



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA  
State Secretariat for Economic Affairs SECO

## 2010 Annual Report

# The Effectiveness of SECO's Economic Cooperation and Development

Economic Cooperation and Development Division  
Evaluation and Controlling

Bern, Juli 2011





2010 Annual Report  
on  
The Effectiveness of SECO's Economic Cooperation and  
Development

*Evaluation Function (WECO)*

*Economic Cooperation and Development Division*

*July 2011*

*Content:*

- I. Foreword*
- II. Management Response to the Effectiveness Report*
- III. Position of the Evaluation Committee*
- IV. Report on the Effectiveness of SECO's Economic Cooperation and Development*

## *I.* Foreword

In order to draw lessons, disseminate knowledge and strengthen the effectiveness of its development assistance, the Evaluation Function of the Economic Cooperation and Development Division (WE) produces each year a report – *the Effectiveness Report* – on the results of its development interventions on the basis of the findings and recommendations of internal reviews and external evaluations carried out by the operational sectors. This comprehensive analysis is then used as reference to define a success rate for the WE assistance portfolio.

From a methodological perspective, the conclusions and recommendations of the 2010 *Effectiveness Report* are based on a systematic and retrospective assessment of the results of external evaluations of projects conducted over 2005 to 2010. Projects/programmes are evaluated with respect to the four DAC/OCDE criteria of relevance, effectiveness, efficiency and sustainability, on a four-point scale from highly satisfactory to highly unsatisfactory. The rating for the four criteria is consolidated in an overall rating, which is aggregated into a percentage of satisfactory projects (the top two ratings) and unsatisfactory projects (the bottom two ratings). In 2010, 26 external evaluation exercises were undertaken and used as reference. The number of external evaluations in a particular year is not representative of WE overall portfolio, though the sampling provides a good indication of the quality of WE interventions at a given time. In order to increase objectivity and reliability, the analysis of results should not be limited to a particular year but, instead, be considered in the medium-term as reflected in the aggregated results of 122 external evaluations for 2005-2010.

This year's *Effectiveness Report* examines the performance of Switzerland's Economic Cooperation and Development in implementing its aid activities (Part I) and it focuses more thoroughly on the of Capacity development initiatives of SECO/WE (Part II).

WE Management produced a response to the conclusions and recommendations of this *Effectiveness Report*. The results, recommendations of the report, as well as WE management response were then presented to and discussed with the Evaluation Committee, who formulated its position. The management response and the position of the Evaluation Committee are published jointly with the *2010 Effectiveness Report* on SECO website, as well as a short version summarising the report.

### Process:

<i>Elaboration of the Report</i>	<i>Jan. - March 2011</i>
<i>Presentation and discussion of the Report in WE Quality Committee</i>	<i>April 2011</i>
<i>WE Management Response</i>	<i>May 2011</i>
<i>Discussion of the Report and Position of the Evaluation Committee</i>	<i>June – July 2011</i>



Berne, 6 May 2011

**WE Management Response**  
**to the**  
**2010 Annual Report on the Effectiveness of SECO's**  
**Economic Cooperation and Development**

## **1. Introduction**

The 2010 report on the effectiveness of SECO's cooperation is the eleventh to be produced. It confirms the trend in place for three years now towards reinforcing the evaluation function and quality control in general within WE. The staff of WE have clear directives and specific tools at their disposal for conducting their evaluations. WE management is pleased to note that this has led to an improvement in the quality of evaluations, as found by the report, and we would like to thank the Evaluation & Controlling function as well as all of the staff of WE for their commitment to conducting quality evaluations.

WE management attaches great importance to the aid effectiveness report, the conclusions and lessons of which reflect the quality of the underlying information, i.e. the evaluation reports themselves. We would therefore like to start by expressing our satisfaction with the improvement in evaluation quality, an issue of some concern in the past. This further reinforces the credibility of the report's conclusions and recommendations, forming a sound decision-making basis for following up on the recommendations. In addition, WE management welcomes the operational divisions' continued efforts in managing and monitoring evaluations, particularly in a context placing even greater demands on the strategic and operational planning of the portfolio. It is quite clear, therefore, that all operational divisions recognise the importance of the evaluation function in meeting the somewhat ambitious standards that WE has set in terms of quality and outcomes. On this basis, and in conjunction with other monitoring resources for WE's projects, the present report provides an excellent point of reference. As such, it is also of use in our strategic process for drafting the next message on economic cooperation in development for 2013-2016.

## **2. Response to the report's conclusions and recommendations**

With respect to portfolio performance, we note that the trends observed in recent years have been confirmed, i.e.:

- a certain degree of continuity in the overall "success rate", with four out of five WE projects considered satisfactory;
- confirmation on the relevance and effectiveness of the projects as a whole;
- the difficulty in measuring and attaining the sustainability objectives;

State Secretariat for Economic Affairs SECO  
Jean-Luc Bernasconi  
Holzikofenweg 36, 3003 Bern  
Tel. +41 31 324 08 18, Fax +41 31 324 09 54  
jean-luc.bernasconi@seco.admin.ch

- some outstanding questions concerning the efficiency of the projects (with respect to the resources invested), particularly concerning the methodology.

These distinct trends reflect the findings of the other (albeit few) development agencies that engage in similar aggregate reporting on their portfolio. There are limits to such an exercise: as with all aggregate studies, the averages disclosed are only a partial reflection of the information and experiences found. Nonetheless, we firmly believe that such reporting is crucial. Thanks to this report, for instance, WE can provide systematic, well-established monitoring of all of the performances in the portfolio. This report also presents an opportunity to identify the key findings for improving our monitoring and evaluation system.

We note that, as shown in the 2010 report, a number of evaluations with an unsatisfactory evaluation are mid-term evaluations (page 7). We must therefore stress the importance of defining clear and distinct phases for each project, after which the objectives and outcomes are reassessed with a view to possibly readjusting, realigning or even interrupting the project if necessary. For the more complex or risky projects, we will thus encourage the teams to include an inception phase and mid-term evaluations that will offer such flexibility.

As in our response to the 2009 report, we would again like to highlight here our main observations and priorities for monitoring, without necessarily elaborating further on all of the recommendations in the attached table.

- (1) Concerning the **relevance of the operations** evaluated, ultimately this reflects the relevance of WE's strategic and thematic directions. This is quite reassuring as to the appropriateness of our processes for defining strategic priorities: first with regard to the institution as a whole, in the messages to Parliament accompanying the framework credit applications, but also in the formulation of strategies per country approved by the Federal Council. We have tended to favour relatively short strategy-definition processes, and the relevance of our portfolio would appear to corroborate this approach, which we intend to repeat for implementation of the next framework credit. Nonetheless, WE must also review its thematic priorities with respect to the international context and the needs of its partner countries. In this respect, the lessons drawn from the financial and economic crisis as well as, more recently, the "Arab Spring" confirm the overriding importance of economic issues for development but also present an opportunity to adjust or realign our themes towards certain emerging priorities.
- (2) The **effectiveness** of our operations is also evaluated positively, even if many evaluation reports still only measure the attainment of objectives in terms of immediate project outputs. With the efforts made in recent years to make more systematic use of logframes in project preparation and a gradual adaptation of the monitoring systems to take account of the results during project implementation, we expect the evaluation reports to provide more comprehensive details in the future on the outcomes or even the impact of our intervention. We must stress here that the success of our results-based management also depends on the quality of cooperation with our implementation partners and beneficiary partners in the various countries. WE is committed to spreading the use of results-based management among our partners. One example of this is

the IMF's complete overhaul of its monitoring systems for technical assistance projects, continuously supported by WE over the past few years.

- (3) The more mixed results in terms of **efficiency** are a source of concern but also of some confusion in that the relatively high rate of unsatisfactory results seems to be largely due to two factors: (i) project implementation taking longer than originally forecast, and (ii) deficiencies in the monitoring systems that prevent a full analysis of the portfolio's cost-effectiveness. However, the report does not give any indication of the relevance of input costs with respect to the results attained. As to project duration, we have instructed the operational divisions to be more realistic in this respect. One major difficulty that WE faces with regard to the monitoring systems is the implementation partners' budgetary and financial information systems, which frequently do not permit a detailed analysis by activity within a project. WE regularly raises this issue in its institutional dialogue with the implementing agencies, but often these systems are simply too inflexible, particularly in the case of international organisations. WE management thus proposes to examine this question of efficiency on the basis of projects directly executed by WE, so as to identify the specific measures that could be taken to remedy the situation.
- (4) Finally, the question of **sustainability** was studied in depth in the 2009 report. Here, too, the success rate should be improved. We should be aware, however, that the sustainability objectives should not be overly ambitious. We also note with interest that three of the four ex-post evaluations gave sustainability a satisfactory rating. This is quite gratifying, given that such evaluations are ultimately the most appropriate means of measuring project sustainability. Nonetheless, we will continue our efforts initiated last year to implement the recommendations from the 2009 report (see attached tables).

Concerning the **recommendations from the 2010 report**, also attached, we would like to highlight the following points:

- (1) **Strengthening of the monitoring system:** This is already underway with the updating of the project records. Apart from the information systems, however, we will encourage the allocation of sufficient resources for monitoring in the projects' own budget. This could be translated into external support (outsourcing), for example. It should be noted here that additional resources will increase the project cost and that there is thus a trade-off between lower costs and better performance in terms of results or sustainability, for example. As to silent partnerships, although we certainly do not wish to exclude these, they are not really in keeping with WE's operational philosophy. We firmly believe that WE's staff are an important source of added value in implementation through their interaction with the projects' partners. This is also a source of institutional learning and knowledge generation for the organisation. We are thus more in favour of reducing the number of projects but continuing to play an active role in them, seizing any opportunities as lead donor that may arise. However, we completely agree with the recommendation to give our representations on the ground more responsibility in project monitoring. The new format of reporting by country, as adopted by our representations, is a step in this direction, placing the emphasis more on results than on activities.

(2) **Reinforcing sustainability:** Here, we propose to continue with the implementation of last year's main recommendations, i.e.:

- integration of sustainability objectives in the projects' objectives. The project proposal should include information on the technical, institutional and financial sustainability upon completion of the projects, thereby systematically addressing the issue of exit strategies (in the case of success);
- a better analysis of the stakeholders (public partners, final beneficiaries, private sector, etc.) of each project and the incentive mechanisms in place to produce the expected result.

This type of question is already the focus of discussions within the Operations Committee, which examines the projects at the outset.

(3) **Evaluation procedures:** WE management supports the recommendation to conduct more ex-post evaluations, provided that these are examined specifically with a view to drawing lessons for the future. In this regard, the most important lessons should also be drawn from the 2010 ex-post evaluations, particularly concerning their positive conclusions for the sustainability of the projects examined. The quality of evaluations will be maintained or even improved through the use of competitive selection procedures for evaluators, with particular attention on the specifications for evaluations. The support of WE's strategic partner in evaluation is particularly important for this point. Moreover, WE management will ensure that the division management systematically draws up management responses to external evaluations. Compliance with this requirement will be verified at the latest when a new operation is discussed in the Operations Committee.

Finally, WE management has read attentively the special section of the report on capacity development. The document provides an interesting analytical framework concerning the concept of capacity development, an issue of increasing significance within WE's projects. Nonetheless, the analysis is, in our opinion, still too general to be translated into practical recommendations. It would have been interesting, for example, to analyse the appropriateness of the various capacity development approaches used by WE (direct training, technical assistance, institutional reinforcement, secondments, on-the-job training, training the trainers, peer-learning exercises, etc.) with respect to the type of beneficiaries and their needs. The report's recommendation on drafting directives in this respect has yet to be assessed, to be done after estimating the demand from WE's staff for such tools.

The Annex shows a table outlining the recommendations from the report and the response of WE management in each case as well as a second table summarising the status of follow-up to the 2009 recommendations.





