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

2011 Annual Report

The Effectiveness of SECO's Economic Cooperation and Development

Economic Cooperation and Development Division
Evaluation and Controlling

Bern, June 2012

2011 Annual Report

on

The Effectiveness of SECO's Economic Cooperation and Development

Evaluation Function (WECO)

Economic Cooperation and Development Division

June 2012

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/. 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 2011 *Effectiveness Report* are based on a systematic and retrospective assessment of the results of external evaluations of projects conducted over 2005 to 2011. 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 2011, 23 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 145 external evaluations for 2005-2011.

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 efficiency of aid projects (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 *2011 Effectiveness Report* on SECO website, as well as a short version summarising the report.

Process:

Elaboration of the Report	*Jan. - March 2012*
Presentation and discussion of the Report in WE Quality Committee	*April 2012*
WE Management Response	*May 2012*
Discussion of the Report and Position of the Evaluation Committee	*June 2012*

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Economic Cooperation and Development
Evaluation and Controlling

Bern, 15.05.2012

WE Management response to the

2011 annual report on the effectiveness of economic cooperation

1. Introduction

The 2011 report on the effectiveness of SECO's economic cooperation presents a confirmation of previous trends in the results achieved. In one way, this was to be expected due to the rolling nature of the sample. On the other hand, new, primary information stemming from thorough independent evaluations and ex-post evaluations also underpin previous findings. More generally, 2011 has been a landmark year in terms of stock taking and reporting on results, on account of the preparation of the new framework credit to Parliament. The associated extremely important reporting exercises have confirmed that SECO's evaluation framework and methodology is very sound. The candor of the various reports has been appreciated by all our stakeholders. WE Management would like to thank the evaluation team for the quality of its work. This also reflects the importance all the WE staff attaches to evaluations and their follow-up, investing the necessary time and resources to accompany evaluation processes.

Reporting on results has been absolutely instrumental to cement the credibility of our strategy for the new framework credit and we have put a special emphasis on monitoring and evaluation our dispatch to the Federal Council and Parliament.

2. Assessment of conclusions and recommendations

With respect to the overall findings of the report, we are satisfied with the success rate, which is slightly progressing compared to 2010. With four out of five projects broadly echoing their objectives, WE compares well with peers. Some of the findings of the report are consistent with past analysis. This does not mean, however, that action has not been taken. The contrary is demonstrated in annex 2 on the follow-up to last year's report recommendations. Rather, it should be highlighted that for measures to deploy effects on such issues as sustainability, only a medium term horizon is reasonable.

Specifically, we would like to highlight the following issues:

- **Relevance**: it is not a surprise that the main focus areas of SECO's economic cooperation remain highly relevant over the past years marked by economic and financial turmoil. WE has been able to respond to emerging challenges while maintaining a thematic focus aligned with its core competences. This finding has comforted us that our strategic processes are adequate. First, by elaborating a vision and identifying core areas of interventions that reflect our value added. Second by

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confronting our "offer" with the specific needs at country level through the formulation of country strategies in a lean but inclusive process. We are convinced that with this process we will be able to maintain the high level of relevance of the portfolio.

- **Effectiveness**: the success rate with respect to this dimension (roughly 80%) is more than acceptable. We need, however, not to be complacent, especially with respect to the quality of indicators. WE devotes increasing resources in devising better indicators at entry. This requires substantial involvement of WE staff with implementing partners. Among many other examples, we would highlight the instrumental role played by WE in promoting the establishment of a sound M&E framework by the IMF to monitor the effects of its technical assistance. In addition, we have devised a series of standard indicators in the context of the new framework credit, which should facilitate aggregate reporting on the portfolio.
- **Efficiency**: the results on this dimension remain a source of concern. While part two of the Cooperation effectiveness report provides a useful clarification of concepts, we need to refine the analysis in the future to better understand which aspects of efficiency are the more problematic. For starters, we strive to improve the reporting framework of our projects (i.e. activity based budgeting) to have better data for assessing project efficiency. On this dimension as well, the effort is not solitary. We often need to convince implementing partners that sometimes have rigid reporting formats, to adjust their templates. One known efficiency weakness relates to the unrealistic time frame of projects at entry. In response, timelines are carefully reviewed during project due diligence and have often been the subject of negotiations with project partners before approval.
- **Sustainability**: not surprisingly, this dimension remains the biggest challenge of our cooperation. As initial steps, we have increased scrutiny of this dimension in project submissions to the Operations committee. Task teams have been asked to be very explicit from the outset with respect to sustainability targets, which can be straight exits at the end of the project but also the anticipation of successor phases, especially for institution building projects. Other measures such as deeper stakeholder analysis, fostering ownership (inter alia through cost sharing) and emphasis on flexibility after inception are expected to yield results in terms of increased sustainability.

Considering the report's recommendations, Annex 1 details our position and envisaged actions. We appreciate that these recommendations are limited in their number and relevant in their substance, as we need to pursue our follow-up actions on previous recommendations that remain valid. We would like to emphasize the following important issues:

- **Logframes**: Logframes have become a key element of project submissions, not only for monitoring and evaluation of results. A high quality logframe should allow understanding a project's key features in itself. While the requirement to present logframes for project's above a certain size is strictly adhered to, we also have noted an improvement in the quality of logframes, not the least thanks to the support provided by the Controlling section and the training effort undertaken in this area. The recommendation to ensure a broad ownership of the logframes, especially among project beneficiaries is essential. This may require allowing for more time in project appraisal and preparation, and a special effort to validate the logframes with stakeholders at inception. One issue not raised in the report is that logframes are sometimes established late in the project preparation process. It

might be worth considering if the broad elements of the results framework should not be presented at an early stage.

- **Interaction between operational and controlling divisions**: this recommendation is extremely valid as well, but, as noted above, we think that this collaboration has improved already at several levels. At the strategic level for instance, the controlling division has closely cooperated with the operational divisions in the elaboration of standard performance indicators at the sectoral level. The controlling division is also closely associated to the ongoing preparation of country strategies, and the division provides important contribution in the operations committee on logframes and the M&E arrangements of projects.
- **Evaluation frameworks**: a deeper involvement of Management in the selection of external evaluations may be warranted, but not beyond validation. The initial selection should remain with the operational divisions. Of course, accountability is a major objective of our evaluation framework and a balanced sample of evaluations better serves this aim. But fully delegating the choice of external evaluations upwards is not a guarantee against selection bias (only a random selection would be). In addition, learning is just as important as an objective of our evaluation and the operational divisions are best placed to assess which evaluations would be most useful for future work. In this, they have to be encouraged by management to also select projects that are known to be problematic.
- **Quality of evaluations**: This recommendation is of course of paramount experience, but it should also be noted that it comes at a cost. The choice of evaluators, the definition of their TORs, the support provided during the evaluation all require an important investment of the associated project managers. It is a worthy investment but it comes not without opportunity costs with respect to other operational or strategic tasks. This is why we advocate for keeping the number of evaluation at a feasible level and the range of 20 to 25 evaluations per year seems adequate as an upper ceiling compared to the financial resources committed on an annual bases.
- **Management responses**: we take this recommendation and the associated finding very seriously. The agreed policy should be enforced, but the concerned divisions should keep the management responses short and need to take position on each and every recommendation and finding. Sometimes draft management responses have been too defensive to be useful and we need to outline the aim of these documents to provide a better incentive for their speedy elaboration.

A table summarizing envisaged follow-up actions to the 2011 report is annexed, as well as a status report on the actions taken in response to the report 2010.

Beatrice Maser
Head of Economic Cooperation

Annexes : - Follow-up table 2011 report

- Follow-up table 2010 report

1. Table summarizing recommendations from the 2011 report

Recommendations	Position and actions from management	Deadline for implementation	Responsibility
*When **planning and implementing projects....***			
1. To promote **a wider ownership for log-frames** by implementing partners and beneficiaries	- SECO/WE ensures wider ownership of logframes by implementing partners and beneficiaries through a more active consultation during projects' identification process. - WECO ensures that the introduction of standard indicators within SECO/WE projects helps to increase use and utility of logframes among operational units.Those indicators are reflected in the results framework of the Country Strategy Implementation Report - logframe is used as a key project steering instrument and as discussion within steering committee meetings.	Ongoing	WEMG + operational divisions
2. To more **systematically and thoroughly discuss efficiency and sustainability related project issues in the Operations Committee**	- WEOP makes sure that the discussions in the operations committee (OpK) focus not only on the criteria of relevance and effectiveness, but systematically also on efficiency and sustainability. - When approving project documents submitted to the OpK, heads of operational divisions take due attention to these concepts.	Ongoing	WEMG + WECO in Operations Committee + head of operational divisions
3. To further **reinforce the concern for sustainability** in SECO/WE projects	- Operational divisions ensure that broader needs and context assessments at project outset for innovative approaches, or new sectors and countries are conducted. - Operational divisions, with the active support of SECO/WE representations in the field, discuss approach and objectives of a projects in a participatory approach with local partners/stakeholders - Operational divisions use local project steering mechanisms for the periodic review of ex-ante defined assumptions and risks as well as related mitigation measures. Such monitoring is reflected in annual operational reports of projects. - Operational divisions use inception or pilot phases as a test for the commitment of the clients/local partners.	Ongoing	WEMG and operational divisions

4. To strengthen the **collaboration between WECO and operational project managers**	- Peer-learning between WECO and program managers will be strengthened to enhance the awareness for monitoring and evaluation practices, and to sensitize for operational challenges. WECO shall accompany selected suitable projects together with the project manager from identification, through development of project document (incl. logframe) and approval and throughout the implementation/reporting process.	Identify suitable projects and 'tandems' by June 2012	WECO in collaboration with operational divisions
5. To allocate sufficient (human) resources for an **effective results-based project management**	- WEMG assures to address this issue in the context on the ongoing optimization of SECO/WE structures and resources implement the new framework credit.	End 2012	WEMG
*When **managing evaluation processes...***			
1. To assure a meaningful / **balanced selection of projects** to be externally evaluated	- WEOP is consulted on the list of planned evaluations, to be submitted by the operational divisions, to strengthen a geographically and thematically balanced choice of external evaluations	November 2012; from then on annually	WECO consults list with WEOP
2. To conduct **more ex-post evaluations** of SECO/WE projects	- WECO takes the responsibility to identify one ex-post evaluation per year and per operational division, whereas the final approval of the overall evaluation program remains with WEOP	June 2012; from then on annually	WECO, WEOP
3. To further strengthen the **quality of SECO/WE evaluation reports**	- When identifying reports of unsatisfactory or highly unsatisfactory quality, WECO contacts the concerned operational unit in order to raise the issue, identify the reasons and measures for an improved practice in the future.	Ongoing	WECO
4. To assure a systematic **elaboration of management responses** to evaluation reports	- WECO revises the guidelines with regard to management responses by integrating a well-defined flexibility to the rule - Having the overview of the evaluation program, WEOP assures compliance with the adopted policy regarding the establishment of management responses.	Ongoing	WEOP

