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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 2015

Effectiveness of SECO's Economic Cooperation and Development

Acknowledgments

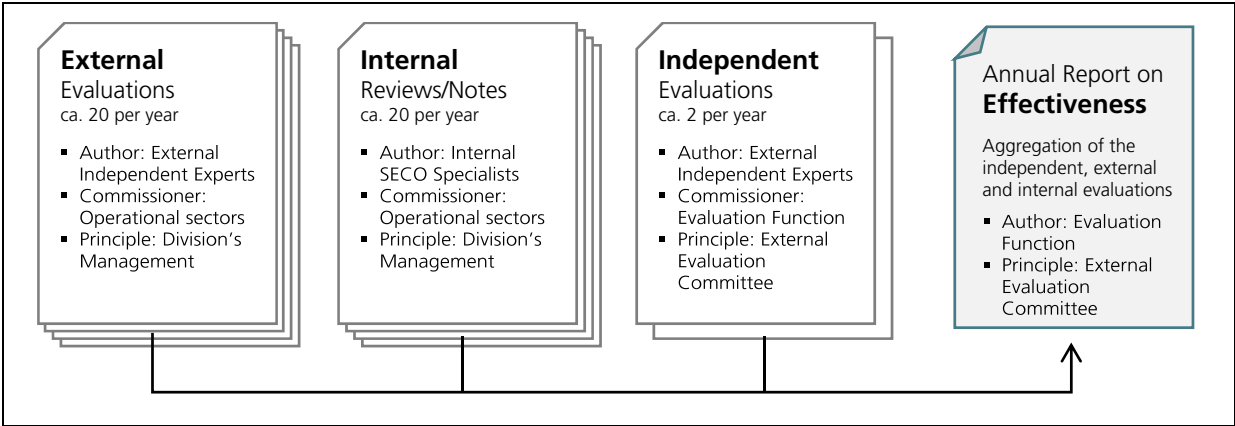
This report was prepared by the Evaluation Function of SECO Economic Cooperation and Development.

Extensive comments were received from many sectors and offices within the SECO¹ 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 2015. To ensure an impartial and balanced assessment of its portfolio, the Division conducts its evaluations based on international standards as defined by the OECD² Development Assistance Committee (DAC) as well as the standards of the Swiss Evaluation Society (SEVAL³).

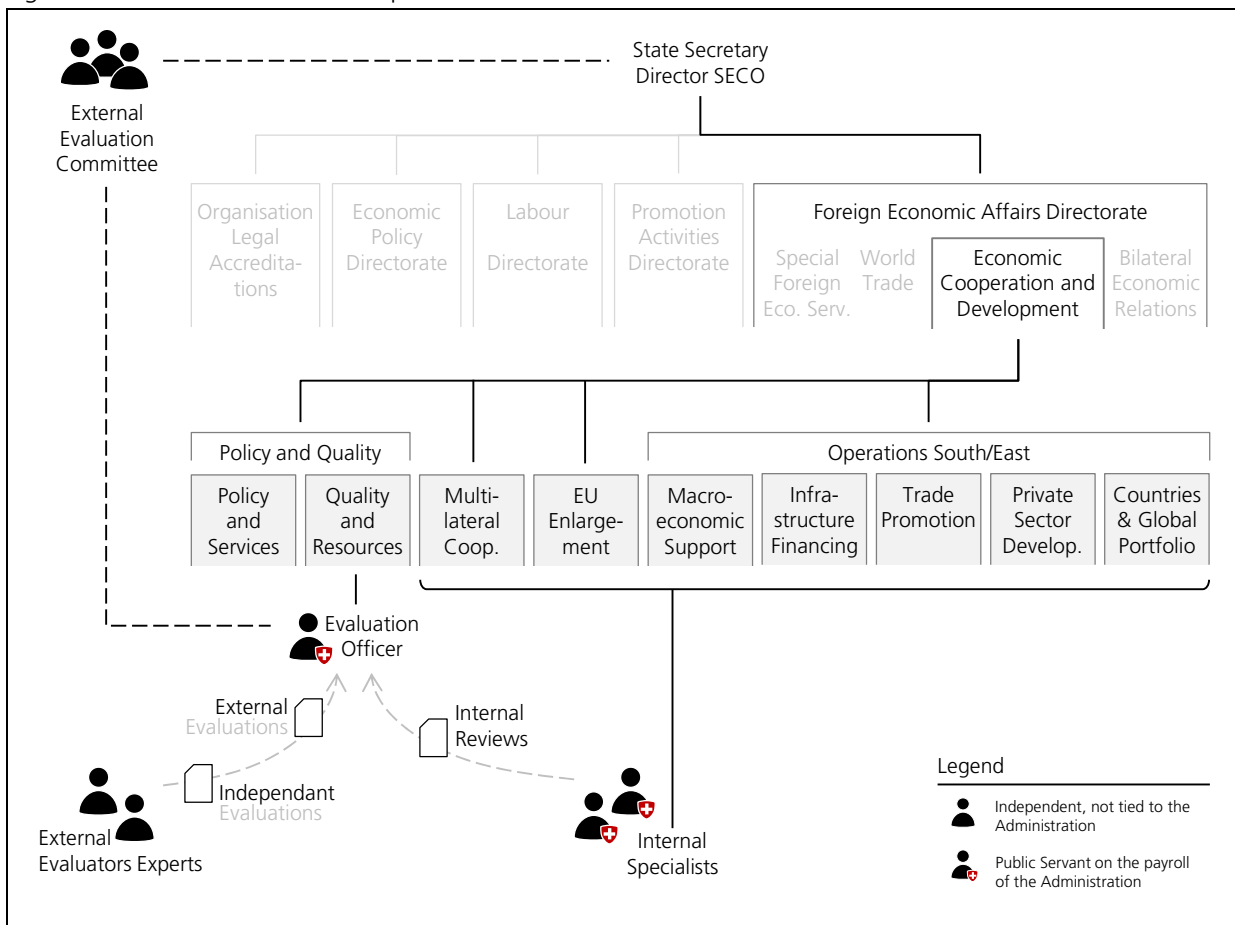
Division management issues a response (see Part II) to the conclusions and recommendations of this Report on Effectiveness (see Part IV). The report, as well as management's response, are then presented to and discussed with the External Evaluation Committee.

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)

Figure 2 – Governance of and Responsibilities for Evaluation



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Part I. Key Points in Brief

Quality and Resources Unit

Berne, June 2016

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 2015, SECO invested approximately CHF 328 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.

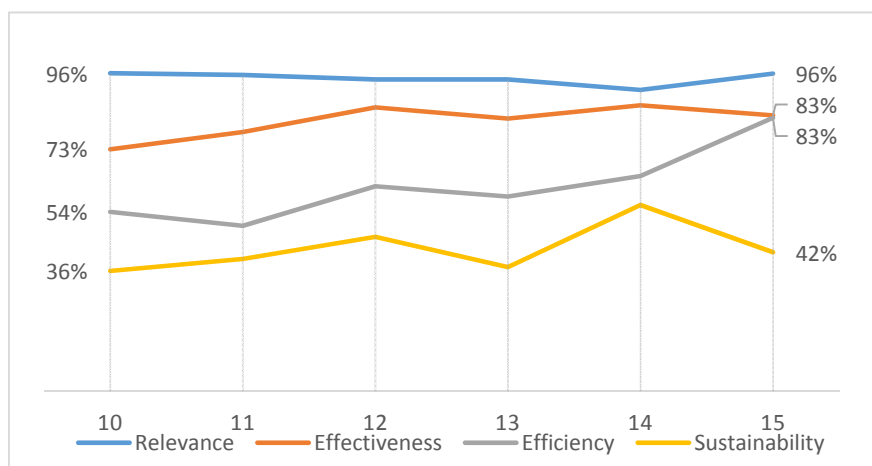
Success rate of SECO projects 2005-2015 remains on high level

In 2015 24 external evaluations, 16 internal reviews and 1 independent evaluation were conducted, providing a fair picture of the performance of SECO's operations. The results of the period 2005 to 2015, which represent almost 500 evaluations and reviews, were equally taken into consideration.

The 2015 overall success rate is at high 83%, compared to the average of 79% for the period from 2005 to 2015. This long-term success rate 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 mainly good

The criteria 'relevance', remains highest with an impressive 96% of good results in 2015, while 'effectiveness' scored at 83%, which is close to the 81% effectiveness rating (satisfactory and highly satisfactory) for the projects evaluated during the 2005-2015 period. With 83%, the rating for 'efficiency' has been exceptionally high in 2015. However, the high score in 2015 needs to be put in a long-term perspective, where only 63% of projects evaluated between 2005 and 2015 had an efficiency rating of satisfactory or highly satisfactory. 'Sustainability' remains a challenge, with only 42% of the projects evaluated as sustainable in 2015. This is less than in 2014, but within the range of the eleven-year observation period 2005 – 2015.



Evolution of DAC criteria evaluated as satisfactory or higher

Learnings from evaluations are of great value

Independent and external evaluations are known to be of special value for learnings for future projects. In 2015 a number of interesting observations have been made. As an example, an evaluation found convincing evidence, that long-term direct financial and management support can lead to situations of dependencies that pose risks to sustainability. A closer look

at the internal reviews show, that they are as well of great value for learnings. Normally perceived as rated less impartial than external evaluations, this is not the case in 2015. DAC criteria were rated similarly as for the externally evaluated projects and thus more critically than in previous years. In the case of efficiency, the ratings were even more sceptical for internal reviews (external evaluated project: 83% satisfactory/highly satisfactory; internal reviews: 63% satisfactory/highly satisfactory).

Recommendations addressing 'soft factors'

As in previous years, sustainability was found to be notably weaker than the relevance and effectiveness of projects. Hence, further improvement of this aspect should remain at the core of the attention. In general, we recommend to further strengthen the "soft-factors" in projects and programs, as they have proven to be paramount for the sustainability of operations. This can be strengthening the ownership of project partners, or fostering cultural change in the management of partner organizations. This requires additional expertise regarding these measures. Trainings can include topics such as capacity development of partner organizations, the use of evaluations (external and internal) for learnings, as well as organizational and institutional development.