Beatrice Maser Mallor

Head of Division  
Economic Cooperation and  
Development, SECO



Jean-Luc Bernasconi

Head of Operations  
Economic Cooperation and  
Development, SECO

- Annexes: - Table summarising the recommendations from the 2010 report  
- Table showing the follow-up to the recommendations from the 2009 report



## 1. Table summarizing the implementation of recommendations from the 2010 report

Recommendations	Position and actions from management	Deadline for implementation	Responsibility
<i>When planning and implementing projects...</i>			
<p>1. To further <b>strengthen SECOWE monitoring system</b></p>	<ul style="list-style-type: none"> <li>- <i>Sufficient human resources:</i> WE-Management addresses this question in the context of the new framework credit and related discussions on human and financial resources needed to implement activities. Additional financial resources is allocated in the projects' budget to strengthen monitoring activities/skills</li> <li>- <i>Silent partnership: is not a preferred option for WE Management. We would rather focus on larger projects while retaining an active role in project steering.</i></li> <li>- <i>Wider ownership</i> of logframes by implementing partners and beneficiaries has to be ensured. This issue is carefully considered during project design and with the active support of SECOWE representations.</li> <li>- The role of <i>SECOWE representations</i> in strengthening projects' <i>monitoring</i> is clarified and strengthened. For this purpose a manual for decentralization will be developed. The Effectiveness Report is shared with each representation.</li> <li>- Guidelines on how to apply <i>financial reporting</i> as a steering and monitoring instrument will be developed.</li> </ul>	<p>2011-2012 New frame credit</p> <p>Ongoing</p> <p>Ongoing</p> <p>Mid 2011</p> <p>June 2011</p> <p>2012</p>	<p>WEMG in consultation with operational units and WECO</p> <p>WEMG + Head of divisions + WECO in Operations Committee</p> <p>Operational Divisions, WEOP</p> <p>WECO</p> <p>WECO</p> <p>WECO</p>
<p>2. To further <b>reinforce the concern for sustainability</b> in SECOWE projects</p>	<ul style="list-style-type: none"> <li>- <i>The issue of sustainability</i> is better integrated into the design (logframe) and more systematically reviewed/monitored during implementation of projects. An exit strategy for each project is defined in the project proposal submitted to the Operations</li> </ul>	<p>Ongoing</p>	<p>Operational divisions + WEOP + WECO in Operations Committee</p>

	<p>Committee.</p> <ul style="list-style-type: none"> <li>- A <i>workshop on improvement of sustainability</i> will be organized with field representatives at headquarters to exchange on experiences and best practices.</li> </ul>	WE-Retreat February 2012	WECO for Workshop
3. To identify <b>approaches/options to encourage operational divisions</b> (respectively implementing partners) to effectively use monitoring system	<ul style="list-style-type: none"> <li>- A <i>paper</i> on how to address constraints/weaknesses in the projects' cycle management will be elaborated and submitted for discussion and actions based on proposal formulated by WECO. This paper will serve as a direct input for measures to be identified (incl. possible incentives) and integrated in the new framework credit.</li> </ul>	WE-retreat June 2011	WECO with WEMG and operational divisions
<b>When managing evaluation processes...</b>			
1. To conduct <b>more ex-post evaluations</b> of SECO/WE projects	<ul style="list-style-type: none"> <li>- WE-Management supports this approach and is willing to make the necessary human and financial resources available for this purpose.</li> <li>- WECO looks at planning in the Evaluation programming and reports on results in the next Effectiveness report</li> <li>- WECO will further discuss the division of responsibility for the identification of ex-post evaluations and formulate recommendations</li> </ul>	<p>Ongoing</p> <p>April 2012</p> <p>Autumn 2011</p>	<p>Heads of Operational Divisions</p> <p>WECO</p> <p>WECO</p>
2. To further strengthen the <b>quality of SECO/WE evaluation reports</b>	<ul style="list-style-type: none"> <li>- SECO/WE operational divisions should at least invite 2-3 consultancy firms to submit an offer for any external evaluation. In the tendering process, SECO/WE should pay a special attention in the complementarity of the evaluators' skills in subject-specific knowledge and in evaluation methodology.</li> </ul>	Ongoing	Head of operational Divisions
3. To enhance and promote the <b>systematic use of evaluation lessons learned</b>	<ul style="list-style-type: none"> <li>- SECO/WE systematically produces a <i>management response</i> at the end of an evaluation exercise.</li> <li>- New project phases will only be approved by the OpK if a management response is available when an external evaluation has been conducted.</li> </ul>	<p>Ongoing</p> <p>Ongoing</p>	<p>Head of operational divisions + WEOP</p> <p>Head of operational divisions + WEOP</p>

	<ul style="list-style-type: none"> <li>- A wider dissemination of evaluation findings internally and externally takes place</li> <li>-</li> </ul>	Ongoing	Head of operational divisions + WEOP
<b>Regarding Capacity Development (CD)...</b>			
1. To design a more <b>systematic approach for SECO/WE support to CD activities</b>	<ul style="list-style-type: none"> <li>- With external support, the need for operational guidelines will be evaluated to guide effective inclusion of CD components in SECO/WE activities</li> <li>- Formulation of checklists/guidelines and example of best practices for design and implementation of projects</li> </ul>	Autumn 2011	WECO with operational divisions and external support
		Autumn 2011	WECO with operational divisions and external support
2. To reinforce the <b>monitoring of CD activities</b>	<ul style="list-style-type: none"> <li>- In the identification/selection of ex-post evaluations, a special attention will be given to CD activities in order to identify lessons and results.</li> <li>- Elaborate a simple guide and examples (success stories) of CD-monitoring tools / projects.</li> </ul>	Ongoing	Operational divisions with WECO
		Autumn 2011	WECO with operational divisions and external support

## 2. Status of implementation of the 2009 recommendations

Recommendations	Position and actions from management	Deadline / Responsibility	Status
<p>- SECO/WE should pursue its efforts to further <b>strengthen its monitoring system</b></p>	<p>- WE Management ensures that logframes will be better designed and will include indicators with baselines and will systematically serve as references for reporting purposes.</p> <p>- Logframes are included in the agreements and contracts with partners and executing agencies. Roles and responsibilities concerning their use in reporting is clearly defined. Also, WE operational divisions will assess the related capacity and business practices of implementing partners when selecting them.</p> <p>- A new internal monitoring system is established to ensure regular reporting during implementation on projects' status vs. their intended outcomes, as well as on the status of implementation risks.</p> <p>- WE Management is committed to reduce the number of projects under responsibility of each program officer in order to dedicate - <i>if possible</i> - more time for monitoring activities</p> <p>- A specific training on Results-based management (RBM) will be organised for National Program Officers (NPOs) responsible for SECO projects in partner countries</p>	<p>Ongoing / WEMG and Heads of WE divisions</p> <p>Ongoing / WEMG and Heads of WE divisions</p> <p>End 2010 / WEMG and WECO</p> <p>Ongoing / WEMG and Heads of WE divisions</p> <p>November 2010 / WECO</p>	<p>Quality of logframes has improved but there is further room for further improvement / KEK backstopper is actively used by operational divisions / main constraints: capacities of external implementing partners to provide logframes of good quality</p> <p>TORs and contracts are systematically screened to ensure reference to logframes. capacities and systems of executing agencies remain an issue.</p> <p>New Monitoring-Fiches are being introduced in 2011. These fiches shall contribute to a "management cockpit of projects implementation status".</p> <p>Ongoing. Will be mainly addressed in the context of the discussion on the new framework credits.</p> <p>Done and evaluated with a high rate of success by participants.</p>

<p>- SECO/WE should <b>reinforce the concern for sustainability</b> into the design and implementation of projects</p>	<p>- The curriculum of the introductory courses run by SECO/WE on M&amp;E will be reviewed to allocate a module on "Project Sustainability"</p> <p>- Project proposals submitted to the SECO/WE Operations Committee should describe the exit strategy (with the relevant assumptions to be monitored in the course of project implementation) and provide an assessment of the plausibility of sustainability against the criteria of results, institutional and financial sustainability</p>	<p>End 2010 / WECO</p> <p>Gradually enforced in the course of 2010 / Heads of WE divisions; quality control WEOP, WECO</p>	<p>A light version of the introductory course was undertaken in 2010. For the next training in 2011, this focus on sustainability will be considered under "specific topic". For 2011, it is also foreseen to address this question in the workshop organized with SECO staff detached in SECO priority countries.</p> <p>Ongoing. Exit and phasing options are systematically discussed, but it is not always possible to foresee exits for all projects at entry.</p>
<p>- In order to create a culture of more robust results-based management, SECO/WE needs to create new incentives for operational divisions</p>	<p>- SECO/WE will consider options for establishing an adequate incentive scheme to reward results-based program management</p>	<p>End 2010 / WEMG and WECO</p>	<p>Due to staff constraints in 2010, this was briefly addressed in WE retreat in September 2010 and will be further elaborated in 2011.</p>
<p>- The type of evaluations conducted should be reviewed in favour of <b>more ex-post evaluations.</b></p>	<p>- Each of SECO/WE's operational divisions will effectively plan one ex-post evaluation to be conducted in the next two years</p>	<p>June 2010 / WEMG and WECO</p>	<p>Ongoing. In 2010, 4 ex-post evaluations were conducted. For the future, the question of the division of responsibility between the evaluation function and the operational units for the identification and selection of ex-post evaluation should be further discussed to strengthen independence and representativity.</p>
<p>- The <b>quality of SECO/WE's evaluations</b> should be improved</p>	<p>- When selecting evaluation team, SECO/WE's operational divisions will ensure that sufficient</p>	<p>Ongoing / Heads of WE divisions</p>	<p>More systematic bidding processes by invitation have led to improved</p>

<p>substantially.</p>	<p>methodological competences of evaluation teams are available, which may mean contracting a team of at least two evaluators, one with technical and one with methodological expertise.</p> <p>- SECO/WE's operational divisions will not accept Evaluation reports if they do not comply with the DAC/OECD standards and the SECO/WE requirements defined in the TOR.</p>		<p>evaluation reports in 2010. This trend should be maintained.</p>
<p>- The <b>systematic use of evaluation lessons learned</b> and their impact on approaches and policy debates could be enhanced within SECO/WE</p>	<p>- A management response will be systematically produced at the end of an external evaluation exercise</p> <p>- For a new financing phase of a project, a summary of the management response of the evaluation (if an evaluation was conducted) will be an integral part of the note to SECO/WE Operations Committee</p> <p>- WECO will examine the need to establish a system to track the implementation of the evaluation recommendations, in line with best practices of other donors and after taking into consideration related administrative costs.</p>	<p>Ongoing / WEMG and Heads of WE divisions</p> <p>Ongoing / WEMG and Heads of WE divisions</p> <p>End 2010 / WECO</p>	<p>Ongoing. Management responses are still not produced for each evaluation report. WECO should also identify a system, which allows for a more systematic reporting (management responses are sometimes elaborated in a different year than the one of the evaluation report).</p> <p>This is generally done and introduced as part of the proposal to the Operation Committee.</p> <p>Done. A proposal was submitted to and approved by SECO Quality Committee and External Evaluation Committee.</p>



**Position of the External Committee on Evaluation on the  
2010 Annual Report on The Effectiveness of Switzerland's  
Economic Cooperation and Development  
and SECO/WE Management Response**

During its sixth meeting on June 24, 2011 the External Committee on Evaluation (the Committee) discussed the 2010 Annual Report on the Effectiveness of Switzerland's Economic Cooperation and Development as well as the Response by SECO/WE Management to its main findings and recommendations. The Committee welcomed the report as well as its special focus on capacity development (CD) in SECO/WE programs. CD is a key objective within most development interventions that unfortunately has in general under-performed. Successful CD interventions are based upon good context and institutional analysis that require adequate human resources and in-depth local knowledge. The Committee noted that the findings and recommendations of the Report as well as the Management Response are consistent with those included in the two previous annual Effectiveness Reports. This refers especially to the overall "success rate" of ongoing operations, with four out of five WE projects considered satisfactory. The results achieved in 2010 have to be seen as a continuum and are part of a medium-term process aimed not only at assessing the overall quality of SECO/WE portfolio but also at creating within SECO/WE a solid culture of result-based management. This implies a more realistic approach of assumptions and time-frames during program and project design as well as implementation and an adequate monitoring of implementation progress through appropriate indicators of result. This effort will require continued Management leadership on the internal change process and in pursuing past efforts. The decentralization process started recently by SECO/WE in seven priority countries offers new opportunities, in particular to further improve the ongoing supervision and monitoring activities as well as learning processes.

The rigor, transparency, quality and self-criticism of the 2010 Effectiveness Report conclusions and recommendations are fundamental ingredients to its overall credibility not only vis-à-vis SECO's staff and management but especially parliamentarians, and public opinion. In this respect the Committee considers that the 2010 Effectiveness Report is a credible and good report that has the merit to highlight results in an aggregate way according to an internationally agreed and well established evaluation methodology. It presents an honest assessment of SECO/WE portfolio and performance not only in 2010 but also during the longer period 2005-2010. In doing so it focuses on relevant lessons learned and provides a useful outlook for 2011. In the second part it analyses critically the delivery of capacity building in SECO/WE programs and identifies key issues at areas for improvement. Therefore it constitutes a very useful document in view of the drafting of the next SECO/WE Message and the upcoming parliamentary debates for a new framework credit for development cooperation during the period 2013-2016. Demonstrating lasting development results and the efficient use of development resources while also acknowledging honestly that in the development business not all risks can always be mitigated effectively is of fundamental importance.

Like SECO/WE Management, the Committee was pleased that the overall strengthening of the evaluation function and quality control within SECO/WE – in particular through the hard work on the Evaluation & Controlling function -- has led to substantive improvements in the overall quality of SECO/WE evaluations. The Committee endorsed the main findings and recommendations of the Report and the Response by SECO/WE Management. It focused its discussion primarily on four issues that it considers especially important: (i) the influence of political economy on the results of SECO/WE programs and projects and the need to ensure its inclusion and analysis in future independent evaluation reports; (ii) the causes of unsuccessful projects and programs and the rationale of the ambition (or lack of it) of further improving the rate of successful SECO/WE projects and programs; (iii) mutual interaction and trade-offs between effectiveness and sustainability of results; and, (iv) content of the 2011 Effectiveness Report, in particular whether to deepen the analysis on efficiency issues.

