each organisation in order to enable the transparent and justifiable assignment of a company to one of the organisations. BMZ should review whether pro-active acquisition measures by the implementing organisations are expedient and permissible, above all in order to acquire projects for DC-related areas. In this context, cooperation with the DC Scout Programme should be examined and any required conceptual changes made.
29. The implementing organisations are advised to drive implementing-organisation-specific PR/acquisition activities and to further expand them (target group segmentation, targeting, messaging, channels), based on BMZ's strategies. Possible fields for expansion include participation in trade fairs, alumni networks, and advertising within Europe and with German Chambers of Commerce (AHKs).
30. We recommend that an entry portal for companies that is shared by all three implementing organisations be developed. This will make it easier for companies to access the programme. The profile of the implementing organisations needs to be sharpened and a criteria-based allocation mechanism developed before such a portal is set up. This mechanism could run via a central help desk that could be located at the Agency for Business and Economic Development. In order to support companies in the decision-making process, a tool should also be made available on the *develoPPP.de* website where companies could enter information on their project idea. The tool would then recommend one or more implementing organisations, based on the details entered.
31. BMZ should examine whether implementing organisations can fulfil companies' needs with reasonable effort following advisory services provided during the application phase. In order to ensure that the role of the ideas competition is respected and to provide equal opportunities for all companies, equal access to advisory services during the application phase must be ensured.
32. BMZ should review the targeted use of external consultants during project acquisition, particularly for DC-related countries and themes. The provision of advisory services during the project application phase and the assignment of external consultants to provide support services during project implementation is not recommended. Such assignments are only deemed expedient during the acquisition phase. BMZ needs to develop a financing mechanism that is geared solely towards acquisition.

#### **3.3.2 The application, design and implementation phases**

The ideas competition for traditional development partnerships with the private sector provides companies with equal access to the programme. However, limited demand also restricts the role the competition can play in picking the best project ideas, in steering the programme via positive criteria and in focusing on priority areas. The focus of PS4D programmes at the international level is trending towards disadvantaged groups and towards engagement in LDCs. However, narrowing the



focus in this way would result in a sharp drop in project applications. Such a decision can only be made by taking into account the final set of objectives for the programme. Increasing the number of applications by stepping up PR and acquisition activities, rather than the ideas competition itself, would appear to be the key lever here. Adopting a more flexible approach to acquiring private sector companies is assessed as highly expedient. Given that the additional criteria for strategic development partnerships with the private sector are frequently not fulfilled, the lack of transparency of the processes used is criticised.

The evaluation assesses the expectations to be met by develoPPP.de projects, which are outlined in the concept notes, as too ambitious in view of the time constraints and financial conditions set down by the programme. This is shown by the fact that the postulated causal links between results are not verifiable, assumptions are too optimistic for the given contexts, and packages of measures are too ambitious. These aspects are due in part to a failure to spell out areas of tension between business interests and development policy. While synergy potentials are highlighted, potential conflicts of interest are not sufficiently taken into account. When designing the projects, the implementing organisation and the company involved often fail to reach a shared understanding of the project purpose. As a result, European and local partners prioritise their own corporate objectives during the implementation phase. The projects are usually implemented by local companies in the partner country and, as they are not systematically involved in the design process, they frequently focus on the business objectives, rather than the development objectives, of development partnerships with the private sector.

#### *Recommendations*

33. We advise BMZ to optimise the way the ideas competitions allocate public funds for development policy purposes. In order to consolidate the competition element, funding should either be reduced or the number of applications increased. Such a decision can only be made by taking into account the programme's set of objectives.
  34. The implementing organisations should ensure that the development interests of development partnerships with the private sector can be more realistically asserted.
- In this context, the programme's dual objectives structure (public/private sector) should be specifically taken into consideration for each project. Possible starting points include:
- Formulation of objectives and operationalisation via indicators: For individual development partnerships with the private sector, anticipated public/private sector synergies should be linked with concrete project objectives and their nature specified (i. e. whether synergies will be generated for the public or private sector). In other words, synergies are not to be assumed on the basis of theoretical deduction, but should be made verifiable by assignment to a specific objective.
  - Target group and needs analyses should take into account the dual objectives structure: Synergies and conflicting objectives will become more transparent if an explicit distinction is made between target groups in the development context (e. g. marginalised or vulnerable sections of the population) and in the business context (e. g. producers, suppliers or consumers). Overlaps are possible and indeed desirable.
35. Once the project idea has been assessed, the implementing organisations should once again pick up on the sustainability criterion in the project design. Furthermore, the implementing organisations should incorporate objectives for disseminating project experience at the meso and macro levels and for networking with other actors on site at the design stage. In line with the dual objectives structure, the plan of operations should spell out more clearly whether realistic incentives exist for companies to continue/transfer project successes and whether it is plausible to assume that positive impact can be sustained. If these potentials and constraints are not openly dealt with, there is a risk that companies will discontinue measures introduced by a project following its completion and that there will be unrealistic expectations of develoPPP.de projects.
  36. Where possible, implementing organisations are advised to involve local implementation partners in the implementing organisation/company design process. Alternatively, project sub-objectives that incorporate onboarding, e.g. joint kick-off workshops, could be included in the project design phase. To this end, design documents must be drafted in a local language.

## 3.4

### **To what extent and under which circumstances is the develoPPP.de programme effective in terms of promoting develoPPP.de projects at the level of the directly involved local companies, public institutions and target groups, and at the level of European partner companies?**

The fact that the programme's set of objectives has not been further operationalised or backed by indicators makes it difficult to rate develoPPP.de's effectiveness. As a result the programme, as a support mechanism for development partnerships with the private sector, does not set (sub-)objectives for the project portfolios of implementing organisations and for individual projects. The lack of detailed goals is also determined by the programme's orientation towards demand from companies and is therefore desired from a design point of view. As a result, it is only possible to give an approximate rating in this context, based on a reconstructed set of objectives (see Section 1.5).

#### **3.4.1 Results achieved at the level of local companies and public institutions**

Based on the objectives set down in the project design phase, the case studies and company surveys suggest that develoPPP.de generates successful projects that extend over and above solely providing inputs. In several cases, companies contributed technical know-how such as financial products and technical applications that could not have been provided in this form by BMZ or by the implementing organisations. However, the added value generated from a corporate perspective usually outweighs the development benefits. In absolute terms, the limited achievement of development objectives reduces the overall added value of development partnerships with the private sector, which should serve development and private sector goals to an equal degree. Of the criteria to determine the eligibility of project applications for promotion, use of the criteria 'complementarity' and 'subsidiarity' in particular is only partially verifiable. It cannot therefore be convincingly ruled out that corporate interests could have mobilised the intended resources anyway at some of the projects analysed.

Based on the projects examined in the case studies and in the company survey, the evaluation concludes that the projects

implemented as part of the programme make a successful contribution to the transfer of know-how and technology to the private sector in partner countries. There are some constraints as regards the achievement of objectives, however, above all in projects that have a strong product focus, where it is difficult to generate an overlap of interests in terms of sales and the widest possible dissemination of innovations. Overall, the develoPPP.de programme has been rather successful in providing stimuli in partner countries via innovation transfer.

#### **3.4.2 Results achieved at the level of target groups in partner countries**

The findings indicate that limited progress has been made in translating the innovation transfer facilitated by develoPPP.de projects into income-generating and employment effects for the local population. Often, the projects only cover small target groups among the overall population, which means that large-scale changes cannot really be expected. It also remains unclear how develoPPP.de intends to reconcile tensions between the target groups of development interventions and those of companies at programmatic level. While development cooperation is geared towards marginalised and vulnerable sections of the population, these are usually of little interest as corporate target groups (i.e. as consumers or producers). Against this backdrop, it cannot be presumed that develoPPP.de projects as such will contribute to inclusive economic growth in the partner countries and have poverty-reducing effects.

#### **3.4.3 Results achieved at the level of participating European companies**

In addition to the development objectives of the individual projects, the strategic orientation, conceptual structure and implementation of the programme give rise to an additional objective that is not explicitly mentioned in the programme guidelines. develoPPP.de should fulfil a function of sensitising the private sector to development issues and mainstream development cooperation in a wider section of society, in addition to the state and civil society. The evaluation's findings show that the participating companies have only been sensitised to development issues to a limited degree. Little has been achieved in terms of sparking organisational change above and beyond sensitising individuals. On the other hand, however, the lessons learned from projects have indeed been used at

corporate level insofar as they are deemed to broaden companies' experience in doing business at the international level. Many companies reported an awareness of development issues before they participated in the programme, which indicates that they chose to become involved of their own volition. Programme participation rarely brought about a 'sensitisation effect' among companies that reported a very limited development awareness before project implementation. Consequently, develoPPP.de seems to have been more successful in supporting and consolidating existing development activities than actually initiating such engagement in the first place. Overall, develoPPP.de is only assessed as being partially successful in terms of its ability to sensitise companies to development issues.

### 3.5 To what extent can the results achieved by the develoPPP.de programme's promotion of projects be considered durable and broad-based?

In keeping with the view that the develoPPP.de programme acts as a stimulus, this evaluation uses a functional definition of sustainability as a basis ('What is set in motion?', Caspari, 2004). develoPPP.de projects stimulate innovation transfer to partner countries. They are assessed as being sustainable when the project results are perpetuated beyond the support period (safeguarding of stimulus). Similarly, a project is deemed to generate broad impact when the project results are used above and beyond the actors and target groups directly involved in the project (dissemination of stimulus).