Annual Report on Effectiveness 2015

Part II. Management Response

Head Operations South/East

Berne, June 2016



WE Management response to the 2015 Annual Report on Effectiveness of Switzerland's Economic Cooperation and Development

The authors of the report deserve acknowledgement for this rich and well-written document. The report provides a critical and constructive analysis of achievements and current challenges. It has been very consistent over the past years with regard to the format and indicator set, which allows a good understanding of WE's performance over time. The forty-one internal and external reviews carried out in 2015 are expression of a learning culture within WE and testimonial for the substantive work that is undertaken in order to constantly improve the effectiveness and, ultimately, capacity of our operations to deliver concrete results on the ground.

We note with satisfaction that the target range of 20 to 25 external evaluations per year was achieved again in 2015. Mindful of resource constraints, WE's management recommends to keep this target range going forward. It would be interesting in this regard to know the share of WE's projects that undergo an internal or external review. We acknowledge the fact that the number of ex-post evaluations should be increased in order to gain a better insight into the longer-term effects of our projects and programs. Measures have been defined and are already being implemented in order to address this issue. While the quality of evaluations is generally high, an outturn of 21% (or 5) external evaluations in 2015 with an unsatisfactory quality is a cause for concern and calls for action given the resource implications and value-for money considerations related to low-quality evaluations. The Evaluation Function's feedback and guidance on this aspect are welcome.

Turning to the 2015 results, we gladly take note of the high overall success rate of externally evaluated projects (83% rated satisfactory or better, which exceeds the target defined in the current Message on International Cooperation). Much has been done in the past years to further improve and professionalize WE's internal procedures, which seems to have led to the desired outcome. WE has achieved a very good level in terms of the quality of its operational work. This should be taken into account when considering further systemic or procedural changes. Cost/effectiveness considerations are key in this regard, particularly taking into account increasing (mostly externally imposed) administrative burdens which add to the already high workload of WE's staff.

On project performance measured against the four OECD-DAC criteria, the criterion "relevance" stands out with an impressive 96% of good results in 2015. This could be directly linked to the further refinement of WE's "storyline" in the context of the current and upcoming Dispatch on Switzerland's International Cooperation, which has also led to a clarification of WE's value proposition, vision and thematic relevance. Regarding "efficiency", constant improvements have been observed over the last five years, with an increase of positive results from 54% in 2010 to 83% in 2015. It would be interesting to know more about the factors contributing to this positive result. For example, Project Cycle Management seems to have improved considerably during this period, but maybe other factors have also played a role that would deserve attention. This aspect could be looked at in more detail in the next report.

The most striking outcome of the 2015 Annual Report on Effectiveness, however, relates to the DAC criterion "sustainability". 42% of externally evaluated projects in 2015 rated as sustainable is simply too low to be acceptable. Many of the positive outturns related to the other DAC criteria could be reversed or at least put in danger when sustainability is not assured. On the other hand, several measures (such as adapting the format of project approval documents) have already been implemented based on past recommendations on sustainability. These might need more time to translate into measureable improvements in the rating. Nevertheless, WE Management has tasked itself to lead on a WE-wide process of systematically identifying the factors that contribute to this result. Several questions should be asked in this context: Is project design and monitoring sufficiently taking into account sustainability aspects? Do we have a sufficient understanding of "success factors" that contribute to sustainable results? Are we too ambitious with regard to project objectives and timeframes? To what extent lie the specified impact or outcome statements in our sphere of influence? What could be an adequate comparator in terms of other aid agencies' sustainability ratings? These (and other) questions related to sustainability should be taken into account when evaluating projects either internally or externally, and be systematically analyzed in particular in the context of independent evaluations. Finally, related learnings should consistently be discussed within and across sections and capitalized across WE.

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

Bern, May 2016



Raymund Furrer

Head of Economic Cooperation and
Development, SECO



Ivo Germann

Head of Operations
Economic Cooperation and
Development, SECO

1. Table summarizing recommendations from the 2015 report

Recommendations	Position and actions from management	Deadline	Responsibility
A - Recommendations regarding DAC Criteria			
Continue to strengthen the sustainability of projects			
<p>We recommend to further strengthen the “soft-factors” in projects and programs, as they have proven to be paramount for the sustainability of operations.</p> <p>“Softer” aspects include: strengthening the ownership of project partners, fostering cultural change in the management of partner organizations, strengthening of the middle management, initiating organizational and institutional development of partner organizations.</p>	- The Management of the Economic Cooperation and Development Division (WEMG) agrees with this recommendation. As it was shown in the last independent evaluation on corporate development, the systematic analysis of “success factors” helps improving project design and clarifying entry conditions for our engagement, thereby contributing to superior sustainability outcomes.	through-out	WEOP operational sections
<p>This requires additional in-house know-how. Trainings can include themes such as capacity development of partner organizations, the use of evaluations (external and internal) for learnings, as well as organizational and institutional development. This shall enable the project managers to take action with regard to the measures outlined above.</p>	- WEMG agrees with this recommendation. Trainings for WE staff on capacity development and institutional development have already started and will be rolled out across WE sections in the year ahead.	already started / Q4 2016	WEPO operational sections
<p>Based on the example of the efforts of the Infrastructure Financing section (see page 33), we recommend that operational sections identify where possible and meaningful success factors for their specific business lines, aiming at improving the sustainability of their programs and projects. The Infrastructure Financing section should organize an appropriate event to share its know-how and experience with the other operational sections.</p>	- WEMG agrees with this recommendation. It recommends making best use of external and, in particular, independent evaluations to address this issue in a systematic way. WEMG is ready to engage actively in events on sharing related know-how and experience.	Q4 2016	WEQA operational sections
<p>Given the critical role played by the field offices, the high degree of involvement and productive communication with headquarters should continue. This will be particularly important with regard to sustainability issues. It is suggested that capacity development measures focusing on organizational and institutional development shall be included in the training of national program officers (to take place in early 2017).</p>	- WEMG agrees with this recommendation. Implementation has already started and will be continued in 2016/17.	through-out / early 2017	WELG WEPO
Maintain Efforts regarding the efficiency of projects			
<p>Measures in project management introduced earlier (e.g. procedures and structures for project planning, approval, monitoring including logical framework and reporting guidelines) need to be maintained and implemented at the current level as they are also contributing to the improvement of sustainability and efficiency ratings.</p>	- WEMG agrees with this recommendation. The Operations Committee chaired by the L WEOP has a particularly important role to play in this regard in terms of quality assurance.	through-out	WEOP WEQA
<p>To implement the proposed measures, i.e. trainings and active support of the operational sections by the Quality and Resources section, the currently allocated resources shall be maintained.</p>	- WEMG partly agrees with this recommendation. While fully supporting the statement based on WE’s current resource endowment, this would need to be looked in a holistic manner across WE sections in case of a reduction of WE headcounts.	Q1 2017	WEMG

Recommendations	Position and actions from management	Deadline	Responsibility
B - Other recommendations			
<p>Tracking system for evaluations: The tracking system for evaluations should be made operational, with evaluations planned ex-ante dating back to 2013. This will allow the forward- looking steering and management of the evaluation program.</p> <p>More ex-post evaluations: One ex-post evaluation was conducted in 2015 which is below the set minimum of two ex-post evaluations per year. The operational divisions shall therefore ensure that the number of ex-post evaluations increases to at least two ex-post evaluations annually.</p> <p>Use also internal reviews for learnings: As internal reviews proved to be an additional source of learnings and recommendations, they shall be used more systematically for internal knowledge sharing (e.g. discussion of results with implementing partners).</p> <p>Keep evaluation on top of mind: The Evaluation Function shall continue to discuss this report with the sections in order to increase the awareness for findings and recommendations of this report:</p> <ul style="list-style-type: none"> • General performance of the division along DAC criteria; • Evaluations of concerned sectors conducted in 2015; results, lessons and best practices (especially regarding sustainability); • Quality of evaluation reports of concerned sectors in 2015. <p>Optimization of processes: Operational sections and the Evaluation Function shall continue to identify and eliminate administrative hurdles and over-engineered processes where possible and sensible. This topic shall be discussed during the bi-annual meeting between the Evaluation Function and the head of operational sections and linked to the ongoing broader optimization of WE's processes.</p>	<ul style="list-style-type: none"> - WEMG agrees with this recommendation. - WEMG supports this recommendation and is engaging with operational sections in order to achieve the target. For 2016, two ex-post evaluation have been identified. - WEMG agrees with this recommendation. - WEMG agrees with this recommendation and welcomes the efforts undertaken by WEQA to assure a close follow-up with operational sections. - WEMG agrees with this recommendation and supports the general thrust of reducing and eliminating administrative hurdles wherever possible. 	<p>already implemented</p> <p>Q2 2016</p> <p>through-out</p> <p>through-out</p> <p>Q3 2016</p>	<p>WEQA</p> <p>L WEOP WEQA</p> <p>operational sections</p> <p>WEQA</p> <p>WEQA operational sections</p>