The Committee discussed the influence of political economy of reform on the activities promoted by SECO/WE and its development partners. Difficulties in achieving lasting impact are often due to local vested interest, rent-seeking behavior, etc. by government officials. While public-private sector partnership is sometimes one of the means of overcoming resistance to reform, one has to acknowledge that success cannot be guaranteed. The Committee considers therefore that the impact of political economy on the SECO/WE programs and projects should be better analyzed and explained in future independent evaluation reports, especially with respect to the sustainability of their results in terms of outcome and impact.

The Committee stressed that for SECO/WE, as for all international development partners, achieving a success rate higher than the current 75% to 80% of satisfactory projects and programs is theoretically desirable. But such an objective could become counterproductive. Development business means mostly taking high risks – hopefully accompanied by high rewards – in difficult country contexts and in challenging economic sectors or economic areas. Risk taking is eminently inherent to development. While understanding the reasons of failure is of key importance and further improving SECO/WE's overall performance must remain an objective per se, the Committee believes that SECO/WE should continue to take meaningful and well thought through risks. Not doing so would mean not be willing to focus on some of the most important development challenges and innovative areas of activity. This aspect requires a courageous communication effort vis-à-vis parliamentarians and public opinion.

The Committee debated the potential tension and even trade-off between efficiency and sustainability. Setting from the outset too rigid, unrealistic or rather bureaucratic efficiency objectives could conflict with the achievement of the fundamental sustainability objective. The Committee reaffirmed the importance of pursuing and ensuring sustainable results as this was analyzed and recommended in the 2009 Effectiveness Report. It underlined the need to avoid pursuing efficiency per se through a too narrow and purely technocratic approach.

Finally, with respect to next year's Effectiveness Report the Committee recommended SECO/WE Management to include in Part II an analysis of efficiency issues. The Committee encouraged the Evaluation and Controlling function to include in this analysis a comparison of the efficiency of SECO/WE multilateral as opposed to bilateral programs and projects. This could happen against the background of the potential to continue to influence positively a few highly qualified multilateral institutions as well as of the limited human resources currently available to SECO/WE. Such an analysis could also debate the option of seeking a more strategic and selective approach to portfolio by reducing the total number of ongoing programs and projects.

In conclusion: the Committee recommends the disclosure of the 2010 Annual Effectiveness Report as well as of SECO/WE Management Response and the Position of the Committee on SECO internet website. The Committee welcomes the rigor, transparency and self-criticism of this Report and considers that it constitutes a credible document that should inform and influence the forthcoming parliamentary debates for a new framework credit for development cooperation during the period 2013-2016. The Committee is aware that some of the conclusions and recommendations of this year Report are similar to the ones of the two previous annual reports. It considers that lasting improvements can realistically be achieved only in the medium-term. It encourages management and staff to continue their efforts and is prepared to continue focusing and monitoring progress achieved in this crucial area.

Chairman of the External Evaluation Committee:



Pietro Veglio

Committee Members:

Gilles Carbonnier

Susanne Grossmann

Felix Gutzwiller

Christoph Stückelberger





## **2010 ANNUAL REPORT**

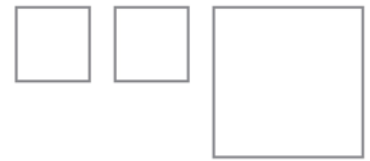
on

# **THE EFFECTIVENESS OF SWITZERLAND'S ECONOMIC COOPERATION AND DEVELOPMENT**

**Economic Cooperation and Development Division  
Evaluation and Controlling (WECO)**

**April 2011**





## Table of contents

Executive Summary	p. 3
Introduction	p. 4

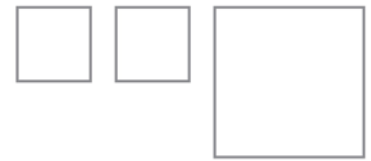
### Part I Assessing SECO/WE's performance

1. SECO/WE's evaluation system in the international context	p. 4
2. SECO/WE's portfolio performance in 2010 and in the period 2005-2010	p. 6
2.1 Evaluation exercises conducted in 2010	p. 6
2.2 Methodology applied in the performance analysis	p. 7
2.3 Detailed results from the 2010 external evaluations	p. 7
2.4 2010 results according to the DAC criteria	p. 9
2.5 Quality of evaluation reports	p. 10
2.6 Results of the 2010 internal reviews	p. 11
3. Lessons learned and conclusions	p. 12
4. Recommendations	p. 14
5. Outlook for 2011	p. 15

### Part II Capacity development (CD) in SECO/WE programmes

1. Introduction	
1.1 Analysis of CD in SECO/WE programmes/projects	p. 17
1.2 Experiences of other donors	
2. Delivery of CD in SECO/WE	p. 18
2.1 Forms and dimensions of CD	p. 18
2.2 Results: Monitoring and sustainability	p. 19
3. Key issues of CD: Increasing effectiveness	p. 19
3.1 Key issues and areas for consideration in SECO/WE activities	p. 19
3.2 Level of influence and relevance of CD	p. 20
3.3 Types of clients	p. 21
3.4 Context/system in which CD is carried out	p. 22
3.5 Form of CD support	p. 22
3.6 Sustainability	p. 23
4. Conclusions and recommendations	p. 24
4.1 Need to promote the issue	p. 24
4.2 Recommendations	p. 24





## Executive Summary

Continuing on from previous reports, this year's Effectiveness Report examines the performance of Switzerland's Economic Cooperation and Development in implementing its aid activities (Part I). The thematic part in the second half of the report focuses more thoroughly on the assessment of capacity development in SECO/WE programmes (Part II).

### Part I – Assessing SECO/WE's performance

The success rate of SECO/WE's portfolio in 2010 is estimated at 73% satisfactory projects, according to 26 external evaluations. This performance level confirms the high quality of SECO/WE's portfolio – as also reflected in the 2005-2010 analysis, where 77.1% of the 122 projects evaluated are considered satisfactory. The improved quality of the evaluation reports in 2010 is a very positive development.

Similarly to previous years, the results for 2005-2010 reveal certain areas of success, mainly with respect to relevance and effectiveness. In terms of efficiency and sustainability, some of the concerns and weaknesses identified in previous reports remain and call for renewed commitment and action.

Nonetheless, considering the internal and external constraints that SECO/WE faces in conducting its development activities, it is estimated that it achieves good and credible results comparable to previous years and largely in line with the performance achieved by other donors and multilateral institutions.

While recognising the good performance achieved by SECO/WE and the challenges faced in obtaining results, this 2010 Effectiveness Report recommends that SECO/WE should persist in its efforts to implement the recommendations from previous reports, so as to i) further strengthen the monitoring system, ii) reinforce the concern for sustainability and iii) identify approaches/options to encourage operational divisions (or implementing partners) to use monitoring systems effectively in managing projects. Regarding evaluation approaches, it suggests that SECO/WE should i) maintain the commitment to undertake more ex-post evaluations, ii) consolidate the improvement in the quality of evaluation reports and iii) step up the systematic utilization and dissemination of evaluation lessons learned.

### Part II – Capacity development in SECO/WE programmes

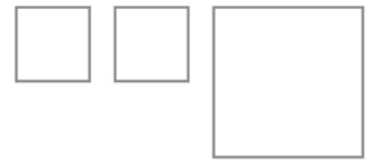
Capacity development (CD) as a key element within most development interventions has underperformed across the board internationally. The importance of finding effective and appropriately resourced ways of engaging in CD is prominent within Aid Effectiveness reforms. However, it is clear that there is no magic bullet for CD monitoring and evaluation.

Most SECO/WE-funded projects include capacity development. Interventions are usually aimed at individuals or specific elements of the system or of organizations. Results of CD projects are reported in the form of tangible outputs, though the reporting of outcomes is something of a challenge. Sustainability of CD interventions is often not assured, related in most cases to the design of the CD intervention.

To increase the effectiveness of its CD interventions, SECO/WE needs to consider the influence it has on the design, implementation and monitoring of CD projects under the different implementation modalities. Due consideration should be given to the levels of influence, the type of clients/partners and their needs, an understanding of the context, and the form of support and sustainability.

There are good reasons for SECO/WE to further enhance the effectiveness and the sustainability of its CD interventions. Recommendations focus on monitoring CD outcomes and on addressing CD-specific concerns more systematically in the design and implementation of projects and programmes.





## Introduction

This 2010 edition of the annual Effectiveness Report of Switzerland's Economic Cooperation and Development comes at a strategically important time both nationally and internationally. In Switzerland, the upcoming parliamentary debates for a new framework credit for development cooperation (2013-2016) will focus some attention on the demonstration of development results and on the effective and efficient use of development resources. Internationally, aid effectiveness and managing for development results will also be high on the agenda of the High Level Forum of the OECD/DAC in Korea in December 2011, where achievements and lessons learned in the implementation of the Paris Declaration and its related Accra Agenda for Action will be reviewed against the global objectives of better aid quality and more stringent development results.

Continuing on from previous reports, this year's Effectiveness Report examines the performance of Switzerland's Economic Cooperation and Development in implementing its aid activities (Part I) and focuses more thoroughly on the assessment of capacity development in SECO/WE programmes (Part II).

## Part I: Assessing SECO/WE's performance

### 1. SECO/WE's evaluation system in the international context

SECO/WE's Evaluation Policy and the independence of its Evaluation function comply with best practices and international standards and facilitate the conduct of rigorous evaluations. Furthermore, the work of the external Evaluation Committee contributes to the independence and quality of evaluations and to raising awareness about evaluations in SECO/WE's decision-making. Numerous challenges still remain, however, particularly in terms of acceptance and ownership of the design, monitoring and evaluation processes by SECO/WE's operational divisions, implementing partners and beneficiaries.

As we approach 2015 and the deadline for the Millennium Development Goals, with the assumption that many countries will not be able to reach them, the debate on the effectiveness of development cooperation will undoubtedly intensify in the coming years. There will be a continued need to adjust and improve evaluation policies and approaches in response to global challenges as well as increased pressure to produce more evidence-based results from a wider variety of players. Consequently, numerous development agencies have invested heavily in strengthening their capacities to assess development results. International forums working on evaluation issues, like the DAC Network on Development Evaluation, have stepped up their activities, while substantial resources have been invested in new initiatives such as the International Initiative for Impact Evaluation – 3ie.

Meanwhile, it is clear from international discussions that a number of challenges still exist. For example, the World Bank observes that, at project level, indicators still rarely measure any outcomes, baseline data are infrequently identified, and few projects collect the necessary data through monitoring activities to assess impact<sup>1</sup>. In practice, compliance officers occasionally end up in serious discussions with technical programme officers over the efforts to measure and account for additional aspects, in order to mitigate potential risks, improve efficiency and document the results achieved. This highlights the importance of designing the whole evaluation process itself, including monitoring and the follow-up to the management response, as efficiently as possible and of increasing the acceptance and ownership of the monitoring and evaluation processes by the operational divisions, implementing partners and beneficiaries.

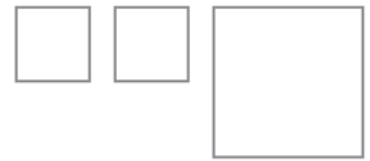
Furthermore, many donors note that additional efforts in partner countries to strengthen their institutional and individual capacities are needed simultaneously, so that domestic accountability and improved development effectiveness can also be achieved at the country level. Additional approaches like joint evaluations with

---

<sup>1</sup> The World Bank's Independent Evaluation Group (2009) : <http://www.worldbank.org/ieg/arde09/>







partner countries need to be developed, as do ways of reducing the reluctance often observed among beneficiaries to finally adopt the extensively elaborated recommendations during the evaluation process and increase their ownership in the long term.

In this context, SECO/WE has built up and consolidated over the past six years an evaluation system that contributes to improved accountability and better development results complying with international standards, such as the adoption of an Evaluation Policy and the creation of an Evaluation function that is independent of operations. With a view to further consolidating this system, and based on recommendations from previous Effectiveness Reports and the external Evaluation Committee, the following activities were undertaken in 2010:

- A **template for drafting the Terms of Reference (ToRs)** for conducting evaluations was created: Given that the ToRs are the principal guidelines for successful management of an evaluation process, this template aims at further improving the quality of evaluation reports by providing direction on key criteria and parameters to be covered in an external evaluation.
- A **system for monitoring implementation of the recommendations in evaluations was developed**: This includes the systematic formulation of a management response to independent and external evaluations and a “light” approach to monitoring the implementation of conclusions and recommendations adopted by management and operational divisions.
- A **training session on results-based management (RBM)** was given by the Swiss Federal Institute of Technology Zurich/NADEL for SECO/WE staff as well as national programme officers from field representations. This course also covered the drafting of an RBM manual, aimed at raising awareness on SECO/WE’s monitoring and evaluation instruments and processes and strengthening the understanding and use of RBM principles in managing projects/programmes.
- A specific analysis of **capacity development in SECO/WE programmes** was carried out (see Part II of this report).
- The well established **partnership with external consultancy** KEK-CDC Consulting continued, providing SECO/WE with the relevant expertise and serving as a sounding board on questions of project monitoring and evaluation.