#### 3.5.1 Sustainability of results

Continuation of the innovations introduced in the projects by the corresponding partner companies and institutions once the support period has ended is assessed as partially successful. The fact that project activities that are designed to generate added development value tend to be scaled back leads to greater constraints. There was therefore a (renewed) focus on the core business of participating companies. The assessment of the corresponding project target groups is more positive. They tend to go on using the innovations introduced by the programme after the programme ends. In all, the develoPPP.de

programme is fairly successful at safeguarding the project impetus it has provided beyond the promotion period.

Given the broad range of themes, regions and funding mechanisms involved in the projects, the evaluation can only provide entry points as regards the risks and potentials for the sustainability of develoPPP.de. Projects by larger companies (annual turnover of more than EUR 50 million) are assessed more favourably in terms of creating conditions conducive to sustainability, as activities to sustainably anchor the projects have greater traction. This is likely to be primarily due to the fact that these companies have better project management capacities.

#### 3.5.2 Broad-based impact

As a stimulus programme, develoPPP.de is rather unsuccessful at disseminating and sustainably mainstreaming the stimuli provided by the projects beyond the partners that are directly involved. Only a few of the projects assessed incorporated innovation transfer into their designs at the institutional level, and those that did were GIZ projects, most of them Strategic Alliances. In this context, companies and public institutions that were not directly involved in the project usually did not adopt the innovations introduced in the projects, however. The same applies to the transfer of project innovations above and beyond the corresponding target groups. When compared with the original objectives, the innovations introduced were frequently only made available to a limited degree in terms of regions, content and quantity. Sustainable dissemination of the stimuli generated by the projects must be assessed as largely unsuccessful.

Consequently, the evaluation gave no indication that the innovations introduced by the projects enhanced performance across entire systems in the corresponding industrial sector or development priority area. Only in specific cases, and taking into account additional plausibility considerations, can it be assumed that the projects have the potential to contribute to overarching development results at the aggregated level; considerable reservations exist in this respect, however. On the whole, the programme in its present form is not suitable for generating projects with broad impact and structure-building results.

## 3.6

### Concluding remarks

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The develoPPP.de programme is rated as relevant thanks to its basic approach of enlisting greater support from private sector partners through cooperation arrangements in order to achieve development objectives and ultimately attain further overarching development goals. However, given its unclear strategic orientation and current conceptual design, the programme has so far not succeeded in achieving these objectives to a satisfactory degree. Although develoPPP.de does help introduce innovative ideas in partner countries through cooperation with private sector actors, its projects usually do not succeed in generating results above and beyond the project level. Thus, the programme promotes a large number of stand-alone projects, despite its original intention of providing impetus to enhance performance across entire systems. Its ability to sensitise the private sector to development issues, which goes hand-in-hand with mainstreaming development cooperation within society, above and beyond the level of state and civil society, is also only fulfilled to a

limited degree. The findings of this evaluation correspond with the key statements of national and international evaluations and studies on the develoPPP.de programme and similar programmes implemented by other donors. This illustrates the need for the programme's decision makers to take on the identified challenges and to initiate corresponding adjustments and innovations. The recommendations outlined above are intentionally formulated in a comprehensive, action-oriented and at times complex manner in order to address this issue as constructively as possible.

The prominent position of develoPPP.de as BMZ's major programme for promoting development partnerships with the private sector offers potential for effectively enlisting support from private companies in implementing BMZ's Sustainable Development Strategy ('One World – Our Responsibility'), in addition to the traditional stakeholders at state and civil-society level. This potential needs to be leveraged to a greater degree in order to address the numerous unresolved challenges that exist on the path to attaining these goals.



# 4.

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5.

ANNEX

## 5.1 Evaluation matrix

Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
<b>Evaluation question 1: How appropriate is the develoPPP.de programme for achieving relevant development objectives?</b>				
1.1 To what extent are the objectives of the develoPPP.de programme geared to BMZ's guidelines, strategies and development objectives?	Judgement criterion 1.1.1 The programme's objectives match the key objectives of BMZ's overarching development strategies	Comparison of programme objectives with the objectives of BMZ's strategies on poverty reduction, the establishment of global development partnerships with the private sector (MDG 8, the Global Compact, Charter for the Future) and the post-2015 development agenda	Document analysis, expert consultations	Relevance
	Judgement criterion 1.1.2 The programme's objectives match the key objectives of relevant BMZ sector strategies and guidelines	Comparison of programme objectives with the objectives of BMZ's Sector Strategy on Private Sector Development, the objectives of other (sector) strategies and position papers (e.g. on vocational training, the development of rural areas etc., depending on the sectors where the case studies are conducted) and guidelines on develoPPP.de		
	Judgement criterion 1.1.3 The programme's short-term priorities match BMZ's strategic priority areas	Comparison of the programme's short-term priorities with BMZ's current priority areas; implementation of short-term programme priorities in develoPPP.de projects		
1.2 To what extent do the objectives of the develoPPP.de programme correspond to relevant strategies and objectives pursued by the partner countries?	Judgement criterion 1.2.1 The objectives of develoPPP.de projects take into account development needs in the corresponding sectors and/or regions in the partner countries	Compatibility of project objectives with the goals set out in partner countries' strategy papers and development plans; consideration of specific needs of relevant target groups in partner countries	Document analysis, case studies	Relevance
1.3 To what extent is the programme's design geared to generating synergies by encouraging cooperation between DC and the private sector?	Judgement criterion 1.3.1 Compatibility of private sector objectives with the programme's development-policy objectives	Comparison of the programme's objectives with those of the private sector; recognisable conflicting objectives; acceptance of cooperation between the private sector and DC	Document analysis, content analysis, expert consultations, company survey	Relevance
	Judgement criterion 1.3.2 Design helps shape innovative projects that would otherwise not have been implemented in this form	Innovative potential of the projects		

Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
1.4 To what extent is the programme's fundamental design and structure geared to achieving the programme's development objectives through support for develoPPP.de projects?	Judgement criterion 1.4.1 The objectives of the develoPPP.de projects are geared to the programme's objectives	Comparison of project objectives with programme objectives	Document analysis, portfolio analysis, content analysis, expert consultations, company survey	Relevance
	Judgement criterion 1.4.2 The programme's design takes account of the specific value that the different implementing organisations can add to the programme	Specific expertise of the three implementing organisations; demand among the private sector for expertise that is specific to the implementing organisation; orientation of project support towards the expertise offered by the corresponding implementing organisation		
	1.4.3 Orientation of the different forms of development partnerships with the private sector towards the achievement of specific development objectives by the programme	Specific development objectives pursued by different forms of development partnerships with the private sector (traditional, strategic, consulting contract, cooperation agreement); demand from the private sector for the different forms of cooperation		
	1.4.4 The criteria and standards laid down by BMZ are used to design and implement development-related projects	Suitability of project criteria for safeguarding relevance in terms of development; positive criteria (above all inclusion and focus on LDCs) and the setting of short-term priorities as part of the ideas competitions (above all BMZ's One World – No Hunger and the Partnership for Sustainable Textiles) ensure that projects are focused on BMZ's strategic priority areas; safeguarding of implementability thanks to application of company criteria; compliance with social, environmental and human rights standards during project development; compatibility of criteria and standards with private sector interests		
<b>Evaluation question 2: What strategic, conceptual and procedural changes at programme level might help to increase BMZ's steering capacity?</b>				
2.1 To what extent are BMZ's internal prerequisites for appropriate programme steering met?	Judgement criterion 2.1.1 Appropriateness of BMZ's internal structures, processes, capacities and resources for programme steering	BMZ-internal organisational structure; processes; acceptance of objectives; human resource capacities; communication structures (internal and external); finances	Document analysis, expert consultations	Effectiveness/ efficiency
2.2 In terms of programme implementation, how can BMZ's steering capacity be improved via the three implementing organisations?	Judgement criterion 2.2.1 Steering resources required due to programme implementation by three different implementing organisations	Joint consultation processes particularly during project selection, project completion and focusing of the programme; budget management; potential conflicting objectives; need for three implementing organisations (advantages/disadvantages, added value)	Document analysis, content analysis, expert consultations, portfolio analysis	Effectiveness/ efficiency
	Judgement criterion 2.2.2 Quality of monitoring and reporting at the programme level	Orientation of M&E system towards verification of the achievement of programme objectives; use of M&E system for programme steering		
	Judgement criterion 2.2.3 Steering by BMZ of programme implementation based on positive criteria and the setting of short-term priorities	Consideration of positive criteria in project support; consideration of BMZ's short-term priorities by implementing organisations		
2.3 To what extent are BMZ's needs in terms of steering development policy compatible with the programme's demand orientation?	Judgement criterion 2.3.1 Harmonisation of BMZ's development-policy requirements with the basic needs of the private sector	Communication/harmonisation processes with the private sector; compatibility of BMZ's priority areas with companies' interests; comparison of company/project criteria with company interests; conflicting objectives; areas of conflict	Expert consultations, company survey	Effectiveness/ relevance

Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
<b>Evaluation question 3: What conceptual and procedural changes could be used to adjust the processes for implementing the develoPPP.de portfolio of DEG, GIZ and sequa?</b>				
3.1 To what extent are conditions within the implementing organisations conducive to the programme being implemented in line with BMZ's requirements?	Judgement criterion 3.1.1 Within the implementing organisations: appropriateness of the corresponding objectives, structures, processes, capacities and resources for programme implementation	Within the implementing organisations: organisational structures; processes; acceptance of objectives; conflicting objectives; indicators for measuring objectives; human resource capacities; communication structures (internal and external); finances/administrative costs	Document analysis, expert consultations	Effectiveness/efficiency
3.2 What procedural and administrative changes can be introduced to improve project initiation and design?	Judgement criterion 3.2.1 Quality of project acquisition by the relevant implementing organisation	Formal and informal acquisition measures (PR and communication measures) by the implementing organisations; accessibility and clarity of the application procedure; differences between the forms of development partnership with the private sector/implementing organisations	Document analysis, expert consultations, company survey, case studies	Effectiveness/efficiency
	Judgement criterion 3.2.2 Quality of judgement and selection processes used by the relevant implementing organisation	Application of company and project criteria: transparency, assessment systems, standardisation, quality assurance. Differences between the forms of development partnership with the private sector/implementing organisations		
	Judgement criterion 3.2.3 Quality of the processes and procedures used by the relevant implementing organisation to design projects and prepare contracts	Integration of development objectives in planning; leveraging of the implementing organisation's specific expertise in designing the project; development of indicators; duration; harmonisation processes; differences between the forms of development partnership with the private sector/implementing organisations		
	Judgement criterion 3.2.4 Appropriateness of the involvement of additional partners by the relevant implementing organisation during the project design phase	Involvement of third parties (international NGOs, foundations, associations), local partners (public institutions, local non-governmental organisations), local business (local partner companies, associations, cooperatives), field structure of implementing organisations; differences between the forms of development partnership with the private sector/implementing organisations		



Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
3.3 What procedural and administrative changes can be introduced to improve project implementation?	Judgement criterion 3.3.1 Quality of cooperation between the implementing organisations and companies within the framework of project implementation	Inputs by the implementing organisation to project implementation (e. g. administrative/ technical/content-related, contact management, etc.); coordination and communication between the stakeholders; development of joint values and norms; trust-building; transparency. Differences between the forms of development partnership with the private sector/implementing organisations	Document analysis, expert consultations, company survey, case studies	Effectiveness/ efficiency
	Judgement criterion 3.3.2 Appropriateness of the involvement of additional partners by the relevant implementing organisation during the project implementation phase	Involvement of third parties (international NGOs, foundations, associations), local partners (public institutions, local non-governmental organisations), local business (local partner companies, associations, cooperatives), field structure of implementing organisations where appropriate; differences between the forms of development partnership with the private sector/implementing organisations		
	Judgement criterion 3.3.3 Quality of project monitoring and reporting systems of the relevant implementing organisation	Human resources; content, transparency and use of M&E system and of reports for project steering/verification of objectives (by companies, partners, implementing organisations and BMZ); differences between the forms of development partnership with the private sector/implementing organisations		
<b>Evaluation question 4: To what extent and under which circumstances is the develoPPP.de programme effective in terms of promoting develoPPP.de projects at the level of the directly involved local companies, public institutions and target groups, and at the level of European partner companies?</b>				
4.1 To what extent do develoPPP.de projects achieve the objectives set down in their plans of operations?	Judgement criterion 4.1.1 Achievement of the objectives laid down in project plans	Comparison of the objectives achieved with targets, based on indicators	Content analysis, case studies, company survey	Effectiveness
	Judgement criterion 4.1.2 Compliance with project criteria during project implementation	Compatibility with development goals, complementarity, subsidiarity, competitive neutrality, contribution of the private sector; commercial interest, sustainability; additional focal areas for strategic development partnerships with the private sector: level of innovation, potential for replicability, structure-building, broad impact, multi-stakeholder approach		



Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
4.2 To what extent do develoPPP.de projects contribute to achievement of the programme's results?	Judgement criterion 4.2.1: Contributions develoPPP.de projects make to developing innovative products and services at the local company	Use of innovative technologies and/or of appropriate new technical expertise in the companies involved; services offered by companies correspond to the needs of the target group/customers; increase in the competitiveness of local companies; increase in sales of products and/or increase in incomes/profits of local companies	Case studies, expert consultations, company survey, portfolio analysis, content analysis	Effectiveness/ impact
	Judgement criterion 4.2.2 Contributions develoPPP.de projects make to developing standards	Improved standards governing production and processes; better environmental and/or labour and social standards in companies; introduction of set quality standards for companies' products		
	Judgement criterion 4.2.3 Contributions develoPPP.de projects make to the use of innovative products and services at public institutions	Use of new technologies and/or of appropriate new technical expertise in public institutions; introduction of set quality standards for services provided by public institutions, services meet the needs of target groups/ customers		
	Judgement criterion 4.2.4 Contributions develoPPP.de projects make to increasing/ safeguarding income and employment among the direct target groups	Increase in the employability of target groups (increased technical, social, personal skills of training course graduates, the skills acquired correspond to local labour market requirements); improvement of the quality of employment (duration/scope/type of employment, work conditions) for participating target groups (women and men); safeguarding/boosting of incomes earned by participating target groups (women and men)		
	Judgement criterion 4.2.5 Contributions develoPPP.de projects make to other socio-economic/sociocultural/legal improvements for target groups	Consolidation of rights, improvements in the areas of health, food security, education		
	Judgement criterion 4.2.6 Other unintended positive or negative effects of develoPPP.de projects	Exploratory, e.g. distortion of competition in the partner country, discrimination of certain sections of the population, environmental impacts		
4.3 To what extent does participation in the develoPPP.de programme initiate change among participating European companies?	Judgement criterion 4.3.1 Increased awareness of development issues within companies	Raising awareness of development issues in companies	Company survey, case studies	Effectiveness/ impact
	Judgement criterion 4.3.2 Contribution projects make to development of corporate social responsibility (CSR) measures by companies	Influence exerted by projects on CSR strategies, participation in international debates and/or cooperation arrangements		
	Judgement criterion 4.3.3 Other changes in participating companies			

Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
4.4 What synergies are generated by cooperation between DC and the private sector?	Judgement criterion 4.4.1 Added development benefits of cooperation were achieved	Leveraging the private sector's additional financial and material resources and/or technical/sectoral know-how; level of innovation of projects; additionality; cooperation in partnership provides added impetus	Case studies, company survey	Effectiveness/ impact
	Judgement criterion 4.4.2 Added entrepreneurial benefits of cooperation were achieved	DC contributions generate added value for private sector: financial contributions increase efficiency/minimise risks; access to new markets using the implementing organisations' DC-specific expertise; enhanced profile; other aspects		
4.5 What differences can be identified regarding the effectiveness of different forms of development partnership with the private sector?	Judgement criterion 4.5.1 Effectiveness of traditional development partnerships with the private sector and strategic development partnerships with the private sector	e. g. differences regarding structure-building results, broad impact and sustainability	Case studies, company survey	Effectiveness/ impact
	Judgement criterion 4.5.2 Effectiveness of development partnerships with the private sector based on a consulting contract/cooperation agreement	e. g. differences with respect to effectiveness, results at companies		
	Judgement criterion 4.5.3 Differences between the implementing organisations	Exploratory		
4.6 What other key factors shape the effectiveness of projects?	Judgement criterion 4.6.1: Adherence to implementation plans	Coverage of target group(s), changes in scheduling; changes to activities and/or objectives; deviations from financial plan	Case studies, company survey, portfolio analysis	Effectiveness/ impact
	Judgement criterion 4.6.2 Corporate goals/business case	Economic and strategic objectives; implementation of business case as planned		
	Judgement criterion 4.6.3 Company-specific factors of European partners	Size; turnover; family-run; international experience; company structures in partner countries		
	Judgement criterion 4.6.4 Company-specific/organisation-specific factors of local partners	Size; international experience; corporate/ organisational culture		
	Judgement criterion 4.6.5 Economic/political/social contextual factors in the partner countries	Exploratory		
	Judgement criterion 4.6.6 Other possible factors	Exploratory		

Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
<b>Evaluation question 5: To what extent can the results achieved by the develoPPP.de programme's promotion of projects be considered durable and broad-based?</b>				
5.1 To what extent are the required conditions created to enhance the sustainability and broad-based impact of results during the project design and implementation phases?	Judgement criterion 5.1.1 Phasing-out/handover strategies used by develoPPP.de projects	Capacities in the partner country to continue implementing the changes; follow-up measures; linkages to TC projects, etc.	Case studies, company survey, expert consultations	Sustainability
	Judgement criterion 5.1.2 Appropriateness of executing agency/partner structures on site	Organisational, economic, financial and human resources of partners/executing agencies		
	Judgement criterion 5.1.3 Dissemination of lessons learned and/or innovations at the macro and/or meso level in the partner country	Networks that include companies/institutions/authorities/organisation-s at the meso and macro level; awareness-raising among policy-makers/companies/the general public in partner countries		
	Judgement criterion 5.1.4 Long-term cooperation agreements between European companies and local partners	Existing cooperation agreements/supply contracts; duration and scope of cooperation arrangements between local and European partners		
5.2 To what extent are the innovations introduced by the projects used/continued by the relevant target groups and/or project partners even after the develoPPP.de project has finished?	Judgement criterion 5.2.1 Continued implementation by the project partners/direct target groups of the processes, standards, products and/or services introduced by the develoPPP.de projects	Comparison of innovations introduced by the projects and further development of these innovations by partners and target groups after project completion; economic sustainability of project results	Case studies, company survey	Sustainability
	Judgement criterion 5.2.2 Once the projects have finished, continued use by the project partners/direct target groups of the products and services developed by the develoPPP.de projects	Comparison of the use of products and services during implementation and once the projects have finished		
	Judgement criterion 5.2.3 Problem-solving capacities of target groups and project partners to respond appropriately and flexibly to changed framework conditions	Solutions to problems that occur in relation to the continued use/development of innovations against the backdrop of changes to framework conditions		
5.3 To what extent are the innovations introduced by the projects adopted/used above and beyond the corresponding target groups and/or project partners?	Judgement criterion 5.3.1 Innovations (technologies, processes, standards, etc.) are adopted by public institutions and companies that were not involved in the project	Extent to which new technologies are adapted in the relevant sector	Case studies, company survey	Impact
	Judgement criterion 5.3.2 Services and products developed within the scope of projects are used by other groups in the partner country	Access by companies, public institutions and/or sections of the population to high-quality products and services		

