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State Secretariat for Economic Affairs SECO
Economic Cooperation and Development

Annual Report on Effectiveness 2014

Effectiveness of SECO's Economic Cooperation and Development

Acknowledgments

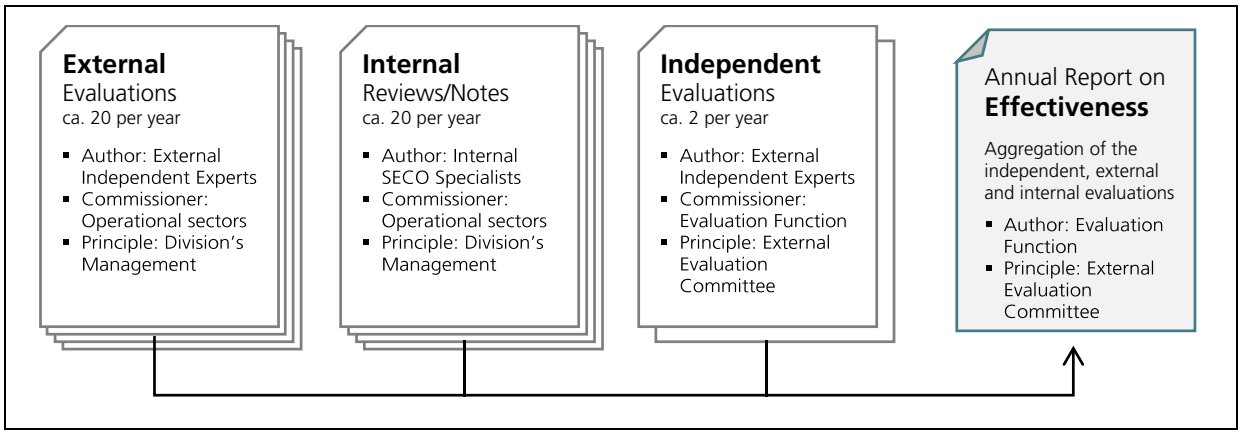
This report was prepared by the Evaluation Function of SECO Economic Cooperation and Development.

Extensive comments were received from many sectors and offices within the SECO[1] Economic Cooperation and Development division (thereafter "the Division"), which were taken into consideration to improve the quality of the report. The Evaluation Function remains fully responsible for the report.

Foreword

In order to draw lessons, disseminate knowledge and strengthen the effectiveness of its development assistance, the Evaluation Function of the SECO Economic Cooperation and Development division produces an annual Report on Effectiveness. It reports the performance of its interventions based on the findings and recommendations of a) *external evaluations*, b) *internal reviews* commissioned by the operational sectors and c) *independent evaluations* approved and supervised by the External Evaluation Committee, a board of independent representatives from academia, parliament, private sector and civil society, which conveys its position on each independent evaluation (see Part III).

Figure 1 – Categories of Evaluations and Reviews



From a methodological perspective, the conclusions and recommendations of this report are based on a systematic and retrospective assessment of the results of evaluations and reviews of projects conducted between 2005 and 2014. To ensure an impartial and balanced assessment of its portfolio, the Division conducts its evaluations based on international standards as defined by the OECD[2] Development Assistance Committee (DAC) as well as the standards of the Swiss Evaluation Society (SEVAL[3]).

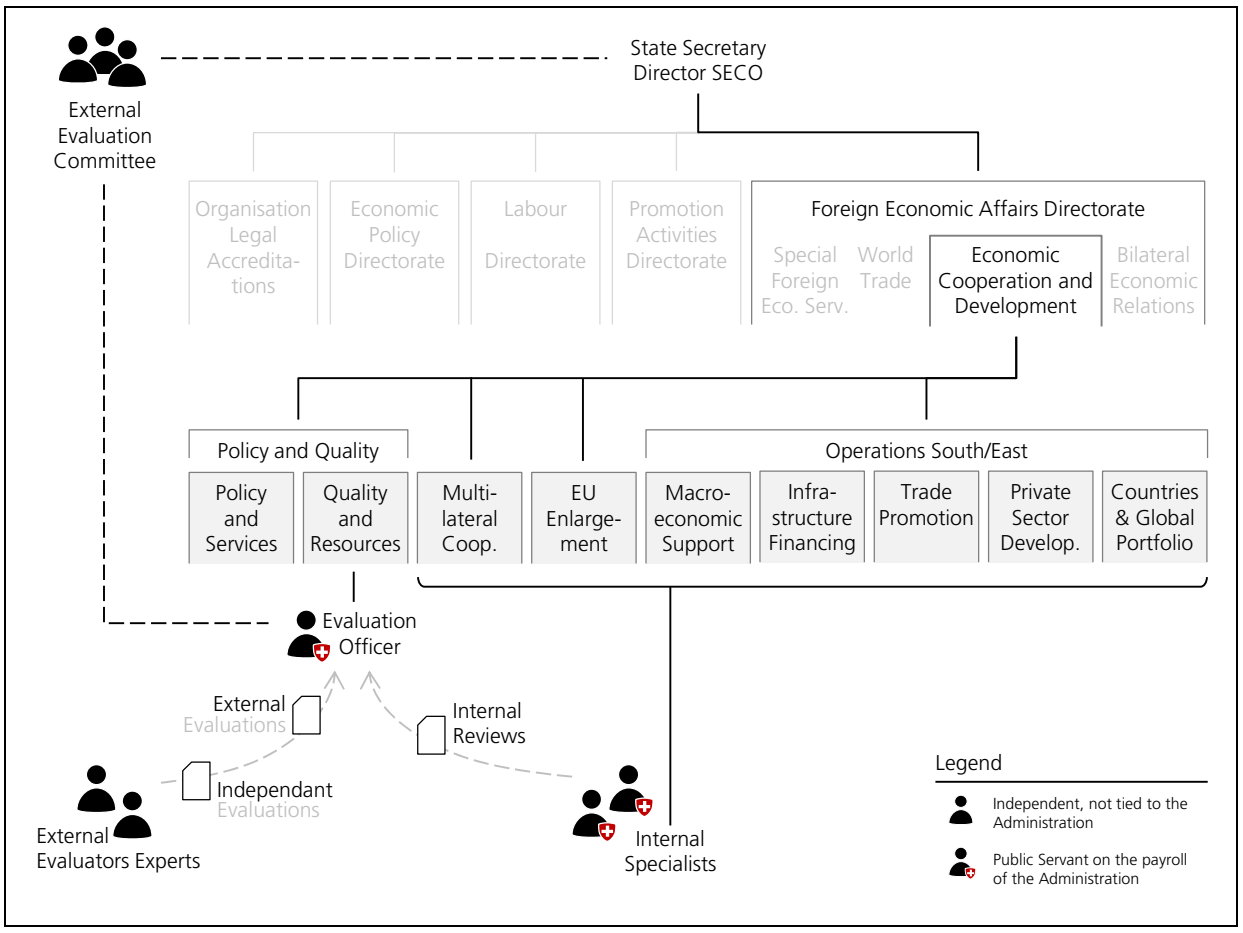
[1] **SECO**: The State Secretariat for Economic Affairs is the competence center of the Swiss administration for all core issues relating to economic policy. (www.seco.admin.ch)

[2] **OECD**: The Organisation for Economic Co-operation and Development is an international economic organization of 34 countries founded in 1961 to stimulate economic progress and world trade. Switzerland is an active member since 1961. (www.oecd.org)

[3] **SEVAL**: The Swiss Evaluation Society is a public organization founded in 1996. Its goal is to foster the exchange of information and experience in the field of evaluation between politics, administration, academia, NGOs and the private sector. (www.seval.ch)

Division management issues a response (see Part II) to the conclusions and recommendations of this Report on Effectiveness (see Part IV). The report, as well as management's response, are then presented to and discussed with the External Evaluation Committee.

Figure 2 – Governance of and Responsibilities for Evaluation



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Annual Report on Effectiveness 2014

Part I. Key Points in Brief

Quality and Resources Unit

Berne, June 2015

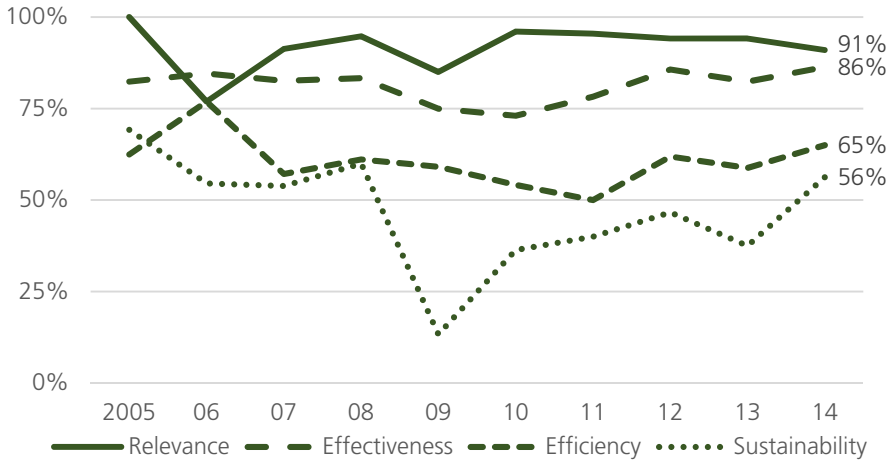
The Economic Cooperation and Development division at the State Secretariat for Economic Affairs (SECO) is responsible for planning and implementing economic and trade policy measures in developing and transition countries. In 2014, SECO invested approximately CHF 310 million in projects. In order to draw lessons, disseminate knowledge and strengthen the effectiveness of its development assistance, the Evaluation Function of the division annually produces a Report on Effectiveness.

Success rate of SECO projects 2005-2014 pointing upwards

In 2014 22 external evaluations, 17 internal reviews and 2 independent evaluations were conducted, providing a fair picture of the performance of SECO's operations. The results of the period 2005 to 2014, which represent almost 450 evaluations and reviews, were equally taken into consideration.
The 2014 overall success rate is at a high 91%, compared to the average of 78% for the period from 2005 to 2014. An average success rate of 78% over a period of 10 years stands out in a field where 70-80% is considered an aspired goal. A selective comparison with other development agencies and multilateral organizations underlines this assessment.