Regarding efficiency...			
1. **Strengthening the assessment of efficiency** at project level	- See recommendation 2. on ***planning and implementing projects*** - SECO/WE operational divisions identify projects that showed weaknesses in terms of efficiency during the mid-term-assessment and put emphasis on these points during the final stage of implementation.	Ongoing Ongoing	WEOP SECO/WE operational divisions
2. **Improve the evaluability** of the efficiency criteria for WE projects	- WECO will provide more guidance on how to assess the four key aspects of efficiency (approach, management, monitoring and cost-effectiveness) A set of criteria will be elaborated in collaboration with KEK. - WECO will identify thematic areas/types of projects that would lend themselves best for a pilot exercise of financial analyses. - SECO/WE operational divisions advance the quality and the monitoring of the risk analysis and adopt mitigation measures if needed throughout the project implementation	September 2012 September 2012 September 2012	WECO (with KEK support) WECO WECO

2. Status of implementation of the 2010 recommendations

Recommendations	Position and actions from management	Deadline / Responsibility	Status
6. To further **strengthen SECO/WE monitoring system**	- *Sufficient human resources:* 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	2011-2012 New frame credit	The new framework credit (whose approval is pending Parliament's approval) foresees an increased in aid volume, as well as more resources for monitoring tasks. Discussions are consequently ongoing to optimize WE structures and resources.
	- *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.*	Ongoing	More and more projects introduce in their budget resources for monitoring.
	- *Wider ownership* 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 SECO/WE representations.	Mid 2011	The challenge is persisting; the introduction of standard indicators for each thematic focus may increase the importance of logframes. SECO representations have been made aware of such challenge, in particular in the context of the Country Strategy Implementation Reports.
	- The role of *SECO/WE representations* in strengthening projects' *monitoring* is clarified and strengthened. For this purpose a manual for decentralization will be developed. The Effectiveness Report is shared with each representation.	June 2011	Manual consulted with field offices and finalized, that includes a specific division of tasks between HQ and field representations along the project cycle management.
	- Guidelines on how to apply *financial reporting* as a steering and monitoring instrument will be developed.	2012	Decision on financial reporting will only be taken once the next thematic report on efficiency brings evidence on whether or not and if yes in which field a closer monitoring of the cost-efficiency would be possible and meaningful.
7. To further **reinforce the concern for sustainability** in SECO/WE projects	- *The issue of sustainability* 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 Committee.	Ongoing	The issue of sustainability and exit strategy is effectively addressed in documents and discussions of the Operations Committee.
	- A *workshop on improvement of sustainability* will be organized with field representatives at headquarters to exchange on experiences and best practices.	WE-Retreat February 2012	Workshop was conducted and led to concrete and useful recommendations included in the 2011 Effectiveness Report.

8. To identify **approaches/options to encourage operational divisions** (respectively implementing partners) to effectively use monitoring system	- A *paper* 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.	WE-retreat June 2011	This task was not undertaken, considering the discussion around the new framework credit and the related adjustment of WE structures and resources. The processes and division of tasks and responsibilities between WECO and operational divisions are part of those discussions. Results should be available by end 2012.
*When **managing evaluation processes...***			
5. To conduct **more ex-post evaluations** of SECO/WE projects	- WE-Management supports this approach and is willing to make the necessary human and financial resources available for this purpose. - WECO looks at planning in the Evaluation programming and reports on results in the next Effectiveness report - WECO will further discuss the division of responsibility for the identification of ex-post evaluations and formulate recommendations	Ongoing April 2012 Autumn 2011	Also more ex-post evaluations have been planned and conducted the last two years (around 4 per year), the question of the independence in the identification of projects to go through an ex-post assessment persists. Therefore stronger recommendation by WECO in the 2011 report: WECO selects one evaluation per division per year; see above.
6. To further strengthen the **quality of SECO/WEevaluation reports**	- 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.	Ongoing	The quality of evaluation reports has further improved in 2011. Tendering processes are based on the Swiss administration procurement rules. Selection processes of consultants were in the majority based on tendering by invitation.
7. To enhance and promote the **systematic use of evaluation lessons learned**	- SECO/WE systematically produces a *management response* at the end of an evaluation exercise. - New project phases will only be approved by the OpK if a management response is available when an external evaluation has been conducted. - A wider dissemination of evaluation findings internally and externally takes place	Ongoing Ongoing Ongoing	Challenge persisting therefore additional recommendation formulated in the 2011 Effectiveness Report. The issue has been systematically raised by WECO in the Operations Committee.

Regarding Capacity Development (CD)...			
3. To design a more **systematic approach for SECO/WE support to CD activities**	- With external support, the need for operational guidelines will be evaluated to guide effective inclusion of CD components in SECO/WE activities - Formulation of checklists/guidelines and example of best practices for design and implementation of projects	Autumn 2011 Autumn 2011	Taking into account tight resources at WE as well as a certain fatigue for new guidelines, it was decided not to develop additional guidelines but to select pilot projects in order to increase the learning and identify practical recommendations. The selection of one pilot project has taken place, where WECO will provide concrete guidance.
4. To reinforce the **monitoring of CD activities**	- In the identification/selection of ex-post evaluations, a special attention will be given to CD activities in order to identify lessons and results. - Elaborate a simple guide and examples (success stories) of CD-monitoring tools / projects.	Ongoing Autumn 2011	Not implemented yet. Responsibility for selection of ex-post evaluations will in the future be with WECO and WECO will take this recommendation into consideration.

The External Committee on Evaluation June 11, 2012

Position of the External Committee on Evaluation on the

2011 Annual Report on the Effectiveness of Switzerland's

Economic Cooperation and Development

and SECO/WE Management Response

1. Members of the External Committee on Evaluation (the Committee) discussed online the 2011 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.

2. The 2011 report is the fourth annual report on the effectiveness of Switzerland's economic cooperation and development prepared by SECO/WE Evaluation Function (WECO). Given the rolling nature of the sample on which its main findings are based, it confirms previous trends in results achieved over the last few years. It includes additional updated information from new independent and ex-post evaluations that support previous findings and recommendations. The nature of the report is to be a rather technical document. It is aimed at guiding SECO/WE Management decision making process but also at ensuring accountability and transparency of the overall effectiveness of Switzerland's economic cooperation for development according to internationally recognized OECD/DAC policy and standards on evaluation methodology. From this particular perspective it is not the most appropriate instrument for informing broad public opinion about results achieved and lessons learned from past experience. For the latter very important purpose the 2012 document to the federal Parliament describing the framework for Swiss international development cooperation in 2013-2016 as well as the 2012 report related to SECO/WE lessons from past experience ("*SECO zieht Bilanz*") as well as the Summary of that report are more useful as they include concrete examples of program and project achievements as well as relevant lessons learned.

3. The 2011 report and the accompanying Management response are an important medium term instrument not only for assessing the overall SECO/WE's performance in itself but for mainstreaming within the institution a culture of sustainable results-based management. The latter implies a realistic approach of assumptions and timeframes – in close collaboration with local partners – during the preparation of operational country programs and project design as well as a reasonable monitoring through appropriate indicators of progress achieved during their implementation. It is positive to see that Management is aware that it has to show continued leadership over this change process and that continuity and perseverance will be required. The decentralization process was initiated by SECO/WE in seven priority countries and will be continued in 2013-2016 in an eighth priority country (Tunisia). The stimulating reflection on the potential but also the challenges that such partner countries and local institutions are facing are a very promising step in the right direction. This should allow improving the supervision and monitoring of ongoing activities and also the design of relevant, effective and efficient country and sector programs as well as individual projects.

4. Overall, the 2011 report provides a substantial and comprehensive information about the outcome of all the evaluations carried out last year. It is a very comprehensive report that describes the main achievements and challenges in a transparent way by focusing on past performance development. It allows meaningful comparisons with the results of previous years. The overall satisfactory performance rate of 78.3% shows even a slight performance improvement over 2010. With on average of four out of five projects broadly achieving their objectives, SECO/WE compares favorably with other bilateral and multilateral donors. The 2011 report is backed by a solid evaluation framework and methodology and candor that enhances its credibility both at the international and national level. Like SECO/WE's Management the Committee is especially pleased to note that this kind of aggregate reporting, together with individual evaluation reports on individual programs and projects, has been instrumental to strengthen the credibility of SECO strategy for the new framework credit for 2013-2016 recently submitted by the Federal Council to Parliament. This is an important recognition of the overall quality of SECO's very small evaluation team. The progress achieved over the last five years is notable and is backed by the importance that SECO's staff now devote to evaluation processes and their follow-up.

5. The Committee considers that the quality of SECO's own evaluation system speaks for itself as the independent evaluations tend to show the same result trends as the external and internal evaluations undertaken under the direct responsibility of SECO/WE Management. It is noteworthy that the overall quality of evaluations has improved over the last three and four years which confirms SECO/WECO's improvement in its capacity to design and conduct evaluations and select high quality evaluators.