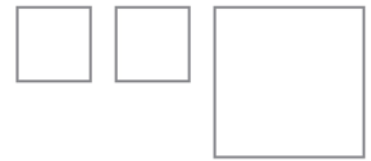
These consolidation efforts should contribute to strengthening SECO/WE’s evaluation results and expand rigorous evaluations. Due to a high level of staff rotation in the Evaluation function in 2010, it was not possible to participate actively in international discussions. Our objectives for the coming year are to reactivate regular coordination with other donors, in order to exchange experiences on monitoring and evaluation and to identify and conduct joint initiatives.

SECO/WE’s approach to evaluation is largely influenced by the work of its external Evaluation Committee (according to its terms of reference), which has been in place and active since January 2009 and whose five members report directly to SECO’s State Secretary<sup>2</sup>. After one year of operation, SECO/WE’s Evaluation function carried out a “light” assessment of the role and work of the Committee, the results of which confirmed the high level of commitment of its members. It also recognized the value added of this Committee to the evaluation work by bringing in an outside view, additional experiences and reinforcing the implementation of methods and tools in order to focus on results. In 2010, the Committee’s activities focused on approval of the programme of independent evaluations, discussion of the 2009 Effectiveness Report for Switzerland’s Economic Development and Cooperation, discussion of the independent evaluation in the energy sector, and of the joint Effectiveness Report with SDC in the area of agriculture and food security.

---

<sup>2</sup> The external Evaluation Committee is composed of Pietro Veglio (Chair), Susanne Grossmann, Gilles Carbonnier, Felix Gutzwiller and Christoph Stueckelberger.





## 2. SECO/WE's portfolio performance in 2010 and in the period 2005-2010

The success rate of SECO/WE's portfolio in 2010 is estimated at 73% satisfactory projects, according to 26 external evaluations. This performance confirms the high quality of SECO/WE's portfolio, as also reflected in the 2005-2010 analysis, where 77.1% of the 122 projects evaluated are considered satisfactory. The improved quality of the evaluation reports in 2010 is a very positive development.

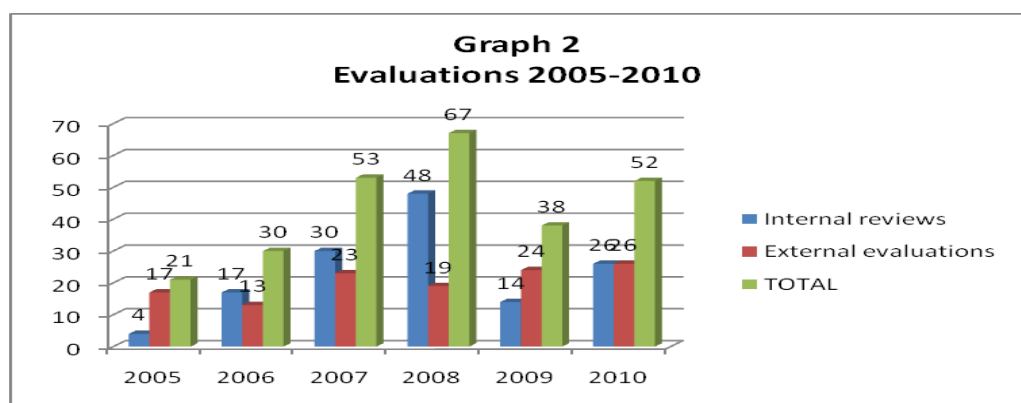
Similarly to previous years, the results for 2005-2010 reveal certain areas of success, mainly with respect to relevance and effectiveness, with well above 70% of projects being considered satisfactory. In terms of efficiency and sustainability, some of the concerns and weaknesses identified in previous reports remain and call for renewed commitment and action.

### 2.1. Evaluation exercises conducted in 2010

According to SECO/WE's typology of evaluations<sup>3</sup>, the following exercises were conducted in 2010 at the level of **SECO/WE's operational divisions**: in total, **52 evaluation exercises** were undertaken by the operational divisions in 2010, with **26 external evaluations and 26 internal reviews**. The total number thus lies between those for the previous two years (2009: 38 and 2008: 67). The number of external evaluations follows the average of 20-25 a year, with a total of 26 external evaluations used in calculating the 2010 performance rate of SECO/WE's activities. The variation in the number of internal reviews (in particular with respect to Completion Notes) conducted annually is natural and follows the lifecycle of SECO/WE's portfolio.

**Table 1**  
Evaluations conducted in 2010 by WE's operational divisions

2010	Internal Reviews		External Evaluations	TOTAL
	Completion Notes	Others <sup>4</sup>		
WEMU	4	3	6	13
WEIN	3	1	4	8
WEIF	4	0	7	11
WEHU	10	1	9	20
<b>TOTAL WE</b>	<b>21</b>	<b>5</b>	<b>26</b>	<b>52</b>

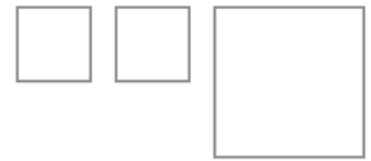


<sup>3</sup> According to its Evaluation Policy, WE recognizes three different types of evaluations: internal review, external evaluation and independent evaluation.

For more details, see <http://www.seco-cooperation.admin.ch/themen/entwicklung/00511/index.html?lang=en>

<sup>4</sup> This includes internal reviews conducted by the programme officer in charge of the project within WE or by the partner agency implementing the project.





At the level of the **SECO/WE Evaluation function**, the following independent evaluations were undertaken in 2010, under the supervision of the **external Evaluation Committee**:

- finalization and publication of SECO/WE's independent evaluation on "SECO Economic Cooperation and Development in the Energy Sector in Eastern Europe and Central Asia", available at <http://www.seco-cooperation.admin.ch/themen/01033/01130/index.html?lang=en>
- finalization and publication of the joint SECO-SDC Effectiveness Report in the field of agriculture and food security, available at <http://www.seco-cooperation.admin.ch/themen/01033/01130/index.html?lang=en>
- launch of two SECO/WE independent evaluations in the private sector (business-enabling environment) and in the financial sector, both to be available by mid-2011.

Although these exercises were managed by the Evaluation function, they also entailed substantial involvement by the operational divisions and therefore required good coordination between the operational and evaluation units. These exercises are based on the evaluation of a large portfolio of projects and therefore also contribute to identifying the strengths and weaknesses of SECO/WE's activities in a particular sector or domain.

## 2.2. Methodology applied in the performance analysis

SECO/WE's portfolio performance is assessed annually on the basis of the results of external evaluations of projects conducted during the year under review. Projects/programmes are evaluated with respect to the four DAC criteria of relevance, effectiveness, efficiency and sustainability, on a four-point scale from highly satisfactory to highly unsatisfactory. The rating for the four criteria is consolidated in an overall rating, which is aggregated into a percentage of satisfactory projects (the top two ratings) and unsatisfactory projects (the bottom two ratings) The number of external evaluations in a particular year is not representative of SECO/WE's overall portfolio, though the sampling provides a good indication of the quality of SECO/WE's interventions at a given time. In order to increase objectivity and reliability, the analysis of results should not be limited to a particular year but, instead, be considered in the medium term as reflected in the aggregated results for 2005-2010.

<b>Relevance</b>	<b>Effectiveness</b>
The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
<b>Efficiency</b>	<b>Sustainability</b>
A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results..	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.

Source: Glossary of key terms in evaluation and results-based management, OECD-DAC

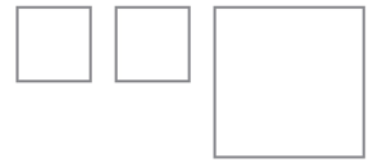
For the purpose of the 2010 Effectiveness Report, the SECO/WE Evaluation function applied the same methodology as for previous reports, using a scoring chart when reviewing evaluation reports, which provides indicative questions referred to when assessing the performance of a project/programme in terms of relevance, effectiveness, efficiency and sustainability (see Annex 1). For the assessment of each external evaluation, SECO/WE also maintained the "four eyes principle", meaning that each report was reviewed by two persons and cross-checked in order to reduce the risk of subjective personal judgement.

## 2.3. Detailed results from the 2010 external evaluations

Among the 26 external evaluations conducted in 2010, the following observations can be made:

- 31% are mid-term evaluations, 54% are final evaluations and 15% ex-post evaluations
- Regarding the geographical distribution, the majority (53.8%) of SECO/WE's evaluations are related to development activities in the South, while 15.4% and 30.8% concerned operations in the East and globally respectively, reflecting the larger financial aid volumes allocated by SECO/WE to the South and to global initiatives.





**Table 3**  
**Project performance according to the 2010 external evaluations**  
**(comparison over the period 2005-2010)**

	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	2005-10	2010	2005-10	2010	2005-10	2010	2005-10	2010
All WE	6.6%	3.8%	70.5%	69.2%	22.1	23.1%	0.8%	3.8%

The 2010 performance results are similar to those of previous years, i.e. the large majority of SECO/WE's operations are considered satisfactory, with a **success rate of 73% for 2010**. For the entire period of **2005-2010**, this **success rate is 77.1%**. According to the results of the 26 external evaluations, 23.1% of the projects were unsatisfactory in 2010 and one programme/project was rated as highly unsatisfactory.

All in all, a sample of 26 projects subject to an external evaluation cannot be regarded as sufficiently representative of SECO/WE's overall portfolio; therefore, an aggregation of data over a longer period is probably more objective. Over the period 2005-2010, 122 external evaluations were used as references, thus producing a sounder basis for the performance rate of SECO/WE's operations. It is also important to note that these yearly results are not representative of the overall portfolio of WE's activities, since the number of external evaluations varies largely from one year to the next and they cover a broad spectrum of sectors and do not reflect the current portfolio of each of SECO/WE's divisions. Moreover, the projects to be externally evaluated are not selected on a random basis, but are chosen by the operational divisions. Their decision to commission an external evaluation might be based on different needs, e.g. to take remedial measures – in order to adjust the project or to take a decision on a potential early exit or to improve the performance of a substandard project. Another justification might be to learn from past experiences in order to replicate a successful project on the basis of a recognized external evaluation, but also to account for good results. Against this background, it is interesting to note that almost half of the projects rated as unsatisfactory in 2010 were mid-term reviews, which could be considered an appropriate risk-management approach, presuming that conclusions and recommendations from the evaluation are duly taken into consideration in the further implementation of the challenging projects.

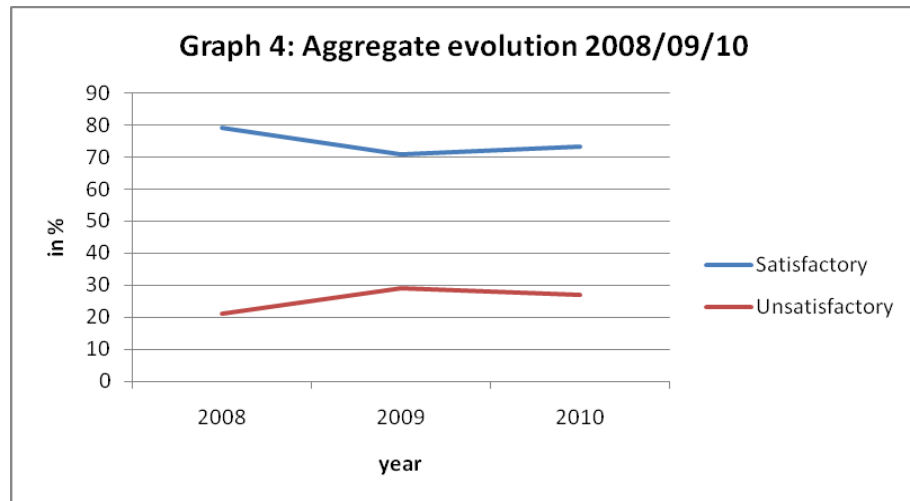
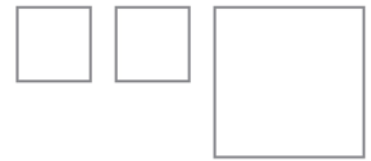
In the future, when the sampling of ex-post evaluations will be more extensive, it will be interesting to further assess the results of these evaluations in order to identify some additional lessons learned, particularly in terms of sustainability.