Evaluation questions	Judgement criteria	Focus of the analysis	Method	DAC criterion
5.4 To what extent are the innovations introduced by the projects implemented on a broader scale, thereby boosting performance throughout the entire system?	Judgement criterion 5.4.1 Contribution that developPPP.de projects make to the consolidation of private sector structures within the relevant sector	Establishment of interest groups at the regional/national level; (sector-specific) standards and processes are adopted/ introduced throughout the entire system	Case studies, company survey	Impact/ sustainability
	Judgement criterion 5.4.2 Contribution that developPPP.de projects make to improving the situation of the population and/or addressing broader development policy challenges	Boosting of income and employment above and beyond the direct target group, consolidation of rights, improvements in health care, food security and education for different groups; social sustainability; environmental sustainability		
5.5 What differences can be identified regarding the different forms of development partnership with the private sector?	Judgement criterion 5.5.1 Durability and broad-based impact of the different forms of development partnership with the private sector			Impact/ sustainability
5.6 What other key factors shape the durability and broad-based impact of the results achieved?	Exploratory			Impact/ sustainability

## 5.2 Methodology

This annex picks up on and fleshes out the information contained in Section 1.6 (Evaluation approach and methodology). It provides a detailed overview of the content analysis, company surveys, expert consultations and case studies. Details of the portfolio analysis (Lücking & Roggemann, 2016) are available to the general public in a separate publication at [www.deval.org](http://www.deval.org). This method is therefore not examined in greater depth here. Finally, this section explains the assessment system and quality assurance procedures used by the evaluators.

### 5.2.1 Data collection methods

As outlined in Section 1.5, the evaluation pursues a theory-based approach. The programme theory developed in this context forms the basis for determining and delineating the programme areas to be examined and for identifying the key, cross-project assumptions that give the support approach used its programmatic character. A combination of data collection methods was used and these were applied to varying degrees to answer the five evaluation questions. Table 3 lists the methodological process steps (data collection methods) and shows the evaluation questions and corresponding DAC criteria to which they contribute. As we can see in the table, several methods are assigned to each question, illustrating the scope for triangulation that emerges from the mix of methods used in this evaluation.

**Table 3: Overview of the evaluation questions, the corresponding DAC criteria and the methodological process steps (data collection methods)**

Methodological process steps	Evaluation question and corresponding DAC criteria				
	1	2	3	4	5
	Relevance	Relevance, effectiveness, efficiency	Effectiveness, efficiency	Effectiveness, impact	Impact, sustainability
Company surveys	X	X	X	X	X
Expert consultations	X	X	X		
Content analysis	X		X	X	
Portfolio analysis	X	X	X	X	
Case studies			X	X	X

Source: authors' own

## Content analysis

### Purpose

During the evaluation's inception phase, an analysis of the content of the project reports was used to identify recurring activities and objectives in order to establish the programme theory. For all project documents, generalisable findings were also generated regarding the degree to which projects adhered to implementation plans and to which objectives were achieved.

### Object of evaluation

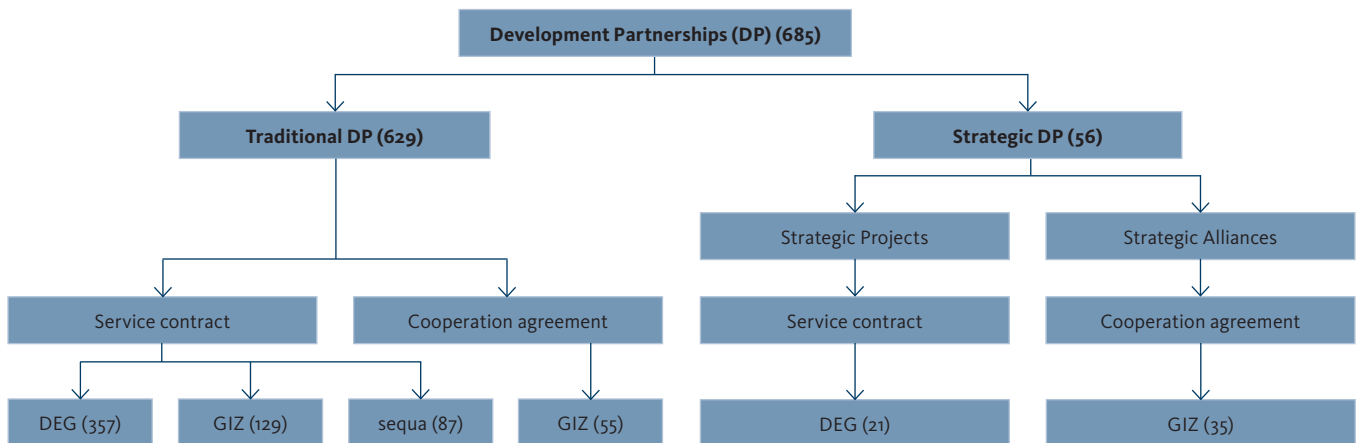
The population consists of all projects supported by develoPPP.de that were completed or were still ongoing between the date the ideas competition was introduced (1 January 2009) and 29 June 2016. Projects that were rejected or discontinued were not examined. In more technical terms, the population consists of all projects that fulfil the following characteristics:

1. Support from BMZ's develoPPP.de programme for development partnerships with the private sector;
2. Project start date after introduction of the ideas competitions (1 January 2009 – 29 June 2015);
3. Project status in 2015 (as at 29 June 2015): completed or ongoing;
4. Negative criterion: projects with the status 'in preparation', 'discontinued' or 'rejected' were excluded.

In terms of content analysis, the following reporting formats were analysed for each project:

37. Project designs, i.e. in the case of
  - a. DEG: Annexes 1–3 of service contracts;
  - b. GIZ: Annexes 1–3 of consulting contracts implementation agreements and annexes 1 and 2 of cooperation agreements;
  - c. sequa: Annexes A3 – A5 of transfer agreements.
38. Project information provided at the outset (e.g. GIZ's brief project descriptions or DEG's and sequa's cover sheets).
39. Final report for each project (not applicable to ongoing projects; instead, the latest interim report was used);
40. In the case of Strategic Alliances (GIZ): mid-term reviews (where available).

**Figure 12: Population of develoPPP.de projects based on type of project/contract/agreement and implementing organisation**



Source: authors' own, based on develoPPP.de Cloud as at 29 June 2015; list with types of contracts provided by GIZ on 7 July 2015

*Procedure*

As the different forms of development partnership with the private sector occur at varying frequencies, a random sample was taken for each of these forms (for example, there are comparatively few DEG strategic development partnerships with the private sector).<sup>47</sup> Viewing just a sample rather than the entire population of develoPPP.de projects generates a sampling error, which can be defined using probabilities. The sample is constructed so that there is a 95% guarantee (i.e. probability) that the precision of the random sample and its findings deviates by no more than a maximum of ± 20 percentage points. In other words, if it is found during the desk check that an interesting characteristic occurs in 75% of all of the projects examined in the sample, there is a 95% probability that it occurs in between 55% and 95% of the population as a whole.<sup>48</sup>

The projects to be analysed were selected using a sampling frame based on a data set from the develoPPP.de Cloud as at 29 June 2015. The frame was checked for duplicates and any surplus records were removed. On 2 July 2015, RANDOM.ORG's random sequence generator ([www.random.org](http://www.random.org)) was used to determine which projects would be included in the sample. The breakdown is documented in Table 4. MAXQDA's qualitative data analysis software was used to analyse the content of the project documents. The findings were summarised in a synthesis table based on the judgement criteria.

<sup>47</sup> Technically speaking, the sample is stratified into forms of development partnership with the private sector. As the number of cases in the random sample in each of these forms differs from the proportion in the total population, this random sample is disproportionately stratified.

<sup>48</sup> Originally, DEval deemed a precision rating of ± 10 percentage points to be sufficient provided that, from a feasibility perspective, the total maximum limit for both the implementing organisations and for DEval is approximately 250 projects.



**Table 4: Sample used for content analysis**

Form of development partnership with the private sector	Sample		Population
	Target	Actual	
Traditional development partnership with the private sector, DEG	78	73	357
Traditional development partnership with the private sector, GIZ (consulting contract)	58	36	129
Traditional development partnership with the private sector, sequa	48	46	87
Traditional development partnership with the private sector, GIZ (cooperation agreement)	38	24	55
Strategic dev. partnership with the private sector, DEG	20	18	21
Strategic dev. partnership with the private sector, GIZ	28	19	35
<b>Total</b>	<b>270</b>	<b>216</b>	<b>684</b>

Source: Authors' own based on develoPPP.de Cloud of 29 June 2015; list of agreement/contract types provided by GIZ on 7 July 2015. In some cases, the reports were no longer available, which gave rise to certain discrepancies.