Project performance of the four OECD-DAC criteria

The criteria 'relevance', which scored the highest with an impressive 91% in 2014, has dropped slightly by 6% since 2010, whereas 'effectiveness' improved from 73% to 86% in the same period. 'Efficiency' was stable at 60-65%, while 'sustainability', at 56%, showed an improvement compared with the 45% average of the 10-year period. However, this positive sign needs to be read with caution, because it is not an ongoing trend yet, and weaknesses and challenges in terms of sustainability have been addressed and still persist.



Evolution of DAC criteria evaluated as satisfactory or higher

Learning from independent evaluations

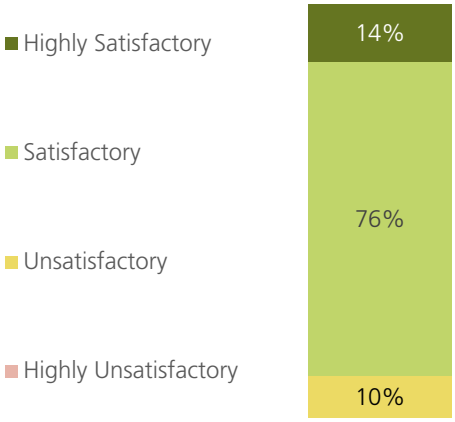
In 2014 2 independent evaluations looked at the approach and the project portfolio of a whole sector or domain. The first evaluation on *Corporate Development of Public Utilities* underlines the relevance and innovative approach of SECO's strategy for the corporate development of public utilities. Due to the complexity of offering technical assistance to public utilities, launching corporate development measures at an early stage, creating ownership and the commitment of the recipient utilities are essential to sustainability. The second evaluation on *Climate Change* emphasizes the increasing effectiveness of Swiss intervention thanks to increased institutional awareness and more explicit integration of climate change aspects into project designs. Swiss know-how and expertise in specific areas (renewable energy, hydropower, cleaner production, finance, and risk management) is instrumental for the successful transfer of climate-relevant skills to partner countries. To achieve maximum impact, it is essential to even more systematically integrate climate change aspects into development programs.

Main challenges

Relevance, a priority for development projects and a recognized precondition for sustainability, deserves the division management's attention. The slight but continuous upward trend of effectiveness suggests that introduced measures, namely improved project management tools and the scaling-up of successful project designs, show an effect. A further rise of the effectiveness rating of projects will become increasingly difficult, especially when risks should remain within an acceptable range. Efficiency still has room for improvement, although there has been a positive trend since 2011. If the identified measures continue to be implemented and become standard, it can be expected that the efficiency rating will improve. The sustainability challenges persist, which means that the identified measures, namely the field offices' special attention on sustainability aspects must continue.

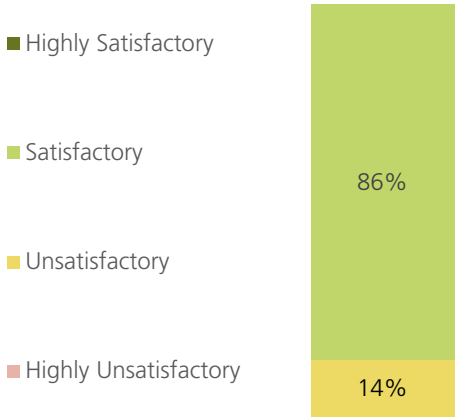
SECO's overall performance 2014 with regard to four OECD-DAC criteria

Relevance



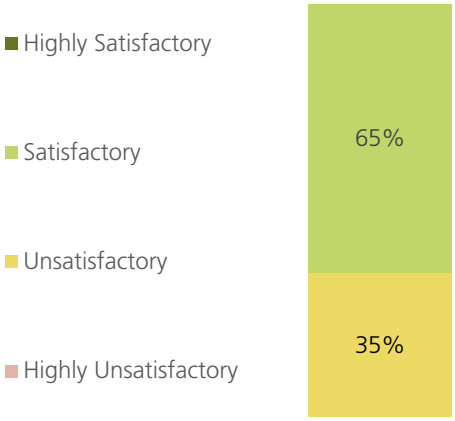
Relevance: The majority of projects and programs are highly relevant; nevertheless a slight decrease in relevance can be observed since 2010. Being a recognized precondition for sustainability this criterion and the further development of its rating deserves the division management's attention.

Effectiveness



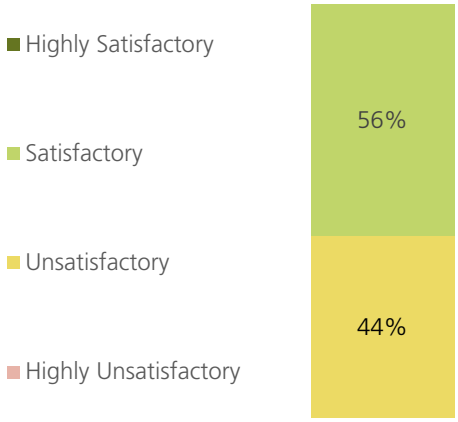
Effectiveness: The measurable positive effect on beneficiaries of the projects funded by SECO observed in ex-post evaluations in 2014 is encouraging, as is the demonstrated overall increase of effectiveness from 73% to 86% since 2010. Measures such as capacity development in project management and monitoring for project managers, the introduction of additional instruments (e.g. logical framework) and scaling up successful project designs have certainly contributed to this positive trend.

Efficiency



Efficiency: With 65% the efficiency rating is above the 2013 level (59%), corresponding more or less to the 60% average in the period 2005–2014. Efficiency has grown since 2011, confirming measures taken to improve management structures and attention laid on monitoring. For efficiency reasons SECO decided not to invest in the measurement of cost-effectiveness, as that would imply high costs compared to the expected return.

Sustainability



Sustainability: While sustainability remains a challenge, with "only" 56% of the projects evaluated as satisfactory or highly satisfactory in 2014, a positive trend is perceptible since 2009. None of the projects evaluated were rated highly unsatisfactory (3 in 2013).
6 out of the 8 projects evaluated at mid-term were assessed as likely to be sustainable by the end.

Example: Sustainable Coffee and Livelihoods Enhancement Project (Tanzania)

Coffee tasting

The Sustainable Coffee and Livelihoods Enhancement (SCALE) project was implemented between 2005 and 2008 as part of a SECO-financed programme for enhancing export capabilities of rural businesses. The project aimed at improving the quality to meet the demand of high-value markets and to diversify the income opportunities of coffee farmers. While working along the coffee value chain, the activities were closely linked to the non-profit company *Kilicafe*, through which farmers received support and their product is marketed internationally. Key activities were installing 43 Central Pulpery Units (where the flesh of the coffee berries is separated from the coffee bean), training professional *Kilicafe* staff and strengthening the farmers' business groups.

Six years after the project ended, an ex-post evaluation found that the achieved results are still visible and attributed to the SCALE project by key stakeholders. Further evaluation findings:

- **Relevance**: The project remains highly relevant for beneficiaries. In addition, the privatization and the improvement of the commercialization of the coffee are fully in line with official policies.
- **Effectiveness**: The income of small coffee growers with access to Central Pulpery Units were sustainably and substantially increased by up to 10% compared with home processing of coffee beans. The Farmer Business Groups are not strong but still exist, and the Central Pulpery Units are still functional, although not used at their full capacity. While the export volume is back to the starting level after a tremendous increase during the intervention, the exports turnover increased due to the improved coffee beans' quality.
- **Efficiency**: The efficiency of the project is good. With a relatively small budget, the project lead to higher farmers' income, substantially saved labour in processing and attracted considerable investments into the sector.
- **Sustainability**: Today, 40% of the coffee beans in Tanzania are processed in pulperies, which is strongly attributed to the project intervention. Improving the primary processing had a significant positive influence on establishing stable supply chains for high quality coffee. More than 10,000 framers are united in 212 farmers' business groups, many of which still continue doing business together. Overall, the intervention made a valuable and sustainable contribution to the coffee sector in Tanzania.

Key Lessons Learned

- The necessary foundation for a sustainable project design in agricultural value chains is sector strategy (e.g. coffee) that is commonly agreed upon and followed by all stakeholders.
- Changing subsistence agriculture into commercial agriculture does not just mean changing cropping patterns. It is a transformational change of the way farmers understand farming. The mix of food security and financial income at the family level is decisive for a successful change, not the profitability of an individual crop.

Central Pulpery Unit

- Mobilizing the farming community and organizing them into business groups is an expensive and time-consuming activity. Therefore, low-budget and short-term projects should look for an existing sound institutional partner.

Conclusions and Recommendations

SECO continues to evaluate a demonstrative number of projects as an important source for accountability requirements and internal learning. Since sustainability remains the biggest challenge, recommendations on strategic level focus on that matter.

Investments in long-term measures regarding sustainability and efficiency shall be maintained. In particular this includes:

- Capacity Development Training
- Continued efforts in project management and monitoring, including instruments such as risk management, logical framework, both at SECO headquarters and field office level;
- Continued use of evaluations (external and internal) for learning within and among operational sectors and project partners, focusing on sustainability issues.
- Relevance is a key factor for project sustainability, so it is one of the most important factors to consider during project preparation. Therefore, management should pay special attention in the project approval process and make sure that SECO's projects are both highly relevant for the partners, and strike the right balance between innovation, risk-taking and proven approaches.

The four OECD-DAC Criteria

Relevance
The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.

Effectiveness
The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

Efficiency
A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.

Sustainability
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.

At the operational level, recommendations concentrate on:

- Strengthening the role of field offices and intensifying the interaction between headquarters and field offices, especially on sustainability issues;
- The Evaluation Function: it should analyse how the operational sectors manage their learning from internal reviews and external evaluations, towards an institutionalized approach of sharing lessons from evaluations;
- Project partners' ownership is a key success factor for sustainability, so beneficiaries of SECO's projects should be better involved during project preparation and in feedback of lessons learnt from evaluations;
- Keep evaluation top of mind: The Evaluation Function will continue to discuss this report with operational sectors.

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Part II. Management Response

Head Operations South/East

Berne, June 2015

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Operations South/East

WE Management response to the 2014 Annual Report on Effectiveness of Switzerland's Economic Cooperation and Development

1. Introduction

The 2014 Annual Report on Effectiveness is a well-written and well-presented document that serves as an important management tool for evaluating portfolio performance and deriving strategic as well as operational lessons for SECO's Economic Cooperation and Development division (WE). As shown in the report, WE has undergone a profound change process in the last years that has led to a professionalization of its portfolio management and a strengthening of related human resources as well as steering processes. When taking a view on the generally well-founded recommendations of the report, WE Management needs to strike the right balance between the need to continuously improve our processes for the sake of project effectiveness and avoiding the risk of over steering and, therefore, inefficient use of the scarce (human and financial) resources devoted to our project work.

