



Federal Ministry  
for Economic Cooperation  
and Development

EVALUATION REPORTS 032

# The Paris Declaration

Evaluation of the Implementation of the Paris Declaration:  
Case Study of Germany



## Preface

Since its signing in 2005, the Paris Declaration on Aid Effectiveness has been one of the – if not “the” – most important documents guiding the way of doing business for development agencies and partner countries alike. As already foreseen in the Declaration itself, an evaluation under the auspices of the OECD/DAC has been launched to assess the results of the new approach. Phase I of the evaluation is to cover mainly inputs and activities and some outputs, whereas in Phase II the outcomes and impacts of the Paris Declaration will be assessed.

BMZ together with ten other development partners (“donors”) and ten partner countries has joined Phase I of the DAC initiative. The individual case studies will feed into a synthesis report to be presented at the High Level Forum in Accra in September 2008.

The case study of Germany was commissioned by the Evaluation and Audit Division of BMZ and has been carried out by **Guido Ashoff** (team leader), **Beate Barthel**, **Nathalie Bouchez**, **Sven Grimm**, **Stefan Leiderer** and **Martina Vatterodt** from the German Development Institute. The main issues analysed and assessed – like with all donor evaluations – are commitment, capacity, and incentives in the German development cooperation system at headquarters level, including, to a limited extent, country offices. The task has been quite complex in the case of Germany, since quite a number of institutions had to be covered: the ministry in charge of development cooperation (BMZ), the Federal Foreign Office, the main state-owned implementing agencies (KfW Entwicklungsbank, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), German Development Service (DED), Capacity Building International (InWEnt), and – albeit to a lesser extent – other important actors.

Commitment to the Paris principles in the German development cooperation system is high, as the evaluation has confirmed, notwithstanding considerable debate on the interpretation of several of the principles and their implementation. Participating in this comprehensive endeavour was therefore a straightforward decision, although it put considerable strain on already limited and rather stretched resources. However, the evaluation offered a unique opportunity to take a fresh look at the strengths and weaknesses of the German development cooperation system. It has already triggered an intense debate, thereby confirming the main rationale for this evaluation, which is learning. There is good reason to believe that this debate will turn into action with a view to further increasing the aid effectiveness – and eventually development effectiveness – of German development cooperation.

As usual, the opinions presented in this study are those of independent external experts and do not necessarily reflect the views of BMZ. Comments of BMZ’s Management on the evaluation are included at the end of the report.

This report can be downloaded from the BMZ website: <http://www.bmz.de/en/service/infothek/evaluation/index.html>. It should be cited as: Ashoff, Guido et al. (2008): The Paris Declaration. Evaluation of the Implementation of the Paris Declaration: Case Study of Germany. *Evaluation Reports 032*. Bonn: Federal Ministry for Economic Cooperation and Development.

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# Acknowledgements

The evaluation whose results are set out in the present report was conducted by a team from the German Development Institute (DIE), headed by Guido Ashoff and including Beate Barthel, Nathalie Bouchez, Sven Grimm, Stefan Leiderer and Martina Vatterodt. The evaluation report is based on the study of numerous documents, a large number of interviews conducted with key interlocutors in the main organisations of German development cooperation, and on questionnaires answered by the representatives of these organisations in the partner countries of the overall evaluation.

Responsibility for the evaluation lay with the evaluation division of the Federal Ministry for Economic Cooperation and Development (BMZ) headed by Michaela Zintl, who acted as focal point to the international management group of the overall evaluation and managed the process of the evaluation. A national management group was established, consisting of the representatives of the following six key institutions covered by the evaluation: BMZ (Michaela Zintl, Jost Kadel), Federal Foreign Office (Alexander Pieske), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ: Reiner Forster), KfW Entwicklungsbank (Yasmin Tawfik), German Development Service (DED: Christiane Oermann), and InWEnt Capacity Building International (Claudia Kornahrens). Within their institutions, the members of the management group acted as focal points for the

evaluation, supported the provision of documents and the coordination of interviews and circulated the draft reports for comments.

The evaluation team benefited from intensive discussions of the first draft with representatives of BMZ, Federal Foreign Office, GTZ, KfW Entwicklungsbank and DED. These institutions also provided written comments. In addition, written comments were received from InWEnt and the international management group of the overall evaluation. A further round of comments was provided for the second and third draft.

The evaluation team wishes to take the submission of the final report as an opportunity to thank the members of the management group for their kind support and all interlocutors and persons who completed the questionnaires for their great willingness to engage in long and frank discussions, to provide most valuable information and to share their rich experience. The team is also indebted to all those who participated in the discussion of the draft reports and provided written comments. Without this cooperation it would not have been possible for the evaluation team to fulfil its task. It goes without saying that any errors which may remain are the sole responsibility of the authors.

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# Acronyms and Abbreviations

AA	Auswärtiges Amt (Federal Foreign Office)
AFD	Agence Française de Développement
AsDB	Asian Development Bank
AwZ	Bundestagsausschuss für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Parliament's Committee on Economic Cooperation and Development)
BHO	Bundeshaushaltsordnung (Federal Budget Regulations)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
BMF	Bundesministerium der Finanzen (Federal Ministry of Finance)
CSOs	Civil society organisations
CDG	Carl Duisberg Gesellschaft (Carl Duisberg Society)
DAC	Development Assistance Committee
DED	Deutscher Entwicklungsdienst (German Development Service)
DEG	Deutsche Investitions- und Entwicklungsgesellschaft (German Investment and Development Corporation)
DIE	Deutsches Institut für Entwicklungspolitik (German Development Institute)
DSE	Deutsche Stiftung für internationale Entwicklung (German Foundation for International Development)
DWHH	Deutsche Welthungerhilfe (German Agro Action)
EED	Evangelischer Entwicklungsdienst (Church Development Service)
EIB	European Investment Bank
GBS	General budget support
GFG	Good financial governance
GPRS II	Second generation poverty reduction strategy paper
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HLF	High-Level Forum
InWEnt	Internationale Weiterbildung und Entwicklung gGmbH (Capacity Building International)

KfW	KfW Entwicklungsbank
KZE	Katholische Zentralstelle für Entwicklungszusammenarbeit (Catholic Central Agency for Development Aid)
LDCs	Least developed countries
MDBS	Multi-donor budget support
MDGs	Millennium Development Goals
MoFEP	Ministry of Finance and Economic Planning
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PBA	Programme-based approach
PEM	Programming, evaluation and monitoring
PD	Paris Declaration
PGF	Programmorientierte Gemeinschaftsfinanzierung (programme-based joint financing)*
PIU	Parallel project implementation unit
POVNET	Network on Poverty Reduction (DAC)
PRS	Poverty reduction strategy
PRSC	Poverty reduction support credits
PRSP/HIPC	Poverty reduction strategy paper/heavily indebted poor countries
RAGB	Revenue Agencies Governing Board
SME	Small and medium enterprises
SWAp	Sector-wide approach
TA	Technical assistance
ToR	Terms of reference
UK	United Kingdom
VENRO	Verband Entwicklungspolitik deutscher Nichtregierungsorganisationen (Association of German development non-governmental organisations)

\* For an explanation of the term PGF see Chapter 3 of this report.