Only 216 of the planned 270 projects could be taken into account. The random sample for GIZ projects had to be reduced in order to avoid delays that would have resulted from complying with GIZ's internal administrative requirements for the provision of documents. Furthermore, an examination of 104 final reports that were suitable for evaluation as part of content analysis showed that in the vast majority of completed projects (100 of the 104 projects = 96%), the planned target was deemed to be achieved or achieved to a significant degree. Only in one project was the target deemed to have not been fulfilled. In addition to the fact that the evaluation shows a positive project reporting bias, the low variance rate in the project ratings severely restricts the informative value of project reports in terms of the programme's effectiveness.

### Company survey

#### Purpose

The company survey was carried out in two phases and was used to document the perspectives of and the lessons learned by the companies involved in the develoPPP.de programme. An initial survey conducted during the inception phase at the start of the evaluation delivered information on the key objectives of the private sector and on positive and negative aspects of cooperation with the three implementing

organisations. In so doing, it helped reconstruct the programme theory and its underlying assumptions, analyse areas where the programme could improve and helped develop judgement criteria. A second survey was conducted at the end of the data collection phase and focused on an empirical assessment of specific aspects of results, sustainability and the triangulation of findings from the case studies and from other data collection methods.

#### Object of evaluation

The population for the first survey consisted of all companies based in Germany with which a develoPPP.de measure was carried out or started since 1 January 2009.<sup>49</sup> The population for the second survey was made up of all companies with which projects were started after 1 January 2009 and completed by 31 December 2013. The data were checked for multiple funding and any surplus entries removed. The population for the first company survey came to 418 projects (cut-off date 29 June 2015), with 220 projects included in the second (cut-off date 31 December 2013). The sampling frame for the second company survey was subsequently limited to projects that had already been selected for the content analysis (90 projects, cut-off date 31 December 2013).<sup>50</sup> Data were taken from the develoPPP.de Cloud as at 29 June 2015 for analysis.

<sup>49</sup> The first survey focused on companies based in Germany because BMZ expressed a keen interest in documenting the motivating factors for German companies as well as the lessons they had learned. The second survey included both German and European companies.

<sup>50</sup> With the exception of DEG projects, for which a cut-off date of 30 June 2014 was chosen for completion of development partnerships with the private sector projects. DEG had fewer strategic development partnerships with the private sector than GIZ. If the date had not been changed then the number of DEG strategic development partnerships with the private sector that could have been included in the second company survey would have been very low indeed.

**Table 5: Selection criteria for determining the population for the first and second company survey**

Criterion	First company survey	Second company survey
Time frame	Companies with which at least one project was started between 1 January 2009 and 29 June 2015	Companies with which at least one project was completed between 1 January 2009 and 31 December 2013
Project status	Companies that carried out projects 'as normal' were taken into account first and foremost; companies that carried out projects that were subsequently discontinued were also taken into consideration.	Companies that carried out projects 'as normal'
Nationality	Companies based in Germany	Companies based in Europe
Additional selection criteria	–	Projects already selected for the content analysis

Source: authors' own

### Procedure

A criteria-based approach based on the principle of maximum variation sampling was used to select the companies from the total population that were to be included in the survey. This helped cover as wide as possible a range of different perspectives on the object of the evaluation. For the first survey, BMZ (Division 114) also provided a list of companies that it regarded as particularly relevant for the develoPPP.de programme. Five of these companies were interviewed during the first company survey. For both surveys, it was ensured that projects of the three implementing organisations (DEG, GIZ and sequa) and all forms of development partnership with the private sector (Strategic Alliances, Strategic Projects and traditional partnerships based on service contracts and cooperation agreements) were taken into consideration to an adequate degree. In addition to these key selection criteria, every effort was made to take into account projects with large and small companies and with companies receiving multiple funding.

The sampling procedure was based on the assumption that about 80% of the companies surveyed were prepared to participate in the interview. Overall, interviews were conducted with representatives of 16 companies in the first

and 20 companies in the second round of surveys (as summarised in Table 6). The interviews were conducted with the project manager in the relevant company, either face-to-face or by phone. Each interview ran for between 60 and 90 minutes. The interview guide used as a basis was tailored to the specific conditions in each project in the run-up to the interview. The MAXQDA software application was then used to code the content in line with the evaluation matrix and judgement criteria before being summarised in a synthesis table and evaluated.

The company surveys ran smoothly for the most part. However, the process of arranging the surveys was made more difficult, and in some cases delayed, by the fact that – for data-protection reasons – the relevant implementing organisations, and not DEval, had to make initial contact with the companies. The overall response rate was lower than anticipated, but at 60%, was satisfactory on the whole, with the exception of interviews with companies whose projects were discontinued. It was not possible to conduct these interviews for a number of reasons. For example, the contact persons could no longer be reached or the company was not willing to participate.

**Table 6: Company surveys 1 and 2: surveyed companies based on region and size**

Form of dev. part. with the private sector	Quantity	Project status		Multiple funding	Size of company		Region			
		Ongoing	Completed		> EUR 50 million	< EUR 50 million	Asia	Africa	LA*	Europe
Traditional dev. partnership with the private sector, DEG	9	2	7	4	5	4	5	1	2	1
Traditional dev. partnership with the private sector, GIZ (consulting contract)	5		5	2	5		1	2	1	1
Traditional dev. partnership with the private sector, sequa	9	1	8	4	1	8	2	2	3	2
Traditional dev. partnership with the private sector, GIZ (coop. agreement)	4	1	3	3	3	1	2	1	1	
Strategic dev. partnership with the private sector, DEG	5		5	3	5		3	1		1
Strategic dev. partnership with the private sector, GIZ	4	2	2	4	4		2	1	1	
<b>Total</b>	<b>36</b>	<b>6</b>	<b>30</b>	<b>20</b>	<b>23</b>	<b>13</b>	<b>15</b>	<b>8</b>	<b>8</b>	<b>5</b>

Source: authors' own; \*LA = Latin America

## Expert consultations

### Purpose

This data collection method documented lessons learned, know-how and assessments of the procedures used for programme steering (at BMZ level), programme implementation (at implementing organisation level), project implementation (at implementing organisation and company level) and of harmonisation processes between the stakeholders. The consultations aimed to examine the procedures used, identify weaknesses and potential improvements, explore innovative ideas and take critical perspectives into consideration.

### Object of evaluation

The expert consultations were based on a stakeholder map, which identified the most important organisations and

individuals involved in or affected by the programme.

The aim was to include all relevant interest groups (see Table 7). In addition to staff members in the responsible BMZ division, interviews were also conducted with the relevant sectoral and regional divisions and with economic cooperation officers at BMZ. On the implementing organisation side, the responsible programme and project managers were surveyed as well as field staff and staff at the Sector Project Private Sector Cooperation. International experts were also interviewed, along with representatives of NGOs, who were asked to assess the develoPPP.de programme. In order to obtain the views of private sector stakeholders who were not involved in the company surveys, representatives of business associations were interviewed, as were consultants, i.e. external service providers that support companies in implementing develoPPP.de projects.

**Table 7: Overview of the interviewed experts broken down by organisation and position held by the interviewees**

Organisation	Position held by interviewee	Number of interviews
BMZ	Head of Division and officers from Division 114	3
	Officers from the regional and sectoral divisions	6
	Economic cooperation officers	3
GIZ	Programme managers and developPPP.de staff members	5
	Field staff	3
DEG	Programme managers and developPPP.de staff members	4
sequa	Programme managers and developPPP.de staff members	3
Sector Project Private Sector Cooperation	Project managers and staff members	4
NGOs/civil society	Expert advisors	4
Research institutions and academia	Researchers and academics	3
Business associations	Association representatives	5
developPPP.de consulting firms	Senior managers and staff members	3
<b>Total</b>		<b>46</b>

Source: authors' own

### Procedure

During the expert consultations, interviews that ran for between one and two hours were conducted with 46 individuals after completion of the case studies. Specific interview guides were used and discussions were held either face-to-face or by phone in order to explore certain perspectives and validate the information obtained in the studies. The interviewees were systematically selected by DEval based on suggestions by BMZ, the implementing organisations and other stakeholders – such as VENRO, the umbrella organisation of development non-governmental organisations in Germany – and, to some extent, on a stakeholder map developed by DEval. Data were evaluated using structured content analysis steps (Mayring, 2015), in line with the evaluation matrix's category system and the interview content that had been coded using the MAXQDA software application. The evaluation findings of all interviews were summarised in a synthesis table, which contained comparative data on similar and contrasting cases.

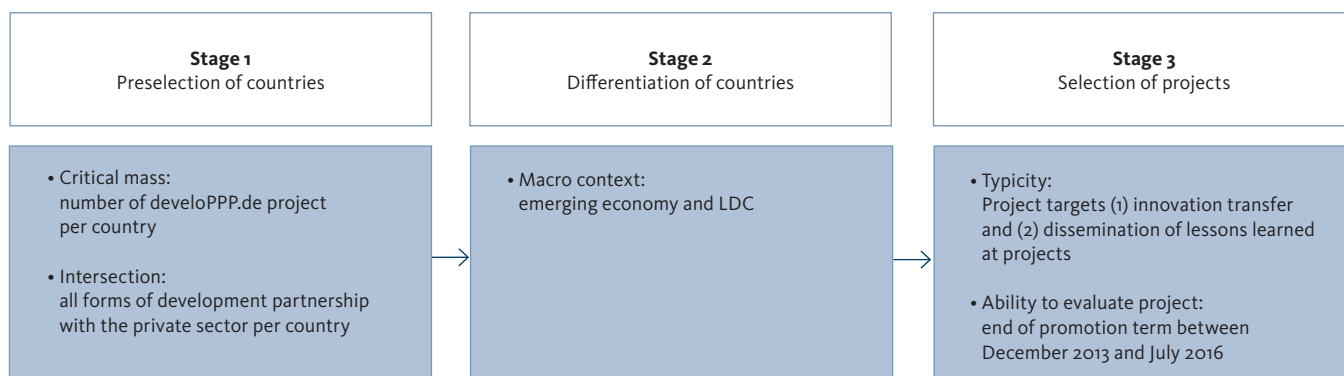
On the whole, the expert consultations ran smoothly and it was possible to conduct interviews with key experts from all areas. It was not possible to involve staff members from similar programmes implemented by other international donors to validate key evaluation statements as planned. They were not available for interview, probably due to a lack of time.