6. The Committee has expressed some remarks on the assessment of conclusions:

- On **relevance** it tends to share the view of SECO/WE's Management Response that the positive findings of the report confirm that SECO's strategic processes are adequate. A note of caution is nevertheless warranted: The formulation of country strategies through a lean but inclusive process in the eight priority low middle income countries could prove challenging for a relatively small donor as SECO. This especially in view of the fragmentation of aid sources that generally exists in such countries and the specific challenge represented by aid coordination in such context. Realism and pragmatism in defining meaningful SECO-niches, including through adaptation of the instruments to be used according to evolving country circumstances, will be key in maintaining and even improving the high level of relevance of SECO's portfolio.
- On **effectiveness** it emphasizes that there is room and urgency for improvement with respect to the quality of indicators at entry. What really matters is to identify – together local partners and co-financiers – a few key indicators of success that are agreed by all the stakeholders.
- Efficiency remains a source of concern. Improving the reporting framework of program and projects through activity based budgeting would certainly provide better data for assessing efficiency. But again, involving local partners in this process will be challenging. One must be aware that a more inclusive approach would most probably also lower efficiency as it will take longer to agree amongst many stakeholders, align them, adjust their templates, etc.
- Improving progressively underperformance in **sustainability** remains the biggest challenge. SECO/WE's Management initial steps to address this weakness are welcome. Management should also define a realistic medium-longer term goal of SECO for improving results in this key area.

7. With respect to the specific recommendations of the 2011 report the Committee has the following remarks:

- **Logframes**: They are now more mainstreamed in SECO/WE and they are used increasingly as a key element for the appraisal of projects of a certain size. The recommendation to ensure a broad ownership of such logframes, especially among project beneficiaries, is very much welcome. But there is a likely trade-off: a more inclusive approach may require more time for project appraisal and preparation which could lower efficiency.
- **Evaluation frameworks**: A deeper Management involvement in selecting external evaluations is warranted especially when it focuses on ongoing projects that are known to be problematic.
- **Quality of evaluations**: Management is realistic when advocating for keeping the number of evaluations at a feasible level. From this perspective the current range of 20 to 25 evaluations per year seems adequate as an upper ceiling compared to the financial resources committed or disbursed by SECO/WE on an annual basis. What could make a lot of sense is raising the proportion of mid-term evaluations as they could give important indications on whether a particular project in on a satisfactory track, including on the various dimensions of sustainability.
- **Management responses**: The lack of timely Management response on some evaluations remains a source of concern as this jeopardizes the indispensable follow up actions to evaluations. The Committee considers that Management responses reflect the importance which Management gives not only to the specific findings and recommendations of single evaluations but also to continuous organizational learning processes. A lack of Management responses might send the wrong incentive to staff and have a demotivating effect on them.

8. In **conclusion**: the Committee recommends the disclosure of the 2011 Annual Effectiveness Report as well as of the SECO/WE Management response and the Position of the External Committee on Evaluation on SECO internet website. The Committee welcomes the continuous positive results that have been achieved over the last past years but emphasizes that there is room for further improvement, especially in the areas of efficiency and sustainability. Achieving lasting progress in these areas will be challenging as it will require continuous efforts and perseverance by SECO/WE Management and Staff.

Pietro Veglio

Chairman of the External Evaluation Committee

The Committee Members:

Gilles Carbonnier

Suzanne Grossmann

Felix Gutzwiller

Christoph Stückelberger

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2011 ANNUAL REPORT

on

THE EFFECTIVENESS OF SWITZERLAND'S ECONOMIC COOPERATION AND DEVELOPMENT

Economic Cooperation and Development Division
Evaluation and Controlling (WECO)

April 2012

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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 of the report focuses on definition, methodological challenges and SECO/WE's assessment of the DAC evaluation criteria efficiency (Part II).

Part I – Assessing SECO/WE's performance

SECO/WE's portfolio success rate in 2011 is estimated at 78.3% satisfactory projects, confirming the high performance levels seen in previous years. The 2005-2011 analysis is based on 145 external evaluations and reveals a success rate of 77.3% satisfactory projects. Considering the difficult environment in which development cooperation takes place and compared to the performance achieved by other donors and multilateral institutions, SECO/WE achieves good and credible results.

As in previous reports, SECO/WE's projects are strong in terms of relevance and effectiveness and show some weaknesses with regard to efficiency and sustainability.

While recognizing the good performance achieved by SECO/WE and the challenges in obtaining results, this 2011 Effectiveness Report recommends, with regard to project planning and implementation: i) concrete project management measures (such as, for example, increasing local relevance and ownership through a broader needs and context analysis) so as to strengthen the sustainability prospects of projects, ii) measures to increase peer learning between controlling and operational divisions. With regard to the management of evaluation processes, the Report recommends: i) increasing the ownership of SECO/WE's management in the selection of projects to be externally evaluated, ii) increasing the number of ex-post evaluations each year, iii) clarifying the policy with regard to management responses and ensuring compliance with this policy.

Part II – Efficiency of aid projects

Considering the tighter budget constraints and a generally critical perception of development cooperation by the public, the issue of value for money has become an important topic on the agenda of aid agencies.

In view of the debate at international level on measuring efficiency and the approaches of comparable bilateral agencies, the approach of SECO/WE meets the basic requirements and is of a similar standard as those applied by other agencies. Assessing four key parameters (cost effectiveness, approach, management, monitoring) and applying both quantitative financial analyses and qualitative tools provides a balanced picture of efficiency.

Referring to ongoing trends and challenges, SECO/WE should consider strengthening the assessment of efficiency at project level in two ways: i) by continuing the differentiated assessment but providing more guidance by breaking down the aspects into a set of criteria that need to be assessed; and ii) identifying SECO/WE's thematic areas that best lend themselves to a pilot exercise of financial analysis (cost-effectiveness analysis).

Introduction

The 2011 edition of the annual Effectiveness Report of Switzerland's Economic Cooperation and Development comes at a crucial moment for the country's international cooperation, as a decision on the new frame credit for development cooperation covering the period 2013 – 2016 will be taken by Parliament during the upcoming summer session. In this context, and when reporting to Parliament, evaluation findings and the analysis from previous Effectiveness Reports play an important role in accounting for past 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 DAC evaluation criterion of efficiency and how this is applied and measured in SECO/WE's evaluation policy compared to other development agencies (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.

For the first time, and in view of the submission of a new frame credit for international cooperation, SECO/WE drew up a stocktaking report – "SECO takes stock" – outlining its achievements in economic development cooperation between 2006 and 2011, based on the results and findings from external and independent evaluations.

The international context continues to be marked by the economic slowdown and debt crisis, with the development cooperation budgets of donor countries coming under tighter pressure and taxpayers increasingly calling for evidence of results and a priority on efficiency. International reflections and discussions on approaches to monitoring and evaluation practices are therefore of particular importance to SECO/WE's development work.

In November 2011, the OECD-DAC High Level Forum on Aid Effectiveness took place in Busan, Korea, as a stocktaking exercise on the implementation of the Paris Declaration. The Busan Outcome Document was drafted with the objective of paving the way for enhanced coordination between a broad set of actors (incl. BRICS, private sector and civil society) while re-affirming earlier commitments. Ownership of developing countries' own development policies, focus on results, inclusive partnerships, transparency and mutual accountability were defined as common goals and shared principles, insisting nonetheless on differentiated responsibilities and on acknowledging the diversity of today's development cooperation (north-south and south-south). The significance of evaluation was highlighted as part of results-based management of development cooperation.

On the agenda of the High Level Forum was the joint evaluation on the implementation of the Paris Declaration on Aid effectiveness, commissioned jointly by recipient and donor countries. One of the main results from the evaluation was the finding that the Paris Declaration's principles have contributed to better and sustainable development results. Lessons learned from this exercise and other recently undertaken joint evaluations can be summarized along the following lines: Joint evaluations are, on the one hand, most suitable for evaluating complicated and policy-related changes and have an impact beyond merely reporting findings, as their more lengthy and comprehensive process helps to build capacities and awareness (on evaluation as well as subject-specific issues) in the partner countries. On the other hand, the dissemination of results as well as the creation of a learning effect within each of the participating donor organizations is more challenging and needs special attention.

In line with the objectives of the Busan Outcome Document, the DAC/OECD Evaluation Network has identified the following priority outcomes for its 2013-2014 work programme:

- To produce and disseminate **high quality and relevant evaluation** evidence and lessons to inform the development policy in priority areas defined by the DAC.
- To strengthen the **use of evaluation** as a tool to improve accountability for development results in OECD and other countries, through collaboration and sharing of good practices, and through more effective communication
- To influence policy through better uptake of evaluation evidence and **reinforce systems for learning and evidence-based decision-making** in development agencies.

In this international context, SECO/WE has also taken various efforts in 2011 to further consolidate its existing evaluation system, which contributes to improved accountability and better development results. Based on recommendations from previous Effectiveness Reports and the external Evaluation Committee, the following activities were undertaken in 2011:

- Based on a parliamentary request and in view of the submission of a new frame credit for international cooperation 2013 – 2016, SECO/WE drew up a stocktaking report of its achievements in economic development cooperation between 2006 and 2011[1]. The aim was to report in a self-critical and transparent way on results achieved within the current frame credit, based on external and independent evaluations.
- Within the Message for the new frame credit, SECO/WE has defined a new set of standard performance indicators for each of its priority lines of intervention. These indicators are to be applied in approx. 70% of SECO/WE's projects. This important measure will enhance the future availability of comparable and reliable data, allowing for more efficient and precise project monitoring, steering and reporting.
- As with many other development agencies, sustainability emerges as one of the major challenges across the DAC criteria evaluated within SECO/WE. In order to raise awareness of the topic and identify best practices as well as concrete measures to improve the performance of projects, a workshop involving SECO/WE's field representations was organized (for more information on the results, see section 4),
- While the DAC criterion efficiency has also been showing mixed results in SECO/WE's evaluations in recent years, and a need for clarification of the term and how it is applied in SECO/WE's evaluation policy has been identified. The thematic part of this year's Effectiveness Report is therefore dedicated to the definition of and the methodologies and international discussions on efficiency, as a source of inspiration and validation of SECO/WE's approach.
- Following up on last year's thematic part on capacity development, SECO/WE is in the process of identifying suitable projects with an explicit capacity development component in order to derive a more adequate definition of the indicators and monitoring system to be applied throughout project implementation.
- The strategic partnership with KEK-CDC Consulting on results-based management issues was renewed in the summer of 2011, based on a competitive bid process.

SECO actively participated in international discussions on evaluation issues in the following courses, events and networks during 2011: the International Program for Development Evaluation Training in Ottawa, the OECD-DAC Network on Development Evaluation, the DACH Meeting (an informal network of the German-speaking development agencies), and Nonie (Network of Networks for Impact Evaluation).