2. Status of implementation of the 2014 recommendations

Recommendations	Position and actions from management	Deadline/ Responsibility	Status
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.	throughout WEOP/WEQA	
<ul style="list-style-type: none"> Training on capacity development 	<ul style="list-style-type: none"> Capacity building was already part of the training sessions for National Program Officers A training of SECO WE 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	<ul style="list-style-type: none"> In Q1, one day training took place with National Program Officers including sustainability, corporate development and climate change aspects, as well as related tools and methodologies. A 3 day workshop on capacity development for WEIN and WEMU Program Managers was conducted with an external trainer from GIZ.
<ul style="list-style-type: none"> Continuous efforts in project management and monitoring, including instruments such as risk management, logical framework, both at SECO headquarters and at field office level; 	<ul style="list-style-type: none"> 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. 	throughout WEOP	<ul style="list-style-type: none"> Sustainability aspects have been strengthened in the project documents and consistently been discussed at the Concept and Operations Committee meetings. Acknowledging the need to define exit strategies early on in the PCM cycle, risk aspects related to sustainability aspects have been identified and monitored in a more systematic way.
<ul style="list-style-type: none"> Continuous use of evaluations (external and internal) for learnings within and among operational sectors and project partners, focusing on sustainability issues. 	<ul style="list-style-type: none"> Learning events linked to independent <u>and</u> external evaluations. Terms of Reference for evaluations make systematic link with sustainability aspects. 	Q4 2015 WEOP/WEQA WEIF WEIN WEHU WEMU	<ul style="list-style-type: none"> Based on evaluation reports (e.g. "Tax & Development") two so called "capitalization workshops" were conducted, aiming at "extracting" learnings from the evaluation findings.
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.	throughout WEOP	<ul style="list-style-type: none"> Implemented in the context of the project approval process. Systematic engagement of Cooperation Offices has contributed to a further increase the rating on relevance, as shown in the 2015 Report on Effectiveness. WEMG is mindful of the need to strike the right balance between risk taking and advocating for innovation. It has actively engaged in related discussions with the

Recommendations	Position and actions from management	Deadline/ Responsibility	Status
			operational sections, e.g. in the context of the discussion of annual programs.
On operational level			
<p>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.</p>	<p>The WEMG agrees with this recommendation.</p> <ul style="list-style-type: none"> - 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 WE Management. 	Q4 2015 WEOP (WELG)/ WEQA	<ul style="list-style-type: none"> - The implementation of the guidelines on "division of labor" has started putting special focus on training for national program officers. - In the context of the elaboration of new country strategies, specific emphasis has been put on the involvement of field offices for the definition of intervention priorities and their operationalization.
<p>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.</p> <p>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.</p>	<p>The WEMG agrees with this recommendation.</p> <ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - In a short internal review the Evaluation Function estimated how learnings are included in the processes of operational units. The proposal for best practice procedures to the operational sections is under preparation. - The Evaluation Function supported 3 Capitalization Workshops.
<p>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</p>	<p>The WEMG agrees with this recommendation.</p> <ul style="list-style-type: none"> - Inclusion of beneficiaries is 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	<ul style="list-style-type: none"> - A first training on Capacity Development has been conducted for two operational sections and will be repeated in 2016. It puts specific emphasis on the aspect of securing ownership and early partner involvement.

Recommendations	Position and actions from management	Deadline/ Responsibility	Status
<p>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.</p>			
<p>6. With regard to efficiency, the tracking system for evaluations should be made operational, with evaluations planned ex-ante dating back to 2013.</p>	<p>The WEMG agrees with this recommendation.</p> <ul style="list-style-type: none"> - WEQA will operationalize the evaluation tracking system and inform and support operational units on the related tasks. 	<p>Q3 2015 WEQA</p>	<ul style="list-style-type: none"> - An Excel based System tracking system for evaluations is implemented and operationalized.
<p>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.</p>	<p>The WEMG agrees with this recommendation.</p> <ul style="list-style-type: none"> - 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 were needed supported during the introduction of this new process. - WEQA will process were possible additional simplifications/ reduction of administrative burdens for operational units. 	<p>Q2 2015 WEOP/WEQA</p>	<ul style="list-style-type: none"> - The Evaluation Function adapted the template for completion reports and the process in the section's Quality Management System (Optimiso). Operational units welcome and implement the new policy.
<p>8. Keep evaluation top of mind: The Evaluation Function shall continue to discuss this report with operational sections in order to have tailor made discussions on the report:</p> <ul style="list-style-type: none"> • 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. 	<p>The WEMG agrees with this recommendation.</p> <ul style="list-style-type: none"> - WEQA will discuss with each operation units the results of this report. 	<p>Q2 2015 WEQA</p>	<ul style="list-style-type: none"> - In addition to the discussion with the operational units, the Evaluation Function discussed the report also with WELG, WEMF and WEKO.

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Part III. Position of the External Evaluation Committee

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

Berne, July 2016



Thelesklaf, Daniel (Chair, 2015/2016)
Director of the Financial Intelligence Unit,
Principality of Liechtenstein



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



Moser, Tiana Angelina Member of the
National Council,
Swiss Parliament
Environmental and Political Scientist



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



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

Zurich, 13 July 2016

**Position of the External Committee on Evaluation on the
Annual Report on Effectiveness 2015:
Effectiveness of SECO's Economic Cooperation and Development, and
SECO/WE Management Response**

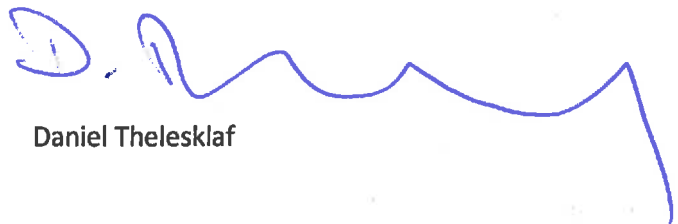
1. Members of the External Committee on Evaluation (the Committee) discussed on May 31, 2016 in Bern the Annual Report on Effectiveness 2015: Effectiveness of SECO's Economic Cooperation and Development (the 2015 Report) as well as the accompanying response by SECO/WE Management to its main findings and recommendations.
2. The 2015 Report is the 11th annual report on Effectiveness. Like previous reports, also the 2015 edition is transparent, very well readable and structured. The Committee commends SECO for this good quality report.
3. The report aggregates data in a reasonable manner, without going too much in detail but still providing for a sufficient range of data to come to conclusions. This will allow the reader, including lawmakers, to take well-informed policy decisions. The report allows to achieve both goals equally: contribute to accountability as well as supporting internal lesson learning processes. The analysis of the 2015 portfolio's performance has been based on three categories of evaluation products: 24 external evaluations; 16 internal reviews; and 1 independent evaluation. The portfolio performance has been assessed according to established and internationally recognized principles of the OECD Development Assistance Committee (DAC). The sample covers a representative number of SECO's different activities. 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).
4. Given the rolling nature of the evaluation sample on which its main findings are based, the 2015 Report tends to confirm **previous long-term trends in results achieved** over the past ten years- despite some fluctuations between years. A large number of projects were rated highly satisfactory or satisfactory regarding the DAC relevance criterion and a relatively high proportion of projects were rated highly satisfactory or satisfactory on effectiveness and efficiency¹. Beyond the intrinsic relative value of each of such aggregate performance ratings they can be considered a good result in the international context. The Committee recommends that SECO/WE keep monitoring what other national and international donor agencies do in this area - even though it recognizes the limitations of comparing performance ratings across donor institutions (due to lack of data, varying institutional setups, strategic focus, political constraints and operational tools).

¹ In 2015, 83% of externally evaluated projects were rated as satisfactory, which is in line of the average score for the past 3 years, and continues to exceed the target range of 70-80%. Combined, the highly satisfactory and satisfactory projects led to an overall success rate of 79% over the eleven-year span from 2005 to 2015.

5. For the individual DAC criteria, the 2015 Annual Report on Aid Effectiveness shows high success rates for relevance (96%), effectiveness (83%) and efficiency (83%). The substantial level of effectiveness in such high ranges is especially noteworthy. The persistent weakness in sustainability shows once again that achieving sustainability is an ambitious and difficult challenge, not only for SECO, but also for every organization dealing with international cooperation in general and development aid in particular.
6. While the ratings remain quite low for sustainability, the Committee welcomes the acknowledgment of SECO management to address these problems and its commitment to intensify its search for appropriate solutions. However, while the Annual Report on Effectiveness makes useful recommendations including on sustainability, the implementation of these recommendations seems to impact rather on relevance, efficiency and effectiveness, and far less so on sustainability. The Committee encourages SECO to liaise with other donors that face the same challenges, and try to agree on common reporting standards. This will put SECO in better position to judge if their own goals regarding sustainability have the right level of ambition. The Committee cannot exclude that the low figures may be explained by the fact that SECO works with overambitious goals. The Committee welcomes the efforts to strengthen soft factors, like ownership, however, it cautions that this is a challenging process and the cost to assess these factors may be high. The Committee encourages SECO to continue to determine and assess the factors that make certain activities more sustainable than others and to consider focusing on these factors when designing or evaluating projects internally. In addition, the Committee invites SECO to identify interrelations between the individual DAC criteria: For example, some data suggest that a higher level of efficiency may have a detrimental effect on sustainability (see for example the findings of the past independent evaluation on corporate governance).
7. Program and project sustainability depends ultimately on an adequate institutional framework as well as proper incentives for managers and partner institutions in developing countries aimed at building and strengthening relevant, non-bureaucratic, and competent national, regional and local institutions. Moreover, this implies making sure that international implementing partners in co-funded programs and projects – in particular international finance institutions that sometimes tend to limit their sustainability efforts to debt repayment of their past loans – also focus their attention on a broader sustainability objective. At the same time, one has to be aware that the sustainability objective goes well beyond SECO's good intentions as it depends heavily on the prevailing and very often changing circumstances of the political economy in an evolving country context. The potential for improvement is substantial, but one has to be realistic about the existing obstacles and limitations, not only to avoid too high expectations but also to prevent overoptimistic planning and project design assumptions as well as approaches. In 2014 SECO Management response on the 2013 Annual Report there was a commitment to include reflections on sustainability into the decision making process. Management stressed the importance to include exit options in a consistent way in project documents and discuss them both at concept and decision stage, as a way to improve the sustainability potential of SECO programs and projects. One proposal was also to make the Evaluation function within SECO/WE competent to set a project "at risk" in SECO's IT system (SAP) in case its own assessment – that would be based on the findings of external mid-term evaluations – concludes that a project scores unsatisfactory/highly unsatisfactory in terms of sustainability. This would bring more independence because it allows SECO/WE Evaluation function to raise the attention of SECO/WE's Management and staff when there is the (high) likelihood that an ongoing projet will not achieve the sustainability objective. This will also be important as a lesson learned for similar new projects.