# Executive Summary

The evaluation is based on 54 interviews with 103 interlocutors in two groups of institutions: first, a core group comprising the German Federal Ministry for Economic Cooperation and Development (BMZ), the Foreign Office and the main implementing agencies Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), KfW Entwicklungsbank, German Development Service (DED) and Capacity Building International (InWEnt), and, second, an additional group made up of the Federal Ministry of Finance, the Federal Parliament's Committee on Economic Cooperation and Development and several development CSOs. In addition 40 questionnaires were sent to the representations of the core group institutions in the ten partner countries of the overall evaluation, 34 of which were answered.

## I Assessing commitment

**General acknowledgement and interpretation of the Paris Declaration:** Commitment to the PD in the German aid system is high. The Declaration is widely acknowledged as a politically binding framework and there is a broad consensus among virtually all actors in the German aid system that the five principles laid out in the PD are key for enhancing the effectiveness of aid. There is a general concern about somewhat unclear definitions and different interpretations of some principles and modalities in the PD. In particular with regard to mutual accountability and – to a lesser degree – managing for results, a number of interlocutors expressed their concerns that both principles were not as clearly defined as the other three and stressed that their relevance ultimately depended on the definition adopted. In addition, a number of potential conceptual conflicts between some of the principles were highlighted, in particular between ownership on the one hand and harmon-

isation, managing for results and mutual accountability on the other.

Another concern expressed by several interlocutors is that some other donors tend to interpret the PD principles and modalities in such a way as to favour budget support as the aid instrument of choice.

Furthermore, the PD is criticised by various actors of being too much focused on central government. In the view of many interlocutors, such a rather narrow interpretation is a matter of concern particularly with regard to the principle of ownership, which is generally assigned the highest relevance among the five PD principles. This would neglect other important stakeholders in development processes, namely parliaments, sub-national units of government, and civil society.

As far as the modalities and indicators agreed in the PD are concerned, overall commitment is similarly high in the German aid system. Yet, views on how the individual indicators are to be interpreted tend to differ between German aid institutions.

- The main debate is on the interpretation of indicators 4 (capacity strengthening by co-ordinated support), indicators 5a and 5b (use of country public financial management and procurement systems) and, in particular, indicator 9 (use of common arrangements and procedures through programme-based approaches).
- Echoing also the international debate, there has been a controversy on the interpretation of the concept of programme-based approaches (PBAs), in particular on the question whether the PBA concept

implies only financial contributions in support of joint programmes or whether the concept allows for direct contributions (in kind) as well. By now, a common understanding within the German aid system has been achieved that PBAs represent a broad concept of support to partner programmes that can involve different aid instruments, including direct contributions through technical cooperation. This consensus entails the policy that joint financing mechanisms such as basket funding arrangements and in particular budget support can effectively contribute to implementing the PD principles. However, serious reservations against these instruments remain in Parliament, particularly in the Budget Committee.

- While the need to reduce transaction costs through joint missions, monitoring and evaluations with other donors is widely acknowledged and German aid agencies seem committed to actively coordinate efforts with other donors, the main challenge created by the principle of harmonisation is seen in better coordination *within* the German aid system.
- BMZ acknowledges that delegated cooperation can be a sensible approach to achieve better division of labour. Such cooperation is, however, considered a transitional instrument and BMZ does not generally aim at medium or long term delegated cooperation, in particular not as a silent partner.

There is numerous anecdotal evidence on positive and negative effects of the PD. The observed negative effects, however, do not seem to seriously undermine the overall commitment to the PD.

In principle, the PD is considered to be relevant across all countries receiving German development aid. Nonetheless, it is generally acknowledged that the PD is primarily relevant for least

developed countries (LDCs). Some principles and modalities would require country-specific interpretation and weighing in post-conflict or fragile states. The same applies to anchor countries, which, due to their economic weight and political influence, play a growing role on a regional and global scale in defining international policies and achieving the Millennium Development Goals.

**Reflection in policies:** The high commitment to the PD is reflected in various policy documents and planning processes. In September 2005, BMZ presented a detailed implementation plan, complemented in December 2006 by a manual for the German aid system (i.e. BMZ and implementing agencies). Implementing agencies have incorporated PD requirements into their programming (via corporate annual goals) and are making explicit references to the PD.

Planning and programming have particularly evolved with regard to programme-based approaches. Procedures in German development cooperation have been adapted to some extent: The “Guidelines for Bilateral Financial and Technical Cooperation” were updated in March 2007 and allow for enhanced flexibility in joint funding mechanisms as well as for delegated cooperation and silent partnerships. Under the German EU Presidency in 2007, a significant contribution was made to establish a “Code of Conduct on Complementarity and Division of Labour in Development Policy”. Concerning managing for results, BMZ has established a system to improve direct aid management towards objectives. An important step in this regard has been the introduction of joint programme proposals being elaborated by the implementing agencies on the basis of the priority area strategy papers and indicating the results to be achieved. Implementing agencies have monitoring and evaluation systems in place. Changes in procedure have at times pre-dated the PD and are also motivated by improvements towards a joined-up German development cooperation.

**Dissemination:** The PD and documents on related topics have been disseminated widely and intensively in the German aid system: widely due to the involvement of the main actors of government, parliament and CSOs, and intensively, since the dissemination frequently extended beyond the provision of information by taking the form of discussions of specific subjects of the PD. The continuous dissemination and discussion have certainly contributed to increasing the knowledge and understanding needed to implement the PD agenda.

## II Assessing capacities

**Institutional capacity:** The institutional embedding of the PD in the German aid system appears to be adequate since there are focal points (except in one case) and units of different configurations (divisions, working groups, competence centres) dealing with relevant PD-related topics. Knowledge of the PD and understanding of its relevance are high, which is due to several factors: the dissemination referred to before, the intensive PD-related training organised by the main aid institutions particularly in areas that constitute a challenge, the need to participate in PD-induced alignment and harmonisation efforts and, finally, the continuous exchange of information among all actors involved.

As for human resources and capacity of action (especially at country level), the PD agenda is a challenge for the German aid system which has spurred a number of positive responses. These efforts are useful but appear to be not yet satisfactory regarding BMZ and DED headquarters and particularly German embassies. The latter, despite the support received from country staff of the implementing agencies, appear to be insufficiently staffed and authorised for effective dialogue and negotiations with partners and other donors. Since the implementation of the PD is notably a matter at country level, the reduced

capacity of action of development cooperation officers at embassies is a bottleneck that has to be addressed.