### Case studies

#### Purpose

The case studies served first and foremost to review whether, from an empirical perspective, the key assumptions underlying the programme theory are tenable for specific developPPP.de projects (= cases). They may be viewed as a series of project evaluations that examine the extent to which the developPPP.de promotional approach generates and safeguards stimuli in the projects, in accordance with the programme's set of objectives.

**Figure 13: Selection of the project case studies**



Source: authors' own

#### *Object of evaluation*

The case studies examined develoPPP.de projects that were started after the ideas competition was introduced (i.e. after 2009). GIZ development partnerships with the private sector that were carried out based on cooperation agreements (form 4) were not evaluated, as strategic development partnerships with the private sector (form 6) are also based on this type of contract. As an analysis of projects on site requires that activities have progressed to a certain stage, only projects that had already been completed or had less than six months to go (cut-off date for planned completion of the project: 31 July 2016) were visited.

#### *Procedure*

A typology-based selection process (see Fig. 13) was used to identify twelve projects (see Table 8). The cases were selected sequentially in three stages, and specific criteria were applied at each stage to further restrict the selection (see Fig. 13). The data collected during the case studies were based on the

systematic questions and criteria used in the evaluation matrix, which were subsequently tailored to the situation in each project. The case studies examined the design of the projects, adherence to implementation plans, the project results achieved and the contributions made to the targeted programme results, in line with the programme theory. In order to review the achievement of objectives based on the dual objectives structure (public and private sector) for each case study/project, a project theory was reconstructed from the information outlined in the project designs and plans of operation, based on the programme theory. The company's interests in the project and the core problems to be addressed from a development perspective, as outlined in the above-mentioned designs and plans, were also included. A preliminary case study involving the entire DEval team was conducted up front to pilot the procedure and the data collection instruments used and to lay down a joint understanding of the implementation process.

**Table 8: Case studies implemented within the evaluation framework**

Implementing organisation	Form of dev. partnership with private sector	Emerging economy		LDC		Total
		India	Brazil	Uganda	Ethiopia	
DEG	1 (DEG, trad.)	1	0	1	0	2
	5 (DEG, strat.)	1	1	1	0	3
GIZ	2 (GIZ, trad.) cons. cont.	1	0	1	0	2
	6 (GIZ, strat.)	1	1	0	1	3
sequa	3 (sequa, trad.)	1	1	No project met the criteria		2
<b>Total</b>		<b>5</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>12</b>

Source: authors' own

Where possible, the following groups were surveyed in each case study: company representatives, the responsible project managers and managers of the implementing organisations, representatives of other project partners, project staff and representatives of the different target groups. Individuals, other companies/market players, experts from the corresponding project sector and staff members from important NGOs in the partner country – all of whom were comparable with the target groups – were also surveyed in order to assess the extent to which changes could be plausibly attributed to the projects and unintended negative effects were generated. Where relevant, interviews were also conducted with individuals from the field structures of BMZ and the implementing organisations. Data were primarily collected in face-to-face, semi-structured interviews with individuals. Group interviews were also conducted when surveying the target groups and comparison groups in particular. The group size varied (between five and 15 people), depending on the case study. The MAXQDA software application was used to analyse data. A DEval-internal case study report was drafted for each project, and these reports were also entered in MAXQDA. A cross-case evaluation was used to generate a final synthesis table.

Selection of the case studies was impeded by the fact that only a few LDCs have a sufficient number of development partnerships with the private sector that fulfil the aspects of critical mass and overlaps. This was particularly true in the case of sequa, which implements by far the lowest number of projects. It was not possible to examine a sequa project in an LDC. Instead, a second development partnership with the private sector was selected in an emerging economy. Strategic development partnerships with the private sector that were implemented in more than one country presented a particular challenge when implementing the case studies (i.e. one case study for DEG and two for GIZ). It was not possible to visit all of the project countries due to restrictions in terms of resources and time. Instead, empirical surveys were carried out in the key country where a strategic development partnership with the private sector was being conducted, i.e. the country in which project implementation was most advanced. Once the case studies had been completed, telephone interviews were conducted with key project partners in other countries in which strategic development partnerships with the private sector were implemented as well as with other European partners involved in the programme. In one case, it was possible to conduct an additional visit in a second project country as the DEval team visited two countries (India and Brazil).

**Table 9: Overview of interviewees by case study**

Interviewees	Type of interview	CS* 1	CS 2	CS 3	CS 4	CS 5	CS 6	CS 7	CS 8	CS 9	CS 10	CS 11	CS 12
Project partners (implementing organisations, European and local partner company, third parties, etc.)	Individual interviews	5	6	10	14	10	11	7	16	5	13	10	11
	Group interviews		2		1	2	2		1	1			4
Target groups and comparison groups (smallholders, trainees, etc.)	Individual interviews	7	6		12	15	2	8	2	7	8	11	
	Group interviews	3		4	1	4	6	1	7	1	8		3
Other actors (companies in the market), political actors, sector experts, NGOs, etc.)	Individual interviews	2	6	10	4	6	8	2	3	5	7	5	8
	Group interviews		1			1		1					2
Total	Individual interviews	14	18	20	30	31	21	17	21	17	28	26	19
	Group interviews	3	3	4	2	7	8	2	8	2	8	0	9

Source: authors' own; \* CS = case study

### 5.2.2 Evaluation system and quality assurance

The evaluation matrix (see Section 5.1) provided the basis for evaluating and synthesising the information gathered using the mix of different data collection methods. The matrix

assigns judgement criteria to the evaluation questions (Table 10). For each criterion, the data collected using each (relevant) method were assessed and the findings documented in a synthesis table.

**Table 10: Diagram illustrating the breakdown of evaluation questions into sub-questions and judgement criteria for operational purposes**

Evaluation question 1: How appropriate is the develoPPP.de programme for achieving relevant development objectives?	
Sub-question 1.1: To what extent are the objectives of the develoPPP.de programme geared to BMZ's guidelines, strategies and development objectives?	Judgement criterion 1.1.1 The programme's objectives match the key objectives of BMZ's overarching development strategies.
	Judgement criterion 1.1.2 The programme's objectives match the key objectives of relevant BMZ sector strategies and guidelines.
	Judgement criterion 1.1.3 ...
Sub-question 1.2: ...	Judgement criterion 1.2.1 ...
	Judgement criterion 1.2.2 ...

Source: authors' own



The criteria for the individual data collection methods and for the overall synthesis were rated using five categories:

- 'largely fulfilled'/'largely successful'
- 'fulfilled to a significant degree'/'rather successful'
- 'partially (not) fulfilled'/'partially (not) successful' (indifferent 'middle' category)
- 'not fulfilled to a significant degree'/'rather unsuccessful'
- 'largely unfulfilled'/'largely unsuccessful'

The rating system varied, depending on the data collection method used. Whereas frequencies (of the individual case studies/companies surveyed) could be used for rating in case studies<sup>51</sup> and company surveys<sup>52</sup>, the information collected in expert consultations and the findings of the content analysis, portfolio analysis and literature and document analysis were also used for qualitative ratings. The overall findings were summarised in a final synthesis table for all data collection methods before undergoing a process of triangulation in terms of methods (cross-method synthesis), data (e.g. verification of case study findings with sector experts and comparable groups that were not involved) and team members (cross-check principle within the team for case-study summaries and syntheses).

All evaluation products (the concept paper, inception report, portfolio analysis and final report) underwent a peer-review process both within DEval and externally. As part of internal quality assurance, the evaluation team made every effort to ensure that data collection and reporting fulfilled DEval's evaluation guidelines. This involved ensuring that relevant stakeholders were involved, that the data collected were of

high quality and that due care was taken during their analysis. The guidelines also cover development of an appropriate evaluation design and ensuring that reports are drafted in an independent and unbiased manner without any influence being exerted by stakeholders. DEval's Competence Centre for Evaluation Methodology supported the entire evaluation process. Support included providing advice on the methodological approach and commenting on key evaluation documents such as the concept paper, the inception report and the evaluation report itself.

A consultant and two external peer reviewers were responsible for external quality assurance. The consultant was responsible for providing expert advice during all phases of the evaluation, for drafting technical background documents and commenting on key evaluation documents. The external peer reviewers also contributed valuable technical and methodological input to the design and implementation phases of the evaluation and to the analysis and publication of the evaluation findings.

Key stakeholders were involved in the evaluation in the form of the reference group. This group acted as an external advisory committee and was involved sporadically in all of the relevant phases of the evaluation. During the design phase, the members of the reference group advised the evaluation team on issues related to delimiting the object of the evaluation, the key areas and the purpose of the evaluation. The members of the reference group also commented on the key evaluation products in verbal and written form. Finally, they were also involved in formatting, distributing and making use of the findings.

<sup>51</sup> Median rating across all case studies. Please note: The 'median' of a list of ratings is the 'middle' value when you list the ratings in ascending/descending order (in this case, based on success).