8. With regard to efficiency, the Committee finds value in engaging in a discussion whether this criterion may merit a lower importance compared to the other criteria. It invites SECO to discuss this possibility with other donors in the DAC framework.
9. The Committee agrees with all the recommendations by the Evaluation Function. Measures aimed at further improving sustainability need to continue to be at the core of SECO/WE Management attention. Based on SECO's practical experiences and findings, the Committee suggest to conduct further in-depth analysis on the cause-and-effect chains of success (and failure) and of (in-) sustainability in particular.
10. The Committee agrees with the constructive positions and actions included in the Management Response. In particular, it welcomes that Management addresses the issues with concrete implementation measures.
11. 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 the overall quality of evaluations (independent, external and internal) has improved regularly and consistently and 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 of the External Evaluation Committee:



Daniel Thelesklaf

Committee members:

Thomas Meyer

Katharina Michaelowa

Tiana Angelina Moser

Bruno Stöckli

External consultant to review this position:

Pietro Veglio

Annual Report on Effectiveness 2015

Part IV. Annual Report

Quality and Resources Unit

Berne, May 2016

1. Portfolio Performance in 2015 and for the period 2005-2015

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 insights on specific development interventions and lessons learned from the point of view of the respective program manager.
- c) **Independent Evaluations** provide an 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 2015 the independent evaluation *Tax and Development* was elaborated.

Table 1 – Evaluations Conducted

Number of Evaluations in 2015	External Evaluations	Internal Reviews/Notes	Independent Evaluations	TOTAL
Operational Sectors				
Macroeconomic Support	8	5	1 [†]	14
Infrastructure Financing	3	3		6
Trade Promotion	10	2		12
Private Sector Development	3	5		8
<i>Other Sector</i>		1		1
TOTAL in 2015	24	16	1	41
TOTAL between 2005 and 2015	229	248	11	488

[†] Tax & Development

The portfolio is evaluated based on the principles of the OECD Development Assistance Committee (DAC). The evaluation framework consists 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).

1.1. Context 2015

The **International Year of Evaluation** was an excellent opportunity to bring evaluation as an integral instrument for sustainable development to the attention of decision makers and a broader public. Evaluation conferences around the world served as a platform for discussion around the International Year of Evaluation themes. SECO observed and followed the discussions within the limits of the available resources.

The **accountability report "SECO takes stock 2012-2015"** synthesized the monitoring and evaluations' results of SECO's economic development cooperation along the main themes of the current Message on International Cooperation 2013 – 2016. The report concludes that SECO's economic development cooperation is effective and achieves good results. At the same time, the global context is becoming more complex. Some approaches fail and have to be changed. External and independent evaluations made a major contribution to the report.

The guidelines for the **external evaluation committee** limit the duration of membership to 6 years. Established in 2009, the committee thus underwent a complete change of members in 2015. The six-years-long stable composition of the committee has been of great value. It allowed the members to develop common views and a common understanding of evaluation topics related to SECO WE and thus to give coherent advice to the Evaluation Function.

1.2. Result of the externally evaluated projects



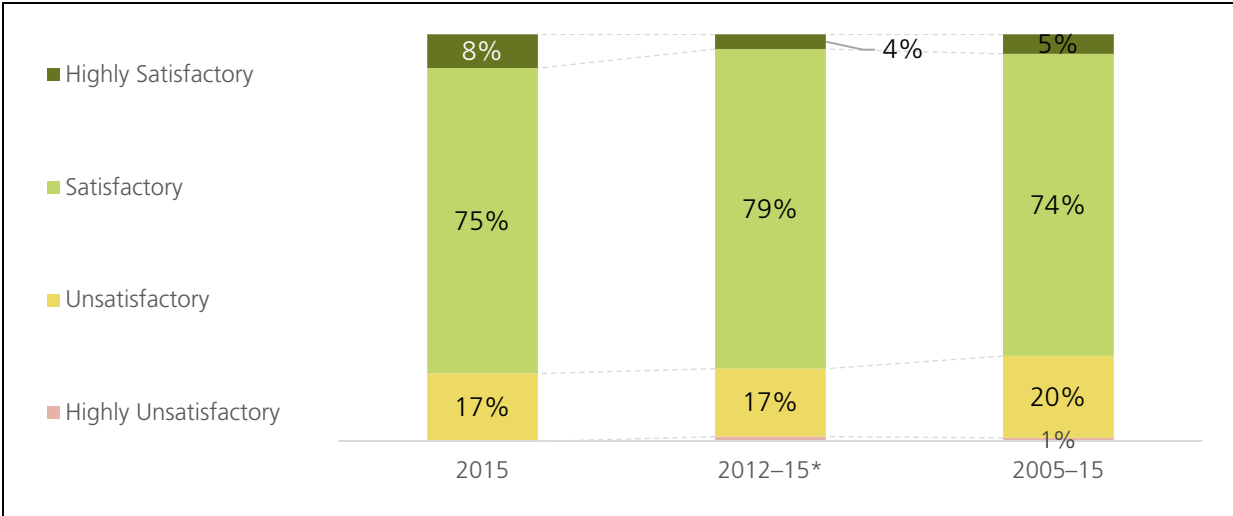
Overall Project Performance

In 2015 8 (33%) out of the 24 evaluations were conducted at the completion of a project, and 15 (62%) at mid-term of the project implementation. One project was analyzed ex-post in 2015. The evaluation program recommends more or less two ex-post evaluations per year.

In 2015, 83% of the 24 externally evaluated projects were rated either *satisfactory* or *highly satisfactory*, slightly exceeding the targeted range of 70–80% as defined in the current Message on International Cooperation⁴.

Over the eleven year span from 2005 to 2015, the highly satisfactory and satisfactory projects led to an overall success rate of 79%, which can be considered a good result in the international context. Example 1: Asian Development Bank (ADB): Between 2012–2014⁵ the Technical Assistance project success rate of ADB remained close to 90%. The outcome achievement rate exceeded 80% in 2014. Example 2: Inter-American Development Bank (IDB): In its Development Effectiveness Overview 2014⁶, IDB reached an average development outcome score of 74%.

Chart 1 – SECO's portfolio performance of projects externally evaluated



* Performance for the reporting period of the Message to Parliament 2013 - 16

⁴ Message on International Cooperation 2013 - 16

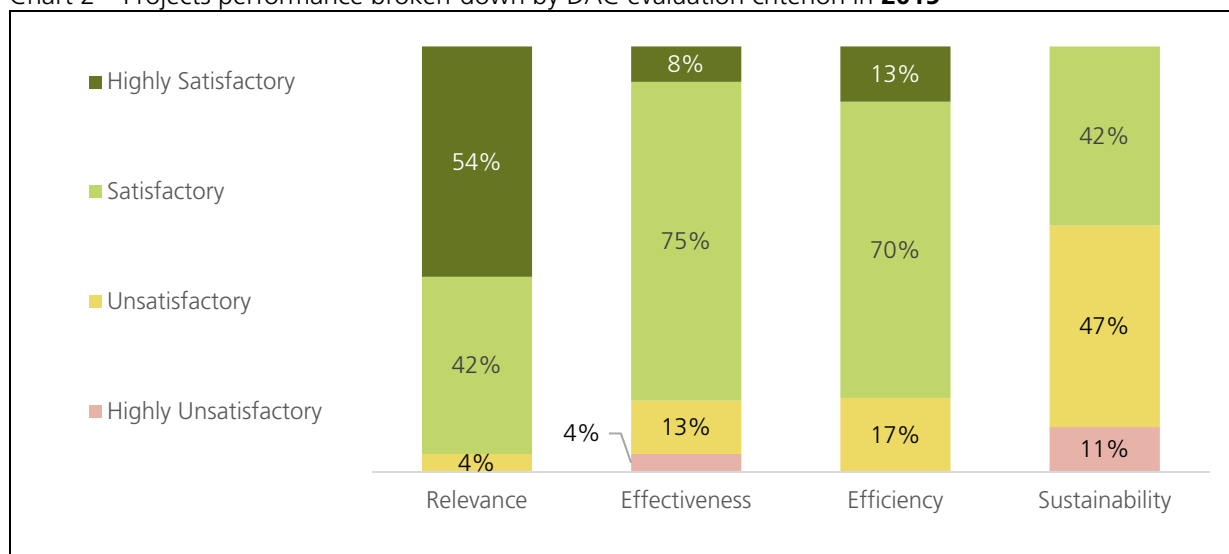
⁵ Source: Asian Development Bank 2014 Development Effectiveness Review, Philippines, 2015

⁶ Source: Inter-American Development Bank, Development effectiveness overview 2014, Washington, 2015

External evaluations serve two main purposes: first, they provide the division with potential courses of action for adjustments to enhance performance, and secondly, they support the learning process within the project and across 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 successful projects. 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.