**Systemic capacity:** There are factors inherent in the German aid system and extending beyond the sphere of individual organisations that both support and complicate the implementation of the PD. The evaluation highlighted four supporting aspects: (i) cabinet rank of development cooperation (making it easier to defend the PD agenda from the perspective of aid effectiveness, if conflicts of interest with other government departments arise), (ii) considerable implementation capacity (German aid organisations being strong providers in capacity building, for instance, and attractive partners for delegated cooperation and silent partnerships), (iii) multi-level approach adopted by German aid organisations (which therefore claim to be well rooted in partner countries and in a good position to take part in policy and sector dialogue), (iv) wide-spread country representation.

By contrast, interviews and answers to the questionnaires pointed to the following complicating factors: (i) co-responsibility of BMZ and Foreign Office (particularly at country level), (ii) multi-organisational aid system (affecting the efficiency and effectiveness of German aid), (iii) institutional separation of financial and technical cooperation, (iv) specific delivery modalities in the area of bilateral technical cooperation, (v) various problems of representation at the country level. These problems are not new and have prompted a number of reforms over the last decade, which have been recognised as helpful throughout the evaluation. Still, a number of interlocutors (mainly in BMZ) stated these reforms were insufficient for the German aid system to be fully able to cope with the PD agenda.

### III Assessing incentives/disincentives

The study identified six incentives: intrinsic motivation (appearing to be the strongest one), BMZ commitment to the PD, organisational target agreements, individual performance targets, confirmation of institutional profile and synergies/learning. Organisational target agreements and individual performance targets refer to the PD agenda to varying degrees but in some cases need to be operationalised more clearly with regard to relevant PD-specific issues in order to perform a strong incentive function.

The following disincentives were reported: Shortage of staff, aggravated by an additional workload as a result of increasing transaction costs due to the PD, BMZ's fast staff rotation, complexity of the German aid system (requiring considerable coordination efforts), interfering political priorities, call for visibility of German aid contributions, and institutional self-interests. Some of the disincentives can be overcome exactly by a consistent implementation of the PD (e.g. by harmonising approaches and modalities, thus reducing transaction costs, or by demonstrating that joining efforts of partners and donors can enhance aid effectiveness much more than insisting on the visibility and tracing of individual aid contributions).

### IV Conclusions

**Commitment:** In order to sustain the high commitment to the PD in the German aid system, it will be important to achieve a better common understanding of the principles, modalities and indicators of the PD. Conceptual conflicts between some of the PD's principles as well as potential conflicts between internal and external accountability on the recipient and on the donor side need to be addressed. The discussion on a broader concept of ownership in the sense of "democratic ownership" needs to be taken further at national and international level in order

to establish a common understanding of the concept and to address concerns that some actors on the donor and the recipient side might have too narrow an understanding of ownership as central government ownership only.

For the German PD implementation plan to retain its function as a key document, it needs to be updated and continuously monitored. Given the urgent need to reduce transaction costs of development cooperation, BMZ should consider to mandate German implementing agencies to act as silent partners on more occasions. Clear criteria need to be established at the international level as to the circumstances under which in kind contributions to PBAs should be considered appropriate. This decision should be strictly guided by the objective to support partner countries' development strategies in the most effective way that is appropriate and feasible.

Dissemination and PD-related training should be regarded as continuous tasks for three reasons: (i) within the "lifespan" of the PD implementation (2005 – 2010 and possibly beyond) sizeable changes of staff are taking place in many organisations with which dissemination and training have to keep pace. (ii) Since achieving some of the PD targets still requires a considerable way to go, the momentum regarding implementation and hence dissemination and training needs to be maintained (particularly as far as challenging areas are concerned). (iii) Experience from implementation should be fed back into dissemination and training with a view to deepening the common learning process of all actors involved.

**Capacity:** As for the problem of human resources and capacity of action at country level identified as a bottleneck of institutional capacity, four aspects deserve attention: (i) the problem of high workload reported mainly by BMZ and DED, (ii) the need to better staff German embassies, (iii) delegation of more decision-making power to development cooperation officers at the embas-

sies, (iv) maintaining the momentum of PD implementation since only then transaction costs can be expected to decrease.

The systemic factors complicating the implementation of the PD need to be addressed since the PD agenda is ambitious in itself and poses a challenge for Germany as the 2006 Baseline Survey has shown. It is beyond the scope of this evaluation to indicate precise ways of how to deal with the problems reported since in some cases very complicated issues are involved. While it is probably overly optimistic to expect them to be solved within the time horizon of the PD (i.e. until 2010), the message resulting from this evaluation expressed by many interlocutors is clear: Putting the PD agenda into practice requires further reforms whose implementation offers the German aid system the chance not only to increase its own efficiency and effectiveness but also to contribute to enhanced aid effectiveness overall.

**Incentives/disincentives:** Intrinsic motivation was said to be the strongest incentive and, hence, constitutes an asset which needs to be maintained (by sustained commitment to the PD and support to staff engaged in implementation). In addition, PD targets should be integrated into organisational target agreements and, as far as possible, into individual performance targets (where this has not yet happened). It has to be kept in mind, however, that achieving PD targets also depends on partner countries' conditions and behaviour. As for the reported disincentives, BMZ should follow a more strategic staff planning ensuring more continuity in staff. Overcoming several other disincentives reported depends on both vigorous implementation of the PD (which for instance should reduce transaction costs) and further reforms of the German aid system (which, among other things, would make coordination easier).

# 1 Introduction

## 1.1 General evaluation context

The present evaluation is part of a wider evaluation process whose background, purpose, scope and focus are described in detail in part I of Annex 1.

The overall evaluation is intended to complement the monitoring of the implementation of the Paris Declaration (PD) and encompasses two phases. During the first phase (March 2007 – July 2008) mainly input and output levels are addressed through a series of donor and partner country evaluations and thematic studies. Their aim is to provide information on the ‘how’s’ and ‘why’s’ of the implementation of the PD and to distil lessons learnt for the Third High-Level Forum on Aid Effectiveness in Accra in September 2008. The second phase is scheduled for the time after Accra and will focus on outcomes and impacts of the PD.

The present evaluation on German development cooperation refers to the first phase only. Eleven donor countries or multilateral organisations<sup>1</sup> and ten partner countries<sup>2</sup> volunteered to take part in this phase. While the partner country evaluations look at the actual implementation of the PD (output level), the donor evaluations focus on the three input categories *commitment*, *capacity* and *incentives* assumed to largely explain the differences in donors’ matching the PD requirements observed so far.

## 1.2 Specific evaluation context of Germany<sup>3</sup>

### 1.2.1 Institutional set-up

The German aid system is characterised by a complex institutional set-up.