<sup>52</sup> Comprises two stages: (1) rating based on the frequency of responses in support of the matter in hand. Please remember: 'largely fulfilled': 100 – 66% of interviewees; 'fulfilled to a significant degree': 65 – 54%; 'partially fulfilled': 53 – 47%; 'not fulfilled to a significant degree': 46 – 33%; 'largely unfulfilled': 32 – 0%. (2) analysis of the first rating based on the qualitatively differentiated responses provided by interviewees and modification where appropriate.

## 5.3

### Overview of BMZ programmes on cooperation with the private sector

Programme	Description	Cooperation partners/Who is eligible for support?
develoPPP.de	Support for private sector engagement in developing countries and emerging economies	German and European companies
Global Business Exchange Programme (GloBus)	Training, exchange and networking programme for managers of SMEs from developing countries; implemented by GIZ	Managers of SMEs from Germany and from the partner countries Morocco, Colombia and Peru
Import Promotion Desk (IPD)	Initiative to facilitate and sustainably increase imports by Germany and Europe from developing countries and emerging economies	German importers, exporters from selected developing countries/emerging economies
ExperTS	Advisory services provided by German Chambers of Industry, delegations and bilateral business associations in developing countries/emerging economies	Local and German companies
Development cooperation scouts	Advisory services in chambers of industry and commerce, chambers of trade, <i>Länder</i> associations and business/trade associations	German companies
Digital Africa Strategic Partnership	Development measures to support and step up private investment in information and communications technology (ICT) in Africa (including develoPPP.de)	German and European companies
Senior Experten Service (SES)	Secondment of retired experts particularly to SMEs in developing countries and emerging economies	(German) experts
Practice-oriented partnerships	Cooperation arrangements between universities, companies and the German Academic Exchange Service (DAAD) to improve university education in developing countries	Universities and companies from Germany and developing countries
Partnerships with chambers and associations	Strengthening of the institutional capacities of local institutions that provide business-related services and represent the interests of SMEs vis-à-vis political bodies in the target countries	Local and German SMEs
Vocational training partnerships	Use of expertise of the organised business community in Germany in the area of initial and continuing vocational education and training in order to promote DC and directly transfer knowledge	German and local vocational education and training bodies
Training initiative for refugees in Germany	Preparation of a dual vocational education and training course through provision of finance for the courses required and support from cooperation partners of the German Confederation of Skilled Crafts (ZdH)	German companies
Partnership with the Savings Banks Foundation for International Cooperation	Capacity-building for local partner institutions in developing countries/emerging economies and support for financial institutions through the provision of needs-based banking services	Local companies
Foundation for Entrepreneurial Development Cooperation (AFOS)	Improvement of savings and credit sectors via support for the LAPO Microfinance Bank and building of their capacities in order to improve the services provided in the area of needs-based financial services	Micro, small and medium-sized enterprises (MSMEs) in the (semi-) informal sector in Nigeria
Support for direct investment	Support for direct investment via DEG	German medium-sized enterprises

Programme	Description	Cooperation partners/Who is eligible for support?
DEG, business support measures	Boosting of the development benefits of finance projects	German and European companies
Implementation of feasibility studies	Support and advice on development-related investment projects in BMZ partner countries via DEG	German medium-sized enterprises
Scaling-up programme*	Finance for innovative investments in particular; in this way, expansion of innovative business models that generate positive development results via DEG	Local, German and European SMEs
Innovation vouchers	Provision of access to advice from research and development institutions	MSMEs
Innovative cooperation strategies by the private sector	Identification, uptake and pro-motion of particularly innovative strategies by the private sector that promote development but for which there has so far been no support	German companies in particular
Sector initiatives	Identification and implementation of projects to provide support for development-oriented cooperation within individual sectors	German and European companies
Public-Private Infrastructure Advisory Facility (PPIAF)	Participation in multi-donor trust fund to advise on facilitating private sector involvement in infrastructure projects in developing countries	Corresponding ministries in the partner country
Employment for Sustainable Development in Africa (E4D)*	GIZ projects that assist development partnerships with the private sector in eight countries. Objective: to improve employment situation	Local companies and German/European companies with local subsidiaries
Integrated development partnerships with the private sector (iDPPs)*	Financing of partnerships that are incorporated into existing GIZ projects in partner countries	German and international SMEs
German Desk*	A German 'desk' at banks in partner countries	
Centre for International Migration and Development (CIM)*	Placement of international experts and managers with employers in partner countries of international cooperation	German and European experts, returning local experts who have trained or worked in Germany
MakeIT*	Joint initiative by German DC and the digital economy to strengthen technical entrepreneurship in developing countries by establishing cooperation arrangements	German and European companies in particular
Competitive African Cotton Initiative Phase II/Coffee Partnership for Tanzania*	Second phase of the programme to boost incomes of African cotton and coffee growers	German and European companies in particular
lab of tomorrow*	Support for companies that wish to develop business ideas into potential projects in developing countries	European companies
PPP Fund for Fragile States of West Africa*	Initiation by GIZ of development partnerships with the private sector in Côte d'Ivoire, Guinea, Liberia and Sierra Leone.	International and local companies
Structured funds and large-scale infrastructure and financial sector projects*	Mobilisation and combination of private and public capital through the participation of private sector companies, investors, foundations and commercial banks in cofinancing arrangements	German and European companies
More export credit guarantees for Africa*	Expansion of the scope of the 'Hermes' programme in five countries so that goods and services for public purchasers can be covered by German government export credit guarantees.	German exporters

Source: authors' own; \* indicates that the programme/initiative does not appear in the list of current measures to promote cooperation with the private sector provided by Division 114.

## 5.4

## Financial data on the develoPPP.de programme

## DEG – Use of funds and administrative costs

	2009	2010	2011	2012	2013	2014	2015	Ø 2009–2015	Ø 2013–2015
Use of funds, total	12,233,945 €	15,660,000 €	14,433,885 €	16,360,000 €	15,175,000 €	15,640,985 €	14,683,000 €	14,883,831 €	15,166,328 €
Administrative/ management costs (total)	3,118,442 €	2,781,134 €	2,775,298 €	3,034,010 €	2,984,789 €	2,894,643 €	2,837,508 €	2,917,975 €	2,905,647 €
Travel expenses	104,570 €	162,418 €	165,363 €	222,265 €	172,855 €	115,840 €	107,352 €	150,095 €	132,016 €
Personnel costs	975,832 €	896,659 €	997,648 €	1,145,222 €	1,009,827 €	1,035,370 €	1,234,740 €	1,042,185 €	1,093,312 €
Other administrative costs	2,038,040 €	1,722,058 €	1,612,287 €	1,666,523 €	1,802,107 €	1,743,433 €	1,495,416 €	1,725,695 €	1,680,319 €
Use of funds less administrative costs	9,115,503 €	12,878,866 €	11,658,587 €	13,325,990 €	12,190,211 €	12,746,342 €	11,845,492 €	11,965,856 €	12,260,682 €
Administrative costs as % of use of funds	25.5 %	17.8 %	19.2 %	18.5 %	19.7 %	18.5 %	19.3 %	19.6 %	19.2 %

Source: Information disclosed by DEG

## GIZ – Use of funds and administrative costs

	2009	2010	2011	2012	2013	2014	2015	Ø 2009–2015	Ø 2013–2015
Use of funds, total	12,268,473 €	15,703,904 €	14,268,940 €	16,808,514 €	14,170,284 €	14,425,443 €	15,950,832 €	14,799,484	14,848,853 €
Administrative/ management costs (total)	n. a.	n. a.	n. a.	n. a.	2,146,323 €	2,429,533 €	2,685,133 €	n. a.	2,420,330 €
Travel expenses	n. a.	n. a.	n. a.	n. a.	35,869 €	43,392 €	61,862 €	n. a.	47,041 €
Personnel costs	n. a.	n. a.	n. a.	n. a.	1,476,544 €	1,703,645 €	1,885,388 €	n. a.	1,688,526 €
Other administrative costs	n. a.	n. a.	n. a.	n. a.	633,910 €	682,497 €	737,883 €	n. a.	684,763 €
Use of funds less administrative costs	n. a.	n. a.	n. a.	n. a.	12,023,961 €	11,995,910 €	13,265,699 €	n. a.	12,428,523 €
Administrative costs as % of use of funds	n. a.	n. a.	n. a.	n. a.	15.2 %	16.8 %	16.8 %	n. a.	16.3 %

Source: Information disclosed by GIZ

## sequa – Use of funds and administrative costs

	2009	2010	2011	2012	2013	2014	2015	Ø 2009–2015	Ø 2013–2015
Use of funds, total	1,739,635 €	2,007,969 €	2,530,171 €	2,671,530 €	2,954,412 €	2,869,339 €	2,623,283 €	2,485,191 €	2,815,678 €
Administrative/ management costs (total)	289,939 €	334,662 €	421,695 €	445,255 €	492,402 €	478,223 €	437,214 €	414,199 €	469,280 €
Travel expenses <sup>53</sup>	2,037 €	1,991 €	4,245 €	3,003 €	4,978 €	5,073 €	n. a.	3,555 €*	5,026 €*
Personnel costs	262,931 €	324,662 €	357,631 €	402,041 €	306,315 €	331,051 €	n. a.	330,772 €*	318,683 €*
Other administrative costs	45,872 €	61,171 €	68,758 €	62,567 €	72,492 €	82,134 €	n. a.	65,499 €*	77,313 €*
Use of funds less administrative costs	1,449,696 €	1,673,308 €	2,108,476 €	2,226,275 €	2,462,010 €	2,391,116 €	2,186,069 €	2,070,993 €	2,346,398 €
Administrative costs as % of use of funds	16.7 %	16.7 %	16.7 %	16.7 %	16.7 %	16.7 %	16.7 %	16.7 %	16.7 %