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[2]. In 2011, the Committee's activities focused on approval of the programme of independent evaluations, discussion of the 2010 Effectiveness Report for Switzerland's Economic Development and Cooperation, and discussion of the two independent evaluations of SECO's operations in the field of private sector development and financial sector support. Several points addressed in this year's Report are also directly based on discussions and recommendations from the Evaluation Committee, such as, for example, the conduct of a preliminary analysis on the potential causal relationship between the initial risk assessment of a given project and its final results.

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[1] http://www.seco-cooperation.admin.ch/themen/01033/01130/index.html?lang=en

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

2. SECO/WE's portfolio performance in 2011 and in the period 2005-2011

SECO/WE's overall performance remains high as the success rate of SECO/WE's portfolio in 2011 is estimated at 78.3%, which represents an improvement on 2010 (73%). For the period 2005-2011, 77.3% of the 145 projects evaluated are considered satisfactory. The quality of the evaluation reports in 2011 remains high after significant improvements in 2010.

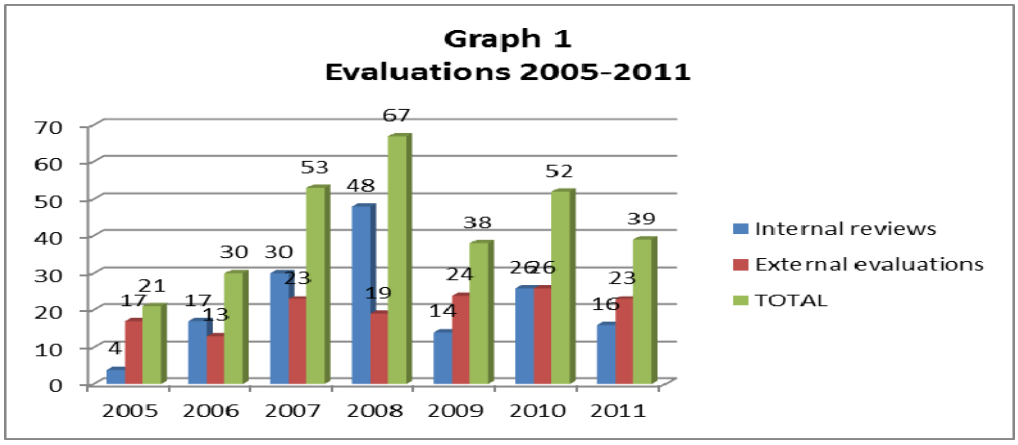
As in previous years, the results for 2005-2011 reveal certain areas of success, in particular with respect to relevance as well as effectiveness, with well above 70% of projects being considered satisfactory. In terms of efficiency and sustainability, some of the concerns and weaknesses identified in previous reports remain in place. While measures taken with regard to improved sustainability seem to be producing greater awareness, the challenges in terms of efficiency remain high.

2.1. Evaluation exercises conducted in 2011

According to SECO/WE's typology of evaluations[3] , the following exercises were conducted in 2011 at the level of **SECO/WE's operational divisions: 39 evaluation exercises**, of which **23 were external evaluations and 16 internal reviews**. The total number of projects evaluated is lower than in the previous year (2010: 52), while the number of external evaluations is in line with the average of 20 to 25 a year. The 23 external evaluations were used in calculating the 2011 performance rate of SECO/WE's activities. The variation in the number of internal reviews conducted annually (in particular with respect to Completion Notes) is natural and follows the lifecycle of SECO/WE's portfolio.

Table 1
Evaluations conducted in 2011 by WE's operational divisions

2011	Internal Reviews		External Evaluations	TOTAL
	Completion Notes	Others[4]		
WEMU	3	2	4	9
WEIN	3	0	3	6
WEIF	2	0	5	7
WEHU	5	1	11	17
TOTAL WE	13	3	23	39



[3] 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

[4] 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 2011, under the supervision of the **external Evaluation Committee**:

- finalization and publication of SECO/WE's independent evaluation on "SECO's Contribution to Financial Sector Reform in Developing and Transition Countries", available at http://www.seco-cooperation.admin.ch/themen/01033/01130/index.html?lang=en
- finalization and publication of SECO/WE's independent evaluation on "The Role and Effectiveness of SECO Cooperation in Business Environment Reform", available at http://www.seco-cooperation.admin.ch/themen/01033/01130/index.html?lang=en
- launch of the SECO/WE independent evaluation of the development effects of SIFEM's[5] investment interventions, to be available by end 2012.

These exercises are based on the evaluation of a large portfolio of projects and therefore essentially 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 as 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 2005-2011.

Relevance	Effectiveness
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.
Efficiency	**Sustainability**
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 2011 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.

[5] SIFEM stands for Swiss Investments for Emerging Markets and is the Swiss Development Finance Institution.

2.3. Detailed results from the 2011 external evaluations

The 2011 performance results are comparable to those of previous years, i.e. the large majority of SECO/WE's operations are considered satisfactory, with a success rate of 78.3% for 2011. For the entire period of 2005-2011, this success rate is 77.3%. According to the results of the 23 external evaluations, 21.7% of the projects were unsatisfactory in 2011 and no programme/project was rated as highly unsatisfactory.

Table 2
Project performance according to the 2011 external evaluations
(comparison over the period 2005-2011)

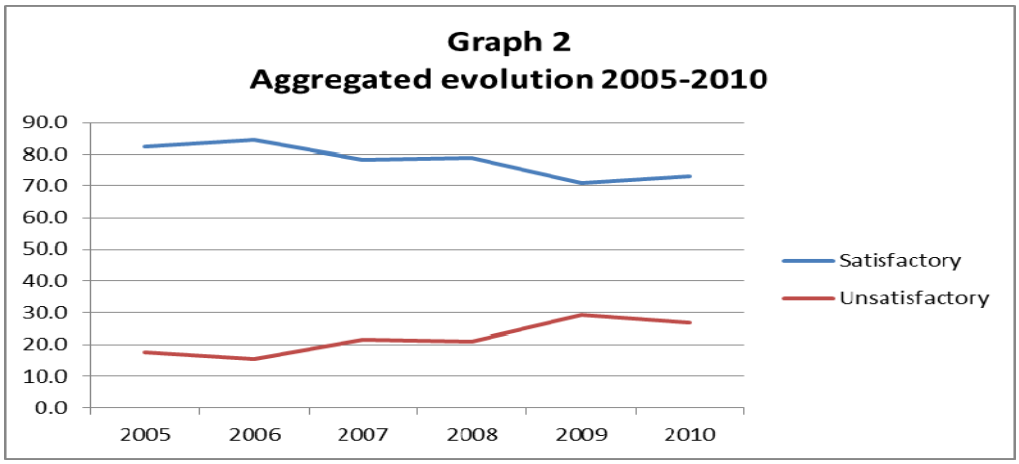
	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	2005-11	2011	2005-11	2011	2005-11	2011	2005-11	2011
All WE	5.5%	0%	71.7%	78.3%	22.1	21.7%	0.7%	0%

All in all, a sample of 23 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 2005-2011, 145 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 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 results. Against this background, it is interesting to note that all of the projects rated as unsatisfactory in 2011 were mid-term reviews. Presuming that the conclusions and recommendations drawn from the evaluation were taken into consideration in the further implementation of the projects, it can be considered that evaluations are systematically used as an appropriate risk-management approach.

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 Group on its results and performance.[6] In the most recent report, the World Bank achieves a success rate of 85% for all projects evaluated between 2008 and 2010. 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.

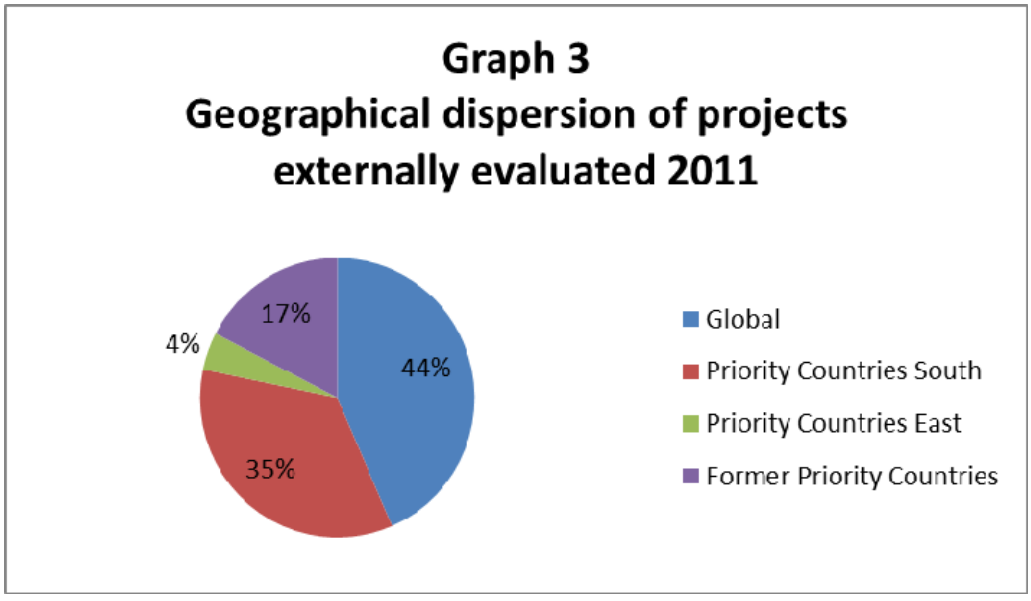
Over the years, SECO/WE has maintained a performance level of 70-85% satisfactory projects and 15-30% unsatisfactory projects, which can be considered relatively stable and representative of the results achieved by international peers.

[6] WB report available at http://ieg.worldbankgroup.org/content/ieg/en/home/reports/rap2011.html



With regard to the types of evaluation conducted in 2011, there has been a clear priority on mid-term evaluations (47.8%) as well as on final evaluations (39.1%). The number of ex-post evaluations has remained low, with a total of just three or 13% (2010: 15%) despite the recommendation to increase this type of evaluation, given the persistent challenges related to the sustainability of projects.