#### Executive branch

The main institutions are the following:

**BMZ (Federal Ministry for Economic Cooperation and Development):** Unlike many other donor countries, Germany has a separate and full-fledged development cooperation ministry enjoying cabinet rank. BMZ, which was founded in 1961, develops the guidelines and fundamental concepts on which German development policy is based. It lays down the long-term strategies for cooperation with the various actors involved and defines the rules by which these are translated into practice. The ministry is the main player in bilateral German aid<sup>4</sup> and it delegates the implementation of its policies to quite a number of

1 Asian Development Bank, Australia, Denmark, Finland, France, Germany, Luxembourg, the Netherlands, New Zealand, United Kingdom, UNDP.

2 Bangladesh, Bolivia, Mali, Philippines, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, Zambia.

3 This chapter exactly follows the structure indicated in the generic ToR. All sections, except 1.2.2, are directly related to the evaluation: Section 1.2.1 introduces the main actors that were interviewed during the evaluation. Section 1.2.3 presents the main PD-related findings of the latest DAC Peer Review of Germany. Sections 1.2.4 – 1.2.6 refer to Germany’s PD action plan, the Germany-specific results of the 2006 Survey on Monitoring the PD and BMZ’s rationale for participating in the evaluation. Section 1.2.2 has a broader scope in that the generic ToR expect it to present Germany’s development programmes (targeted countries/themes/sectors/approaches) and aid modalities (GBS, SWAp, projects). It gives only a very sketchy overview since much of the information on development programmes is available on BMZ’s homepage or in the DAC Peer Review of Germany and PD-related modalities will be discussed in more detail in chapter 3.

4 In 2006, 62 percent of bilateral gross ODA (excluding debt rescheduling) was financed from BMZ’s budget. The rest largely consisted of ODA financed by the *Bundesländer* (federal states) (17 percent; mainly tuition costs for students from developing countries and expenditure on asylum seekers) and other federal ministries (10 percent).

public or private agencies and organisations.<sup>5</sup> As for multilateral development cooperation, BMZ shares oversight responsibilities with other federal ministries such as the Foreign Office and manages Germany's contributions to the European Development Fund, multilateral development banks and several UN funds and programmes. BMZ has more than 600 employees. At partner country level it is represented by development cooperation officers<sup>6</sup> seconded to German embassies (37 as of January 2008).

**Federal Foreign Office's** portfolio includes humanitarian aid, equipment assistance, cultural cooperation, assistance to promote democracy and human rights as well as contributions to several UN organisations. Abroad, its embassies act on behalf of the Federal Government.

**GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit)** is a federal government-owned enterprise founded in 1975 as a company under private law. It is the German aid system's largest implementing agency for technical cooperation with BMZ being its major principal. GTZ also operates on behalf of other German ministries, the governments of other countries, international clients such as the European Commission, the UN and the World Bank, and private

enterprises.<sup>7</sup> About 900 full-time staff is located at the GTZ headquarters and about 320 staff work for supra-regional projects based at various locations in Germany. GTZ employs some 10,000 staff in more than 120 countries (almost 9,000 of which are local staff) and maintains offices in 67 countries.

**KfW Entwicklungsbank** (referred to in the following as KfW) has been the German aid system's implementing agency for financial cooperation since 1960. On behalf of the German Federal Government (more specifically of BMZ), it finances reforms, infrastructure and financial systems in a large number of developing countries and also employs funds of its own for development projects. KfW Entwicklungsbank currently has about 390 employees. At country level KfW is represented by approximately 44 expatriates consisting of heads of offices and PGF-managers collaborating with about 75 local experts in 53 partner countries. The number of staff at country level is continuously increasing.

**DED (German Development Service)** is the major German development institution for personnel cooperation and was founded in 1963. It has about 170 employees and is fully funded by BMZ. Currently approximately 1,000 development workers are based in 46 partner countries. DED's major task is the placement of development workers at the request of governmental and nongovernmental organisations in partner countries on the basis of framework agreements with the respective governments. These development workers are professionally experienced specialists who engage mainly in training, advisory and planning tasks. Furthermore, DED supports partner organisations and self-help initiatives by providing specialist advice, financing smaller programmes and promoting local skilled staff.

5 The main ones (GTZ, KfW, DED and InWEnt) are briefly presented in the following. In addition there are other public or private implementing agencies/organisations which either work predominantly or exclusively in the area of development cooperation (such as CIM – Centre for International Migration, DEG – German Investment and Development Corporation which is part of KfW Bankengruppe, SES – Senior Expert Service, SEQUA – Foundation for Economic Development and Vocational Training) or whose primary mandate lies in other areas but which are used by the Federal Government for the implementation of specific projects and programmes of development cooperation (such as BGR – Federal Agency for Geosciences and Natural Resources, PTB – Federal Metrology Agency, DAAD – German Academic Exchange Service, AvH – Alexander von Humboldt Foundation or DFG – German Research Foundation).

6 Strictly speaking, BMZ distinguishes between 'economic cooperation officers' and 'development cooperation advisers'. The difference between the two, however, is a purely technical one: Both are seconded from BMZ to the embassies and perform the same functions. While the former are financed from BMZ's budget, the latter are financed from the technical cooperation budget. For the sake of simplicity, the term 'development cooperation officers' will be used to comprise both types. In embassies without officials seconded from BMZ, the function of development cooperation officers is performed by regular embassy officials (mostly the ones in charge of economic affairs).

7 GTZ works on a public-benefit basis. All surpluses generated are channelled back into its own international cooperation projects.

**InWEnt (Capacity Building International, Germany)** was created in 2002 as a merger of the former Carl-Duisberg Society (CDG) and the German Foundation for International Development (DSE) and has some 600 staff in Germany. It is Germany's main implementing agency for human resource development, advanced training and dialogue. The capacity building programmes are directed at experts and executives from politics, administration, the business community, and civil society. InWEnt offers practice-oriented advanced education and training, dialogue sessions, and e-learning courses through its own internet platform Global Campus 21<sup>®</sup>. It has regional offices in nine developing countries and project or partner offices in some other countries.

### Legislative branch

**Federal Parliament:** At parliamentary level two committees deal specifically with development cooperation: the Committee on Economic Cooperation and Development (22 members) and the Budget Committee (41 members, five of whom act as 'rapporteurs' for BMZ's budget).

### Civil society organisations (CSOs)

CSOs engaged in development cooperation comprise the development services and programmes of the Catholic and Protestant Churches, a large number of other CSOs and, as a German particularity, six political foundations. Alongside their activities financed from own funds and donations, they receive funds from the Federal Government for development cooperation projects and programmes. In 2005 – 2006, ODA channelled to and through CSOs accounted for 7.4 percent of total German bilateral ODA (which is well above the DAC average of 5.2 percent). CSOs also play an advocacy role, involving critical monitoring of the Federal Government's development policy, and engage in development-oriented education.