Source: Information disclosed by sequa

## 5.5

### Overview of programme objectives and criteria set down in the develoPPP.de guidelines

Objectives of the develoPPP.de programme	<ul style="list-style-type: none"> <li>• Strengthening of private sector structures in partner countries</li> <li>• Mobilisation of additional financial, HR, tangible and intangible contributions by the private sector to addressing development challenges</li> <li>• Transfer of private sector know-how and technologies to developing countries</li> <li>• Boosting of private sector investment in order to drive the development process in developing countries</li> <li>• Increase in the sustainability of development results through long-term, private sector engagement in the target country</li> </ul> <p>Overarching objective: Contribution to the Millennium Development Goal (MDG) of eradicating extreme poverty everywhere. Direct contribution to fulfilling the MDGs by driving the development of a global partnership for development (MDG 8).</p>
Possible objectives of develoPPP.de projects	<ul style="list-style-type: none"> <li>• Creation of jobs and training places</li> <li>• Improvement of labour and social standards</li> <li>• Integration of environmental and climate protection aspects in value chains</li> <li>• Improvement of the range of courses offered by training institutions</li> <li>• Improvement of water and energy utilities and of access to water and energy</li> <li>• Improvement of health care systems and of access to medical care</li> <li>• Strengthening of microfinance systems</li> <li>• Improvement of access by smallholders to markets and value chains</li> <li>• Reduction in the discrimination of women and disadvantaged sections of the population</li> <li>• Inclusion of persons with disabilities</li> <li>• Reduction of corruption</li> <li>• Design and introduction of new products, technologies and services that are related to development (pilot measures)</li> </ul>

<sup>53</sup> sequa charges lump-sum administrative costs of 20 % of the project costs up-front. It settles accounts for the actual administrative costs incurred at the end of each year. Any surpluses or deficits are first offset against the administrative costs incurred for other sequa programmes that receive BMZ support. If the overall actual costs are lower than anticipated, then the difference is repaid to BMZ (no additional payments are made to sequa if administrative costs were higher than planned). This means that the sum of the individual items does NOT reflect the overall actual administrative costs incurred.

Company criteria	<ul style="list-style-type: none"> <li>• The following companies are eligible to apply: German and European companies and companies in developing countries in which European citizens or companies that are registered in the EU hold a stake of at least 25%.</li> </ul> <p>Minimum requirements for companies:</p> <ul style="list-style-type: none"> <li>• Annual turnover of EUR 1 million</li> <li>• 10 employees</li> <li>• Three years of business operations</li> </ul>
Project criteria	<ul style="list-style-type: none"> <li>• Compatibility with development goals: Relevance to development, protection of the environment and social responsibility must be clear; positive criteria: projects in LDCs, and/or projects whose targets groups include disadvantaged sections of the population</li> <li>• Complementarity: Public and private contributions should complement each other in such a way that cooperation enables both partners to achieve their respective objectives more quickly, more effectively and more cost-efficiently.</li> <li>• Subsidiarity: A public-sector contribution will only be made to the develoPPP.de programme if: (1) the private sector partner would not otherwise implement the develoPPP.de project without the public partner; (2) the develoPPP.de project is not required by law; (3) the develoPPP.de project gives rise to an appropriate economic development benefit for the developing country that exceeds any commercial benefits to the private partner.</li> <li>• Competitive neutrality: The terms and conditions of entry to the programme are the same for all companies; competition is not distorted and there is a clear and transparent selection process.</li> <li>• Contribution of the private sector of at least 50% of the project's overall costs.</li> <li>• The company's commercial interests are clearly recognisable.</li> <li>• Sustainability: A develoPPP.de project must be embedded in the company's long-term sustainable involvement in the developing or emerging country. Sustainability beyond the end of the project term plays a major role.</li> </ul>
Qualitative criteria for strategic development partnerships with the private sector	<ul style="list-style-type: none"> <li>• high level of innovation and replicability</li> <li>• above-average structure-building results</li> <li>• broad-based impact</li> <li>• multi-stakeholder approach</li> </ul>
Other criteria for strategic development partnerships with the private sector	<ul style="list-style-type: none"> <li>• Strategic Projects (DEG): one or more partner countries in one or several developing countries; total project funding of at least EUR 750,000</li> <li>• Strategic Alliances (GIZ): at least two partner countries in a minimum of two developing countries (in 2015 the additional criteria for Strategic Alliances were dropped); total project funding of at least EUR 750,000</li> </ul>

Source: authors' own, based on develoPPP.de guidelines

## 5.6

## Overview of differences between the various forms of development partnerships with the private sector

Development partnerships with the private sector						
Traditional				Strategic		
Form of development partnership with the private sector	1	2	3	4	5	6
Imp.org.	DEG	sequa	GIZ	GIZ	DEG	GIZ
Amount	Public funding of up to 200,000 €				Total project funding of at least 750,000 €	
Project criteria	Compatibility with development goals, complementarity, subsidiarity, competitive neutrality, contribution of the private sector; commercial interest, sustainability				In addition: <ul style="list-style-type: none"> <li>• high level of innovation and replicability</li> <li>• above-average structure-building results</li> <li>• broad-based impact</li> <li>• multi-stakeholder approach</li> </ul>	
					<ul style="list-style-type: none"> <li>• optional: several partner companies</li> <li>• optional: implemented in several countries</li> </ul>	<ul style="list-style-type: none"> <li>• at least two partner companies (up to 2015)</li> <li>• at least two countries (up to 2015)</li> </ul>
Type of contract	Service contract	Transfer agreement	Consulting contract/ implementation agreement	Cooperation agreement	Service contract	Cooperation agreement
Role of the imp. org.	Finance and advisory services	Finance and advisory services	Finance and advisory services	Finance, advisory services and implementation	Finance and advisory services	Finance, advisory services and implementation

Source: authors' own



## 5.7

## Team members

<b>Core team</b>	
Dr Stefanie Krapp	Head of Department
Mr Christoph Hartmann	Senior Evaluator, Team Leader
Mr Felix Gaisbauer	Evaluator
Ms Kirsten Vorwerk	Evaluator
Ms Rebecca Maicher	Project administrator

<b>Team members</b>	<b>Role and field of activity</b>
Ms Elke Caroline Demtschück	Sectoral advisor
Dr Tillmann Altenburg	External peer reviewer
Dr Markus Palenberg	External peer reviewer
Prof Jörg Faust	Internal review at DEval
Dr Martin Noltze	Internal review at DEval
Dr Kim Lücking	develoPPP.de portfolio analysis
Dr Hanne Roggemann	develoPPP.de portfolio analysis
Mr Lennart Raetzell	Consultant (Syspons GmbH), case studies
Ms Anne Kruse	Consultant (Syspons GmbH), case studies
Dr Chala Erko	Evaluator, Ethiopia
Mr Ricardo Rose	Evaluator, Brazil
Dr Milind Bokil	Evaluator, India
Mr Keerthi Laal Kala	Evaluator, India
Mr Max Anyuru	Evaluator, Uganda
Mr Ivan Ssenkubuge	Evaluator, Uganda
Ms Franziska Hoefler	Intern/undergraduate assistant
Ms Ferike Thom	Intern
Ms Christina Reitz	Intern
Ms Frida Salge	Intern
Ms Andrea Stein	Undergraduate, research assistant
Mr. Benjamin Thull	Undergraduate assistant

## 5.8 Schedule

Concept phase	<b>Preparatory phase and identification of the object of the evaluation</b>	
	03 – 04/2015	Clarification talks with representatives of BMZ and implementing organisations
	04 – 06/2015	Drafting of concept paper
	06/2015	Meetings of reference group to discuss the concept paper
Inception phase	06/2015	Finalisation of concept paper
	<b>Elaboration of programme theory and methodology</b>	
	07 – 09/2015	Drafting of the programme theory, analysis of literature and documents, portfolio analysis, the first company survey, content analysis
Data collection phase	07/2015	Workshop on reconstructing the programme theory
	10/2015	Meeting of reference group to discuss the inception report
	<b>Data Collection</b>	
Synthesis phase	07 – 12/2015	Portfolio analysis
	10 – 11/2015	Further evaluation of the content analysis and of the literature and document analysis
	11 – 12/2015	Development of the data collection tools
	11/2015 – 03/2016	Expert consultations
	10 – 12/2015	Preparation of the case studies: planning of content and logistics
	12/2015 – 01/2016	Implementation and evaluation of the pilot case study
	01/2016	Meeting of the reference group to discuss the portfolio analysis
	01 – 03/2016	Implementation of the case studies in the selected partner countries
	02 – 04/2016	Implementation of the second company survey
Reporting	<b>Data analysis</b>	
	01 – 03/2016	Elaboration of the case study reports
	03 – 04/2016	Analysis of the findings of the individual data collection methods
	04 – 06/2016	Elaboration of synthesis table for the individual data collection methods
Reporting	06/2016	Meeting of reference group to discuss specific findings, preliminary conclusions and recommendations
	<b>Writing of evaluation report and dissemination</b>	
	07 – 09/2016	Elaboration of draft report
	09/2016	Meeting of reference group to discuss the draft evaluation report
	09/2016	Submission of final version of report
	3/2017	Publication of the evaluation report
	2017	Dissemination



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