Analyzing the geographical distribution of the 2011 evaluations, it can be observed that the majority of SECO/WE's evaluations are related to development activities in either one of the current priority countries (39%) or global programmes (44%). Another 17% of the external evaluations concern activities in former priority countries. Among the evaluations in current priority countries, there is a clear focus on those in the South (eight out of nine evaluations). This geographical distribution reflects SECO-WE's geographical focus and concentration on a limited number of partner countries as well as the large allocation of financial volumes to global initiatives. However, the evaluations in priority countries in the east seem underrepresented in comparison with SECO's overall portfolio.



2.4. 2011 results according to the DAC criteria

In line with results achieved over the last seven years, SECO/WE's project and programmes are rated highly relevant and show good results in terms of effectiveness. **91.3% of SECO/WE's interventions in 2011 were rated relevant and 78.3% show good results in terms of effectiveness**. A less positive picture is drawn for efficiency and sustainability**: the number of projects implemented efficiently has further decreased to 43.4% while 52.1% of the projects externally evaluated in 2011 show an unsatisfactory assessment in terms of sustainability**. However, it is important to note that 13% of projects evaluated were not rated with respect to the sustainability criterion.[7] These weaknesses have been identified in former years, as well as concrete measures for addressing them (for information on the implementation of measures and further conclusions and recommendations, see sections 3 and 4). However, it has to be acknowledged that effectively addressing those fundamental challenges is difficult, and improvements can hardly be expected to be visible from one year to the next.

Table 3
Project performance by criteria, according to 2011 external evaluations

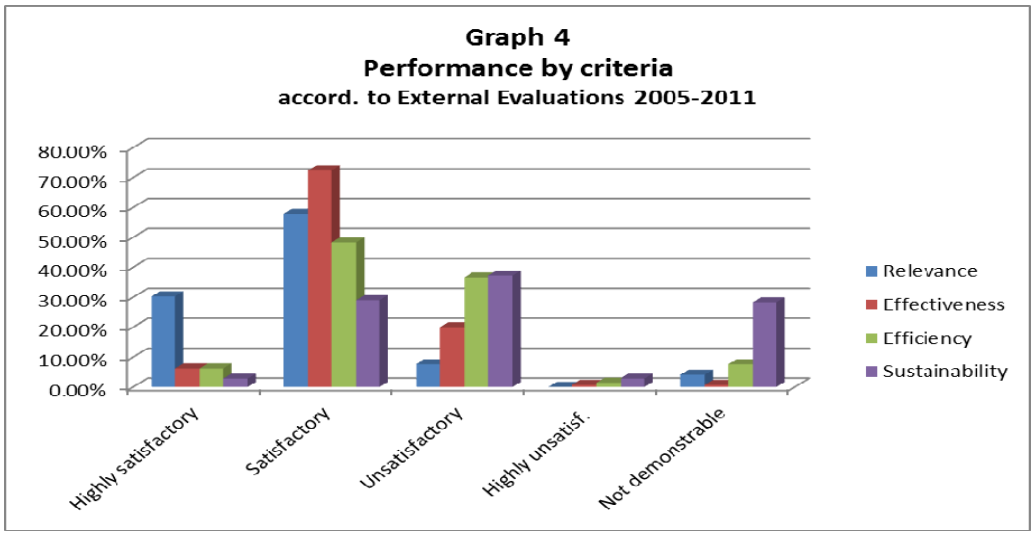
2011	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory		Not Assessed / Not Demonstrated	
	Number	%	Number	%	Number	%	Number	%	Number	%
Relevance	4	17.4%	17	73.9%	1	4.3%	0	0%	1	4.3%
Effectiveness	0	0%	18	78.3%	5	21.7%	0	0%	0	0%
Efficiency	1	4.3%	9	39.1%	9	39.1%	1	4.3%	3	13%
Sustainability	1	4.3%	7	30.4%	11	47.8%	1	4.3%	3	13%
Total	0	0%	18	78.3%	5	21.7%	0	0%	0	0%

When analyzing the development of results over the years (2005 – 2011), there is a continued trend, with **88.2% of operations being considered relevant and 78.6% of projects achieving good results**. Also, in terms of efficiency, the analysis shows some signs of continuity over the years: **54.5% of operations are considered efficient**. This does not mean that almost half of the projects are not cost-efficient but that almost half of the projects show weaknesses in at least one of the four aspects of efficiency (cost-efficiency, approach, management and monitoring) that are assessed by SECO/WE. Such weaknesses could be a delay in project implementation, incomplete data collection and monitoring, or complex management structures. With regard to **sustainability, 31.8% of the projects were rated successful**. At the same time, it is confirmed that this is the most difficult criterion to assess, as almost 30% of operations were not rated in terms of sustainability.

Table 4
Project performance by criteria, according to 2005-2011 external evaluations

2005-2011	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory		Not Assessed / Not Demonstrated	
	Number	%	Number	%	Number	%	Number	%	Number	%
Relevance	44	30.3%	84	57.9%	11	7.6%	0	0%	6	4.1%
Effectiveness	9	6.2%	105	72.4%	29	20%	1	0.7%	1	0.7%
Efficiency	9	6.2%	70	48.3%	53	36.6%	2	1.4%	11	7.6%
Sustainability	4	2.8%	42	29%	54	37.2%	4	2.8%	41	28.3%
Total	8	5.5%	104	71.7%	32	22.1%	1	0.7%	0	0%

[7] 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.



2.5. Results from independent evaluations

Since 2009, SECO/WE has conducted four independent evaluations[8] (under the responsibility of SECO/WE's Evaluation function), covering specific sectors from SECO/WE's priority areas of intervention. These evaluations assessed sector-wide performance with respect to the four DAC criteria of relevance, effectiveness, efficiency and sustainability, and rated it according to a four-point scale (as described under 2.2).

When comparing these results with those reflected in external evaluations, certain similarities can be observed: all four independent evaluations rated the relevance of the respective sector's interventions as highly satisfactory or satisfactory. Effectiveness was rated satisfactory in all cases except one, where mixed results were observed. As with external evaluations, sustainability proved to be a challenging criterion showing mixed results across the sectors. In contrast to external evaluations, the efficiency criterion was rated slightly higher in independent evaluations. Against this background, it can be concluded that independent evaluations generally confirm the findings of the external evaluations in terms of performance and the challenges identified in SECO/WE's interventions according to the four DAC criteria.

Table 5
Sector performance by criteria, according to independent evaluations

2009-2011	Relevance				Effectiveness				Efficiency				Sustainability			
	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU
Promotion of the organic market	X					X				X					X	
Energy sector	X					X				X	X			X		
Financial sector reform	X	X				X				X				X	X	
Business environment reform	X	X				X	X			X				X		

[8] All independent evaluations are available under: http://www.seco-cooperation.admin.ch/themen/01033/01130/index.html?lang=de

2.6. Correlation of risk analysis and evaluation results

When reviewing last year's Report, the external Evaluation Committee tasked SECO/WE to analyze whether a correlation exists between the ex-ante assessment of project risks and the final results. Do high-risk projects tend to be less performing or do they, on the contrary, lead to closer monitoring and, if necessary, adopted mitigation measures and more positive end-results?

The policy of SECO/WE to conduct project risk assessment at the design stage has evolved over time. Until 2007, it was mandatory to identify and describe potential risks for new projects, but there was no obligation to weight them. The risk policy introduced in 2007 sought a weighted risk (differentiated into high, medium, low) after the proposed mitigation measures. Since most project managers assumed that identified mitigation measures will have the desired effect, the ex-ante risk assessment for the large majority of projects was rated low to medium. As a consequence, a new definition of risk assessment was introduced in 2010, with a four-point scale, before mitigation measures (gross risk), based on six distinct types of risks.

Considering that projects evaluated in 2011 were designed before 2010, and therefore applied the risk assessment methodology in place between 2007-2010 (risk assessment after mitigation measure), an analysis of a possible correlation between mitigated risks and achieved results has limited significance. What can be said, however, is that projects rated unsatisfactory in terms of achieved results seem to have identified effective risks, but the chosen mitigation measures were not or only partly successful. It also seems that risks identified are only partly reflected in the projects' logframe, and most often not monitored during project implementation.

However, the new risk policy introduced in 2010 should allow for a more conclusive analysis in the years to come. It will be important to repeat this analysis once projects that were conducted under the new risk policy are evaluated.

2.7. 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 6
Quality of evaluation reports in 2011 and for the period 2005-2011

	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Number	%	Number	%	Number	%	Number	%
All WE 2011	4	17.4%	14	60.9%	4	17.4%	1	4.30%
All WE 2005-2011	37	25.5%	80	55.2%	25	17.2%	3	2.1%

The quality of the evaluation reports remained stable at a satisfactory level. **While 33% of the reports were still below standard in 2009, this number dropped to 23% in 2010 AND AGAIN TO 21.7% IN 2011.** 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 in the past as well as the training of new WE staff members with a focus on the evaluation procedure is bearing fruit. The improved quality of evaluation reports certainly enhances their usefulness and credibility. However, a certain number of reports still contain avoidable weaknesses, e.g.:

- The executive summary is incomplete and/or does not reflect the report as a whole.
- The logframe or results framework of the project is not used as a basis for the performance analysis.
- The evaluator's rating of the project performance on the four DAC criteria is missing.
- A complete set of conclusions, lessons learned and recommendations has not been drawn up.
- The recommendations are quite generic and therefore not well adapted for the intended user.