### 1.2.2 Development programmes and aid modalities

According to the coalition agreement of the present Federal Government, development policy continues to be an independent area of German foreign policy. It is regarded as part of a global structural policy intended to enhance the framework for development and has three levels of action: international (by promoting equitable forms of globalisation), in Germany's partner countries (through development cooperation) and in Germany itself (by striving for policy coherence for development and raising public awareness for development issues). The Federal Government has committed itself to the Millennium Declaration and the Millennium Development Goals and translated this commitment into its "Programme of Action 2015 on Poverty Reduction – A Global Responsibility" (PA 2015), which was adopted by Cabinet in 2001.<sup>8</sup> The programme defines ten areas for action<sup>9</sup> and within these areas specific actions to be taken.

Based on consultations with partner countries and on their development strategies (e.g. PRSPs), BMZ elaborates country concepts that specify Germany's contribution to the partner countries' strategies and define priority areas for German aid. The country concepts are complemented by up to three priority area strategy papers, which are to ensure that within the priority areas the various instruments of German aid follow a coherent approach. Increasingly, priority area strategies are operationalised by the implement-

8 The latest overall document on German development policy is the Federal Governments 12th Report on Development Policy to Parliament (2005). The next report is expected to be submitted in 2008.

9 (i) Boosting the economy and enhancing the active participation of the poor; (ii) Realising the right to food and implementing agrarian reform; (iii) Creating fair trade opportunities for the developing countries; (iv) Reducing debt – finance development; (v) Guaranteeing basic social services – strengthening social protection; (vi) Ensuring access to vital resources – fostering an intact environment; (vii) Realising human rights – respecting core labour standards; (viii) Fostering gender equality; (ix) Ensuring the participation of the poor – strengthening good governance; (x) Resolving conflict peacefully – fostering human security and disarmament.



ing agencies in the form of joint programme proposals. These proposals are to serve as frames of reference for managing for development results by indicating the results to be achieved and establishing results chains as far as possible. Furthermore, country and sector/thematic teams have been introduced in the last few years. They are made up of staff of BMZ (and, in the case of country teams, of the Federal Foreign office) and the main implementing agencies and serve the purpose of fostering a common approach of the German aid system.

Although Germany's traditional approach in development cooperation has been project implementation, a gradual shift towards more engagement in programme-based approaches (PBAs) has occurred in the last few years. BMZ intends to increase Germany's participation in PBAs (see Chapter 3). Germany has supported poverty reduction strategy processes in a number of partner countries notably through capacity development.

As for the geographical distribution of German ODA, Sub-Saharan Africa accounted for 40 percent in 2005 – 2006 according to the latest DAC figures, followed by the Middle East and North Africa (23 percent), Asia (22 percent), Latin

America and the Caribbean (8 percent) and Europe (7 percent).<sup>10</sup> Traditionally German development cooperation adopted a worldwide approach, engaging in a large number of countries. With a view to increasing efficiency and effectiveness, BMZ decided in 2000 to reduce the number of partner countries from more than 100 to 70. In 2008, the list of partner countries was further reduced to 57.

Germany's bilateral aid sector distributions indicate a strong orientation towards social infrastructure and services (education, water supply and sanitation, government and civil society). Support to economic infrastructure and services and to production sectors has declined.

### **1.2.3 Findings of the latest DAC Peer Review of Germany (2005) regarding the Paris Declaration agenda of enhancing aid effectiveness**

The latest DAC Peer Review of Germany contains a whole string of findings and recommendations regarding Germany's dealing with the PD agenda of enhancing aid effectiveness (see Box 1.1). While acknowledging Germany's commitment to the PD, its efforts undertaken so far to modernise the aid system, and its specific strengths (such

#### **Box 1.1: Findings and recommendations of the latest DAC Peer Review of Germany (2005) regarding Germany's dealing with the PD agenda of enhancing aid effectiveness**

- “Like most other donors, Germany has committed to [...] improve the quality of aid in line with the 2005 Paris Declaration on Aid Effectiveness. Responding to current development challenges will require further adjustments in Germany's aid delivery modalities that the German government is open to address.”
- “In a context of development cooperation based on the principles of partnership and ownership the German model of development cooperation may no longer be appropriate from a partner country per-

<sup>10</sup> From the PD perspective, this breakdown is of interest since several interlocutors interviewed during the present evaluation considered the PD to be primarily relevant for poor countries particularly in Sub-Saharan Africa (for more information see chapter 3).

spective. The institutional distinction between financial and technical cooperation and within technical cooperation itself has major implications throughout the entire development cooperation process. First, the German system which relies on a wide range of organisations, instruments and approaches runs the risk of being donor-driven in designing strategies and programmes. Second, the internal co-ordination needs absorb German staff time and energy away from more important strategic tasks. Finally, developing country partners are required to deal with multiple organisations and procedures, an unnecessary burden on their often limited capacity.”

- “In recent years, BMZ has introduced a number of practical measures which better integrate the various instruments of German development cooperation with the aim of making the system function better. A conclusion of this Review is that, within the existing structure, the potential for further efficiency gains is limited. Structural changes will be needed for Germany to respond effectively to current development challenges.”
- “The German government is encouraged to go further in its reform efforts with a view to joining up the individual structures of German development cooperation into a more cohesive force for development change. This may include abolishing the increasingly artificial distinction between financial and technical cooperation.”
- “The optimal number of cooperation countries remains an open question in light of Germany’s commitment to greater aid effectiveness and more efficient aid delivery modes based on a better division of labour among donors. BMZ is now reviewing a possible set of criteria to better take into account emerging challenges of aid effectiveness.”
- “As most recently embodied in the principles of the Paris Declaration, DAC members are increasingly aware of the need to creatively rethink their own national aid systems in ways that focus on most effective delivery in the field, rather than historic or domestic considerations. Germany strongly supports this international vision and has expressed its desire to be a “champion” in this area. To date it has undertaken a number of pilot efforts to modernise its aid system, including a renewed attention to field-based German co-ordination (e.g. additional BMZ staff in embassies; use of country and sector teams, including team leaders; use of one country strategy for all agencies), or more flexible use of delivery modalities that go beyond a project-based system, including programme-based approaches and budget support. Germany can now build upon these experiences. Additional suggestions contained in the main DAC Peer Review report include the further strengthening of the role for the Development Cooperation Officer under the substantive leadership of BMZ and the secondment of additional BMZ staff to the embassies, the further integration of German implementation agency operations and programmes in the field, and the review of current use of country sector strategies that could be merged into one document better aligned with partner country-led strategies.”
- “Much of the change process described above relates to the more efficient internal functioning of the German aid system. With a more efficient and better co-ordinated local national presence, Germany will want to continue its efforts to match its system requirements with those of other partners in country.”