There is no standardized methodology for evaluating the effectiveness of a development agency's activities and there is no common definition of a performance indicator; thus, several different practices are applied within the development community. SECO's approach could, for instance, be likened to that of the World Bank in its Annual Review of Development Effectiveness.<sup>5</sup> In the most recent report, the World Bank achieves a success rate of some 80%. In the development community, it is generally accepted that a success rate of around 65-80% is probably a good, realistic target, taking account of the complex environment in which development activities are carried out. High risks in terms of country development, political environment, governance situation, natural disasters, etc. jeopardize the proper implementation and effective results of development interventions.

Over the years, SECO/WE has maintained a performance level of 70-80% satisfactory projects and 20-30% unsatisfactory projects, which can be considered relatively stable and representative of the results achieved by international peers.

<sup>5</sup> WB report available at <http://www.worldbank.org/ieg/arde09/>





#### 2.4. 2010 results according to the DAC criteria

In line with results achieved over the last six years, SECO/WE's project and programmes are rated relevant and show good results in terms of effectiveness. **92.3% of SECO/WE's interventions in 2010 were rated relevant and over 73% show good results in terms of effectiveness.** A less positive picture is drawn for efficiency and sustainability: while still **50% of the projects are seen as implemented efficiently, 53.8% of the projects externally evaluated in 2010 show an unsatisfactory assessment in terms of sustainability.** However, it is important to note that 15.4% of projects evaluated were not rated with respect to the sustainability criterion.<sup>6</sup> Even though these weaknesses have been identified in former years, addressing them is challenging and will not be visible from one year to the next. For concrete suggestions, see the conclusions and recommendations.

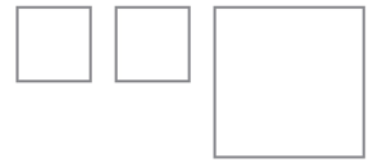
**Table 5**  
**Project performance by criteria, according to 2010 external evaluations**

2010	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory		Not Assessed / Not Demonstrated	
	Number	%	Number	%	Number	%	Number	%	Number	%
Relevance	6	23.1%	18	69.2%	1	3.8%	0	0%	1	3.8%
Effectiveness	1	3.8%	18	69.2%	6	23.1%	1	3.8%	0	0%
Efficiency	1	3.8%	12	46.2%	11	42.3%	0	0%	2	7.7%
Sustainability	1	3.8%	7	26.9%	13	50.0%	1	3.8%	4	15.4%
Total	1	3.8%	18	69.2%	6	23.1%	1	3.8%	0	0%

When analysing the development of results over the years (2005 – 2010), there is a continued trend, with **87.7% of operations being considered relevant and 78.7% of projects achieving good results.** Also, in terms of efficiency, the analysis shows some signs of continuity over the years: **56.6% of operations are considered efficient and 31.2% rated successful in terms of sustainability.** This does not mean that almost 70% of operations are seen as not sustainable, but rather shows that it is the most difficult criterion to assess, as more than 31% of operations have not been rated in terms of sustainability.

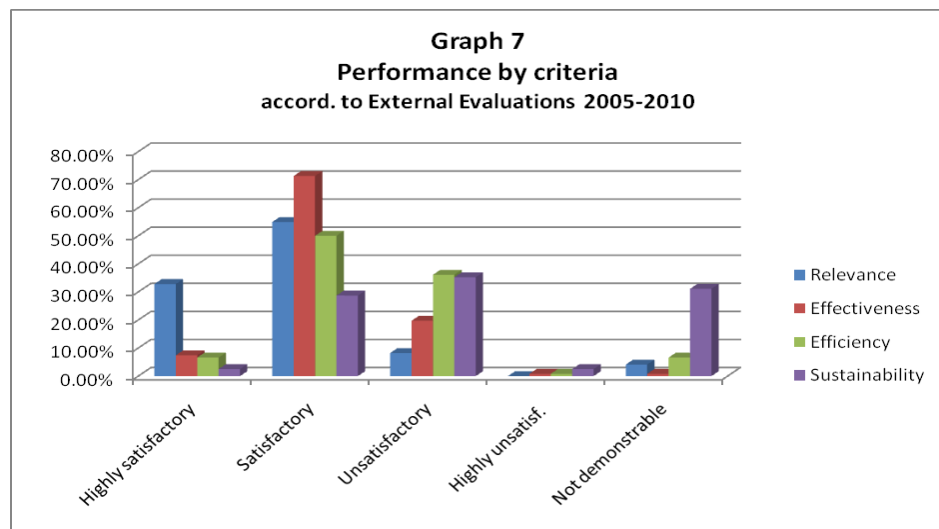
<sup>6</sup> The rating "Not Assessed/Not Demonstrated" is used either when an evaluation does not provide any assessment of the sustainability criterion or when it is too early for an evaluation to draw conclusions on the potential sustainability of a project/programme.





**Table 6**  
**Project performance by criteria, according to 2005-2010 external evaluations**

2005-2010	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory		Not Assessed / Not Demonstrated	
	Number	%	Number	%	Number	%	Number	%	Number	%
Relevance	40	32.8%	67	54.9%	10	8.2%	0	0%	5	4.1%
Effectiveness	9	7.4%	87	71.3%	24	19.7%	1	0.8%	1	0.8%
Efficiency	8	6.6%	61	50%	44	36.1%	1	0.8%	8	6.6%
Sustainability	3	2.5%	35	28.7%	43	35.2%	3	2.5%	38	31.1%
<b>Total</b>	<b>8</b>	<b>6.6%</b>	<b>86</b>	<b>70.5%</b>	<b>27</b>	<b>22.1%</b>	<b>1</b>	<b>0.8%</b>	<b>0</b>	<b>0%</b>



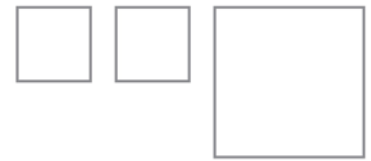
## 2.5. Quality of evaluation reports

The quality of the evaluation reports is also assessed with respect to the process, the methodology, the application of evaluation standards, the responses to evaluation questions and criteria, and the quality of the final report. The rating also applies a four-point scale, from highly satisfactory to highly unsatisfactory.

**Table 8**  
**Quality of evaluation reports in 2010 and for the period 2005-2010**

	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Number	%	Number	%	Number	%	Number	%
All WE 2010	3	11.5%	17	65.4%	6	23.1%	0	0.0%
All WE 2005-2010	33	27.0%	66	54.1%	21	17.2%	2	1.6%





The quality of the evaluation reports has improved over the last year. **While 33% of the reports were still below standard in 2009, this number dropped to 23% in 2010.** One possible reason for this positive development is the creation of a toolkit for writing terms of reference; this measure was taken by SECO/WE in 2010 to address some weaknesses in the quality of evaluation reporting. It is also possible that the training and awareness-raising conducted for SECO's operational units over the past few years, to raise the quality of evaluation reports and thus strengthen their usefulness and credibility, is bearing fruit.

## 2.6. Results of the 2010 internal reviews

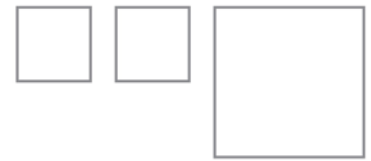
Internal reviews and completion notes were conducted for a total of 26 projects in 2010 and demonstrate a very positive picture of the overall project performance perceived by operational divisions. Staff estimated that **92.3% of their projects are satisfactory**, with only 7.7% of interventions achieving globally unsatisfactory results. In terms of the evaluation criteria, the relevance of the projects was in all cases assessed positively. While effectiveness also obtained positive results, with almost 90% of projects rated as satisfactory, efficiency and sustainability are perceived as being more critical, with an average of 20% rated as unsatisfactory for both criteria. The lower rates in terms of sustainability confirm the findings in previous years, where the long-term success of SECO's projects was identified as one of the main challenges. This can be explained in part by the fact that the sustainability of projects is difficult to assess in the short period between termination of the project and compilation of the report and is therefore assessed slightly more critically. For the most part, however, operational staff gave a strong indication that the sustainability of project activities was not guaranteed.

**Table 9**  
**Project performance according to 2010 internal reviews**

2010	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Number	%	Number	%	Number	%	Number	%
All WE	6	23.1%	18	69.2%	2	7.7%	0	0%

Since the same number of external evaluations as internal reviews were conducted in 2010, a comparison between the assessment of the SECO portfolio through the external evaluators and through the operational staff at SECO is interesting (though comparisons should be used carefully, as it was not the same projects that were evaluated externally and internally). The general comparison shows that the assessments are biased towards more satisfactory ratings when conducted internally. The operational staff considered 92.3% of their projects satisfactory or highly satisfactory in 2010, while external consultants came to this result in 73% of their evaluations. Although internal staff provides reasonable justification for their satisfaction, some of the major challenges and shortcomings mentioned in the report are not always addressed consistently in their ratings. For the coming years, it should be ensured that SECO's projects are assessed as objectively as possible by their own project officers, with a critical view on their own results and risks. This is crucial in order to ensure that important lessons and experiences are identified and thereafter effectively included in the further implementation of projects and the identification and design of new activities.





### 3. Lessons learned and conclusions

On the positive side, this year's report confirms that SECO/WE is achieving a reasonably high rate of success in its development interventions. On a more negative note, a large proportion of projects still reveal areas of concern in terms of efficiency and sustainability. Considering the internal and external constraints that SECO/WE faces in conducting its development activities, it is nonetheless estimated that it achieves good and credible results comparable with previous years and largely in line with the performance achieved by other donors and multilateral institutions. Several positive developments can also be noted in the way SECO/WE has been conducting evaluation exercises: the quality of evaluation reports has improved and a few ex-post evaluations were conducted. Improvements are still required in the tracing system adopted to follow up on the conclusions and recommendations of evaluations.

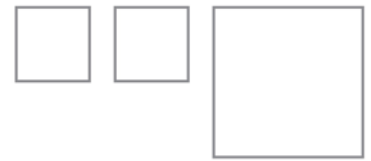
Keeping in mind any possible limitations to the methodology used, confidence in the conclusions and recommendations of this Effectiveness Report has increased over time; more than 120 externally evaluated projects are now part of the sampling process, and there is a clear continuity in the results and trends identified from one year to the next. On the positive side, this year's report confirms that SECO/WE is achieving a reasonably high rate of success in its development interventions. On a more negative note, a large proportion of projects still reveal areas of concern in terms of efficiency and sustainability. It is obvious that several years will be needed before any changes and improvement will be reported, given the average length of a project phase (3-5 years). Also, this report is now only in its third year, and the recommendations it makes will take some time to implement. Nevertheless, this year's results confirm the challenges and weaknesses previously identified and thus call for renewed commitment on the part of SECO/WE's operational divisions and executing agencies to persist in their efforts to implement the recommendations.

When reviewing the 26 external evaluation reports conducted in 2010, the main lessons learned with respect to the four DAC evaluation criteria remain similar to those of previous reports, serving as a basis for the recommendations of this year's report:

- **Relevance:** For the large majority of projects, SECO/WE's activities are highly relevant, focusing on the right area of support, well aligned with the beneficiaries' priorities and responsive to their needs and in keeping with SECO/WE's comparative advantages. Few reports, however, provide an indication of the coherence of the interventions with SECO/WE's overall strategy/country strategies, nor of their complementary nature with respect to other donors' activities.
- **Effectiveness:** SECO/WE is achieving concrete results in the implementation of its projects/programmes. While such results are well reported at output levels, evaluations, with few exceptions, are unable to demonstrate results at the level of outcomes and possible impacts due to weaknesses in project monitoring. When concrete results are achieved, they are often far from the set targets due to overoptimistic scenarios and/or an unrealistic timeframe for their achievement.
- **Efficiency:** By analysing the efficiency criteria throughout SECO/WE's external evaluations, this report considers – whenever feasible and on the basis of available information – the following dimensions (see Annex 1): How economically are resources converted into results, how efficient is the approach/mode of implementation for achieving the intended results (were objectives achieved on time?) and what is the monitoring system in place to steer, report and adjust, if necessary, the project objectives? Against this background, the way SECO/WE translates financial and human resources into activities is considered efficient, although it is not possible to conduct a cost-effectiveness analysis (there is no activity-based financial reporting in a large majority of cases). Partners are satisfied with the quality of the assistance they receive. Although project monitoring is more consistently applied throughout the project lifecycle, with log-frames more rigorously identified at the design stage, there are still weaknesses in the use of such log-frames during implementation as well as in reporting. This situation should be systematically and consistently reflected in SECO/WE's disbursement decisions to implementing partners. Considering the difficulty in evaluating this criterion and the importance of furthering strengthening the assessment itself in order to more adequately target recommendations to SECO/WE, it is recommended to give more detailed attention to this issue in next year report.