2.8. Results of the 2011 internal reviews

Internal reviews and completion notes were conducted for a total of 16 projects in 2011 and demonstrate a positive picture of the overall project performance perceived by operational divisions. Staff estimated that **81.25% of their projects are satisfactory**, with 18.75% of interventions achieving globally unsatisfactory results. In terms of the evaluation criteria, the internal reviews generally reflect the results achieved in the external evaluations: the relevance of the projects was in all cases assessed positively. While effectiveness also obtained positive results, with more than 80% of projects rated as satisfactory, efficiency and sustainability are perceived as being more critical: 37.5% of the reviewed projects received unsatisfactory ratings for efficiency and 31.25% for sustainability. These results underline the fact that the long-term success of SECO's projects is continuously 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 7
Project performance according to 2011 internal reviews

2011	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Number	%	Number	%	Number	%	Number	%
All WE	2	12.5%	11	68.75%	2	12.5%	1	6.25%

With only one exception, projects that did undergo an external evaluation were not subject to Completion Notes for the same year. Consequently, a comparison between the assessment of SECO's portfolio by the external evaluators and by SECO's operational staff offers very limited conclusions. A general comparison, however, shows that the assessments are similar to previous years and biased towards more satisfactory ratings when conducted internally. Although internal staff members provide reasonable justification for their satisfaction, some of the major challenges and shortcomings mentioned in the report are not addressed consistently in their ratings. With regard to the sustainability of SECO projects, internal reviews often tend to rate this criterion, even though there is not yet any clear evidence or justification and sustainability has not yet been demonstrated at the time of the operation closing. For the coming years, it should be ensured that SECO's projects are assessed as objectively as possible by their own project officers, taking a critical view of their own results and risks. This is crucial in order to ensure that important lessons and experiences are identified and consequently effectively included in the future implementation of projects and the identification and design of new activities. Furthermore, there is quite a discrepancy in the number of planned internal reviews for 2011 and the quantity of reports ultimately delivered: out of the 30 internal reports planned for 2011, only 16 were available by the beginning of 2012. This may call for a specific monitoring by WECO of the designated closure of finalized projects through the compilation of Completion Notes.

2.9. Experiences with the follow-up of evaluations through management responses

Since 2010, the evaluation policy requires that a management response be formulated for each external evaluation. This should lead to a consistent and structured reflection and follow-up measures on the conclusions and recommendations identified during the evaluation process. A management response is also an important source of information for SECO/WE's management, particularly in decision-making processes. In 2010, 26 external evaluations were finalized and consequently eligible for a management response. Requests addressed to the responsible operational units within SECO-WE showed that a management response has been formulated for 16 or 61% of these evaluations. For the other ten evaluations (39%), a management response was not formulated for the following reasons:

- still in process,
- not deemed necessary (for example in the case of ex-post evaluations with no direct consequences on the evaluated project or in the case of evaluations in former priority countries),
- not considered the appropriate means of following up on the evaluation (instead a workshop with the Implementation organization was organized and the minutes of this were used as a basis for the follow-up),
- not considered SECO/WE's responsibility to formulate a management response, since the evaluation was addressed directly to another institution (foundation board, executive committee, etc.).

3. Conclusions from statistical analysis

On the positive side, this year's report confirms once more 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. Awareness raised regarding sustainability and improving the quality of evaluation reports may be the result of recommendations implemented from past Effectiveness Reports. There is still room for further improvement, however. In contrast, the efficiency criterion has further deteriorated. It would appear, therefore, that the decision to look more deeply into the different aspects of efficiency in the thematic part (Part II of this report) is timely.

Even though the methodology applied has its limitations, confidence in the conclusions of this Effectiveness Report is increasing over time. The sample of by now 145 externally evaluated projects is considerable and, equally important, there is continuity in the results and trends identified from one year to the next.

When reviewing the 23 externally conducted evaluations, incl. the three ex-post evaluations, 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 continue to show weaknesses in reporting at the level of outcomes and possible impacts due to weaknesses in project monitoring. Existing logframes or results frameworks are rarely used rigorously as a basis for collecting quantitative data on outcome levels.
- **Efficiency**: The results shown under this criterion reveal persisting weaknesses. The amplitude of the criterion (encompassing quantitative economic considerations as well as qualitative aspects in terms of project approach, management and monitoring) explains the measurement difficulties related to it. As mentioned before, this year's thematic part of the Effectiveness Report looks in more detail at the different dimensions of efficiency and the way that SECO/WE or other donors define and evaluate it. Next

year's Effectiveness Report will provide a more detailed analysis of SECO/WE's efficiency results and shall lead to concrete recommendations for improving this criterion. Based on this year's evaluation, it can be said that partners are satisfied with the quality of assistance they receive. Although project monitoring is more consistently applied throughout the project lifecycle, with logframes more rigorously identified at the design stage, there are still weaknesses in the use of logframes during implementation for an efficient steering process. In some cases, the structures used to manage and implement the project are too complex and create inefficient and complex means of communication and coordination between the various stakeholders. As observed in previous years, overoptimistic planning and/or unrealistic timeframes foreseen for the achievement of objectives are frequent reasons for a more negative efficiency rating.

- **Sustainability**: This is the criterion that clearly shows the weakest results, although it has not worsened in the year under review. From the three ex-post evaluations carried out in 2011 (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), one was assessed as highly successful in terms of sustainability, for one there was no information provided (as the strategy of a global intervention was assessed and the sustainability on the country level was not part of the assessment), and one was rated unsatisfactory. It is important to point out that sustainability is the most difficult criterion to measure, and it is also the most challenging criterion in terms of achievement. In light of these widely accepted difficulties and based on recommendations from last year's report, SECO/WE conducted an internal workshop in order to sharpen the view for SECO/WE's specific sustainability challenges. For more information, see the section on lessons learned and recommendations.

In general, it can be concluded that, considering the challenging environment in which development cooperation takes place as well as internal constraints (mainly the level of human resources compared to the size of SECO/WE's portfolio), SECO/WE achieves good and credible results that are largely in line with the performance achieved by other donors and multilateral institutions. The projects evaluated in 2011 reflect SECO/WE's geographic priorities as well as the resource allocation for global programmes. Another positive conclusion is the continued improved quality of evaluation reports, as quality evaluations are a condition for optimizing the use of evaluation findings. As long as there are unsatisfactory evaluation reports, however, efforts in this respect should be continued.

Further positive effects on the quality and monitoring of SECO/WE projects is expected to be seen in future, due to the decentralization approach. The expertise of our local representations will contribute continuously to increased alignment, optimal adaptation of interventions to the local context and optimized project steering. One expected positive effect is the improvement of sustainable project results.

To date, the recommendation to increase the number of ex-post evaluations carried out annually has not been realized. Ex-post evaluations allow for an assessment of certain criteria in greater depth, such as sustainability, and can thus contribute largely to the further development of SECO/WE's portfolio and to the external dissemination of results achieved in the long term. Also not fully implemented is the policy to draw up a management response for each evaluation conducted. Consequently, the effective use of evaluation results in project management and decision-making remains uncertain.

4. Lessons learned and recommendations

While recognizing the good performance achieved by SECO/WE and the challenges in obtaining results, this 2011 Effectiveness Report recommends with regard to planning and implementation of projects: i) concrete project management measures that are relevant to strengthen the sustainability perspective of projects, and ii) measures to increase peer learning between controlling and operational divisions.

With regard to the management of evaluation processes, the Report recommends: i) increasing the ownership of SECO/WE's management in the selection of projects to be externally evaluated, ii) increasing the number of ex-post evaluations per year, and iii) clarifying the policy with regard to management responses and assuring compliance with the policy.

To attain sustainable results and to be able to report on these remains the ultimate challenge for all development organizations. Reasons for struggling with this vary from the difficulty in adequately planning and identifying realistic objectives and timeframes, the difficulty in creating local ownership and a culture of self-assessment, 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 these challenges in mind, 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.

1. Recommendations for **planning and implementing projects:**

SECO/WE should pursue its efforts to further **strengthen its monitoring system** on different levels through the adoption of the following measures:

Operational level:

- **A wider ownership of logframes** by implementing partners and beneficiaries should be ensured. The introduction and monitoring of standard indicators within SECO/WE projects should help to increase the use and utility of logframes. The logframe must be recognized as a key project monitoring and steering instrument.
- The attested high relevance and effectiveness of SECO/WE projects is reflected in the intensity with which these criteria are discussed at the SECO/WE decision-making board (Operations Committee). This proven practice should certainly not be changed. However, a more systematic focus and discussion on the weaker criteria (efficiency and sustainability) should take place within SECO/WE's Board to ensure that they receive sufficient attention during the project identification process. This additional focus will increase awareness and knowledge of heads of divisions on how best to assure high efficiency and sustainability for projects in their priority domains of intervention.
- According to the proceedings of the workshop **between headquarters and field staff on the sustainability** of interventions (February 2011), the following principles have been identified as preconditions:
    - Relevance and ownership is a crucial precondition for project sustainability. Therefore, broader needs and context assessments at project outset are important for innovative approaches or for new sectors and countries.
    - To strengthen the commitment of local project partners, the approach and objectives of a project should be defined in a negotiating process instead of communicated after an internal decision.
    - Local project steering mechanisms play a crucial role in the periodic review of ex-ante defined assumptions and risks as well as related mitigation measures. Appropriate documentation of adoptions (i.e. to logframe or mitigating measures) are indispensable in terms of monitoring and project evaluation.
    - Inception or pilot phases should be used more often as a commitment test and lead to informed decisions on project continuation.

Interaction between WECO and operational divisions:

- Peer learning between WECO's staff and the operational programme managers must be strengthened to enhance the awareness of monitoring and evaluation practices at one end and of operational challenges at the other. This should be achieved by having selected WECO employees accompany a specific project alongside the project manager from the identification phase, through to development of the project documents (incl. logframe) and approval, and throughout the reporting process.A wider

Management level:

- **Sufficient (human) resources**: In view of the implementation of the new frame credit, a need to review the adequacy of the human resources has been identified. Adequate resources in terms of human capacities (know-how and time) for an effective results-based project management is crucial for successful implementation of SECO/WE's development cooperation strategy as well as to maintain, and even improve, the quality and results of interventions.

2. Recommendations for **managing evaluation processes**:

- Increased **management responsibility in the selection of projects to be externally evaluated:** Management should be consulted on the list of planned evaluations submitted by the operational divisions and WECO. This overview will ensure that the choice of external evaluations is geographically and thematically balanced, and that projects with an important upcoming decision-making process (e.g. extension, new financing phased) are considered in good time for an evaluation.
- Considering the remaining challenges in assessing sustainability, only **ex-post evaluations**, conducted some years after project completion, should be used to assess the sustainability, and they should be increased in number. As only a good mix of projects in terms of success allows for reliable assessment as well as comprehensive learning, the selection of ex-post evaluations should be independent of operations. It is therefore recommended that the Evaluation function – instead of operational divisions – takes responsibility for identifying one ex-post evaluation per year and per operational division.
- Despite the improvements observed in the **quality of evaluation reports**, the challenges that remain call for further measures. When identifying reports of unsatisfactory or highly unsatisfactory quality, WECO will contact the operational unit concerned in order to raise the issue and to identify the reasons and measures for a better practice in the future.
- Although SECO/WE's evaluation policy requires that a **management response** be drawn up after each external evaluation, this policy is not fully implemented. There are different perceptions of the requirements at operational level, and it seems that the rationale and usefulness of management responses are assessed differently. The policy itself is not in question, but it is recommended that it should be revised by integrating possible exceptions to the rule. WE management, which has an overview of the evaluation programme, should ensure compliance with this policy.
- The SECO/WE **evaluation database**[9] contains all external evaluations and reviews, their respective assessment by the Evaluation function, and the management responses. As a more pro-active consultation of this database provides operational divisions as well as management with an independent view of the achievements of a project as well as the quality of the evaluation work, this is to be recommended.