- “The shift to a more organisationally decentralised and locally efficient aid approach also invites consequential re-examination of organisational relationships at the level of headquarters and the field (e.g. between BMZ and the implementing agencies; among implementation agencies; between BMZ and the Federal Foreign Office), as well as the whole gamut of domestic procedures from aid strategic planning to annual budgeting. BMZ is now promoting a network approach at all levels to encourage pragmatic teambuilding among relevant actors around topics of operational specificity. These are interim steps toward a rethinking of the entire aid system. In a longer term sense, active team building across bureaucratic boundaries can permit a gradually improved understanding of key relationships that should help to simplify procedures and mechanisms of collaboration. At the level of headquarters, as well as in the field, it would seem desirable to shape these organisational relationships against a backdrop of results.”
- “One specific field perspective of particular relevance is Germany’s traditional approach to “technical” and “financial” cooperation, for which the distinction is becoming increasingly artificial in the current environment of more joined up approaches to development cooperation. The realities of field delivery and an emphasis on results mean that distinctions between funding source or agency of delivery are less important than the impact that the aid is expected to achieve. One key operational consideration pursued by Germany over the last decade has been a deliberate conceptual shift away from narrow technical assistance to technical cooperation in support of capacity development at broader levels of the national setting. This should be pursued. Further, Germany’s considerable attention to technical co operation as a means to promote local capacity development suggests that it could play a role of conceptual leadership at the field level on issues of local capacity development.”
- “Germany has improved upon the effectiveness of monitoring and evaluation since the last DAC Peer Review. Each of the core organisations has made an effort to upgrade the quality of their own part of the development cooperation system, especially at the level of projects. Nevertheless, at a more specific level, Germany needs to make a greater effort to build in its results monitoring and evaluation systems at the outset of its implementation planning, including possible support for building capacity of local systems or joint approaches with other donors. Most importantly, it is possible for BMZ to review the extent to which this loosely co-ordinated network of performance tracking now can come together to promote collective learning and greater management effectiveness at the system level.”
- “In support of the Paris Declaration aid effectiveness agenda and taking account of the scaling up of its aid, Germany should enhance its efforts to integrate the operations of its implementation agencies in the field. It should intensify cooperation with other donors, including the use of modalities such as budget support and forms of delegated partnership, to the extent they support country realities. Linkages with country-led poverty reduction strategies should be used more systematically, with programme emphasis at the sector level.”
- “The current push for operational decentralisation should gain speed and, to the extent feasible, go beyond only co-ordinating German aid to actively managing it under the authority of the Development Cooperation Officer. This will require a new understanding between BMZ and the Federal Foreign Office on their relationships in the field.”

as the considerable attention paid to technical cooperation as a means to promote capacity development), DAC points to a number of further reform needs, concerning, inter alia, the joining up of the individual structures of the German aid system (including financial and technical cooperation), adjustments in aid delivery modalities and strengthening and better coordinating local national presence.

#### 1.2.4 Paris Declaration action plan

In September 2005, BMZ presented its “Operational Plan 2005/2006. Orientation of German Development Cooperation towards the MDGs. Implementing the Paris Declaration on Aid Effectiveness” [document no. 25 in Annex 3]. It defined the steps to be taken in the period from 2005 to 2006 with regard to the PD indicators and also comprised several aspects of BMZ’s MDG implementation agenda. The Operational Plan, which itself has not been updated since then, was complemented in December 2006 by a more detailed guide that explains the PD targets and specifies the adjustment needs in the German aid system resulting from the PD agenda [document no. 8 in Annex 3]. Both documents constitute Germany’s implementation strategy that applies also to the main implementing agencies.<sup>11</sup>

#### 1.2.5 Results of the OECD 2006 PD Baseline Survey

In the PD, donors and partners committed to monitoring their progress in improving aid effectiveness. A first round of monitoring was conducted in 2006 on the basis of activities undertaken in 2005. The resulting Baseline Survey was published in 2007 and documents the state of PD implementation in 2005 as measured against the twelve PD indicators. The main purpose of the Baseline

Survey was to track and encourage progress in implementing the PD at country level. The results concerning Germany are presented in Box 1.2.

The process of data collection and the quality of data used in the Baseline Survey triggered some doubts on the accuracy of the data. In order to get a more precise picture, in April/May 2007, BMZ asked the German embassies in those partner countries, where the survey was conducted, to provide their assessment. This information confirmed that the survey suffered from certain limitations since interpretations of PD indicators were contested in a number of cases and varied from country to country. On the other hand, it became clear that German embassies and country representations had applied the PD definitions quite strictly in their reporting so that the results concerning Germany, according to BMZ, give a fairly realistic picture.

The baseline ratios, which describe a donor’s aggregate performance in all partner countries surveyed, show that in 2005 Germany ranked below the average of all donors in the case of indicators 3, 4, 5a, 5b and 9 and above the average regarding indicators 7, 8, 10a and 10b. This picture is slightly modified by the average country ratios, which describe a donor’s performance irrespective of the volume of activity in each country. Germany again ranked below the average of all donors with regard to indicators 4, 5a, 5b, 8 and 9, whereas performance was better than the average in the case of indicators 3 and 6.

Compared with the 2010 targets, Germany has still to go a considerable way with respect to most indicators, notably 3 (aid flows aligned on national budgets), 4 (proportion of technical cooperation implemented through coordinated programmes), 5a and 5b (use of partners’ public financial management systems and public procurement system), 7 (predictability of aid), 9 (aid provided in the con-

<sup>11</sup> For further information see Section 3.2.

text of programme-based approaches) and 10a and 10b (proportion of field missions and country analyses undertaken jointly).

It should be borne in mind that achieving the PD targets is in most cases a joint commitment of

donors and partner countries. For donors to meet some of their targets, partner countries need to create the necessary conditions (such as an operational development strategy and reliable public financial management and procurement systems). Donors can support capacity building in these areas.

### Box 1.2: Germany's results in the OECD 2006 PD Baseline Survey

Indicator	Definition	Baseline ratio <sup>a</sup>		Average country ratio <sup>b</sup>		Illustrative 2010 targets
		Germany	All donors	Germany	All donors	
3	Aid flows are aligned on national priorities	55 %	88 %	50 %	42 %	85 %
4	Strengthen capacity by co-ordinated support	37 %	48 %	36 %	42 %	50 %
5a	Use of country public financial management systems	35 %	40 %	28 %	33 %	[80 %] <sup>c</sup>
5b	Use of country procurement systems	34 %	39 %	35 %	38 %	[80 %] <sup>c</sup>
6	Avoid parallel implementation structures	40 PIUs	1832 PIUs	1,3 PIUs per country	61 PIUs per country	13 PIUs
7	Aid is more predictable	75 %	70 %	48 %	41 %	87 %
8	Aid is untied	94 %	75 %	69 %	82 %	> 94 %
9	Use of common arrangements or procedures	20 %	43 %	23 %	35 %	66 %
10a	Joint missions	28 %	18 %	28 %	29 %	40 %
10b	Joint country analytic work	50 %	42 %	50 %	52 %	66 %

a Weighted average based on Germany's portfolio in the surveyed countries: aggregate value of the numerator divided by the aggregate value of the denominator (each country is weighted by the volume of activity)

b Unweighted average: each country is given equal weight irrespective of the volume of activity; provides an indication of the variability of individual country baselines compared to the weighted average

c Based on a two-thirds reduction of the gap

#### Definition of indicators

- 3 Percent of aid flows to the government sector that is reported on partners' national budgets
- 4 Percent of donor capacity-development support provided through coordinated programmes
- 5a Percent of aid flows that use public financial management systems in partner countries
- 5b Percent of aid flows that use partner country procurement systems
- 6 Number of parallel project implementation units (PIUs) per country
- 7 Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks
- 8 Percent of bilateral aid that is untied
- 9 Percent of aid provided as programme-based approaches
- 10a Percent of donors' field missions undertaken jointly
- 10b Percent of country analytic work, including diagnostic reviews, undertaken jointly

Source: OECD: 2006 Survey on Monitoring the Paris Declaration. Overview of the Results, Paris 2007, pp.103, 53, 80 – 88.