Results of external evaluations according to the DAC evaluation criteria

Chart 2 – Projects performance broken-down by DAC evaluation criterion in **2015**



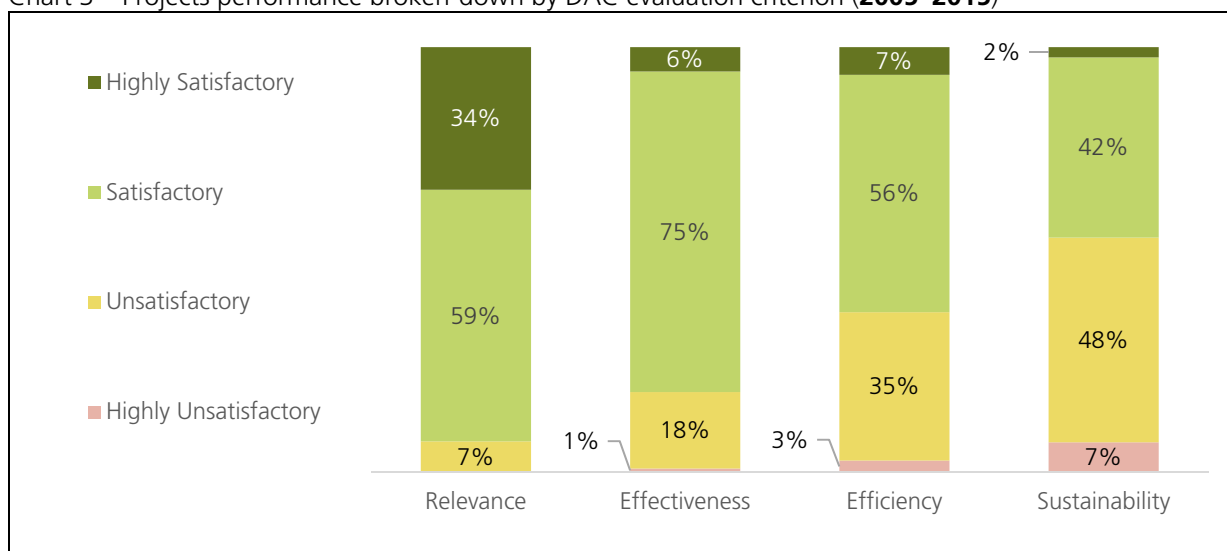
Relevance: The external evaluations confirm a high number of relevant projects in the portfolio. The projects were found to be focused on the needs of the beneficiaries and thus to address important development needs. In the case of highly relevant projects, SECO’s projects were also found to be aligned with the priorities of the respective governments and their development policies. In fact, 96% of SECO’s interventions evaluated in 2015 were rated relevant or highly relevant; none of the projects were rated non-relevant. 54% of projects were rated as highly relevant in 2015, compared with an average of 34% over the period 2005–2015.

Effectiveness: 83% of the projects evaluated in 2015 met or exceeded the original set of objectives, demonstrating good results in terms of effectiveness. This is close to the 81% effectiveness rating (satisfactory and highly satisfactory) for the projects evaluated during the 2005-2015 period. Evaluations conducted in 2015 focused mainly on measuring output and outcome level.

The overall positive trend of the portfolio’s effectiveness since 2010 is confirmed by the results 2015. Measures taken and sustained 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 contributed to the rise of effectiveness of the Division’s project portfolio.

Efficiency: A high 83% of SECO’s interventions evaluated in 2015 had an efficiency rating of satisfactory or highly satisfactory. This is the highest score ever and exceeds by far the results of 2014 (65%). This result is aligned with the growth in efficiency rating observed since 2011, and may be a sign, that measures taken to improve the project cycle management have taken roots. It will be important to observe if this trend continues and to mirror it with the long term perspective, where 63% of projects evaluated between 2005 and 2015 had an efficiency rating of satisfactory or highly satisfactory.

Chart 3 – Projects performance broken-down by DAC evaluation criterion (2005–2015)



Sustainability: Sustainability remains a challenge, with only 42% of the projects evaluated as sustainable in 2015. This is less than in 2014, but within the range of the eleven year observation period 2005 – 2015. Two of the projects evaluated were rated highly unsatisfactory in 2015. A total of 12 projects were rated highly unsatisfactory between 2005 and 2015. We observed that 5 out of 24 external evaluated projects were not assessed regarding sustainability. Two of them were commissioned by SECO, addressing institutional aspects of SECO headquarters, and thus not targeting DAC criteria, three of them were commissioned by the World Bank Group. The sustainability of projects evaluated at the end of the project was assessed more negative than the projects evaluated at mid-term.

Table 2 – Sustainability rating of external evaluations in 2015

	Evaluated at the End	Evaluated at mid-term
Highly Satisfactory / Satisfactory	2	12
Unsatisfactory / Highly Unsatisfactory	5	3

Given that almost 80% of the evaluations in 2015 were assessed as being of good or very good quality, this assessment stands on a solid foundation. 19 out of 24 projects were rated regarding sustainability. For the five not-rated projects, the sustainability rating was either not asked for in the terms of reference, or it would have been premature to assess them. Not-rated projects are not part of the statistics.

➔ Find more on the methodology for evaluating the “sustainability” in Annex 1

Ex-Post Evaluations: From the 24 evaluations carried out in 2015, only one was an ex-post evaluation. Ex-post evaluations are designed to assess the effect on beneficiaries 2–5 years after project completion. The ex-post evaluation carried out in 2015 showed a positive, measurable effect of the SECO-financed projects on beneficiaries, and is of great value with regard to learnings for sustainability.

Learning for sustainability - Illustrative Example: (Lessons from the ex-post evaluation of Tanzania's Policy Analysis Department Project implemented between 2000 and 2010 regarding "sustainability")

SECO's long-term support to Tanzania's Policy Analysis Department was geared at strengthening macroeconomic management and building capacities within the Ministry of Finance and Economic Affairs. The project was implemented in three consecutive phases between 2000 and 2010 with total financial assistance amounting to CHF 4.9 million.

Rating of the project according to DAC Criteria: Relevance: highly satisfactory, Effectiveness: satisfactory; Efficiency: satisfactory; Sustainability: unsatisfactory.

A selection of interesting findings and learnings regarding sustainability⁷:

A high 75% of the graduate project staff are still in position. However, there was a perception that the best members had left Policy Analysis Department.

The evaluation found that the following could have been done differently:

Non-salary benefits could have been addressed at an earlier stage. SECO made a sound strategic decision to move away from salary benefits.

Investment in technical systems should be done early in the lifecycle of the project and should only be attempted when the beneficiary understands the perceived impact.

The evaluation found that the following could have been done differently in this area:

SECO should *not* have supported the development of the Policy Analysis Information Management System during an exit phase. This was inconsistent with the principle of consolidating gains in the final phase.

Long-term direct financial and management support can lead to situations of dependency that pose risks to sustainability.

The evaluation found that the following could have been done differently in this area:

- a) The exit strategy should have been assessed regularly with regard to feasibility and adjusted accordingly
- b) Encouraging an earlier and stronger management role in strategic interventions.
- c) A reduction of funding in the final phase of the project rather than an increase.
- d) Hands-on support for developing work plans and procurement requirements for accessing Public Finance Management Reform Programme (and other) funds.

The **Management Response** by the section acknowledges the results of the evaluation and classifies the recommendations as highly relevant for future work in the macroeconomic area. The recommendations are largely in line with the section's own assessment at the end of the project.

Geographical distribution of evaluations

The geographical distribution of external evaluations in 2015 meets the expected disbursements under the current *Message on International Cooperation (2013–2016)*: almost half of the evaluations cover the priority countries (10)⁸, one third cover global programs (8), and the rest regional programs (5).

⁷ With regard to sustainability, SECO has learned a lot from this project. Among others, it implemented the end of project evaluation's recommendation to conceptualize capacity development by elaborating a capacity development manual and providing more training.

⁸ Priority countries of the Message on International Cooperation 2013–2016: Albania, Azerbaijan, Bosnia-Herzegovina, Columbia, Egypt, Ghana, Indonesia, Kirghizstan, Kosovo, Macedonia, Peru, Serbia, South Africa, Tajikistan, Tunisia, Ukraine, Vietnam

Quality of evaluation reports (external evaluations)

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.

Table 3 – Quality of evaluation reports in 2015 and for the period 2005–2015

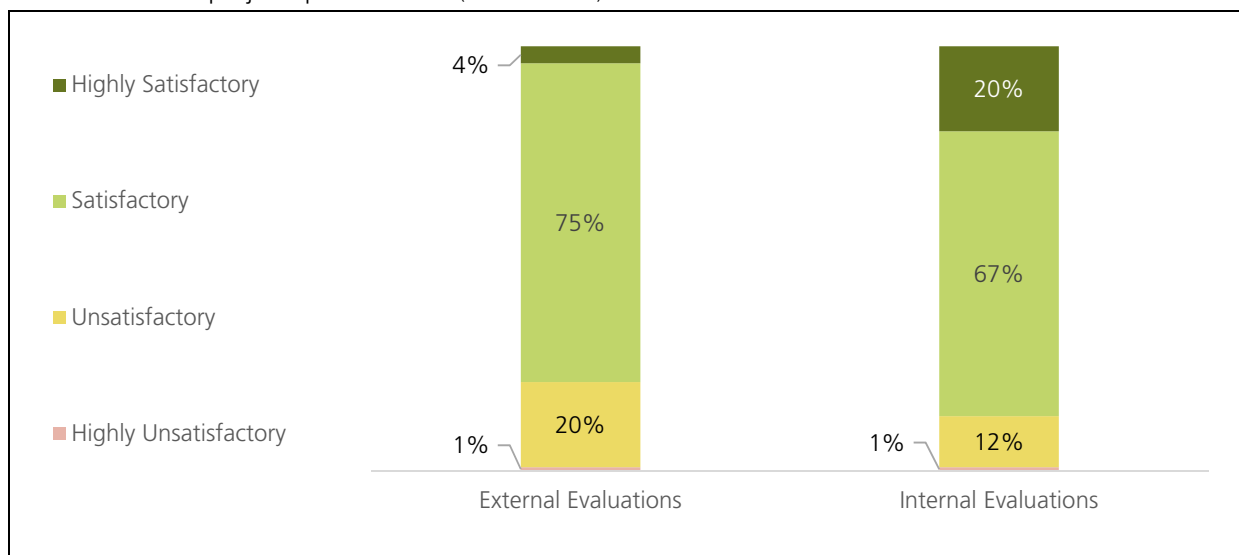
	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Absolut	Percent	Absolut	Percent	Absolut	Percent	Absolut	Percent
2015	6	25%	13	54%	5	21%	0	0%
2005–2015	49	22%	138	60%	37	16%	5	2%