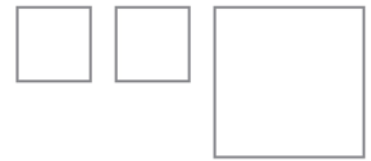
- **Sustainability:** This is the criterion that clearly shows the weakest results, although it has not worsened in the year under review. Moreover, it is encouraging to note that, of the four ex-post evaluations carried out in 2010 (regarded as more suitable for judging the sustainability of a project's achievements, given that they take place two to five years after the closing of a project), three were assessed as successful in terms of sustainability, of which one was even rated highly successful. It is important to point out that sustainability is the most difficult criterion to measure (one-third of evaluations do not provide information on the sustainability of project results), and it is also the most challenging criterion in terms of achievement. In light of these widely accepted difficulties, last year's report looked deeper into the issue and identified the following main shortcomings behind weak sustainability: unrealistic assumptions at the project outset, overoptimistic assessments of the potential to achieve sustainability, insufficient involvement of stakeholders, too little concern for the question of financial sustainability, and insufficient monitoring of critical assumptions.

In general, it can be concluded that, considering the internal constraints (such as high staff turnover and loss of institutional knowledge, inadequate levels of human resources compared with the size of SECO/WE's portfolio, limited management capacities of some implementing partners, etc.) as well as the external constraints (such as high risks at development or governance levels) in conducting its development activities, SECO/WE achieves good and credible results largely in line with the performance achieved by other donors and multilateral institutions. Regarding the weaknesses identified, it is to be expected that SECO/WE's decentralization approach – in place for more than a year now – would certainly contribute to improving some of the indicators in the forthcoming years, thanks to the proximity of SECO staff to the reality of beneficiaries, particularly in terms of strengthening project monitoring and in more rigorously identifying possible risks and inappropriate assumptions on project objectives.

Several positive developments can also be noted in the way SECO/WE has been conducting evaluation exercises. On the one hand, the quality of evaluation reports has improved, which certainly contributes to a wider acceptance of their recommendations and wider recognition of the usefulness of these exercises by the operational divisions. One possible reason is seen in the awareness-raising regarding the importance of well-developed terms of reference for evaluations combined with specific training. Another reason is most possibly the Evaluation function's recommendation to select consultants for external evaluations on the basis of an invitation to tender. As this practice shows a clear improvement in the bids received and in the skills of the consultants and an appropriate balance between technical and evaluation expertise, it is expected that the quality of the final report would also increase.

On the other hand, several operational divisions realized their commitment to undertaking ex-post evaluations. Although this practice has not yet been adopted by all divisions, the few ex-post evaluations conducted in 2010 were extremely useful in assessing certain criteria in greater depth, such as sustainability, and will also contribute largely to the further development of SECO/WE's portfolio and to the external dissemination of results achieved in the long term. On a less positive note in conducting evaluations, it should be noted that management's responses are not yet drawn up for each evaluation report, calling into question the effective use of evaluation results in project management and decision-making. Therefore, SECO/WE should first and foremost strive to manage evaluation processes of a high standard and quality, rather than increase the number of external evaluations per se.





## 4. Recommendations

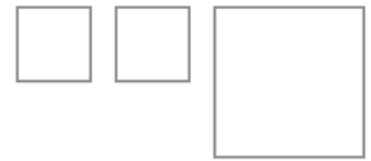
While recognizing the good performance achieved by SECO/WE and the challenges in obtaining results, this 2010 Effectiveness Report recommends that SECO/WE should persist in its efforts to implement the recommendations from previous reports so as to i) further strengthen the monitoring system, ii) reinforce the concern for sustainability and iii) identify approaches/options to encourage operational divisions to use monitoring effectively. Regarding evaluation approaches, it suggests that SECO/WE should i) maintain the commitment to undertake more ex-post evaluations, ii) consolidate the improvement in the quality of evaluation reports and iii) step up the systematic utilization and dissemination of evaluation lessons learned.

To reach sustainable results and to be able to report on these remains a challenge for all development organizations. Reasons vary from the difficulty in adequately planning and identifying realistic objectives, the complexity of monitoring the development of the project environment and getting access to reliable data on observed changes, to the intricacies of the attribution/contribution dilemma. While keeping in mind these challenges and the time required to adopt new practices at the institutional level of SECO/WE but also among executing partners and in the countries of operation, this year's recommendations call for renewed commitment by SECO/WE's management and operational divisions to implement corrective measures identified at both project planning and implementation as well as in conducting project evaluations.

### Recommendations for **planning and implementing projects**:

1. SECO/WE should pursue its efforts to further **strengthen its monitoring system** through the adoption of the following measures:
  - Sufficient resources (mainly human) should be allocated within SECO/WE's operational divisions to properly monitor project execution. Project budgets should also include specific resources allocation for monitoring tasks.
  - Silent partnership (i.e. delegating full responsibility for the monitoring of projects to a third party) should be further considered when co-funding projects with other donor agencies, so as to test an innovative approach in response to existing capacity constraints. Several models exist internationally and can be used as best examples.
  - Capacities and business practices at SECO/WE and at implementing partners should be strengthened and adjusted when needed. This report must be largely shared with implementing partners in order to raise awareness. SECO/WE must also more systematically link any financial disbursement to implementing partners with the quality and adequacy of the monitoring and reporting provided.
  - A wider ownership of logframes by implementing partners and beneficiaries should be ensured.
  - Raising awareness of the role of SECO/WE's representations in strengthening project monitoring, by sharing this report with each of SECO/WE's representations: The establishment of new representations in southern priority countries and the reinforcement of existing ones in Eastern countries should contribute to strengthening project design and reinforce the proximity of project monitoring with involved stakeholders. Expectations and room for improvement will be reflected in the Decentralization Manual to be available by mid-2011.
  - Guidelines on how to apply financial reporting and use it as a steering and monitoring instrument should be drawn up and introduced within SECO/WE (plans are for either 2011 or 2012).
2. In order to further **reinforce the concern for sustainability**, the following measures should be strengthened:
  - Integration of a concept for sustainability into the design (logframe) and implementation of projects. The most important aspect of such a concept is the definition of an exit strategy for each project at the outset, which includes realistic assumptions that are monitored in the course of project implementation. It is the responsibility of SECO/WE's Operations Committee to verify that an exit strategy and its related sustainability risks are reflected in the project proposals.





- A workshop on improving sustainability should be organized during the 2011 visit of SECO/WE field representatives at headquarters to exchange experiences and best practices and, in particular, to highlight the weaknesses identified in evaluated projects. As an expected result, concrete responsibilities with regard to the formulation and monitoring of exit strategies should be delegated to the field offices (see Decentralization Manual mentioned above).
- 3. Identifying approaches/options to encourage operational divisions to use monitoring systems effectively and efficiently so as to generate continuous information and indicators on project achievements will remain a challenge. In this regard, the definition of an encouragement approach (incentive) remains an option to be further considered and one for which experiences should be collected from other donor agencies.

Recommendations for **managing evaluation processes**:

1. SECO/WE's operational divisions should maintain their commitment to conduct **more ex-post evaluations**, as a complementary approach to obtaining real indications of the sustainability of development assistance. The human and financial resources needed should be made available for this purpose.
2. To further strengthen the **quality of evaluation reports**, SECO/WE's operational division should invite at least two to three consultancy firms to submit an offer for any external evaluation. In the tendering process, SECO/WE should pay special attention in the complementary nature of the evaluators' skills in subject-specific knowledge and in evaluation methodology.
3. In order to enhance and promote the **systematic use of evaluation lessons learned**, SECO/WE should systematically produce a *management response* at the end of an evaluation exercise. Without a management response, no new financing phases of a project should be submitted for approval to the SECO/WE Operations Committee. A *wider dissemination* of evaluation findings internally but also outside of SECO/WE to development agencies, partners, researchers, etc. should be encouraged, through the dissemination of reports, workshops, summary notes, etc.

### 5. Outlook for 2011

SECO/WE's operational divisions are planning to conduct a total of **67 evaluation exercises in 2011**. The evaluation programme is tentative and will be updated regularly and posted on the SECO/WE website. Of special importance are the five planned ex-post evaluations, as these are the most appropriate for assessing project sustainability.

**Table 10**  
**Tentative evaluation programme for 2011**

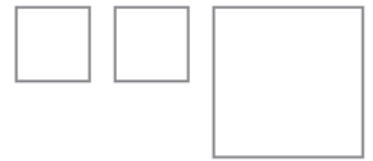
2011	Internal Reviews		External Evaluations	TOTAL
	Completion Notes	Others <sup>7</sup>		
WEMU	10	3	7	20
WEIN	12	1	4	17
WEIF	6	-	8	14
WEHU	2	1	13	16
<b>TOTAL WE</b>	<b>30</b>	<b>5</b>	<b>32</b>	<b>67</b>

For 2011, the programme of the SECO/WE Evaluation function includes:

- finalization of the independent evaluation of the financial sector activities of SECO/WE,
- finalization of the independent meta-evaluation of SECO/WE's private sector development activities, concentrating on the business-enabling environment,

<sup>7</sup> This includes internal reviews conducted by the programme officer in charge of the project within WE or by the partner agency implementing the project.



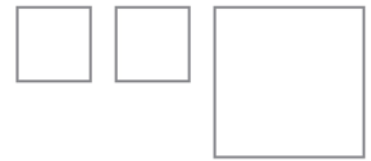


- finalization of the impact evaluation "Tracer Study Peru",
- launch of the independent evaluation of SIFEM's activities (Swiss Investment Fund for Emerging Markets).

These exercises are undertaken under the supervision of the external Evaluation Committee.

For the 2011 Annual Report on SECO/WE's effectiveness, we intend to maintain the current structure, i.e. including a subject-specific analysis. The theme has yet to be defined jointly with SECO/WE management and on the basis of recommendations from the Evaluation Committee. One potential topic is to look more carefully at the issue of efficiency of SECO/WE projects.





## Part II: Capacity development in SECO/WE programmes<sup>8</sup>

### 1. Introduction

Capacity development (CD) as a key element or objective within most development interventions has underperformed across the board. The importance of finding effective and appropriately resourced ways of engaging in CD is prominent within Aid Effectiveness reforms. However, it is clear that there is no magic bullet for CD monitoring and evaluation.

#### 1.1. Analysis of capacity development in SECO programmes/projects

Capacity development (CD) is a key element or objective (explicit or implicit) within most development interventions. The importance of CD was stressed by the 2005 Paris Declaration on Aid Effectiveness and developed further in the 2008 Accra Agenda for Action. In SECO's operations, capacity development has also gained importance over the years as an important approach alongside technical assistance (TA). To understand how effective the CD interventions of SECO are, in terms of achieving the expected development objectives, the evaluations of more than 27 SECO projects were analysed – mainly on the basis of existing evaluation reports – with regard to CD results achieved, implementation modalities and specific monitoring methods applied. As a reference for the analysis, the current conceptual understanding of CD and experiences of other selected donors<sup>9</sup> were used. The results are presented as five major areas and related key issues, which need to be considered for shaping SECO/WE's future engagement in CD, including conclusions and recommendations.

#### 1.2. Experiences of other donors

Within the context of international development, there have been a number of initiatives to address the question of sustainable CD and the related monitoring and evaluation. What is required is a clear process of analysis around the who, what and why of the capacity development intervention combined with regular monitoring of programme implementation and the effect that this capacity may be having around organizational actions and behaviour, i.e. on the ability of the organization to achieve its objectives.<sup>10</sup>

#### Definitions of capacity development

According to 2006 OECD-DAC guidelines:

- **Capacity** refers to the ability of *people, organizations* and *society* as a whole to manage their affairs successfully.
- **Capacity development** is the process by which people, organizations and society as a whole create, strengthen and maintain their capacity over time.

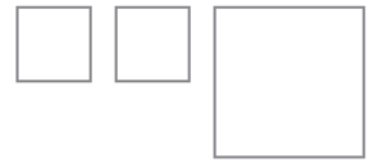
**Modalities** for CD range from human resources development/training through organizational development and policy advice, but also include methods such as coaching or peer learning. As such, there are no exclusive CD methods. The difference is rather in terms of the approach and the type of results expected

<sup>8</sup> This part of the report is based on a study mandated by SECO and conducted by KEK-CDC Consultants (Zurich/CH) and IOD-PARC (Edinburgh/UK) "Analysis of Capacity Development in SECO Programmes", March 2011

<sup>9</sup> World Bank, Capacity Development Result Framework and DANIDA, ROACH Results Oriented Approach to Capacity Change

<sup>10</sup> Simister, N. with R. Smith (2010). Monitoring and Evaluating Capacity Building: Is it really that difficult? Intrac Praxis Paper 23 (2010).





**Key learnings** from these initiatives that are also relevant for SECO/WE in view of this analysis are:

#### Concept of capacity development

- It is important to realize that *organizational capacity* is typically the key challenge since it relates to the interplay with individual capacities and changes in the institutional framework, i.e. it is the crucial link in the whole system.
- Regarding the purpose of the CD intervention, it is necessary to identify what is to be achieved and what this demands. Is it addressing an immediate (transactional) capacity gap or transforming the ability of the organization to function in ways that meets new demands and standards without continued support?