### **1.2.6 Rationale for Germany's participation in the evaluation<sup>12</sup>**

The Paris Declaration fares high on the agenda of BMZ's policy level, as recorded already by the DAC Peer Review of 2005. With the Monitoring Survey showing mixed results for Germany, the DAC proposal for a joint evaluation, encompassing agency and partner country levels, was received well by the BMZ top management. The close sequencing of the

evaluation and yet another round of monitoring is a matter of concern for those who are involved in both. However, the evaluation is seen as a timely opportunity to benchmark properties and initial organisational results of the German development cooperation system (as an input for development effectiveness) to cope with and contribute actively to the PD at headquarters and field level. The main objective of Germany's participation in the evaluation therefore is clearly on the learning side.

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<sup>12</sup> This paragraph was written by the national coordinator of the German case study, i.e. the head of BMZ's evaluation division that commissioned the present report.

## 2 Methodology

In accordance with the generic ToR, the evaluation applied a qualitative approach including the analysis of documents, semi-structured interviews at headquarters level and questionnaires sent to the representations of the German aid system in the ten partner countries which joined the overall evaluation.

### 2.1 Sampling

The evaluation had to take the complex institutional structure of the German aid system at headquarters and country level into account. To keep the evaluation manageable, it was agreed in the ToR that the team should focus on the main actors listed in Box 2.1. They represent two groups of institutions: a core group comprising BMZ, the Foreign Office and the main implementing agencies GTZ, KfW, DED and InWEnt, and an additional group made up of the Federal Ministry of Finance, the Federal Parliament's Committee on Economic Cooperation and Development (AwZ) and several CSOs engaged in development cooperation.

As for the core group institutions, the evaluation team conducted 54 interviews with 103 interlocutors. The interviews covered all units that were assumed to be affected by the PD agenda. More specifically the evaluation team approached three subgroups:<sup>13</sup>

- non-regional units in charge of policies and procedures, planning, monitoring and evaluation as well as internal organisation including personnel and training;
- regional units in charge of development cooperation with the ten partner countries of the overall evaluation;<sup>14</sup>
- representatives of the institutions' senior and top management (as far as possible).

As for the additional institutions, attention is drawn to the following points:

- At parliamentary level the Federal Parliament's Budget Committee is a crucial actor besides AwZ. Despite repeated initiatives of the evaluation team, however, it was not possible to conduct an interview with members of the Budget Committee. Nevertheless, the team was informed by BMZ on the Committee's view on the PD (i.e., more precisely, on PBAs and budget aid) and included this information in the report.
- The sample included several CSOs and VENRO as the umbrella association of German development CSOs for two reasons: Firstly, the overarching objective of the PD and its principles to enhance aid effectiveness should also apply to CSOs. Secondly, the main German development-oriented CSOs receive considerable public funds mostly from BMZ, which therefore has an interest in the way CSOs respond to the PD.

<sup>13</sup> In the Foreign Office, the interview was conducted only with the one division that deals with development cooperation because the implementation of the PD concerns German embassies rather than the Foreign Office itself and PD-related policies, programmes and procedures are primarily the responsibility of BMZ and the implementing agencies.

<sup>14</sup> At the request of InWEnt, no interviews were conducted with country desk officers.

**Box 2.1: Sample of interlocutors<sup>a</sup>**

	Institution	Headquarters level		Country level		
		Number of interviews	Number of interviewees	Questionnaires sent off	Questionnaires answered	
Core group of interlocutors	BMZ	23	28	– <sup>b</sup>	– <sup>b</sup>	
	Ministries	Foreign Office	1	2	10	10
		GTZ	9	21	10	10
	Implementing agencies	KfW	8	22	10	9
		DED	5	13	7 <sup>c</sup>	5
		InWEnt	2	3	3 <sup>d</sup>	0
Additional interlocutors	Federal Parliament	Committee on Economic Cooperation and Development	1	8	–	–
	Federal Ministry	Ministry of Finance	1	2	–	–
		VENROe	1	1 <sup>e</sup>	–	–
	CSOs	EED	1	2	–	–
		KZE	1	1	–	–
		DWHHe	1	1 <sup>e</sup>	–	–
		<b>Total</b>	<b>54</b>	<b>103</b>	<b>40</b>	<b>34</b>

a The term 'interlocutor' refers to the interviewees and the persons in the ten partner countries who replied to the questionnaires.

b BMZ is represented at the country level by economic cooperation officers seconded to the German embassies and acting under the authority of the ambassadors.

c DED has offices in seven out of the ten partner countries of the overall evaluation (Bolivia, Mali, Philippines, South Africa, Uganda, Vietnam, Zambia).

d InWEnt has offices only in three of the ten partner countries (Philippines, South Africa, Vietnam).

e The interview with VENRO and DWHH took place at the same time and was conducted with the same interviewee, who represented both VENRO and DWHH.



- The sample deliberately excluded the German political foundations which receive funds from BMZ for projects and programmes in developing countries. The Federal Government regards them as non-governmental actors whose ultimate role is to promote peaceful societal and political change towards democratisation and which are explicitly expected to be active also when development cooperation at government level is difficult or impossible. As a consequence, the PD and its principles of alignment (with partner countries' governments) and harmonisation (with official development cooperation) cannot automatically be applied to the political foundations.
- Furthermore, the evaluation did not cover the implementation of the PD in humanitarian assistance because its different nature of short-term interventions in emergencies distinguishes it from longer-term development assistance. Nevertheless the sample includes DWHH (German Agro Action) which also engages in humanitarian assistance.
- The ten partner countries joining the overall evaluation are not necessarily representative of Germany's much larger number of partner countries in development cooperation. The interviews conducted at headquarters level with the regional and/or country units and the questionnaires sent to the country representations therefore reflect the sample of those ten partner countries having volunteered to be evaluated. It does not, however, represent a cross-section of Germany's partner countries.