Overall, WE Management is pleased to note that in 2014, results of external evaluations reached the highest annual score since 2005. The success rate of 91% satisfactory projects is clearly above the average for 2012-14, which is still well above the set target of 70-80%. While this is a very positive result – also when compared to WE's international peers – there is no room for complacency. While many recommendations of the past were successfully implemented, a more detailed analysis reveals that there are areas, such as project sustainability, where continued attention is needed in order to translate undergone or planned measures into concrete improvements in terms of evaluation results and, ultimately, project effectiveness. This is analysed in more detail below.

2. Assessment of conclusions and recommendations

The set target in term of number of external evaluations has been achieved. This is all the more noteworthy as at the same time WE was able to catch up on the number of - heavily resource intensive – independent reviews and is now on track to achieve the related target over the whole period of the dispatch. At the same time, WE management sees room for further increasing the number of ex-post evaluations, and welcomes the measures undertaken to (more) consistently assess the potential for such evaluations during the project approval process. Also, the evaluation planning and monitoring process has been improved, which is reflected in the balanced geographical as well as thematic selection. At the same time, WE management notes that continuous emphasis is needed on the selection process of evaluators in order to keep the current outturn in terms of quality of the evaluations.

On **relevance**, WE management welcomes the still very high overall score (91% of evaluated interventions rated relevant) but is mindful of the slight drop since the record score in 2010 (97%). Reasons for this will be analysed in detail, but could be linked to the need for a balanced approach between the scale-up of tested, successful project and more time-intensive, smaller and highly innovative bilateral projects. Should this hypothesis be confirmed, WE Management does not see the need for a radical change, but will strive to (at least) preserve the current risk appetite which is linked to the very nature of WE's project business.

On **effectiveness**, WE Management welcomes the good result (86%) as well as the continued upward trend in the last years. Measures taken based on past reports on effectiveness seem to have led to the desired outcomes. In this context, it is most noteworthy that the four ex-post evaluations conducted in 2014 confirm a positive, measurable effect of the SECO-financed project on beneficiaries.

On **efficiency**, the result (65%) confirms WE's overall approach and measures taken since 2010. However, with continued emphasis on improvements regarding project monitoring as well as a systematic implementation of WE's forthcoming, updated guidelines on the division of labour, WE Management believes that the positive trend observed in the past years can be extended into the future.

On **sustainability**, the – again – positive trend observed and no project rated "highly unsatisfactory" are positive developments. Close collaboration is sought between WE's operational division (WEOP) and its evaluation function on analysing the achieved result (56%) in relation to WE's international peers. The results of these reflections will be translated into an action plan – including but not limited to measures on staff training – with the aim of further improve the sustainability rating without compromising the current outturn in the other DAC evaluation criteria.

WE Management welcomes the recommendations formulated in the report. On **management level recommendations**, measures to continue fostering sustainability and project relevance will be at the center of attention, combined with measures to further improve project efficiency. As mentioned at the outset of this Management Response, WE has to constantly tackle the challenge of higher (external as well as internal) requirements in terms of risk monitoring, administrative measures (in particular related o procurement procedures and contract management) with its given staff endowment. Therefore, efficiency considerations will be at the heart of all actions being considered.

On **recommendations related to the operational level**, WE management agrees that the interaction between WE headquarters is a field that continues to deserve our full attention (see also comments above on efficiency). While we note that the interaction between the Evaluation Function and the operational divisions has greatly improved over the past few years, we concur that more can be done in terms of capacity development and lessons learning from internal and external evaluations. On efficiency considerations, operational divisions have started to make concrete recommendations, which were taken up by the Evaluation Function. This is highly welcomed by WE Management and related efforts should be continued.

For a detailed response on the report's recommendations and WE management's position, please refer to the table in the annex.

Beatrice Maser Mallor

Head of Division
Economic Cooperation and
Development, SECO

Ivo Germann

Head of Operations South & East
Economic Cooperation and
Development, SECO

1. Table summarizing recommendations from the 2014 report

Recommendations	Position and actions from management	Deadline	Responsibility
On management level			
1. To continue fostering sustainability, investments in long-term measures shall be maintained. In particular this includes:	The Management of the Economic Cooperation and Development Division (WEMG) agrees in general with this recommendation. - See text of management response above and specific measures below.	through-out	WEOP/WEQA
• Training on capacity development	- Capacity building was already part of the training sessions for National Program Officers. - A training of SECO WE's Program Managers is planned (with first priority WEIN and WEMU). - The division management will continue to put emphasis on this aspect during the coming year.	Q4 2015	WEQA/WEOP
• Continuous efforts in project management and monitoring, including instruments such as risk management, logical framework, both at SECO headquarters and at field office level;	- Foster sustainability is a long lasting process. - Continue to include sustainability aspects in the PCM cycle. - New Risk Management Tool has been introduced and is being implemented, putting special emphasis on sustainability aspects.	through-out	WEOP
• Continuous use of evaluations (external and internal) for learnings within and among operational sectors and project partners, focusing on sustainability issues.	- Learning events linked to independent and external evaluations. - Terms of Reference for evaluations make systematic link with sustainability aspects.	Q4 2015	WEOP/WEQA WEIF WEIN WEHU WEMU
2. Relevance is also key to project sustainability and is therefore one of the most important factors to be considered at project preparation. Management shall pay special attention to the project approval process and make sure that SECO projects are highly relevant for partners, and strike the right balance between innovation, risk taking and proven approaches.	The WEMG agrees with this recommendation. - Management will remain highly attentive to include reflections on relevance into the project preparation and the decision making process. - Management remains committed to advocate for projects that are, within bearable risks, innovative and thus relevant.	through-out	WEOP
On operational level			
3. Given the critical role played by the field offices, a high degree of project involvement and productive communication with headquarters should continue to be primary objectives going forward. This will be particularly important with regard to sustainability issues. The Evaluation Function welcomes the measures that the Global Portfolio section began in 2014 in this regard. Among others this included the planning of training for national program officers and the analysis of processes and interactions between headquarter and field offices. It is suggested that further aspects need to be included in the training of national program officers. Program officers should know which key points need to be monitored and which key factors most significantly influence project sustainability, and need to be observed.	The WEMG agrees with this recommendation. - See position on recommendation no 1. - Guidelines on "division of labor" between HQ and the field have been elaborated. The focus will now shift on their implementation, a process that will be closely accompanied by WEMG.	Q4 2015	WEOP (WELG)/ WEQA

Recommendations	Position and actions from management	Deadline	Responsibility
4. The Evaluation Function shall analyze how the operational sectors manage their insight from internal reviews and external evaluations. This should lead to an institutionalized approach of sharing lessons learnt from evaluations regarding sustainability, within and among thematic units, field offices and partner organizations. In this regard, the practice of Capitalization Workshops between evaluator, evaluated sectors and Evaluation Function in the course of independent, and if possible, external evaluations shall be continued.	The WEMG agrees with this recommendation. - The Evaluation Function will assess how learnings are included in the processes of operational units and proposes best practice procedures to WEOP. - The evaluation function will continue to support operational units during capitalization workshops (e.g. moderation of workshops).	Q4 2015	WEQA
5. As ownership of project partners is a key success factor for sustainability, the beneficiaries of SECO projects should be better involved during project preparation and in lessons learnt from evaluations. This is in line with a recommendation by the External Evaluation Committee. The closer involvement of beneficiaries can be achieved through a capitalization workshop in the field, conducted by the project managers from headquarters during their field visits. The planned training in "capacity development" at headquarters level will contribute to the quality of such interventions; the Evaluation Function recommends therefore to conduct these trainings during 2015/16, at least on a pilot basis with one operational section.	The WEMG agrees with this recommendation. - Inclusion of beneficiaries is a key for ownership. - Commitment to enhance knowledge of project managers in capacity development. Pilot training with one operational unit in 2015.	Q4 2015	WEOP/WEPO
6. With regard to efficiency, the tracking system for evaluations should be made operational, with evaluations planned ex-ante dating back to 2013.	The WEMG agrees with this recommendation. - WEQA will operationalize the evaluation tracking system and inform and support operational units on the related tasks.	Q3 2015	WEQA
7. As a first operational measure, the structure of project completion reports should be simplified in case an evaluation took place at the same time.	The WEMG agrees with this recommendation. - WEQA will adapt the template for completion reports and the process in the SECO WE's QM system (Optimiso) - The operational units will be informed and where needed supported during the introduction of this new process. - WEQA will process where possible additional simplifications/reduction of administrative burdens for operational units.	Q2 2015	WEOP/WEQA
8. Keep evaluation top of mind: The Evaluation Function shall continue to discuss this report with operational divisions in order to have tailor made discussions on the report: • General performance of the division along DAC criteria; • Evaluations of concerned sectors conducted in 2014; results, lessons and best practices (especially regarding sustainability); • Quality of evaluation reports of concerned sectors in 2014.	The WEMG agrees with this recommendation. - WEQA will discuss with each operation unit the results of this report.	Q2 2015	WEQA

2. Status of implementation of the 2013 recommendations

Recommendations	Position and actions from management	Deadline / Responsibility	Status
On management level			
1. SECO/WE has to **increase** its **attention and awareness towards** the given weaknesses in terms of **project sustainability** and put emphasis on the topic throughout the project life cycle (see also recommendations on operational level).	- WEMG agrees with this recommendation. The management will be highly attentive to include reflections on sustainability into the decision taking process. Furthermore, it will be keen on identifying possible measures to put more emphasis on the project sustainability on an institutional (WE) level. - Furthermore, exit options shall be more consistently included in project documents and discussed at concept as well as decision stage with a view of increasing the sustainability potential of WE projects. An adoption of the project document templates shall therefore be considered (e.g. separate chapter on exit options/sustainability).	Q3 2014 WEOP/WEQA WEQA/WEOP	Capacity development and closer involvement of beneficiaries have been identified as a key success factor for sustainability. Measures, such as training of project managers in capacity development are in the conceptual stage. Exit strategies and sustainability have been integrated in the credit proposal template.
2. In case of unsatisfactory/highly unsatisfactory project results in terms of sustainability evaluated at mid-term, management shall be informed directly in order to discuss respective follow-up measures and the project's risk rated in SAP shall be reassessed.	WEMG agrees with this recommendation: - In any case, WEOP shall be provided immediately with recent evaluation reports, its management response as well as the evaluation-fiche prepared by WEQA (compare also position on recommendation no 5 as well as 2012 recommendations point 3) - In case of unsatisfactory evaluated projects WEMG shall be informed through the "WE management cockpit" which is discussed on a quarterly basis at the WE directorate. WEOP will follow-up quarterly with the concerned operational unit during the discussions on projects at risk. - WEQA will receive the competence to set a project "at risk" in SAP, in case its assessment based on the external mid-term evaluation concludes on unsatisfactory/highly unsatisfactory project results in terms of sustainability.	Q3 2014 WEOP/WEQA WEMG/WEOP WEQA	Integrated in SAP since Q1 2015. The information will be part of the management cockpit as of Q2 2015. Integrated in SAP since Q1 2015. As of Q2 2015 the reporting on risks will be part of the management cockpit. Integrated in SAP since Q1 2015. As of Q2 2015 WEQA will set projects at risk in case of unsatisfactory/ highly unsatisfactory project results in terms of sustainability in external mid-term evaluation.