5. Outlook for 2012

SECO/WE's operational divisions are planning to conduct a total of **53 evaluation exercises in 2012**. 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 (if the above-mentioned recommendation is approved, WECO will consider their relevance).

[9] Internal link to evaluation data base: https://gever.evd.admin.ch/evd/fscasp/content/bin/fscvext.dll?mx=COO.2101.104.6.1103453

Table 8
Tentative evaluation programme for 2012

2012	Internal Reviews		External Evaluations	TOTAL
	Completion Notes	Others [10]		
WEMU	11	-	4	15
WEIN	10	-	1	11
WEIF	8	-	5	13
WEHU	9	-	5	14
TOTAL WE	38	-	15	53

For 2012, the programme of the SECO/WE Evaluation function includes:

- finalization of the independent evaluation of SIFEM's activities (Swiss Investment Fund for Emerging Markets),
- launch of the independent evaluation on SECO/WE's activities that aim at strengthening trade and export capacities,
- launch of the SDC/SECO 2014 Effectiveness Report on activities in the field of climate change.

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

For the 2012 Annual Report on SECO/WE's effectiveness, we intend to further elaborate on the efficiency criterion in terms of subject-specific analysis. After broaching the issue of definition and methodological challenges in this year's report, concrete recommendations for overcoming SECO/WE's weaknesses in efficiency will be drawn up next year.

[10] This includes internal reviews conducted by the programme officer in charge of the project within WE or by the partner agency implementing the project.

Part II: Efficiency in aid projects

1. Background

The Paris Declaration (2005) initiated a debate on aid effectiveness that first focused on improving the results orientation in international development cooperation. More recently, under pressure from tighter budget constraints, efficiency and economic considerations have gained importance in development cooperation. Aid agencies need to better understand and demonstrate the value for money of their work to the taxpayers. The trend to analyses the efficiency of aid intervention thus places an emphasis on rigorous, quantitative assessment methods.

SECO/WE decided to review its approach to the efficiency criterion in two steps. This report covers the first step, seeking to:

- assess the current trends and debate in international development concerning the understanding and assessment of efficiency
- review SECO/WE's current practice and experiences and relate this to said trends
- provide a basis for discussing possible implications for SECO/WE.

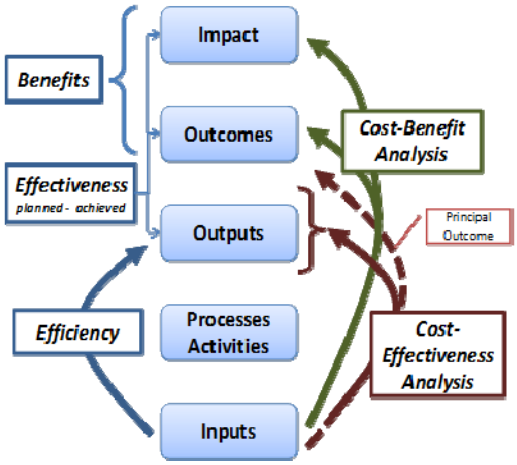
In a second step, as the subject of the 2012 Effectiveness Report, and based on discussion of the results from this review, practical options for reinforcing the efficiency of SECO's operations will be identified.

2. Underlying theory

The debate on efficiency and value for money in development cooperation is somewhat blurred by the ambiguous use and understanding of terminology and concepts.

According to the OECD/DAC definition, "**efficiency** measures the outputs in relation to the inputs. It is an economic term which is used to assess the extent to which aid uses the least costly resources possible in order to achieve the desired results". In principle, this definition means having to compare alternative approaches to achieving the same outputs.

In **welfare economics**, efficiency is understood to mean the **transformation of costs into benefits**, measured as the cost-benefit ratio. Costs and benefits are understood here in a general manner as social and individual, direct and indirect, tangible and intangible contributions or benefits.

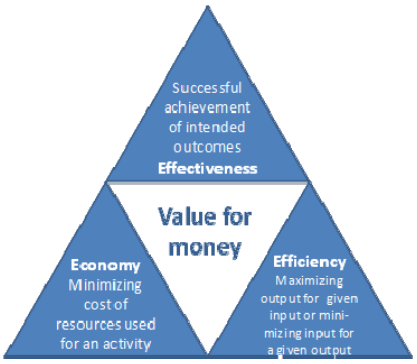


These concepts all imply an assessment of efficiency based on costs and benefits. The analytical tools differ mainly in the levels of benefits and the way in which benefits are expressed.

A **cost-benefit analysis** (CBA) expresses all costs and benefits associated with a development intervention in monetary terms, whereby the benefits are the results achieved at the level of outcomes or impact.

A **cost-effectiveness analysis** (CEA) is a leaner analysis which measures the principal outcome or outputs[11] of a development intervention. The main difference with respect to CBA is that CEA does not express the results of an intervention in monetary terms, but instead, considers results in their natural units and compares these with the costs of the intervention (e.g. cost per new job created).

[11] There are different definitions of the results assessed in a CEA. According to Palenberg, CEA looks at the principal outcome, whereas other sources refer to outputs.



The **value for money** concept[12] has surfaced in the discussions more recently (mainly in the Anglo-American context, e.g. DFID). The concept (based on definitions from the UK National Audit Office) reflects that: a) the successful achievement of the intended results (effectiveness) is a precondition for efficiency, and b) efficiency does not necessarily mean minimization of costs because it primarily looks at the ratio of cost to benefits. Minimizing the cost of resources used for an intervention is covered by the aspect of economy.

These concepts would seem to suggest that efficiency analysis is basically a quantitative process governed by economics, leaving little space for qualitative evaluation methods. In development cooperation, the latter are still considered appropriate for assessing complex situations. Therefore, the current debate about efficiency analysis is fuelled by the question of whether economic quantitative analytical methods can do justice to the particularities of aid interventions.

3. Efficiency in international development

3.1. Practice and experience of aid agencies

In the context of this debate, several aid agencies are reviewing and adjusting their processes and tools for managing and demonstrating the quality of their projects and programmes, namely efficiency. However, given the challenges posed in assessing the efficiency of development interventions, none of them has a "silver bullet". Most aid agencies are working towards practical ways of better utilizing economic analytical tools and combining them with established qualitative monitoring tools.

An internet-based survey of 12 development agencies[13] (banks, multilateral and bilateral) reveals a number of distinct groups:

Typically, **banks, financial institutions and big multilateral donors**, i.e. agencies that operate large investments, use economic evaluation methods for project appraisal and evaluation. The **World Bank** introduced such methods as a standard[14] in 1994. Likewise, the **IFC** and the **European Commission** work with financial analysis, using indicators like financial return on investment and financial return on capital and economic analysis. **USAID** recommends CBA and CEA as non-mandatory methods for determining whether an intervention is a worthwhile investment and/or to select the least-cost project design.

The experience of these donors is that the results of such exercises are largely based on approximations, working hypotheses and shortcuts because of the lack of data or because of constraints on evaluators' resources. A recent study[15] on the application of the WB policy for economic assessment reveals that the number of projects in which such analyses are applied has drastically declined over the past years. It suggests that the Bank needs to revisit its policy for cost-benefit analysis in a way that recognizes the legitimate difficulties in quantifying benefits.

Among bilateral donors, the general trend is to introduce different methods to make more rigorous assessments of the efficiency of interventions. Some agencies acknowledge that undertaking efficiency analyses is challenging because of the difficulty in assessing the efficiency of non-physical outputs such as empowerment, capacity building and participation.

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[12] OECD/DAC: (2010) Value for Money and International Development: "Deconstructing some myths to promote more constructive discussions", Consultation Draft.

[13] The long version of this report provides the details of this survey.

[14] World Bank (1994): "For every investment project, Bank staff conduct economic analysis to determine whether the project creates more net benefits to the economy than other mutually exclusive options for the use of the resources in question".

[15] World Bank Independent Evaluation Group (2010): Cost-Benefit Analysis in World Bank Projects. Washington: World Bank.

A few bilateral agencies consider efficiency according to the DAC definition as an evaluation criterion that is differentiated according to various aspects of efficiency, without applying rigorous cost-benefit analyses.

3.2. Conclusions and trends

- Under the pressure of increasing budget constraints and a generally critical perception of development cooperation by the public, the issue of value for money has become an important topic on the agenda of aid agencies. It requires them to better understand and demonstrate the value for money of their work to the taxpayers.
- Efficiency and economic considerations are gaining importance in development cooperation as basis for decision-taking. While, to date, most aid agencies have assessed the efficiency of interventions with a set of qualitative methods, the focus is now on economic, rigorous, quantitative assessment methods to be applied at project level.
- Those agencies that previously introduced rigorous economic analyses as a compulsory tool find the current use of these tools below expectations. They are in the process of reviewing how they can overcome the main constraints, i.e. insufficient quality and availability of data and capacity of staff and evaluators to apply the methods.
- Most agencies see a need for combining rigorous, quantitative methods with (existing) qualitative assessment tools to find the right mix of instruments that a) is appropriate for the often complex situations addressed by development interventions, b) satisfies the demand for more quantitative information on efficiency, and c) is manageable with the limited capacity and resources.

3.3. Challenges

The debate on value for money and on the (rigorous) measurement of efficiency poses a number of challenges for which practical solutions have yet to be found.

A) Conceptual challenges

Whose perspective?