1.3. Result internal reviews



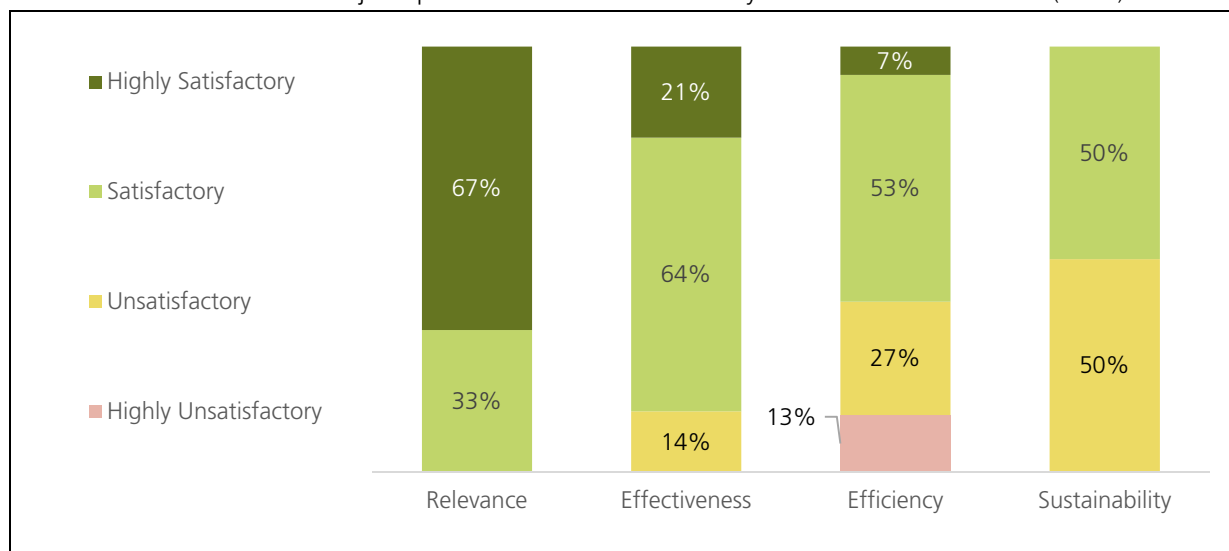
The 16 internal reviews conducted in 2015 suggest a comparable performance with the projects and programs of previous years. With an estimated achievement rate of almost 90% and none of the projects rated as highly unsatisfactory, the assessment is extraordinarily high and exceeds the performance levels of external evaluations. As in other years, evaluations show that the assessments shift towards more satisfactory ratings when conducted internally. From a methodological point of view, it is unfortunately nearly impossible to systematically compare external evaluations and internal reviews of the same project, due to the time gap evolving between the two types of assessments.

Chart 2 – Overall projects performance (2005–2015)



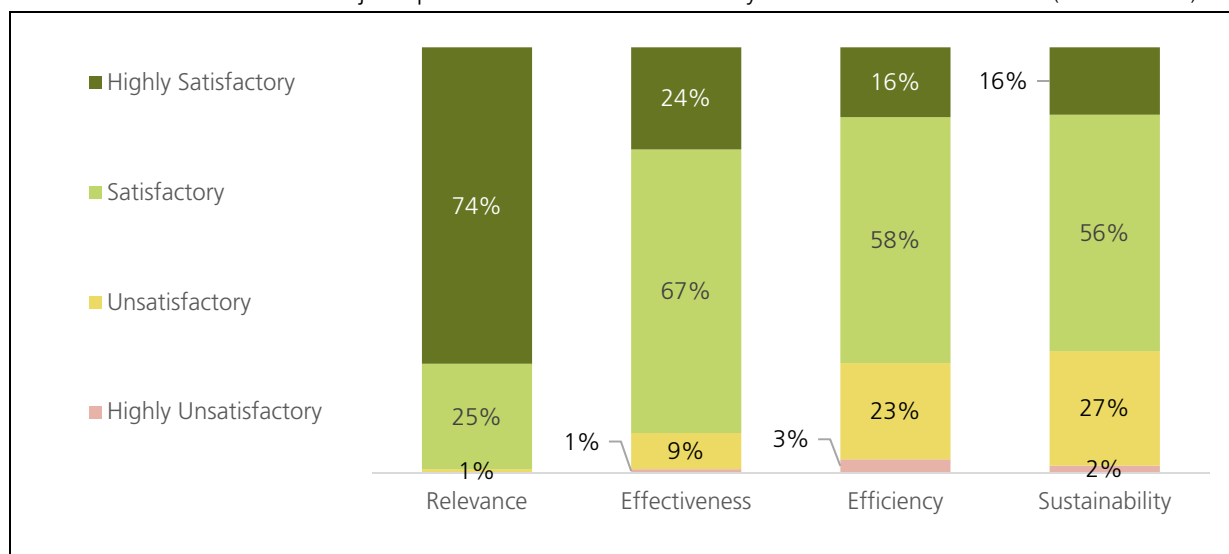
The difference between the rating of external evaluations and internal reviews is biggest at highly satisfactory. Internal reviewers rate their project five times more often highly satisfactory than external evaluators.

Chart 3 – Internal Reviews: Projects performance broken-down by DAC evaluation criterion (2015)



As in previous years, all projects were assessed as relevant, while regarding effectiveness two projects were rated as non-satisfactory (unsatisfactory or highly unsatisfactory). Six projects were rated as non-satisfactory regarding their efficiency. With half of the projects internally assessed as being unsustainable, the challenges regarding these aspects found in external evaluations are confirmed through internal reviews. The satisfactory and highly satisfactory ratings regarding sustainability dropped in 2015 by almost 20%, compared to 2014 (69% satisfactory and highly satisfactory).

Chart 4 – Internal Reviews: Projects performance broken-down by DAC evaluation criterion (2005–2015)



Comparing the ratings of internal reviews regarding the DAC criteria in 2015 for the period 2005 – 2015, it can be observed that program managers become more self-critical towards the results of their own projects.

1.4. Learning and follow-up from independent evaluations



Independent evaluations are initiated and run by the Evaluation Function. However, they also require substantial involvement of the operational sectors. These exercises assess a large portfolio of projects and therefore contribute to identify the strengths and weaknesses of the division's activities in a particular sector or domain. SECO commits itself to address the recommendations of an independent evaluation in a management response and to report on a regular basis to the External Evaluation Committee on its progress (**formal tracking of recommendations**).

Independent Evaluation on “Tax and Development”

In 2015, the Evaluation Function commissioned the evaluation of the “Tax and Development”⁹, whose results are summarized hereafter.

The issue of Tax and Development

At the end of the 1990s, aid effectiveness became a prominent issue of discussion in the development cooperation community. The performance of Public Finance Management (PFM) was considered to be central to improve effectiveness of aid across all sectors. While development partners previously used to primarily focus their assistance on the expenditure side of PFM, strengthening of domestic revenue mobilisation - as an important element of PFM - has become more prominent over time. It became one of the main venues for strengthening the capacity of developing countries to mobilize domestic resources and reducing their dependency on external aid to implement national policies and deliver public services.

With the first intervention dating back to 1996, SECO was one of the first development partners to provide support in this area.

The evaluation assessed 20 interventions (programs and projects), in 3 countries, with a volume of CHF 60 million covering the period from 1996 to 2013. The evaluation weights SECO’s Tax and Development program as relevant, innovative and pioneering.

Results of the Evaluation

SECO has been effective to provide a useful contribution to help establishing fair and transparent tax policies, and an efficient and effective tax administration in its priority countries. The report rates SECO’s interventions regarding the DAC Criteria as satisfactory. The evaluation points out, that **sustainability depends to a large extent on the political will** and ability of the governments of the recipient countries to sustain the achieved results and maintain the momentum of reform of for example the tax system.

The evaluators identified a number of **areas for further improvement**, which may have a positive impact on the efficiency, effectiveness and on sustainability. Among others, the report recommends that a strategic paper, providing high level guidance on when and how to engage in Tax & Development, would be of great value. A country needs assessment before entering into a tax & development program would lead to an even more realistic and adequate project design. Addressing sustainability risks more rigorously and elaborating a convincing strategy for their management prior to the start of the project would further improve the sustainability.

Further learnings from the independent evaluation “Corporate Development” and other evaluations

In 2014, the Evaluation Function, under the oversight of the External Evaluation Committee, commissioned the evaluation of the “Corporate Development of Public Utilities”¹⁰, which was discussed in the Report on Effectiveness the same year. Based on the recommendations of this study, SECO’s Infrastructure Financing section started a process to deepen its understanding of success factors for the organizational and corporate development of public service delivery utilities (e.g. Urban Water Utility). This resulted in the study “Corporate Development - Review of success stories and identification of success factors” (REBEL Group, 2015). Main learnings from this study are:

Working along success factors

⁹ Independent evaluations are available on the website of SECO Economic Cooperation and Development: www.seco-cooperation.ch

¹⁰ Independent evaluations are available on the website of SECO Economic Cooperation and Development: www.seco-cooperation.ch

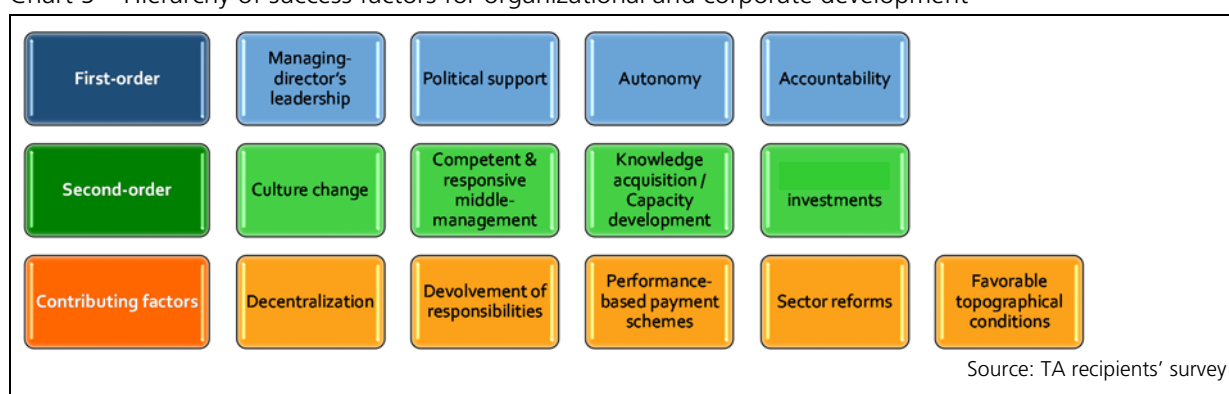
Designing projects along known success factors, is a recognized approach used in various sectors. The study found it helpful to distinguish first and second order success factors. Both levels are necessary to achieve success. The difference is that the first order factors are a pre-requisite for the second order factors.