Recommendations	Position and actions from management	Deadline / Responsibility	Status
3. Given the fact that WE experienced the lowest evaluation activity since many years, SECO/WE has to **assure the conduct of a relevant number of evaluations** at different stages of project implementation, including ex-post evaluations. Management together with WEQA shall assure adequate planning of evaluation activities, monitor the accomplishment of planned evaluations and prescribe measures if foreseen evaluations are delayed or not conducted. A tight tracking of the correlation between the project-based evaluation plans decided by the Operational Committee, the yearly planning of the operational divisions as well as the evaluation program communicated by the evaluation function needs to be established.	- WEMG agrees with this recommendation. Close collaboration between WEQA and WEOP shall ensure that the implementation of the evaluation plan shall not be left to the discretion of the operational divisions, but form part of WE's overall accountability strategy and contribute to the fulfilment of the operational divisions' yearly performance targets. - WEMG agrees on the proposal to track the correlation between the project-based evaluation plans discussed at OpCom and their actual implementation. WEQA shall verify evaluation plans in credit proposals retroactively for the period 2012-2014. As of 2015, the evaluation schedule shall be integrated by the project manager into SAP. The tracking includes the conduction of the evaluation, the formulation of a management response as well as the consultation of WEOP together with the assessment conducted by WEQA (fiche).	Q4 2014 WEQA/WEOP Q3 2014	Tight follow up of evaluation plan by WEOP and WEQA lead to 22 external evaluation in 2014. This will continue in 2015. Planned evaluations (according to credit proposals) for the period 2012–2014 have been assessed (78 projects). In many cases more efforts are needed to a) get the evaluation plans for each project completed and b) to integrate the plans in SAP (retrospective for 2012–2014)
On operational level			
4. Achieved project results will only remain sustainable in the longer run, if **sustainability** is carefully **looked at and planned for from the project planning phase on**. SECO/WE needs to strengthen this awareness and give the discussion of the so called project exit strategy special attention during the project approval process. The exit strategy needs to cover all aspects of projects sustainability i.e. financial, institutional and personal sustainability.	- Agreed (see position on recommendation no 1).	Q3 2014 WEQA (regarding project templates) WEOP (regarding concept / OpCom discussions)	Templates: see above.
5. The exit strategy as defined at project outset needs to be monitored and if needed adapted over the project life. Implementing partners shall therefore **systematically report on** the actual situation, measures taken and measures foreseen.	- WEMG agrees with this recommendation. The WE reporting guidelines, which have already been elaborated by WEQA and will enter into force in May 2014, will address this issue. - WE's operational divisions shall ensure that these guidelines are consistently adhered to by implementing partners.	Q1 2015 (e.g. as part of yearly project progress reports covering 2014) WEIF, WEIN, WEHU, WEMU	

Recommendations	Position and actions from management	Deadline / Responsibility	Status
6. In cooperation with implementing partners and/or co-funders, in particular International Finance Institutions, SECO/WE needs to ensure prior to any commitment that a common understanding on the importance of sustainability of technical assistance and capacity development is shared among all partners involved.	- WEMG agrees with this recommendation. While sustainability concerns are already consistently taken into account in the project design phase, the understanding and expertise with regard to capacity development can be further strengthened at SECO-WE as well as at the level of implementing partners. The "manual on capacity building", which has been developed by WEQA, shall therefore be widely distributed and be discussed with implementing partners during program review meetings. Furthermore, the guidelines should be part of the training sessions for new WE entrants and NPOs. - WEMG shall be informed on the result of the first pilot project on the application of the manual on capacity development and shall decide on whether such additional exercises shall be conducted with implementing partners from IFIs.	Q3/4 2014 WEIF WEIN WEHU WEMU Q4 2014 WEQA + WEIF	The pilot project is ongoing. IFC reflects, if the approach should be scaled up to all IFC projects.
7. The evaluations show that the time necessary for the capacity development of the local partner often has been underestimated and needs more time than anticipated. Therefore, WEQA recommends putting **more emphasis on capacity development** aspects. The recently developed WE manual on capacity development in SECO projects and programs can serve as a basis for follow-up action. The Operational Committee together with the operational divisions needs to treat capacity development throughout the Project Cycle Management with special attention (i.e. during project identification, planning, monitoring und implementation, evaluation as well as completion).	- Agreed (see position on recommendation no 3).	throughout WEOP/OpCom WEIF WEIN WEHU WEMU	Capacity development as a topic has been addressed in all operational units and on SCO level. A more consistent inclusion of corporate development measures have been observed in 2014 and 2015. See also recommendation no 1 2014.

Recommendations	Position and actions from management	Deadline / Responsibility	Status
8. As already stressed in the last report, program officers shall actively and timely **collaborate with WEQA on the evaluation follow-ups.** The preparation of the evaluation fiche through WEQA (rating of the project's effectiveness and the quality of the evaluation) shall be sequenced in a way that allows for a discussion of evaluation results and recommendations as well as the management response, in particular in case a new project phase is foreseen.	- WEMG agrees with this recommendation (see also position on recommendation no 1) and sees a strong role for the OpCom in fulfilling its quality control function, e.g. by rejecting project proposals which fail to sufficiently integrate the results and lessons learned of project evaluations for new project phases (compare also status of implementation of the 2012 recommendations, point 3).	throughout WEQA/WEOP	WEQA is in contact with the operational units regarding the evaluation follow-ups. However, no systematic approach has been chosen so far except for the measures introduced in the project approval process (i.e. presentation of past phases' results in the project data sheet). WEQA therefore suggests to follow a demand driven approach.
9. Based on future internal reflections on how to strengthen **knowledge management within WE**, WEQA will identify approaches and mechanisms to share relevant lessons and best practices in the field of sustainability.	- WEMG agrees with this recommendation, which is part of the organizational development process that follows WE's reorganisation completed in 2012.	Q3/4 2014 WEPO	The knowledge management function at WEPO has introduced a number of instruments allowing to share lessons learnt (e.g. Newsletter).
10. WEQA shall update and summarize the recommendations from the annual report 2009 as well as the WE workshop on sustainability in 2012. They shall be presented and discussed during the presentation of the results of the Annual Report 2013 within the operational units.	- Agreed.	Q2 2014 WEQA	Done.

Annual Report on Effectiveness 2014

Part III. Position of the External Evaluation Committee

on the report (Part IV) and the management response (Part II)

Berne, July 2015

Veglio, Pietro (Chairman a.i.)
Former Executive Director for Switzerland at the World Bank Group

Gutzwiller, Felix
Member of the Council of States (Senator), Swiss Parliament
Emeritus Prof. Dr. med. University of Zurich

Meyer, Thomas
Senior Manager, SGS Group (inspection, verification, testing and certification company)

Michaelowa, Katharina
Prof. Dr. rer. pol. University of Zurich

Stöckli, Bruno
Senior Project Manager, Bread for all (development service of the protestant churches in Switzerland)

Thelesklaf, Daniel
Director of the Financial Intelligence Unit, Principality of Liechtenstein

Bern, July 21 2015

Position of the External Committee on Evaluation on the

Annual Report on Effectiveness 2014:

Effectiveness of SECO's Economic Cooperation and Development, and

SECO/WE Management Response

1. Members of the External Committee on Evaluation (the Committee) discussed on June 18, 2015 in Bern the Annual Report on Effectiveness 2014: Effectiveness of SECO's Economic Cooperation and Development (the 2014 Report) as well as the accompanying Response by SECO/WE Management to its main findings and recommendations.

2. The 2014 Report is the seventh annual report prepared by the Evaluation Function of SECO Economic Cooperation and Development (SECO/WE). The Report is transparent, understandable and well structured. It incorporates a reasonable perspective of the overall medium- and long-term performance (respectively 2012-2014; and, 2005-2014) of SECO's international interventions in economic cooperation and development. Its main results confirm the strengths and weaknesses of the past ten years. The analysis of the 2014 portfolio's performance has been based on three categories of evaluation products: 22 external evaluations; 17 internal reviews; and, 2 independent evaluations. The portfolio performance has been assessed according to established and internationally recognized principles of the OECD Development Assistance Committee (DAC). The sample of 2014 evaluations has been defined by SECO/WE Management's choice of some strategic evaluations that were carried out during 2014. Its degree of representativeness is acceptable against the background of the rolling nature over several years of the evaluation sample. The multi-year sample covers strategically and in a balanced way all SECO/WE priority countries, global and regional programs in line with the expected disbursements under the current Message on International Cooperation (2013-2016).

3. The 2014 Report is the first after the 2013 internal reorganization of SECO/WE that launched a profound change-process. It was characterized by a strengthening of the human resources basis; a decentralization of operational activities to eight field offices in the respective priority countries: Egypt; Tunisia; South Africa; Ghana; Indonesia; Vietnam; Ghana; Colombia; Peru; a professionalization of the portfolio management; and, a reinforced steering processes led by SECO/WE Management. As emphasized by the Management Response this has led to a great improvement of the quality of interaction in headquarters between the Evaluation Function and the operational divisions. At the same time there remains a need to further improve capacity development of partner institutions in developing countries as well as lessons learning processes from internal, external and independent evaluations.