#### Approaches to capacity development

The most important learning regarding the approach is:

- An adequate contextual analysis is the starting point to ensure that the implications of either the wider institutional context or of organizational capacity are understood and are sufficiently addressed in the design of a CD intervention.
- As in other interventions, current capacity needs to be benchmarked and/or capacity targets need to be set to provide an effective reference point (baseline) against which the effects of capacity development can be tracked.
- More so than in technical assistance, CD processes generally require a long-term and strategic approach and more attention to understanding the process by which change may occur.

## 2. Delivery of CD in SECO/WE

Most SECO/WE-funded projects include capacity development, with training the most common CD activity. Interventions usually aim at individuals or specific elements of the system or of organizations. In a few cases they address organizations as a whole, i.e. considering how an organization functions within its specific context. Results of CD projects are reported in the form of tangible outputs, though the reporting of outcomes is something of a challenge. Sustainability of CD interventions is often not assured, related in most cases to the design of the CD intervention.

### 2.1. Forms and dimensions of CD

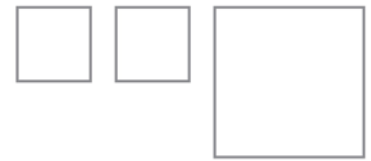
In the projects analysed, basically the following forms of CD support are provided by SECO:

- Training is delivered either as a specific project for building capacity of specialized institutions (e.g. “train the trainer” courses for a Bank Training Centre) or as one element of a project that supplements the main project activities (e.g. training of utility staff). It ranges from formal classroom training to on-the-job training and/or coaching by technical assistance, particularly in infrastructure projects
- Exposure in different forms (e.g. workshops for awareness creation, participation in fairs, study tours) is a frequent form of CD, particularly in trade-promotion projects.
- Support for improving framework conditions (i.e. policy development, enabling environment) is typically (but not only) applied in macroeconomic projects, private sector development and trade promotion.

In terms of the three dimensions of people, organizations, society/system (as per the DAC definition, page 16), the analysis shows:

- CD interventions focusing on the function of individuals within an organization are very frequent in SECO/WE projects. Where these interventions are not combined with (staff-related) measures at the organizational level (e.g. type of HR policy or adequate salaries to retain staff), they tend to not really improve the capacity of the organization over time
- At the organizational level, typical measures applied by SECO/WE are the introduction of new services and/or products or improved management (e.g. corporate governance, Corporate Social Responsibility). The analysis suggests that CD interventions that address the organization as whole instead of a set of single measures are more successful, particularly in terms of sustainability.





- At the system level, CD interventions by SECO/WE focus on adjustments of laws and regulations (e.g. investment law) and on creating enabling environment conditions.

The review indicates that where CD interventions are based on a clear concept for CD, the effectiveness in achieving results and sustainability of these results is better. To date, a specific concept paper regarding CD does not exist within SECO/WE, apart from a relatively recent one developed for public utilities benefiting from infrastructure interventions. Usually programme officers are guided by a tacit understanding of CD, but no agreed definition is adopted by SECO/WE. The review of the project evaluations also suggests that the understanding of what CD is and how it is applied differs among implementing agencies and among programme officers responsible.

## 2.2. Results: Monitoring and sustainability

Even more pronounced than in regular SECO/WE project monitoring, the results of CD are reported mainly at output level (e.g. knowledge and skills, law drafted). Most projects, even specific CD projects, find it difficult to report tangible results at the outcome level, or to associate such results (e.g. productivity, sales increased, costs reduced, competitiveness, etc.) with CD activities.

This could be due to the time lag until outcomes become effective, which is not a CD-specific problem, and the fact that monitoring of CD results is usually more demanding, because a) intended effects are indirect (e.g. in training, the application of new knowledge is of interest, not the improved capability of the trainee) and b) meaningful monitoring is resource-intensive (e.g. tracer studies to measure the mentioned indirect effects). Some projects, namely those supporting training institutions, carry out more sophisticated surveys, such as tracer studies (Review of International Garment Training Centre, Vietnam, 2008). Otherwise, there is little evidence that specific approaches are taken to the monitoring of CD results.

In general, sustainability of CD results is rated medium to low in SECO/WE projects, mainly because the financial and/or institutional capacity of the organization is not fully developed. The underlying reasons may be that self-financing is not yet sufficient (e.g. a Bank Training Centre cannot sell training at cost without subsidy) or the institutional framework is not favourable. The institutional problems are most prominent where the CD intervention is delivering a specific capacity without considering the long-term implications for the organization.

## 3. Key issues of CD: Increasing effectiveness

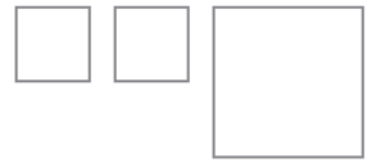
To increase the effectiveness of its CD interventions, SECO/WE needs to consider the influence it has on the design, implementation and monitoring of CD interventions under the different implementation modalities. Working with a broad and diverse range of clients or partners, their specific needs and possibilities and the scope for projects to influence the client's system require due consideration. To have a sufficient understanding of the context in which CD is implemented, context analysis is key, but this requires adequate resources and in-depth local knowledge. For deciding on the appropriate form of CD support, the intervention logic of SECO/WE's instruments, i.e. the underlying "theory of change" needs to be clear, and an adequate system to monitor the results needs to be in place to verify the outcomes. Finally, sustainability depends critically on the appropriate design of CD interventions and proper implementation, and thus on the level of influence SECO/WE has on design of the project and selection of partners.

### 3.1. Key issues and areas for consideration in SECO/WE activities

The key issues refer to aspects of capacity development in SECO projects/programmes requiring particular attention in the design and implementation of projects and for shaping SECO/WE's future engagement in CD. These can be grouped into five distinct areas for consideration:

- 1) Levels of influence
- 2) Types of clients
- 3) Context / system in which CD is being carried out

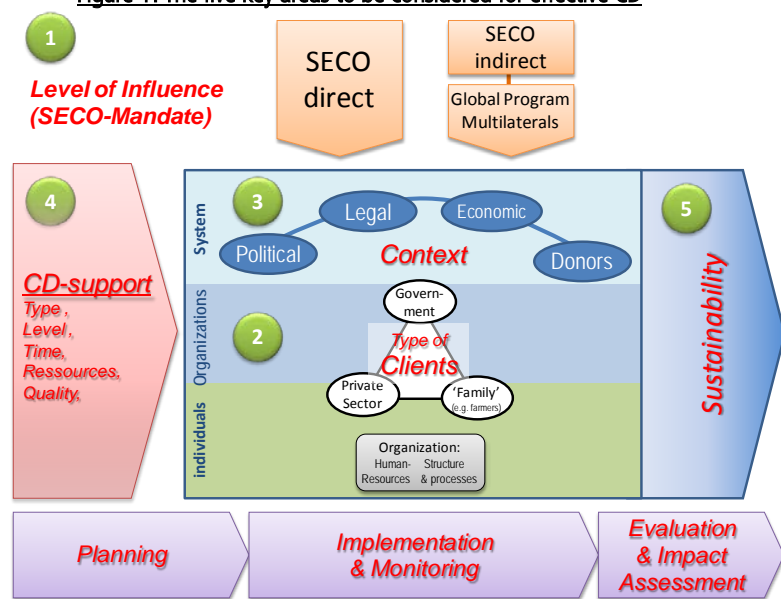




- 4) Form of CD support
- 5) Sustainability

The framing of a CD intervention requires a coherent understanding of the scale and types of change (emergent, transformational, projectable change<sup>11</sup>) that might be effected. How the CD support, necessary to achieve these changes, is adjusted with different clients, in different contexts, is critical to ensuring effective implementation and the development of monitoring strategies. Figure 1 illustrates how these areas are linked through the phases of planning, implementation, monitoring and evaluation. By so doing, it is expected that effective management will lead to the sustainability of CD to be understood as “the ability of the organization (and individuals) to use their enhanced capacity to continue to develop and respond to ongoing challenges”.

**Figure 1: The five key areas to be considered for effective CD**



Each of the five elements raises key issues that SECO/WE would need to address in the planning, implementation/monitoring and evaluation processes.

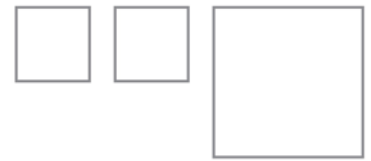
### 3.2. Level of influence and relevance of CD

Depending on the modality of implementation, i.e. bilateral, direct implementation or multi-bilateral (“multi-bi”) with co-financing by SECO/WE and several donors or multilateral programmes where SECO/WE is a shareholder, SECO/WE’s level of influence varies with respect to the content, scale/timing and monitoring of CD interventions within these programmes.

<sup>11</sup> Emergent change: From the day-to-day changes brought about by individuals and organizations responding to changing circumstances, constantly learning and adapting. Transformational change: Unlearning inappropriate ideas and values and adopting new ones in order to create a new situation. Projectable change: Can be planned in advance and made the focus of a specific project or piece of work.







#### **Rationale for SECO/WE to support “multi-bi” interventions:**

- International dimension of issues addressed by SECO/WE implies working through specialized agencies (as per mandate specified in ordinance);
- Multilaterals can provide leverage, particularly for CD issues, such as influencing framework conditions;
- Capacity of SECO/WE in terms of staff (ratio budget/staff) does not allow a bigger share of bi-lateral, direct implementation.

Key issues evolving from the question of influence:

- What level of influence on CD interventions does SECO/WE wish to use, in particular for indirectly implemented programmes, i.e.
  - When selecting multi-bilateral programmes managed by third parties, the question is what assessment process is needed to ensure coherence with SECO’s concern for effective CD and the wider aid effectiveness agenda?
  - Or can the CD objectives be better achieved through direct implementation?
- What is SECO/WE’s mandate in a particular project? Is the focus on achieving CD objectives or on using CD to achieve other development objectives?

#### **3.3. Types of clients**

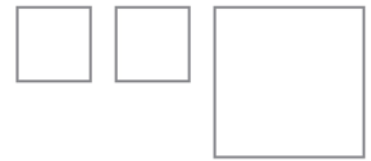
Categories with typically different conditions and requirements regarding CD are:

- Government agencies, including individuals within government
- Networks and communities of practice
- Business associations, apex organizations
- Utilities and infrastructure managers with a focus on improved service delivery
- SMEs (service providers, producers), farmers, value chain members & organizations

Key issues to be considered when working with the different types of organizations are:

- Interventions to strengthen capacities at government level need to consider the priorities set by national development strategies and be linked to the government agencies’ strategic plans, where these exist. This ensures the necessary political support and can also provide for country-led monitoring. Likewise, the effectiveness of private-sector investment support can be improved if there is agreement around the scope and scale of private-sector engagement with regard to economic development policies.
- When support is provided to private-sector actors, the possible market distortions it creates need to be carefully assessed.
- Capacity of the Human Resource Management systems, in particular in government. Agencies often have staff-retention issues (payments, job security) and weak HR departments, which constrain active management of staff.
- Likewise, the implications of HR policies (e.g. salary, incentives, performance assessment systems) and of civil service reforms (possibly supported by other donors since it is not a SECO/WE field of support) on short/long-term outcomes need to be assessed
- Is there clear senior management support for the work being proposed? Experience suggests that the changes in any organization, necessary for sustainable CD, will not be possible without such support.
- Has a coherent and up-to-date capacity/training needs assessment been carried out that is linked, if appropriate, to the organization’s development plan? And what are the features of the current systems for CD and training in place? Besides that, there is also the question of which CD or training is needed and what level of understanding of the depth of capacity needs to be attained.





**“Strengthening Macro-Fiscal Analysis at the Ministry of Finance”**

is a highly targeted programme to support the development of the necessary skills to provide Policy Analysis. Not all graduates (Bachelor or Masters) are suited to this type of highly skilled work but may have key skills for other work within the Ministry. However, implementation and effectiveness of the CD inputs were compromised by an HR department that was unable to take action to facilitate the viability of the Policy Unit through either providing wider incentives within the MoF to create opportunities for staff to move or to tackle issues of monitoring effective work programmes.

(TZ Policy Analysis Department, Tanzania, SECO external evaluation, 2006)

**3.4. Context/system in which CD is carried out**

The political, legal, economic and wider socio-cultural context sets framework conditions that can have important implications for the effectiveness of CD activities. Political and ideological issues will affect the chances of certain CD approaches to “take root”, while legal provisions and their enforcement influence the effectiveness of CD.

Key issues to understand when assessing the context and/or system:

- Understanding the context, including the political context, and how this will affect the achievement of expected changes and sustainability is key in all projects.
- Global programmes need to articulate context-specific activities, since the same activity may not have the same outcome in Africa as in Asia, due to the wider context.
- Economic enterprise development requires a clear engagement of government and the private sector (including the financial sector) towards common goals with clear roles and responsibilities for different stakeholders as a basis for effective CD support.
- Is there effective intra and inter-agency cooperation in government and the donor community? Are similar messages being delivered in similar CD programmes funded by other donors or funded by SECO/WE but implemented by different executing partners?