First order success factors

Long-serving, capable and charismatic managing directors play a critical role in successful utility reforms. They initiate concrete reform steps, led by example, change staff mentality, promote promising staff to key positions and institutionalize the reforms. Importantly, they negotiate support from the local and national political leadership; support which has to be provided explicitly, vocally and unabatingly throughout the reform process.

Successful utilities are managed without political interference in their day-to-day operations and with access to revenues. Management autonomy only works for the benefit of the customer and the tax-payer, when a utility’s management is incentivized to that end. The findings of SECO distinguish three principle sources of accountability: (i) intrinsic motivation and personal pride on the part of the managing director; (ii) the utility’s principal who embraces the vision of a well-performing utility; and (iii) development finance institutions (which trigger accountability through stringent reporting requirements, loan covenants and personal attention).

Chart 5 – Hierarchy of success factors for organizational and corporate development



Second order success factors

Change of corporate culture creates fertile ground for the building up of the required operational and financial management capacities (knowledge acquisition) and the implementation investments.

Contributing success factors

In addition to these necessary conditions, there are supportive factors of success, i.e. factors which can contribute to success, but are not conditional per se.

1.5. Learning from an external evaluation

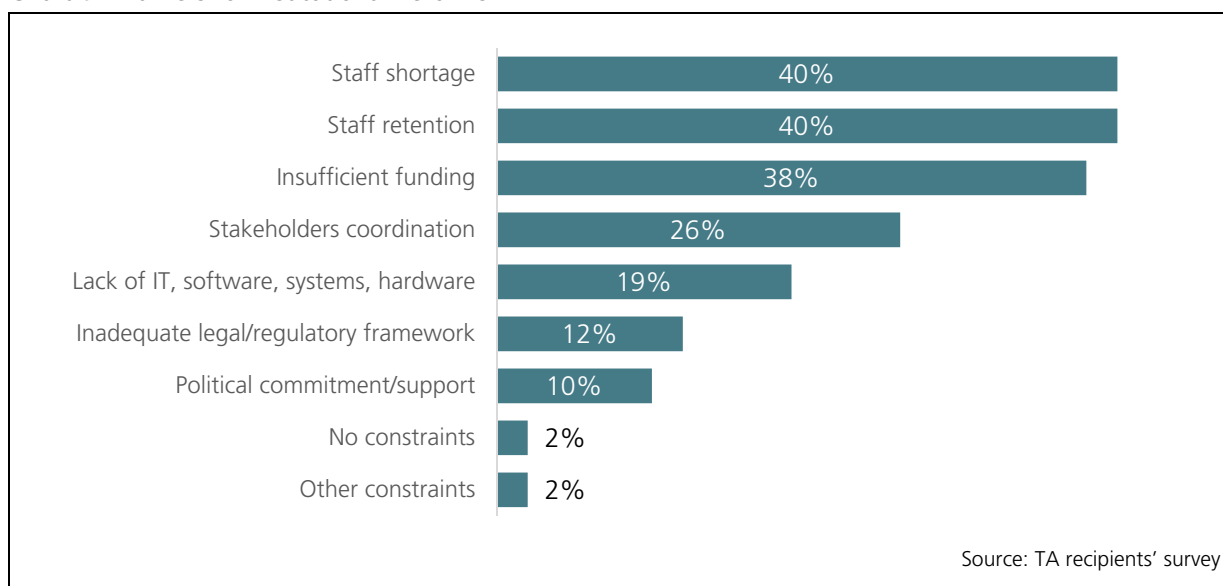


Knowing the barriers for institutional reforms

The external mid-term evaluation “AFRITAC South¹¹” conducted in 2015 pointed out a number barriers for institutional reforms. They are so pertinent that it is possible to draw conclusions beyond the actual program context.

¹¹ The IMF Regional Technical Assistance Centers in Africa and Central Asia work mainly with central banks in order to build institutional and human capacity in public financial management, revenue mobilization, monetary and financial systems and statistics.

Chart 6 – Barriers for institutional Reforms



The Chart 6 points at the main barriers for the implementation of institutional reforms, as highlighted by respondents to a recipients' survey, as part of the above mentioned mid-term evaluation. Availability and retention of staff are seen as the main constraints. This is generally the case across all thematic areas, whilst it is particularly pronounced in institutions that are integrated into ministries. Weak institutional management is a related factor. This is often reflected in ineffective organizational structures, human resource management and coordination and planning, directly affecting sustainability of results.

Absorptive capacity of staff is often an issue, especially in less developed country environments. The problems are exacerbated when the volume of Technical Assistance delivered is very intense. Such situations also require more hands-on implementation support, which the Technical Assistance delivery model is not generally suited to, unless particular efforts are made in delivering more assistance through workshops and mentoring, or partnering with Technical Assistance providers offering longer-term capacity building support.

2. Conclusions

2.1. External Evaluations



General Conclusion

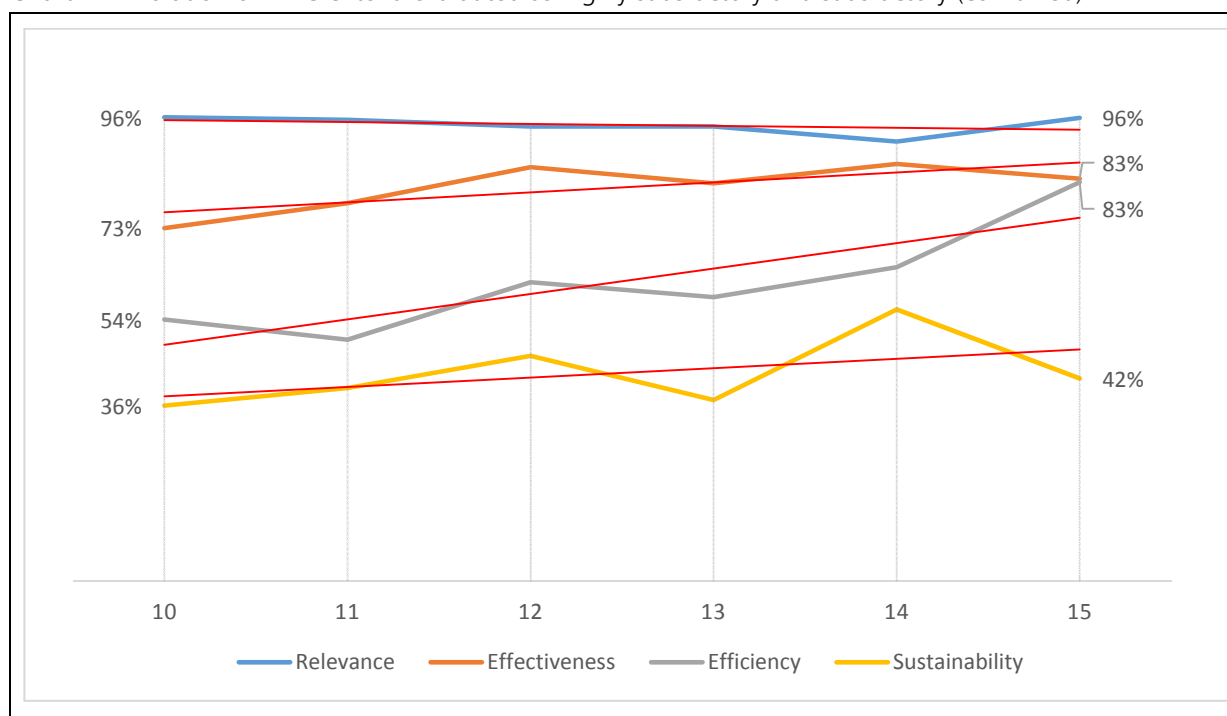
With 24 external evaluations conducted in 2015, the division is in line with the targeted range of 20 to 25 external evaluations per year. The evaluated projects reflect the division's thematic priorities¹² as well as its priority countries⁸, and the allocation of resources between bilateral measures and global initiatives. The quality of the evaluation reports is at the same level as last year (almost 80%) and thus remains within an acceptable range.

Measures taken to reinforce procedures and structures for project planning, approval, monitoring and evaluation have taken roots, leading to an overall increase of effectiveness and efficiency. Measures regarding organizational and institutional development, including strengthening the ownership of project partners, need however further attention, as they are one of the root causes of the still not satisfactory level of sustainability.

¹² 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

Observations with regard to DAC criteria

Chart 7 – Evolution of DAC criteria evaluated as highly satisfactory and satisfactory (combined)



Relevance: The majority of projects and programs are highly relevant. The concern expressed in the previous version of this report regarding a slight decrease of the relevance since 2010 was not confirmed in 2015. Nevertheless, as relevance is a recognized precondition for sustainability, this criterion and further development of its ratings deserves the ongoing attention of the division’s management.

Effectiveness: The measurable positive effect on beneficiaries of the SECO-financed projects observed also in the ex-post evaluation in 2015 remains encouraging. The demonstrated overall increase of the effectiveness rating from 73% to over 80% since 2010 supports this conclusion. Measures taken, 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, could be explanations for this evolution.

Efficiency: The results on efficiency show an impressive improvement by almost 30% since 2010. It seems that the identified and implemented measures, namely the introduction of “focal points controlling”, a knowledge management function and improved project management tools have taken root, leading to this positive effect of the efficiency rating. It will be of interest to see, if this average rating of 63% (2005 – 2015) will sustain or further increase.

Sustainability: The slightly better results in terms of sustainability in 2014 are not confirmed by the 2015 rating, thus the challenges in terms of sustainability are persisting.