4. In 2014, 91% of externally evaluated projects were rated as satisfactory, which represents the highest annual score since 2015. Analyzing the measurement period 2012-2014, 82% of projects evaluations were rated either satisfactory or highly satisfactory, exceeding the target range of 70-80%. Combined, the highly satisfactory and satisfactory projects led to an overall success rate of 78% over the ten-year span from 2005 to 2014. Beyond the intrinsic relative value of each of such aggregate performance ratings they can be considered a good result in the international context. In comparison, the International Finance Corporation (IFC) – a member of the World Bank Group which activities are similar to some important activities implemented by SECO/WE – achieved a 75% development outcome success rate in

2013. The aggregate portfolio ratings of other comparable international development agencies are unfortunately not always available. Even though the Committee recognizes the limitations of comparing performance ratings across institutions (due to varying institutional setups, strategic focus, political constraints and operational tools), it recommends that SECO/WE keep monitoring what others do, and regularly and cautiously report on the findings.

5. According to the specific DAC criterion the Committee considers that the 2014 ratings on relevance (91%) and effectiveness (86%) are important. The sustained (or possibly even increased) level of effectiveness in such high ranges is especially noteworthy as it may be a consequence of SECO/WE Management specific measures aimed at introducing the logical framework in project design, developing project managers' skills in project management and monitoring, and scaling up successful project designs while adapting the approach to each new country context. At the same time the 2014 ratings on efficiency (65%) and especially on sustainability (56%) remain a persisting challenge.

6. The assessments of internal reviews as well as completion notes show a shift towards more satisfactory ratings. Such ratings tend to be more satisfactory when conducted internally as compared with external and independent evaluations. This is somewhat understandable as staff of every organization tend normally to be less self-critical than external or independent evaluators. The Committee believes that the attention of SECO/WE Management to this issue is warranted as self-critical views and analysis should remain at the core of their approach as development cooperation remains a high-risk activity.

7. The Committee is very satisfied by the results and learning from past independent evaluations. The most recent evaluation of Corporate Development of Public Utilities confirms this positive trend. It identifies important findings and recommendations, in particular that corporate development should start as soon as possible after project identification and that ownership and commitment of the recipient public utilities and related municipalities are key success factors. The Committee reiterates the crucial importance of this recommendation.

8. The quality of evaluation reports has recently dropped slightly. A possible explanation is linked to the challenge represented by joint evaluations of SECO/WE co-financed projects with other development partners. Some development agencies tend to have approaches and TORs for evaluations that differ from the ones of SECO/WE. The Committee is aware that this represent a challenge. It encourages SECO/WE Management to address it through a professional dialogue with the main development partners while maintaining the high quality standards defined for SECO/WE evaluations.

9. The Committee agrees with all the recommendations by the Evaluation Function. Measures aimed at further improving sustainability need to be at the core of SECO/WE Management attention. In this respect, the 2014 Report highlights the critical role played by the field offices and the fact that a high degree of project involvement and productive communication with headquarters should continue to be primary objectives going forward. The Committees suggests that the next Annual Report on Effectiveness analyzes more in detail what the role played by the field offices and the quality of their interaction with headquarters have been.

10. The Committee welcomes the operational recommendation aimed at reducing where possible and sensible unnecessary administrative hurdles, in particular through the proposed simplification of the structure of project completion reports in case an evaluation took place at the same time.

11. The Committee broadly welcomes and agrees with the constructive positions and well described actions included in the Management Response. On the important issue of relevance, it agrees with the Management's view about the need to look at the rating score with a broader perspective. The main objective should not necessarily be to attempt for the highest rating, but to reach an appropriate and balanced approach between the scale-up of tested, successful projects and more time- and labor-intensive, innovative bilateral projects. This means to strive to preserve the current risk appetite, which is closely linked to the very nature of SECO/WE activities and core-business.

12. In conclusion, the Committee recommends the disclosure of the Annual Effectiveness Report as well as the SECO/WE Management Response and the Position of the External Committee on Evaluation on SECO internet website. The Committee welcomes the fact that during the last few years SECO/WE operational units have shown an increasing interest and commitment towards evaluation. The increased and continuous awareness and commitment regarding evaluation issues represent the best guarantee that this will lead to better, timely and lasting results.

Chairman a.i. of the External Evaluation Committee:

Pietro Veglio

Committee members:

Felix Gutzwiller

Thomas Meyer

Katharina Michaelowa

Bruno Stöckli

Daniel Thelesklaf

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development

Annual Report on Effectiveness 2014

Part IV. Annual Report

Quality and Resources Unit

Berne, May 2015

1. Portfolio Performance in 2014 and for the period 2005-2014

The evaluation of the portfolio of SECO's Economic Cooperation and Development division is based on three categories of analysis with distinctive purposes and approaches:

a) **External Evaluations**, which are the backbone of this report, provide independent assessments of a large part of the portfolio. Designed by the operational sectors and the Division's management, they are conducted by independent experts. Frequently these assessments are requested for projects which have results that are questioned. This report focuses on this type of evaluation.
b) **Internal Reviews** are by nature non-independent since they are conducted internally by experienced specialists of SECO. Nevertheless, they provide valuable insight on specific development interventions and lessons learned from the point of view of the respective program manager.
c) **Independent Evaluations** are in-depth analysis on thematic and sometimes transversal topics on a strategic level. They are commissioned by the Evaluation Function on behalf and by request of the External Evaluation Committee, and conducted by independent experts. In 2014 two independent evaluations took place: one on *Corporate Development of Public Utilities* and the other one on *Effectiveness in Climate Change* (elaborated in collaboration with the Swiss Agency for Development and Cooperation SDC[4]).

Table 1 – Evaluations Conducted

Number of Evaluations in 2014 Operational Sectors	External Evaluations	Internal Reviews/Notes	Independent Evaluations	TOTAL
Macroeconomic Support	3	5		8
Infrastructure Financing	3	1	1†	5
Trade Promotion	11	9		20
Private Sector Development	5	2		7
Multi-Sector			1‡	1
TOTAL in 2014	22	17	2	41
TOTAL between 2005 and 2014	205	232	10	447

† Corporate Development of Public Utilities | ‡ Climate Change

The portfolio is evaluated based on the principles of the OECD Development Assistance Committee (DAC). The evaluation framework consist of four criteria assessing the i) relevance, ii) effectiveness, iii) efficiency and iv) sustainability on a four-step scale rating from 1) highly satisfactory, 2) satisfactory, 3) unsatisfactory to 4) highly unsatisfactory (see annex 1 for further details).

[4] **SDC**: The Swiss Agency for Development and Cooperation is SECO's "sister" within the Swiss Administration (Foreign Affairs ministry). It is responsible for the overall coordination of development activities and cooperation with Eastern Europe, as well as for the humanitarian aid delivered by the Swiss Confederation. (www.sdc.admin.ch)

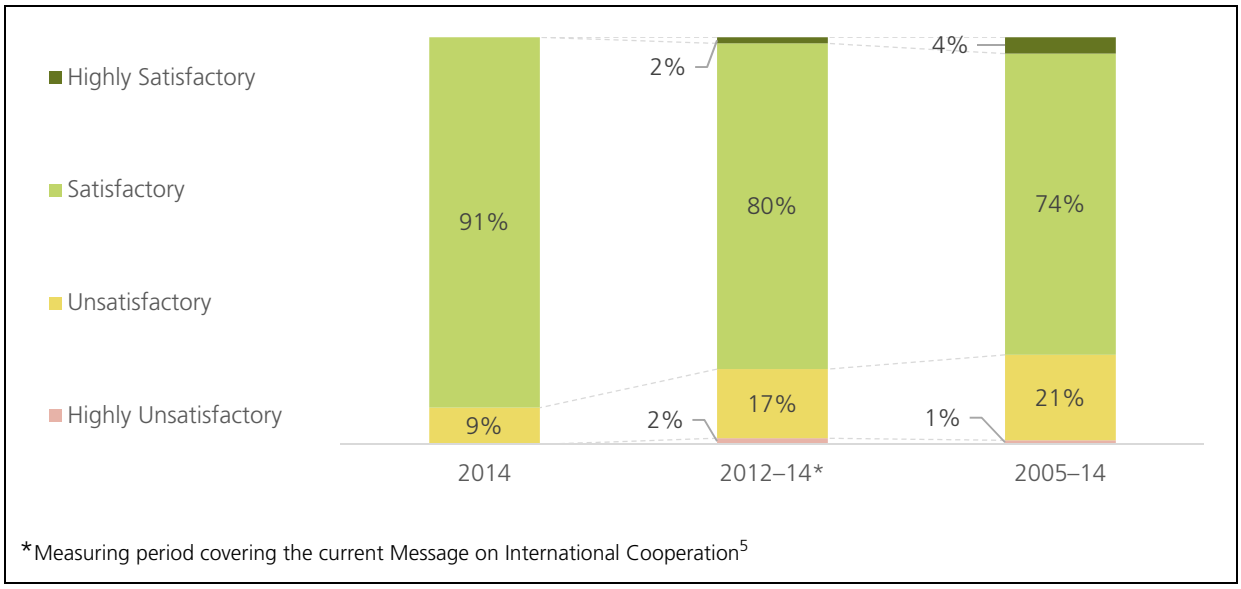
1.1. Result of the externally evaluated projects

In 2014 10 (46%) out of the 22 evaluations were conducted at the completion of a project, and 8 (36%) at mid-term of the project implementation. While no ex-post evaluations were conducted in 2013, 4 projects were analyzed ex-post in 2014, which is in line with the evaluation policy asking that two ex-post evaluations are conducted every year.

When assessing the most recent *Message on International Cooperation*[5], i.e. analyzing the measurement period 2012–2014, 82% of project evaluations were rated either *satisfactory* or *highly satisfactory*, exceeding the target range of 70–80%. In 2014, 91% of the 22 externally evaluated projects were rated as *satisfactory*, which represents the highest annual score since 2005; however, no project was rated as *highly satisfactory*.

Combined, the highly satisfactory and satisfactory projects lead to an overall success rate of 78% over the ten year span from 2005 to 2014, which can be considered a good result in the international context. In comparison, the International Finance Corporation (IFC), a member of the World Bank Group, and one of the largest global development institution, achieved a 75% development outcome success rate in 2013[6].