**Global Corporate Governance Forum:**

GCGF was established to improve the institutional framework and practice of corporate governance. The Forum’s strategy is characterized by advancing activities in regions where there is pressure for change and where the Forum can get the most leverage for its efforts.

GCGF undertook a broad range of projects in a variety of countries/regions, under varying circumstances.

Capacity building: The Forum’s staff, consultants, and Private Sector Advisory Group advisors are mindful of the need to interact with local partners and participants in ways that acknowledge local capabilities and circumstances. However, more localization of contents (e.g. translation of toolkits into other languages) is still needed.

(Global Corporate Governance Forum, SECO external evaluation, 2008)

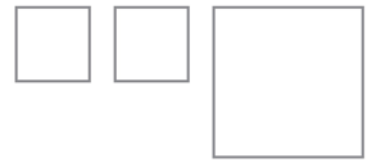
**3.5. Form of CD support**

For any form of CD intervention, it is critical that the scale, type, timing, location and cost effectiveness of CD support is clearly understood. Stakeholders need to be in agreement on the output/outcome hierarchy.

Key issues:

- Is there a clear “logic model” that shows how the CD intervention contributes to the specified needs of the beneficiaries (e.g. outcomes specified in agency strategic plans, or the link between capacity of enterprises and their competitiveness in a market)?
- What form does capacity building take? The specific scope requires different forms, e.g. workshops, technical assistance, knowledge transfer within country/regional contexts to be considered. The level of specificity is to be defined – especially in view of the country/regional context.
- How is the role of TA interpreted? Is there a clear understanding that TA staff does not “take over” the work of the partners but provide a basis for the development of local skills?





- What is the cost (and comparative advantage compared with other forms of support)?
- The scale of the problem, especially where there are multiple capacity failings, needs to be assessed realistically, e.g. size of individual projects and their numbers in relation to the possible universe of support that might be required.
- Monitoring of outcomes is particularly important for CD interventions, because the outcome level is where the expected change becomes manifest. Appropriate methods for monitoring less tangible or directly measurable results and the right timing for results that evolve after the end of project are crucial.

**IFC PENZA Indonesia:**

Growth of a viable SME sector, working in six programmes: a business-enabling environment, access to finance, agribusiness, handicraft, export linkages to oil and gas, and supply-chain linkages.

Support comprised different forms of CD:

- a) Training for banks to upgrade loan origination & portfolio supervision
- b) BEE: Seminars to introduce concept of one-stop-shop as an element of municipal simplification projects
- c) Contribution to policy reforms

(Programme for Eastern Indonesia Small and Medium Enterprise Assistance, IFC, Indonesia, SECO external evaluation 2008)

### 3.6. Sustainability

For sustainability in the context of CD, the following key issues are relevant:

- Who owns the process: local actors or the donors? For instance, for most global programmes, the process seems to rest clearly in the hands of the international implementing agency rather than with the governments.
- Whose demand? Is the idea for the project country-driven or is it a readily available concept or instrument of the implementing agencies/donor?
- Who needs to be engaged in the CD intervention? There is a need to facilitate the (national) coordination mechanisms to ensure that the relevant actors agree on implementation mechanisms and objectives.
- Are results obtained in the most cost-effective way? For instance, the portfolio of work may involve high transaction costs when there are a large number of small projects.
- Who pays in the long run? Where the CD activities include payment of incentives or subsidies, it needs to be clear early on what will happen if such payments cannot be substituted by the local system.

**CAPERA:**

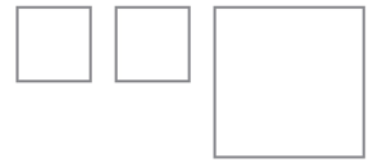
**Serbia:** Due to the existence of public funds and additional external support, good progress has been made towards a sustainable BSE programme (the preconditions include a funded and expanded infrastructure, personal resource, enabling legislation, etc.).

**Egypt:** Sincere effort to build a sustainable programme, but due to the lack of adequate framework conditions, the likelihood of sustainability is low.

(Capacity Building for Surveillance and Prevention of BSE and other Zoonotic Diseases, FAO, Serbia, Egypt, Vietnam, SECO external evaluation 2007)

BSE: Bovine Spongiform Enzcephalopathy





## 4. Conclusions and recommendations

There are good reasons for SECO/WE to further enhance the effectiveness and the sustainability of CD interventions in its projects and programmes. While the possibilities range from more specific monitoring of CD outcomes to introducing a SECO/WE-specific capacity development concept, measures are recommended that allow considerable improvement with relatively simple measures. They focus on the design/monitoring of CD outcomes and a more systematic consideration of CD in the design and implementation of projects and programmes.

### 4.1. Need to promote the issue

In the context of the aid effectiveness agenda, there are good reasons for pushing the current limits of CD:

- Effective capacity development is increasing the sustainability of the results of development projects, because it empowers people and organizations to meet new demands and standards without outside support.
- A more systematic approach to CD, i.e. designing projects in line with good CD practice, will increase the effectiveness of projects and programmes and most likely also their cost-efficiency.
- Monitoring systems appropriate for reporting CD results will provide evidence of the results at outcome level, which is the main focus of donors' accountability reporting.

At SECO/WE level, the review shows that there is scope for enhancing the effectiveness of CD activities and the sustainability of the results in SECO/WE projects/programmes. Several options exist, which are not mutually exclusive, such as:

- a) Business as usual, but with a more systematic monitoring of CD results
- b) CD becomes a key focus of funding activities
- c) SECO/WE develops its own capacity development strategy

Considering the particular situation of SECO/WE in terms of its mandate, staff resources, the capacity of implementing partners and implications of a possible stepping up of CD activities, the following recommendations are made.

### 4.2. Recommendations

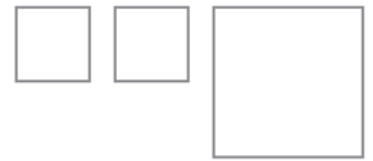
With regard to efficiency and feasibility, we recommend that SECO/WE should enhance its approach to CD by:

1. **Providing support for a more systematic approach** to programme officers and implementers: This would include greater clarity around the design and implementation of the CD components, such as systematic assessment of CD needs, clear monitoring strategies and a greater commitment to undertaking ex-post evaluations.

Specific measures include:

- Screening existing SECO/WE operational guidelines to see whether and how CD is reflected
- Supplementing where necessary with simple checklists/guidelines for programme staff and implementers as a reference for checking whether CD issues are adequately addressed in planning, design and implementation.





2. **Reinforcing monitoring of CD:** This would mean, for instance, greater emphasis on ex-post evaluations or an introduction of CD-specific monitoring tools to be able to monitor the actual CD results instead of proxies.

Specific measures to implement these recommendations would be to:

- provide a simple guide on and examples of CD-monitoring tools as a reference for SECO/WE programme staff
- emphasize/prioritize ex-post evaluations, which is not only a requirement for monitoring CD outcomes but for results-based management as a whole

We expect that this would bring about effective improvement at a relatively low cost and find acceptance with staff.





## SCORING CHART for WE Projects / Programs for Report on Effectiveness

Criteria	Highly Satisfactory	Satisfactory	Unsatisfactory	Highly Unsatisfactory	Not demonstrated
<b>RELEVANCE</b>					
<b>Projects/Progr. are addressing important development issues of the partner country and of concerned beneficiaries</b>	<i>Fully focused</i> on key development issues of the beneficiaries	<i>Largely addressing</i> key development issues of the beneficiaries	<i>Partly addressing</i> key development issues of the beneficiaries	Issues addressed are <i>not priorities</i> of the beneficiaries	Evaluation makes no mention of or cannot assess status of criteria
<b>Projects/Progr. are aligned with national priorities and policies of partner country and partner institutions</b>	<i>Fully aligned</i> with relevant national goals as reflected in PRSP	<i>Largely aligned</i> with national goals as reflected in PRSP	<i>Occasionally aligned</i> with national goals as reflected in PRSP	Projects/Progr. <i>ignore or run counter</i> to national priorities	Evaluation makes no mention of or cannot assess status of criteria
<b>Projects/Progr. are consistent with SECO priorities and focus on its comparative advantage</b>	<i>Fully consistent</i> with SECO priorities, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	<i>Largely consistent</i> with SECO priorities, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	<i>Partly consistent</i> with SECO priorities, strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	Projects/Progr. are <i>outside SECO priorities</i> , strategies, defined roles and comparative advantage (see RK, CS, sectoral papers, etc.)	Evaluation makes no mention of or cannot assess status of criteria
<b>Interventions are coordinated with other project/programs in the concerned sector and are complementary</b>	Project/Progr. <i>actively coordinate</i> with other projects/programs	Project/Progr. <i>coordinate occasionally or in parts</i> with other projects/ programs	Project/Progr. <i>consult</i> with other projects/ programs	Projects/Progr. are <i>implemented as 'stand-alone'</i> with no links to or consideration of other activities	Evaluation makes no mention of or cannot assess status of criteria
<b>EFFECTIVENESS</b>					
<b>Objectives achieved at output level (as defined in logframe)</b>	<i>All</i> output objectives achieved/bypassed	<i>Majority</i> of output objectives achieved	<i>Few</i> of output objectives achieved	<i>Very few</i> output objectives or none achieved	Evaluation makes no mention of or cannot assess status of criteria
<b>Objectives achieves at outcome level (as defined in logframe)</b>	<i>All</i> outcome objectives achieved/bypassed	<i>Majority</i> of outcome objectives achieved	<i>Few</i> of outcome objectives achieved	<i>Very few</i> outcome objectives or none achieved	Evaluation makes no mention of or cannot assess status of criteria
<b>Objectives achieved at impact level (as defined in logframe)</b>	<i>All</i> impact objectives achieved/bypassed	<i>Majority</i> of impact objectives achieved	<i>Few</i> of impact objectives achieved	<i>Very few</i> impact objectives or non achieved	Evaluation makes no mention of or cannot assess status of criteria
<b>EFFICIENCY</b>					
<b>Projects/Progr. are cost-</b>	Projects/Progr.	Projects/Progr.	Projects/Progr.	Projects/Progr. accrue	Evaluation makes no

<b>effective</b>	benefits <i>outweigh</i> their costs	benefits <i>merit</i> their costs	benefits <i>do not merit</i> their costs	<i>few benefits for considerable costs</i>	mention of or cannot assess status of criteria
<b>The approach / mode of implementation is efficient for achieving the intended results</b>	The approach chosen is <i>optimal</i> to achieve the intended results on all levels.	The approach chosen is <i>adequate</i> to achieve the intended results on all levels.	There would be <i>alternative, more efficient approaches</i> to achieve the intended results on all levels.	The approach is <i>not suitable</i> to achieve the intended results on all levels.	Evaluation makes no mention of or cannot assess status of criteria
<b>Projects/Progr. management and steering mechanisms are in place and adequate for the efficient implementation of the activities</b>	The management and steering of projects/ progr. ensures a <i>highly efficient use</i> of the resources.	The management and steering of projects/ progr. ensures the <i>efficient use</i> of the resources.	The management and steering of projects/ progr. <i>is weak or hardly exists</i>	The management and steering of projects/ progr. <i>is absent or inadequate</i>	Evaluation makes no mention of or cannot assess status of criteria
<b>Monitoring system is designed (logframe) and effectively used for steering and reporting</b>	Monitoring system is <i>in place and fully used</i> to steer / influence project/progr. implementation	Monitoring system is <i>in place but only partially used</i> to steer/ influence project/ progr. implementation	Monitoring system is <i>in place but largely inefficient and not used</i> to steer / influence project/ progr. implementation	Monitoring system is <i>lacking</i>	Evaluation makes no mention of or cannot assess status of criteria
<b>SUSTAINABILITY</b>					
<b>Results (outputs / outcomes/ benefits will last beyond/ continue after projects/progr. closure</b>	It is <i>very likely</i> that outputs and outcomes will be maintained/last and further grow/ develop	It is <i>likely</i> that outputs and outcomes will last beyond the intervention	<i>Little likelihood</i> that outputs and outcomes will last beyond the intervention	<i>Unlikely</i> that outputs and outcomes will last beyond the intervention	Evaluation makes no mention of or cannot assess status of criteria
<b>Local institutions/capacities have been strengthened to sustain results</b>	<i>Strong</i> capacities have been built. Local institutions will continue to operate and will grow/further, improve their capacity without support	<i>Reliable</i> capacities have been built. Local institutions will continue to operate without support	<i>Little</i> capacities have been built. Local institutions require external support to operate	Local capacities are <i>still too weak</i> to implement activities without external support	Evaluation makes no mention of or cannot assess status of criteria
<b>Financial sustainability has been achieved</b>	Results can be <i>replicated without</i> further financial support	Results will be <i>likely maintained</i> without further financial support	To be maintained, results will <i>require continued external financial support</i>	Even with additional external financial support, <i>results will not be maintained</i>	Evaluation makes no mention of or cannot assess status of criteria