Sustainability of projects evaluated at the end of the project were assessed more negatively than the projects evaluated at mid-term (see Table 2 in chapter 1.2). At mid-term the “hope” that implemented structures, processes, etc. will lead to sustainable results contrasts with the “reality” at the end of the project, when it becomes obvious that despite a lot of efforts the project remains fragile with regard to sustainability.

Therefore, the identified measures aiming at improving sustainability need to continue. The lessons from the independent evaluation on corporate development (see chapter 1.4) suggest, that soft factors (e.g. leadership, cultural change, political support,) are highly relevant regarding the improvement of sustainability.

2.2. Internal reviews, completion notes



It could be argued, that program officers have in general a less critical view on their own operations than an external consultant; a phenomenon that could be explained by the ownership of the program officers and their detailed knowledge of also smaller changes and successes within a program or project. Interestingly, in 2015, the DAC criteria were rated similarly as the externally evaluated projects and thus more critically than in previous years. In the case of efficiency, the ratings were even more skeptical for internal reviews (external evaluated project: 83% satisfactory/highly satisfactory; internal reviews: 63% satisfactory/highly satisfactory). It will be interesting to assess in the coming years if this is a sign of alignment between external evaluation and internal review ratings or if this result is a one-off exception.

Taken the above, internal reviews can therefore be a reliable source for the internal learning of the Division, towards the improvement of its program and project performance.

2.3. Independent Evaluations



Both, the independent Evaluation on “Tax and Development” and the study “Corporate Development - Review of success stories and identification of success factors” (REBEL Group, 2015) (see chapter 1.4) point out that sustainability depends to a large extent on the political willingness and the ability of the governments of the recipient countries to maintain the momentum of reforms.

Other important success factors for sustainable reforms and organizational development are long-serving, capable and charismatic managing directors and key staff at middle management within the partner organizations. To keep these highly motivated persons within the partner organization needs to be maintained as high priority by government partners and the donor community. In addition, no or minimal political interference is a prerequisite for the needed autonomy for the development of partner organizations.

Technical Assistance shall only be envisaged if the ownership of the organization’s management and the political support is proven and shall target first the immediate need of partner organizations.

3. Follow-up on recommendations 2014

In its management response to the annual report on effectiveness 2014, the Division management committed itself to a number of actions, mainly regarding sustainability, 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.

Examples of actions related to sustainability¹³:

- **Training on capacity development:** A two weeks training of the division’s Program Managers (especially the sections Infrastructure Financing and Macroeconomic Support) took place in Q4 2015. In general, the subject was prominent in Operational Committee discussions and during project planning.
- **Analyze actual status of learnings from evaluations:** In a short internal review the Evaluation Function estimated how learnings are included in the processes of operational units. The variety of the chosen approaches and the intensity differ substantially. The proposal for best practice procedures to the operational sections is under preparation.
- **Learnings from evaluation:** Two learning events (capitalization workshops) and discussions with almost all the sections linked to independent and external evaluations were conducted. The Evaluation Function

¹³ The implementation status of all recommendations is tracked in detail on an annual basis.

supported the operational units during the capitalization workshops (e.g. moderation of workshops).

- **Involvement and training of National Program Officers:** A one day training took place with National Program Officers including sustainability, corporate development and climate change aspects, as well as related tools and methodologies.



National Program Officers during training, March 2015

Example of another action

- **Simplify completion report in case an evaluation took place at the end of the project:** The Evaluation Function adapted the template for completion reports and the process in the Divisions Quality Management System (Optimiso). Operational units welcome and implement the new policy.

➔ Due to capacity constraints the recommendation to implement the **tracking system** for evaluations **has not been implemented** yet.

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

Constant efforts towards sustainability: Specific measures by the division's management aiming at improving the sustainability of projects, have a long track record, dating back more than 8 years. These measures fostered, among others, a rigorous Project Cycle Management, a better consideration of sustainability aspects in log-frames, deeper stakeholder analysis and a systematic integration of exit strategies in credit proposals. While these measures have led to a constant and remarkable increase in effectiveness (+ 10% since 2005) and efficiency (+20% since 2005), the yield in terms of increased sustainability has not been significant (+6% since 2005).

4. Recommendations

Recommendations proposed and implemented in previous years remain valid as it is demonstrated by the improvement of DAC criteria ratings or in other fields in recent years. The proposed recommendations are therefore completing the previous measures and foster approaches which have been proven to be of special importance (e.g. capacity development).

4.1. Recommendations regarding DAC Criteria

As the results for the DAC Criteria relevance and effectiveness are on a high level, no recommendations are necessary.

Continue to strengthen the sustainability of projects

As in previous years, sustainability was found to be notably weaker than other DAC criteria. Hence, further improvement of this aspect should remain at the core of the attention.

- **We recommend to further strengthen the “soft-factors” in projects and programs, as they have proven to be paramount for the sustainability of operations.** “Softer” aspects include: strengthening the ownership of project partners, fostering cultural change in the management of partner organizations, strengthening of the middle management, initiating organizational and institutional development of partner organizations.
- This requires **additional in-house know-how**. Trainings can include themes such as **capacity development** of partner organizations, the **use of evaluations** (external and internal) for learnings, as well as **organizational and institutional development**. This shall enable the project managers to take action with regard to the measures outlined above.
- Based on the example of the efforts of the Infrastructure Financing section (see page 33), we recommend that the **operational sections identify where possible and meaningful success factors** for their specific business lines, aiming at improving the sustainability of their programs and projects. The Infrastructure Financing section should organize an appropriate event to share its know-how and experience with the other operational sections.
- Given the critical role played by the **field offices**, the high degree of involvement and productive communication with headquarters should continue. This will be particularly important with regard to sustainability issues. It is suggested that **capacity development** measures focusing on **organizational and institutional development** shall be included in the training of national program officers (to take place in early 2017).

Maintain Efforts regarding the efficiency of projects

Even if the efficiency rating improved over the last years, further improvements are needed.

- Measures in **project management** introduced earlier (e.g. procedures and structures for project planning, approval, monitoring including logical framework and reporting guidelines) need to be maintained and implemented at the current level as they are also contributing to the improvement of sustainability and efficiency ratings.
- To implement the proposed measures, i.e. trainings and active support of the operational sections by the Quality and Resources section, the currently allocated **resources shall be maintained**.

4.2. Other recommendations

- **Tracking system for evaluations:** The tracking system for evaluations should be made operational, with evaluations planned ex-ante dating back to 2013. This will allow the forward-looking steering and management of the evaluation program.
- **More ex-post evaluations:** One ex-post evaluation was conducted in 2015 which is below the set objective of two ex-post evaluations per year. The operational divisions shall therefore ensure that the number of ex-post evaluations increases to at least two ex-post evaluations annually.
- **Use also internal reviews for learnings:** As internal reviews proved to be an additional source of learnings and recommendations, they shall be used more systematically for internal knowledge sharing (e.g. discussion of results with implementing partners).
- **Keep evaluation on top of mind:** The Evaluation Function shall continue to discuss this report with the sections in order to increase the awareness for findings and recommendations of this report:

- General performance of the division along DAC criteria;
 - Evaluations of concerned sectors conducted in 2015; results, lessons and best practices (especially regarding sustainability);
 - Quality of evaluation reports of concerned sectors in 2015.
- **Optimization of processes:** Operational sections and the Evaluation Function shall continue to identify and eliminate administrative hurdles and over-engineered processes where possible and sensible. This topic shall be discussed during the bi-annual meeting between the Evaluation Function and the head of operational sections and linked to the ongoing broader optimization of the Divisions processes.

5. Outlook – Evaluation Program 2016

In 2016, the operational sectors envision to conduct 25 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.

Table 4 – Evaluation program 2016 (as of May 2016)

Number of Evaluations				
Sectors	External Evaluations	Internal Reviews/Notes	Independent Evaluations	TOTAL
Macroeconomic Support	8	4		12
Infrastructure Financing	3	4		4
Trade Promotion	14	1		11
Private Sector Development	5	1	1 [†]	5
<i>Transversal themes</i>				0
TOTAL	30	10	1	32

[†] Employment

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 2005–2015¹⁴. Projects which are not rated regarding a specific DAC Criteria are not part of the statistics.

Table 5 – DAC Evaluation Criteria

<p>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.</p>	<p>Effectiveness The extent to which the development intervention’s objectives were achieved, or are expected to be achieved, taking into account their relative importance.</p>
<p>Efficiency A measure of how resources/inputs (funds, expertise, time, etc.) are converted to results.</p>	<p>Sustainability The extent to which benefits from a development intervention made after major development assistance persists continue. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.</p>

Source: Glossary of key terms in evaluation and results-based management, OECD-DAC, Edition 2002, Reprint 2010

Evaluating sustainability

When evaluating the sustainability of a project, the following aspects should be taken into account:

- Be aware of the timing:** The timing of the evaluation in the project cycle, influences the possible statements on sustainability. Assessing sustainability of an on-going activity allows assessing the likelihood, that the effects of the intervention will be sustainable. Only ex-post evaluations (2 – 5 years after project completion) can assess if the results of projects and programs are maintained beyond project completion. This however does not devalue midterm evaluations. They are just used for different purposes, mainly for project steering and learning, while a major aspect of ex-post evaluations is accountability.
- Be realistic:** 100% sustainability can’t be reached. Companies collapse, technologies become obsolete and our one way of life is neither sustainable nor constant. But what would be an aspired goal for sustainability of development interventions? So far there are no widely accepted, comparable targets. Thus, the practice of continuous improvement is a realistic way forward. At the end big results come from many small changes accumulated over time.
- Consider different aspects of sustainability:** There are different aspects of sustainability, including financial sustainability, institutional sustainability, technological sustainability, etc.

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

These different aspects have to be assessed when looking at the sustainability of an intervention.

- **Asking the right questions:** Evaluative questions on sustainability depend on the aspects addressed above. It is therefore worthwhile spending sufficient time on formulating these questions as they are key for the success of the evaluation. The general questions are: a) Do results (outputs /outcomes/ benefits) will last beyond/continue after projects/program closure? b) Have local institutions/capacities been strengthened to sustain the results? c) Has financial sustainability been achieved?

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.

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