Chart 1 – Portfolio Performance of the projects externally evaluated



*Measuring period covering the current Message on International Cooperation[5]

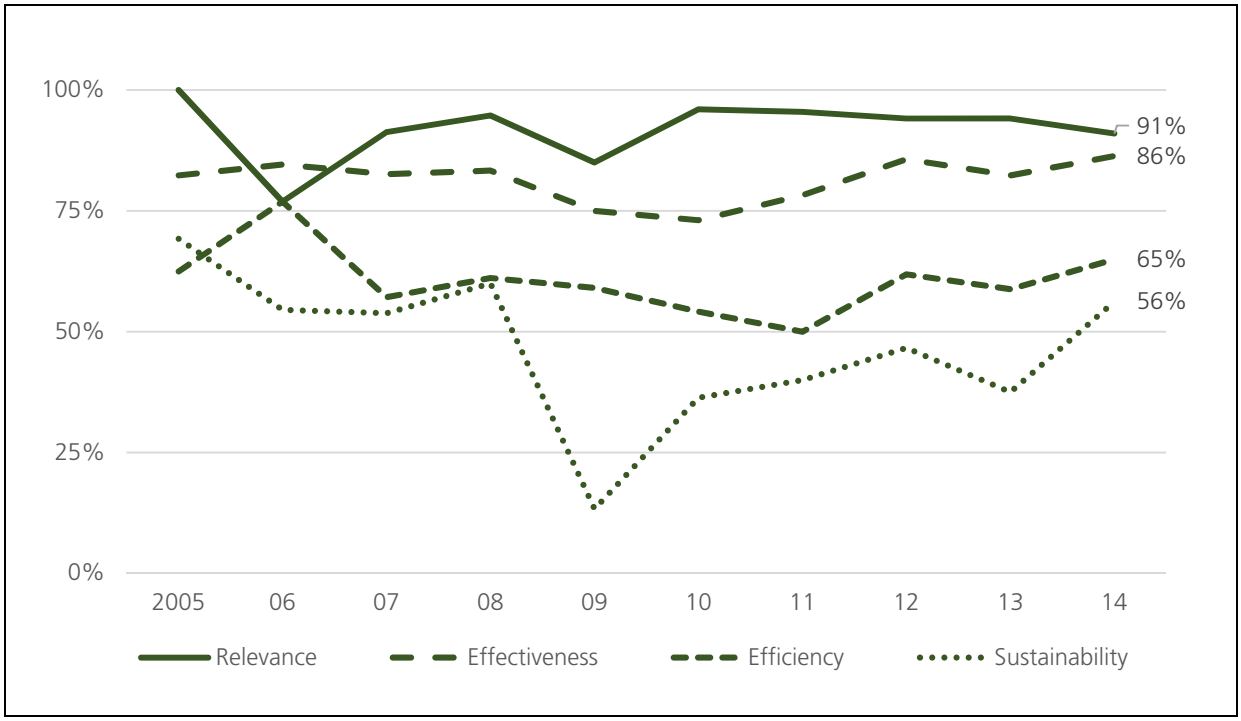
External evaluations serve two purposes: one, they provide the Division with potential courses of action for adjustments to enhance performance, and two, they support the learning process of the organization. Furthermore, evaluations can lay the groundwork to terminate a project at an early stage; namely, mid-term evaluations allow the operational sectors to react early on in the project cycle, or to replicate or scale-up a successful project. Due to the comparatively small size of the sample, the evaluated projects may not represent the performance of the Division's portfolio entirely. Nevertheless, the results confirm the strengths and weaknesses of past years and hence provide a good perspective of the performance over time of SECO's international interventions in economic cooperation and development.

[5] Message on International Cooperation 2013–2016 to the Swiss Parliament from December 12, 2012 (ID. 12.029). For further information refer to the résumé "Key points in brief" of the message.

[6] See the report 2013 of the Independent Evaluation Group of the World Bank Group: https://ieg.worldbankgroup.org/Data/reports/chapters/rap2013_vol1_updated2.pdf

Results according to the DAC evaluation criteria

Chart 2 – Evolution of DAC criteria evaluated as highly satisfactory and satisfactory (i.e. combined)

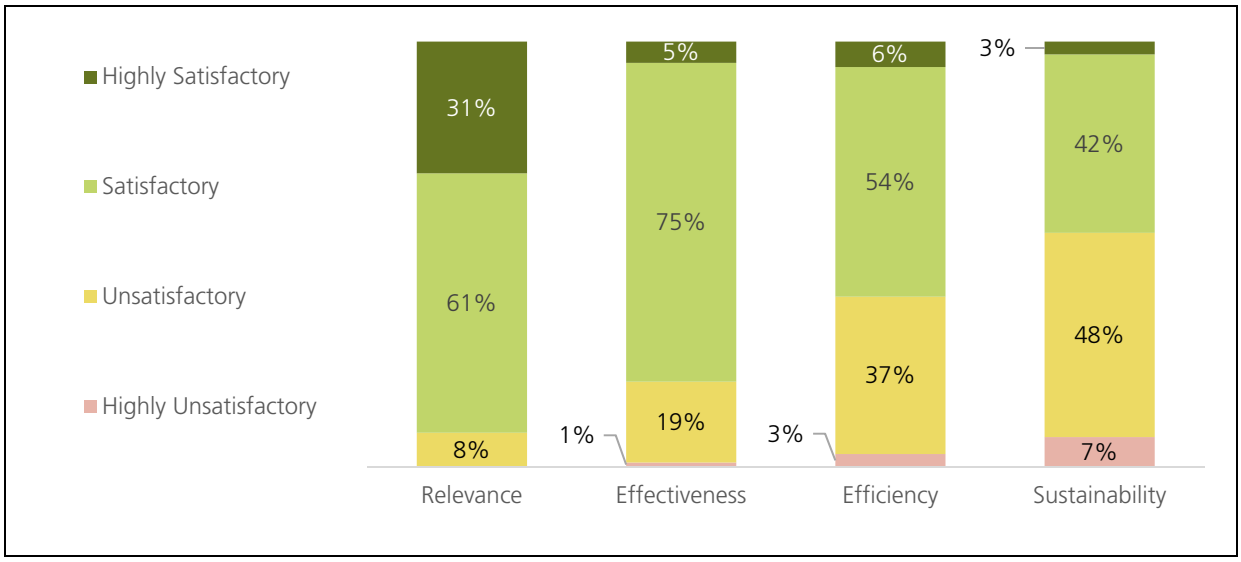


Relevance: The external evaluations confirm a very high number of relevant projects in the portfolio. Furthermore, the projects were found to be focused on the needs of the beneficiaries and thus are addressing important development needs. As in the case of highly relevant projects, SECO's projects were also found to be aligned with the priorities of the respective governments and their development policies. In fact, 91% of SECO's interventions evaluated in 2014 were rated relevant; none of the projects were rated non-relevant. Nevertheless, only 14% of projects were rated as highly relevant in 2014, compared with an average of 31% over the period 2005–2014. In addition, a very slight but overall decrease in relevance can be observed since 2010.

Effectiveness: 86% of the projects evaluated in 2014 met or exceeded the original set of objectives, demonstrating good results in terms of effectiveness. This was an improvement from the 80% satisfactory effectiveness rating for the projects evaluated during the 2005-2014 period. Most evaluations conducted in 2014 focused mainly on measuring output and intermediate outcome level.

The trend since 2010 demonstrates an overall increase of the portfolio's effectiveness, which is very positive. Measures taken by the Division, such as developing project managers' skills in project management and monitoring, the introduction of additional instruments (e.g. logical framework) and scaling up successful project designs, have certainly contributed to the raise in effectiveness of the Division's project portfolio.

Chart 3 – Projects performance broken-down by DAC evaluation criterion (**2005–2014**)



Efficiency: 65% of SECO's interventions evaluated in 2014 had an efficiency rating of satisfactory, an increase from 59% of the evaluations done in 2013. - This compares with 60% of projects evaluated between 2005-2014 which had an efficiency rating of satisfactory or highly satisfactory. Since 2011, the efficiency has grown, confirming measures taken to improve management structures and attention paid to monitoring.

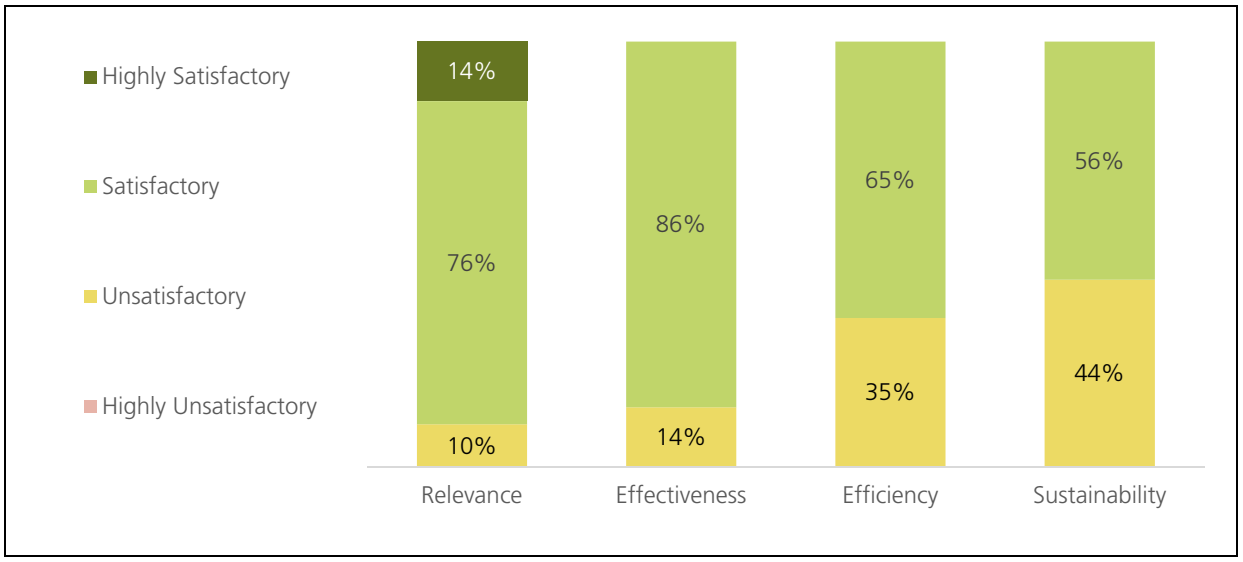
Sustainability: While sustainability remains a challenge, with "only" 56% of the projects evaluated as sustainable in a satisfactory or highly satisfactory way in 2014, a positive trend is perceptible since 2009. None of the projects evaluated were rated highly unsatisfactory in 2014 (3 in 2013).
6 out of the 8 projects evaluated at mid-term were assessed as likely to be sustainable upon project completion. Given that 7 out of the 8 mid-term 2014 evaluations were assessed as being of good or very good quality, there is no reason not to trust this assessment.