There is a concern that cost-benefit analysis is a donor preoccupation and does not reflect the perspective of beneficiaries.
The funding constituency also wants assurance that those responsible for managing the funds are getting the best value out of it. This entails a certain risk of donors choosing to allocate funds primarily to "best performing" countries and/or interventions with more readily visible benefits..

Efficiency at which level?

Generally, the discussion on efficiency focuses on the project level. The country programme, portfolio and corporate levels are usually not addressed, even though substantial efficiency gains are possible, for instance by exploiting synergies between different components of a country portfolio or harmonizing interventions of different donors in a country.

Value by when? – Time factor

Delays in the implementation of projects due to unrealistic or poor planning have an impact on efficiency which is seldom considered. Moreover, the focus on value for money[16] may favour projects that produce results in the short-term[17] (typically humanitarian assistance) to the detriment of projects in which development processes take longer to produce results but might actually be more transforming and sustainable.

[16] Research Report: Value for Money, Governance and Social Development Resource Centre, 24/09/2010
[17] "… the MCC's rigorous approach to economic analysis and impact assessment tends to concentrate resources on activities for which an economic analysis can be applied most readily, such as infrastructure investments".

B) Methodological challenges

Quantitative versus qualitative assessment

The quantitative tools are clearly cost-driven and may mask other efficiency considerations. The concept of value for money is broader, as it also means applying a way of thinking for designing and reviewing development interventions. This includes qualitative considerations that go beyond the numeric when evaluating alternative approaches.

Assessing costs and benefits

- The most obvious challenges relate to the monetary valuation of benefits, i.e.
  - Availability of the results at outcome and impact level
  - The monetary valuation of these results / benefits may work for projects with tangible results (e.g. Cleaner Production: resources saved) but poses conceptual problems when it comes to the results of capacity building or policy development interventions.
  - Valuation is further complicated by the fact that the appreciation of benefits depends on the perspective.
- The definition of costs leads to questions such as allocation of operational or transaction costs (e.g. allocation to project or to programme offices).
- The discussion of value for money becomes meaningful only if projects can be compared by means of **benchmarks**. Experience shows that such benchmarks are available mainly for investment/infrastructure projects, whereas establishing benchmarks for projects that address "'soft" issues (capacity development, knowledge) is a considerable challenge.

C) Challenges related to capacity and resources

Applying rigorous economic analysis methods for aid interventions is technically demanding and costly. The quality of the assessment depends heavily on the extent to which evaluators master these skills. Reviews of such analysis (e.g. WB) suggest that there is a considerable gap in terms of skills required. This leads to low-quality assessments, the results of which may nevertheless be taken for granted.

4 Practice and experience within SECO/WE

4.1. Concept of efficiency

A) Aspects of efficiency

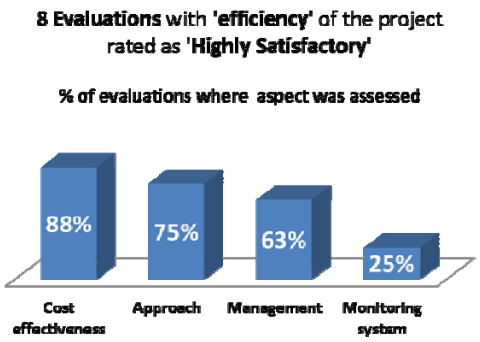
In assessing the efficiency of its projects, SECO/WE looks at four aspects:

- **Cost effectiveness**: Broadly speaking, the ratio of resources used to results achieved (for details of definition, see 2.1).
- **Approach**: The extent to which the chosen approach or implementation modality is best suited for achieving the intended results.
- **Management**: Management and steering mechanisms are in place and adequate for the efficient implementation of the activities.
- **Monitoring**: The monitoring system is designed (logframe) and effectively used to produce relevant information for steering (and reporting).

In the efficiency assessment, SECO/WE also considers the inherent linkages between efficiency, relevance and sustainability.

B) Application of the criteria

To understand how the efficiency criterion is applied in practice, a sample of 35 (out of 122) evaluation reports were analyzed. All evaluations that rated the project's efficiency as "highly satisfactory" (i.e. eight projects), plus another 27 reports in which the assessment of efficiency is of high quality, were selected.



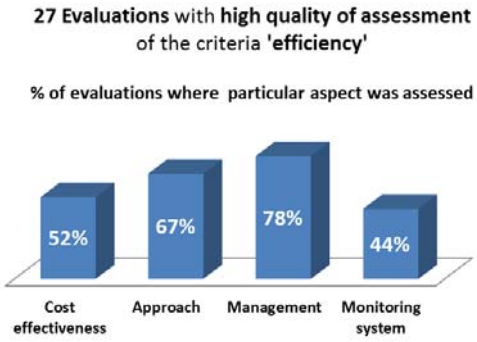


Fig. 1a & 2b: Extent to which aspects of efficiency are considered in evaluations

The analysis shows that evaluators do not always refer systematically to all four aspects of efficiency. However, cost effectiveness and management arrangements analyses are frequently used and obviously considered an important element of efficiency assessment by the evaluators, while the monitoring system as an aspect of efficiency is used least often for the assessments, both by the evaluators and by SECO/WE.

A review of the evaluations provides details on the way in which the aspects are assessed:

Cost effectiveness:

For financial analysis, two types are primarily used.

a) **Calculation of key figures**, such as cost per trainee, cost of creating a new job, credits facilitated/investments made, or cost per project in the case of infrastructure. This method works best for projects where a clearly defined output is achieved. The evaluators often try to compare the figures with similar projects, but it appears that such benchmarks are not readily available in most sectors.
b) **Comparison of budget and actual expenditures** for the whole project or individual budget lines/activities.

These financial analyses are often supplemented by more qualitative and descriptive assessments based on observations.

Apparently, more sophisticated financial analysis approaches, such as comprehensive cost-benefit analysis with a monetization of project outcomes, are rarely used. Two possible reasons for this are mentioned in the reports: 1) the necessary data were not available (☐ monitoring), or 2) "it was not possible to draw up a concrete cost-benefit analysis within the timeframe/resources given for the evaluation".

Approach

In at least 60% of the reports, the approach is assessed. The focus is thereby on issues with financial implications, such as "use of local staff/consultants" (☐ lower cost) or "avoiding duplication" and/or seeking "economies of scale". Other issues mentioned are more rational ways of dealing with demand, building on local existing institution or flexibility in the approach to avoid delays in the implementation. There are no comparisons with alternative approaches that might be more efficient.

Management

Management aspects are frequently used to assess the operational efficiency. The most prominent criteria used are governance structure, management set-up, planning capacity, staff management (fluctuation), and adequacy of budget/resource allocation.

Monitoring

In those evaluations where monitoring was considered a factor influencing efficiency, the issues raised are: the lack of data preventing any substantiated statement on efficiency, the (non-)use of the logframe and in particular of key indicators for managing effectively, or the adjustment of the monitoring system to new project requirements.

C) Challenges

This review of SECO/WE practice in assessing efficiency indicates that the four aspects used provide for a fairly comprehensive assessment of the different dimensions of efficiency. However, a few challenges need to be considered for further improvements.

- The absence of a set of criteria/indicators that would allow for a standardized assessment of approach, management and monitoring, which would enable a better comparison of assessments.
- The capacity and possibility of applying more sophisticated financial analyses more frequently, given the resources usually available for an evaluation.
- Finding valid benchmarks for figures taken from financial analyses.

4.2. Conclusions on SECO/WE's approach

- Considering the debate at international level on measuring efficiency and the approaches of comparable bilateral agencies, SECO/WE's approach meets the basic requirements and is of a similar standard as those applied by other agencies. Assessing four key parameters and applying both quantitative financial analyses and qualitative tools **provides a balanced picture of efficiency.**
- The result of the assessment depends to a great extent on the capacity and perception of the evaluators, because SECO/WE's guidelines on how to assess the parameters consist of a relatively general set of criteria and do not prescribe a standard for quantitative analysis of cost-benefit ratios. Therefore, a comparison of similar projects is not possible. Apart from activity-based budgeting, the procedures for preparing and implementing projects and programmes do not prescribe a financial analysis of efficiency.
- Like most other agencies, SECO/WE assesses efficiency basically at the project level. A systematic assessment of efficiency at programme and corporate level is not yet a priority.

5. Outlook and recommendations for SECO/WE

Considering the above trends and challenges, SECO/WE should consider the following measures and practical steps to reinforce the efficiency of its operations.

5.1. Strengthening the assessment of efficiency at project level:

a) Continue the **differentiated assessment of the four key aspects** but provide more guidance by breaking down the aspects into a set of (three to five) criteria that need to be assessed. This should help to gauge the assessments by different evaluators and thus allow for better comparability.

b) **Identify thematic areas that best lend themselves to a pilot exercise of financial analyses** (CEA, CBA, ROI), e.g. projects aimed at creating new jobs or cleaner production, where costs of resources saved are a key indicator.
The possibility of generating key figures or indicators that can be used for benchmarking, preferably linked to international benchmark systems, should be a criterion for selecting the instruments or projects.

c) Specifically, **focus on efficiency in selected external evaluations** of projects, especially if they had shown mixed results in this criterion during their mid-term evaluation.

5.2. Reinforcing a sound understanding of the concept of efficiency at both a project and strategic level.

a) **At the project level,** the selection of projects and approaches should be supported with considerations of efficiency, also applying the above suggestions to the planning of projects. Intensify the focus on efficiency issues during the project approval discussions in the SECO/WE decision board.

b) **At the strategic level,** assessing the potential for efficiency gains on portfolio and country programme level should be considered.

c) **During project implementation**, special attention should be given to monitoring as one aspect of efficiency. Project managers need to ensure collection of the necessary data that allow for efficient project steering. In particular, the project's risks and their mitigation measures need to be observed and, if necessary, adapted throughout the project implementation.

ANNEX 1

Abbreviations

CBA	Cost-benefit analysis
CEA	Cost-effectiveness analysis
DAC	Development Assistance Committee
DFID	Department For International Development
IFC	International Finance Corporation
OECD	Organization for Economic Co-operation and Development
ROI	Return on Investment
SECO/WE	SECO - Economic Cooperation and Development Division
SDC	Swiss Agency for Development and Cooperation

SCORING CHART for WE Projects / Programs for Report on Effectiveness

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

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