Ex-Post Evaluations: From the 22 evaluations carried out in 2014, 4 were ex-post evaluations, which are designed to assess the effect on beneficiaries 2–5 years after project completion. The ex-post evaluations carried out in 2014, have shown a positive, measurable effect of the SECO-financed projects on beneficiaries, and are of great value with regard to rating the sustainability of the interventions.

Illustrative Example (Quotes from the ex-post evaluation of the "Sustainable Coffee and Livelihoods Enhancement (SCALE) Project" implemented between 2005 and 2008):

- *The project achievements were still in place 6 years after the project ended.*
- *Improvement of primary processing had a significant positive influence on establishing more stable supply chains for specialty coffee. More than 10,000 farmers are united in 212 farmers groups, of which many still continue doing business together.*
- *Farmers with access to [*the project facilities*] have at least the potential to accrue higher income through utilization of Central Pulpery Units, an increase of income is estimated at a minimum of 10% as compared to home processing.*
- *[…] looking at the effects the project had nationally and internationally, as well as at the improvements of the coffee value chain and the positive outcomes it had at the level of final beneficiaries, the intervention can only be graded as valuable and as a sustainable contribution to the coffee sector and its stakeholders*.

Chart 4 – Projects performance broken-down by DAC evaluation criterion in **2014**



Geographical distribution of evaluations

The geographical distribution of evaluations in 2014 is well balanced: one-third of the evaluations cover the priority countries[7], one-third cover global programs, and one-third regional programs. This distribution is in line with the expected disbursements under the current *Message on International Cooperation* (2013–2016) to the Parliament.

1.2. Result internal reviews

Exter-nal | **Inter-nal** | Indepe ndant | Ann ual

The 17 internal reviews conducted in 2014 suggest a comparable performance with the projects and programs of previous years. With an estimated achievement rate of almost 90% and none of the projects rated as highly unsatisfactory, the assessment is extraordinary high and matches the performance levels of external evaluations. For the current year this finding is in line with external evaluationions, while in other years, evaluations show that the assessments shift towards more satisfactory ratings when conducted internally.

As in previous years, all projects were assessed as relevant, while regarding effectiveness and efficiency 2 projects where rated as non satisfactory regarding all criteria. With nearly one third of the projects assessed as being unsustainable, the challenges regarding these aspects found in external evaluations are confirmed through internal reviews.

1.3. Results and learning from independent evaluations

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In 2014, the Evaluation Function, under the oversight of the External Evaluation Committee, commissioned the evaluation of the "Corporate Development of Public Utilities"[8], which results are summarized hereafter. It also participated in the steering of the joint SECO and SDC effectiveness report "Swiss International Cooperation in Climate Change"[8].

[7] Priority countries of the message on International Cooperation to the Swiss Parliament in the period 2013–2016: Albania, Azerbaijan, Bosnia-Herzegovina, Columbia, Egypt, Ghana, Indonesia, Kirghizstan, Kosovo, Macedonia, Peru, Serbia, South Africa, Tajikistan, Tunisia, Ukraine, Vietnam

[8] Independent evaluations are available on the website of SECO Economic Cooperation and Development: www.seco-cooperation.ch

Although these undertakings are initiated and run by the Evaluation Function, they also entailed substantial involvement of the operational sectors. These exercises are based on the assessment of a large portfolio of projects and therefore contribute to identifying the strengths and weaknesses of the division's activities in a particular sector or domain.

Corporate Development of Public Utilities

A key element for economic growth is a reliable and affordable basic **infrastructure**. Therefore SECO invests in the rehabilitation of existing and the construction of new facilities for **drinking water, sewage, waste and electricity**. It also contributes to the operational and financial strengthening of these public utility companies. This approach chosen by SECO is summarized in a **strategy on corporate development for public utilities**.
The evaluation assessed **40 projects in 13 countries** and covered the period from 2003 to 2013, and weighs SECO's corporate development strategy for public utilities as **highly relevant, innovative and to some extent pioneering**. SECO's strategy meets clear development needs and is aligned with the recipient governments' policies. The report highlights the **great complexity** of offering technical assistance to public utilities, mirrored in only partially effective and partially efficient results. Due to the relatively **immature portfolio** since the approval of the strategy in 2010, the **sustainability criteria could not be evaluated**, but positive signs could be noticed.
The evaluators identified a number of areas for further improvement, which may have a positive impact on efficiency and effectiveness and in the long run also on sustainability. Among others, the **report recommends** that the **project approach** should be more **performance-based**, that corporate development measures should start earlier in the project cycle and that **ownership and commitment of the recipient utilities** are key and should be "cultivated". The aspect of ownership may be the most important, but also the most challenging issue to tackle. SECO commits itself to address these issues and report on a regular basis to the External Committee on Evaluation on its progress.

Swiss International Cooperation in Climate Change

SDC and SECO climate portfolios assessed for this report **include 423 projects, implemented between 2000 and 2012**. The total budget dedicated to climate change for this period amounted to CHF 1.32 billion, around 5% of the overall ODA[9] funding provided by Switzerland during these years.
The negative impacts of climate change threaten lives and livelihood systems. That is why **Swiss development cooperation** has been heavily engaged in interventions **mitigating greenhouse gas emissions** and improving the **adaptation capacities** of the affected populations in partner countries.
The analyzed projects show a **"moderate to strong" effectiveness** in reducing greenhouse gas emissions and in increasing people's abilities to cope with the impacts of climate change. Climate effectiveness of Swiss projects **improved over time** within the assessed period. This is mainly due to stronger **integration of climate change aspects in project design** and increased institutional awareness, as well as additional climate funding allocated through the 0.5% bill[10] in 2011.
Other findings include the aspects of "Swiss added value" and "poverty". The report revealed that projects based on **Swiss know-how and expertise** in specific areas (such as renewable energy, hydropower, cleaner production, finance, and risk management) have successfully **transferred climate-relevant skills** to partner countries. The study further states that projects within the Swiss climate change portfolio have contributed to **strengthened climate resilience of the poor**, for instance through improved food security and sustainable forest management.

[9] ODA Official Development Assistance is a term coined by the OECD Development Assistance Committee (DAC) to measure the official aid with the promotion of the economic development and welfare of developing countries as the main objective.
[10] Switzerland committed to achieve a ratio of 0.5% ODA of gross national income (GNI)

Recommendations include improvement of **risk mitigation** in dynamic fields such as climate change mitigation and adaptation. Likewise, to reach maximum impact, it is essential to **integrate climate change aspects** even more **systematically** into development programs.
Assessing climate effectiveness of the portfolio was a **methodological challenge**. An innovative approach had to be developed to assess interventions initially launched as development and poverty-reduction initiatives. As internationally agreed standards for measuring climate adaptation are only beginning to emerge, this assessment can be considered as a **pioneer venture** in a field where further work is yet to come.

2. Conclusions

2.1. External Evaluations

General Conclusion

With 22 external evaluations conducted in 2014, the division is in line with the targeted range of 20 to 25 evaluations per year. The evaluated projects reflect the division's thematic priorities[11] as well as its priority countries[7], and the allocation of resources between bilateral measures and global initiatives. The quality of the evaluation reports have dropped slightly, but remain within an acceptable range.

Observations with regard to DAC criteria

Relevance: The majority of projects and programs are highly relevant, a slight drop in relevance (highly-satisfactory and satisfactory ratings) by 6% since 2010 can be observed, even though the rate remains very high at 90%. Being a recognized precondition for sustainability, this criteria and further development of its ratings deserves the division management's attention.

Effectiveness: The measurable positive effect on beneficiaries of the SECO financed projects observed in ex-post evaluations in 2014 is encouraging. The sample of ex-post evaluations in 2014 is too small to infer definitive characteristics of the portfolio; however the evaluations do suggest that the portfolio is significantly impact-oriented. The demonstrated overall increase of the effectiveness rating from 73% to 86% since 2010 is a metric that supports this conclusion. If this is linked to a risk conscious selection of projects is not yet substantiated. However, other factors such as capacity development in project management and monitoring for project managers, the introduction of additional instruments (e.g. logical framework) and scaling up of successful project designs may be other explanations for this positive trend.

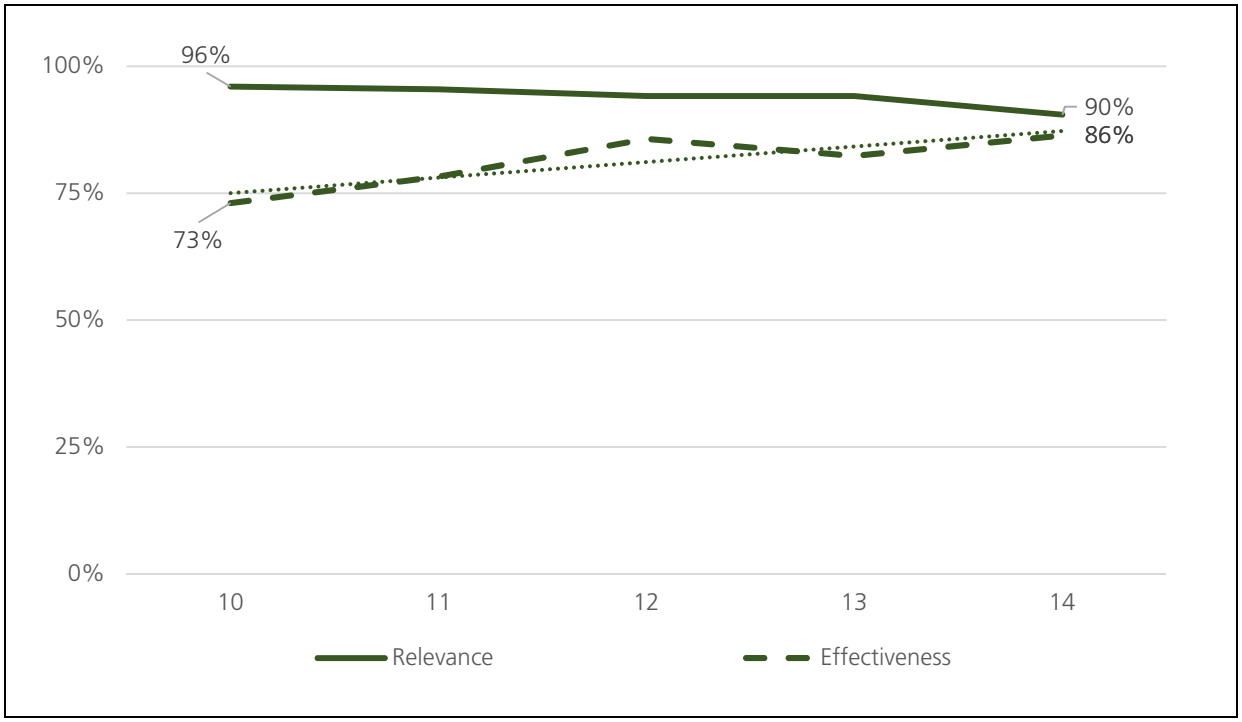
Efficiency: The results on efficiency still show room for improvement, though they have been trending positively since 2011. If the identified measures, namely the introduction of "focal points controlling", a knowledge management function and improved project management tools continue to be implemented and begin to put down roots, it can be expected that the efficiency rating may further improve.

Sustainability: The slightly better results in terms of sustainability in 2014 are a positive sign, but one swallow does not make a summer. To conclude a positive directional trend, the improving result needs to continue for more years to come based on robust, undisputable data. So far, the challenges in terms of sustainability are persisting. Therefore, the identified measures, namely the special attention on sustainability aspects, especially on the field offices side needs to continue. In addition, the important

[11] Thematic priorities: Strengthening economic and financial policy; Promoting sustainable trade; Improving urban infrastructure and utilities; Supporting the private sector and entrepreneurship; Help shaping multilateral cooperation; Fostering climate-friendly growth

lessons from the independent evaluation on corporate development (see box in chapter 1.3), shall be considered for further recommendations.

Chart 5 – Trend in DAC Criteria "Relevance and Effectiveness" 2010–2014



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2.2. Internal reviews, completion notes

While in previous years, internal reviews and completion notes rating tended to be more positive than in external evaluations, the ratings in 2014 for external evaluations do not differ from internal reviews. The objective assessment by project officers with a critical view towards their own results and associated risks shall be maintained in coming years.

2.3. Increase awareness and commitment regarding evaluation issues

During the last years the Evaluation Function has observed an increasing interest and commitment from the operational sectors towards evaluation. Frequent requests for assistance, timely response and the pro-active involvement of evaluation officers for the preparation of evaluations (e.g. review of terms of references for evaluations commissioned by operational sectors), are signs of the increased awareness towards the value of evaluations. Over the long run, the close collaboration and constant exchange between the internal evaluation team (i.e. Evaluation Function) with operational units through consultations and moderation (e.g. of meetings), will lead to better and timely results.

3. Follow-up on recommendations 2013

In its management response to the annual report on effectiveness 2013, the Division management is committed to a number of actions in order to follow-up on recommendations. Many of them have been

implemented or are in the process of being implemented, and some are already completed. Among others, the following are examples of process changes and actionable plans[12]:

- In case unsatisfactory project results regarding sustainability are revealed during a mid-term evaluation, the Evaluation Function intervenes at the level of division management through the division's risk management tool.
- A tracking system for evaluations planned during project preparation and requested by the division's management, is in the process of being implemented; this will allow the Evaluation Function and the Division's management to better overview evaluations with regard to quantity, themes and geographical distribution.
- A number of measures have been taken to improve the sustainability of projects in the long run. One example is a planned capacity development training at head quarter level, another example is the adaptation of reporting guidelines in which the elaboration of an exit strategy is now an integral part.

The Evaluation Function highly appreciates the Division management's dedication to following-up on recommendations.

For more details, see part II – Management Response, section 2 of this report.

4. Recommendations

4.1. Management level

As in previous years, project efficiency and sustainability were found to be notably weaker than the relevance and effectiveness of projects. The further improvement of efficiency and sustainability remain therefore at the core of attention.

In order to foster sustainability, **investments in long-term measures shall be maintained**. In particular this includes:

- Training on **capacity development**
- Continuous efforts in **project management and monitoring**, including instruments such as risk management, logical framework, both at SECO headquarters and at field office level;
- Continuous **use of evaluations (external and internal) for learnings** within and among operational sectors and project partners, focusing on sustainability issues.

This will add to the sustainability performance of the Division's portfolio. At the same time these measures will secure the high level of effectiveness achieved in SECO financed projects.

Relevance is also key to project sustainability and is therefore one of the most important factors to be considered at project preparation. Management shall continue to pay special attention to the project approval process to **make sure that SECO projects are highly relevant for partners**, and **strike the right balance** between innovation, risk taking and proven approaches.

4.2. Operational level

As with management level recommendations, **measures toward sustainability** improvement is also at the core of what is being recommended at the operational level.

Given the critical role played by the field offices, a high degree of project involvement and productive communication with headquarters, should continue to be primary objectives going forward.

[12] The implementation status of all recommendations is tracked in detail on an annual basis.

This will be particularly important with regard to sustainability issues. The Evaluation Function welcomes the measures that the Global Portfolio section began in 2014 in this regard. Among others this included the planning of **training** for national program officers and the analysis of processes and interactions between headquarter and field offices. It is suggested that further aspects need to be included in the training of national program officers. Program officers should know which **key points** need **to be monitored** and which key factors most significantly **influence project sustainability**, and need to be observed. [13]

The Evaluation Function shall analyze how the operational sectors manage their insight from internal reviews and external evaluations. This should lead to an **institutionalized approach of sharing lessons learnt from evaluations regarding sustainability**, within and among thematic units, field offices and partner organizations.

In this regard, the practice of **Capitalization Workshops** between evaluator, evaluated sectors and Evaluation Function in the course of independent, and if possible, external evaluations **shall be continued**.

As **ownership** of project partners is a key success factor for sustainability, the beneficiaries of SECO projects should be further involved during project preparation and in lessons learnt from evaluations. This is in line with a recommendation by the External Evaluation Committee. The closer involvement of beneficiaries can be achieved through a capitalization workshop in the field, conducted by the project managers from headquarters during their field visits. The planned training in "capacity development" at headquarters level will contribute to the quality of such interventions; the Evaluation Function recommends therefore to conduct these trainings during 2015, at least on a pilot basis with one operational section.

With regard to efficiency, the **tracking system for evaluations** should be made operational, with evaluations planned ex-ante dating back to 2013.

As suggested jointly by the operational sections and the Evaluation Function, **administrative hurdles shall be reduced where possible** and sensible. As a first operational measure, the structure of project completion reports should be simplified in case an evaluation took place at the same time.

Keep evaluation top of mind: The Evaluation Function shall continue to **discuss this report with operational divisions** in order to have tailor made discussions on the report:

- General performance of the division along DAC criteria;
- Evaluations of concerned sectors conducted in 2014; results, lessons and best practices (especially regarding sustainability);
- Quality of evaluation reports of concerned sectors in 2014.

5. Outlook – Evaluation Program 2015

In 2015, the operational sectors envision to conduct 41 evaluations. However, since the engagement plan depends on different factors (such as a changing political environment at local level, resources availability, etc.) the evaluation agenda can vary. It is regularly updated and posted online.

[13] A training with National Project Officers on these issues took place in March 2015.

Table 2 – Evaluation program 2015 (as of 12May 2015)

Number of Evaluations Sectors	External Evaluations	Internal Reviews/Notes	Independent Evaluations	TOTAL
Macroeconomic Support	7	6	1†	14
Infrastructure Financing	3	3		6
Trade Promotion	9	4		13
Private Sector Development	5	2		7
Transversal themes			1‡	1
TOTAL	24	15	2*	41

† Tax and Development | ‡ Economic Governance

* N.B. an evaluation of the Swiss Contribution to the Enlarged European Union (jointly with the SDC) will also take place, however, this area does not fall under ODA-relevant activities

Annex 1 – Methodology applied (DAC)

Applied Methodology

The portfolio performance of SECO Economic Cooperation and Development division is assessed annually on the basis of the results of external evaluations of projects conducted during the year under review. Projects/programs are evaluated with respect to the four DAC criteria, i.e. relevance, effectiveness, efficiency and sustainability, on a four-point scale from highly satisfactory to highly unsatisfactory. The rating for the four criteria is consolidated into an overall rating for each project/program, 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 the division's overall portfolio, though the sampling provides a good indication of the quality of the division's interventions at a given time. In order to increase objectivity and reliability, the ratings on the four-point-scale are cross-checked by a second person and the analysis of results of a particular year, are mirrored against the aggregated results for 2005–2014[14].

Table 3 – DAC Evaluation Criteria

Relevance The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, a country's needs, global priorities and partners' and donors' policies.	**Effectiveness** The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency A measure of how resources/inputs (funds, expertise, time, etc.) are converted into results.	**Sustainability** The extent to which benefits from a development intervention done after major development assistance persists continue. 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

Selection and procurement processes for evaluators

The selection of external evaluators follows the respective DAC criteria. This includes:

- The evaluation team should generally consist of at least two persons having different professional qualifications complementing each other;
- In addition to international evaluators, national experts or experts from the respective region of the destination country should be integrated into the evaluation team;
- The independence of the evaluator team is indispensable: In terms of an evaluator's credibility, the latter has to be independent from the organization implementing the project/program as well as from possible local partners. To no extent may evaluators have been involved in the planning process of the respective project or program or in the monitoring of the latter.

Quality of evaluation reports

The Evaluation Function analyzes not only the results on an annual basis, but also assesses the quality of the evaluations. Assessed are the evaluation process, the methodology, the application of evaluation standards, responses to evaluation questions and criteria, as well as the quality of the final report. The rating also follows a four-point scale, from highly satisfactory to highly unsatisfactory.

[14] In this report the DAC criteria „not rated" as well as the „not evaluated" are not included in the sample.

Table 4 – Quality of evaluation reports in 2014 and for the period 2005–2014

	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Absolut	Percent	Absolut	Percent	Absolut	Percent	Absolut	Percent
2014	2	9%	16	68%	5	23%	0	0%
2005–2014	43	21%	125	61%	32	16%	5	2%

Since 2009 the number of reports below standard constantly dropped, and in 2013 no report was of unsatisfactory quality. This trend was interrupted in 2014, with 5 evaluations being assessed as of unsatisfactory quality. However, this result does not question the use of international standards on evaluation (in particular the OECD-DAC guidelines).

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Federal Department of Economic Affairs, Education and Research EAER
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development
Holzikofenweg 36
CH-3003 Berne
Phone +41 58 464 09 10
info@seco-cooperation.ch
www.seco-cooperation.ch

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www.seco-cooperation.ch

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