## 2.2 Data collection instruments and analysis

### 2.2.1 Data collection instruments

The data collection of the evaluation included:

The sample is not representative in a strict statistical sense for the following reasons:

- analysis of documents of BMZ, the four implementing agencies GTZ, KfW, DED and InWEnt, and CSOs (policy documents, instructions, guidelines, annual plans etc.), the latest DAC Peer Review on Germany (2005) and the DAC 2006 Survey on Monitoring the PD (for a list of documents see Annex 3);
- semi-structured interviews in the core group institutions, i.e. BMZ, Foreign Office, headquarters of GTZ, KfW, DED and InWEnt (for a list of interviewees see Annex 2; for the interview guide see Annex 4);
- questionnaires sent to the country representations of the core institutions, i.e. the German embassies and the country offices of the four main implementing agencies located in the partner countries of the overall evaluation (for the questionnaire see Annex 5); out of 40 questionnaires sent off 34 were answered;
- As mentioned before it focused on the main actors and on major CSOs while excluding minor implementing agencies and smaller CSOs.
- While the coverage of the two subgroups of units within the core group institutions is fairly complete, not all staff members of these units actually participated in the interviews (for various reasons related to other duties). The relevant interlocutors, however, could be interviewed and the number of interviewees (103) indicates a relatively broad coverage.

- semi-structured interviews with representatives of several German CSOs (for the interview guide see Annex 6);
- additional interviews with the Federal Parliament's Committee on Economic Cooperation and Development and the Ministry of Finance (these interviews focused on a reduced number of specific issues for which no separate interview guides were prepared).<sup>15</sup>

### 2.2.2 Method of analysis

The method of analysis essentially consisted of the following five steps:

- Based on the central analytical categories defined by the generic ToR (commitment,<sup>16</sup> capacity, incentives/disincentives), the evaluation team designed an analytical grid (see Chart below) which divides the central categories into several subcategories the logic and meaning of which are explained in Chapters 3 to 5. Each (sub-)category was assigned a code.
- The analytical (sub)categories were translated into the various semi-structured interview guides and questionnaires in a way that ensured both the coverage of the categories and the manageability of the information tools.
- All documents received from the institutions taking part in the evaluation as well

as all interview minutes and questionnaires answered by the country representations were coded in accordance with the analytical (sub)categories defined before. Additional codes were used to capture further information (e.g. on illustrative evidence of PD implementation or expected/unexpected positive/negative impacts of the PD). For organising and managing the large amount of information collected, the evaluation team used the software Atlas/ti®.

- Once the coding was finished, Atlas/ti® made it possible to identify and compile all statements made on an issue (that was coded).
- The information thus obtained was then interpreted and aggregated to the present report.

When compiling and aggregating the statements extracted from the interview minutes and questionnaires, the evaluation team deliberately refrained from calculating and indicating the absolute or relative frequency of the statements for three reasons:<sup>17</sup>

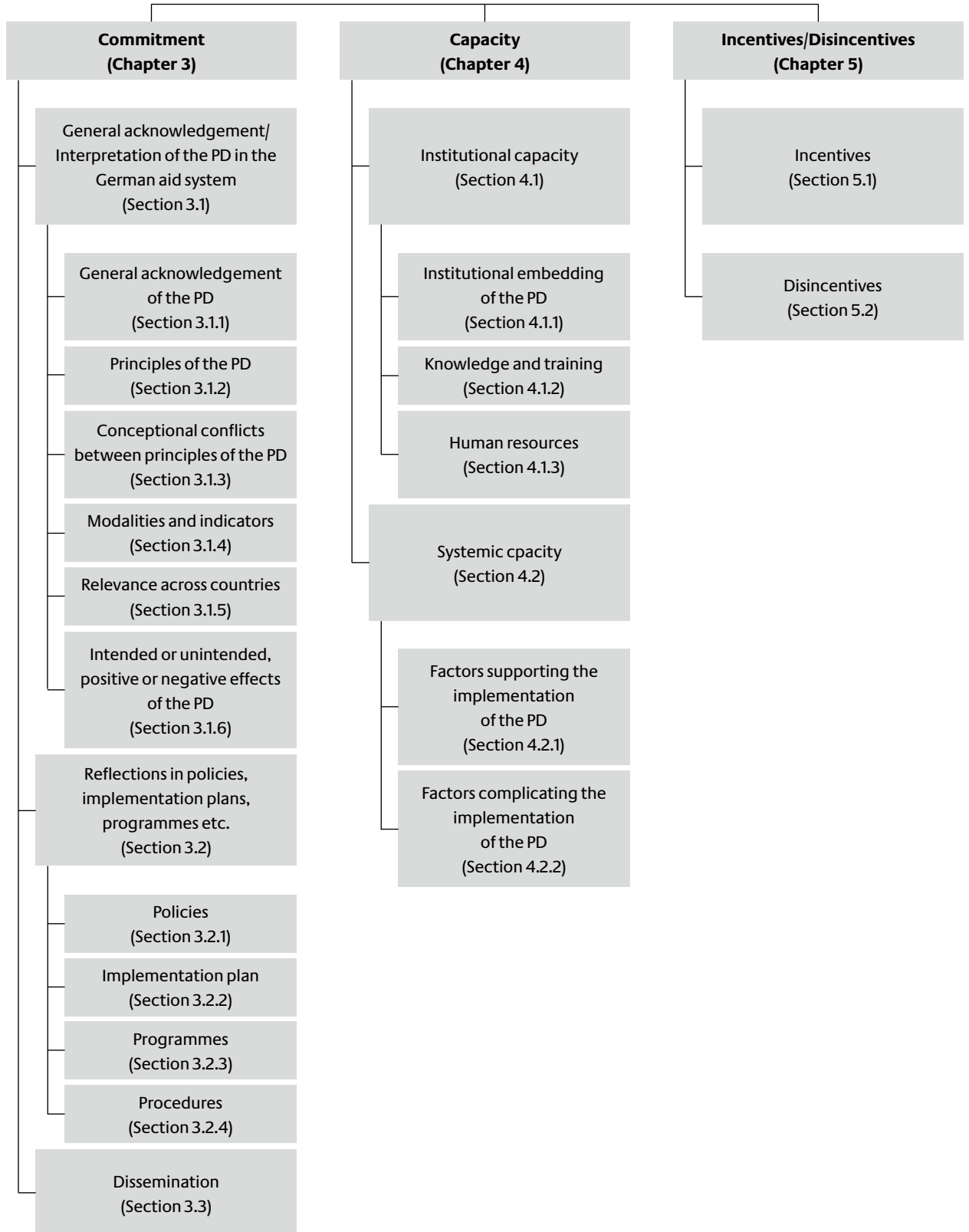
- Quite a number of interviews were conducted in the form of focus group discussions in which several interlocutors participated. Indicating the frequency of a statement made in focus group discussions may be difficult or impossible.
- Calculating the frequency of a statement

<sup>15</sup> The interview with AwZ referred to three issues: (i) relevance of aid effectiveness, (ii) relevance of the PD agenda, (iii) adjustment needs within the German aid system resulting from the PD agenda. The interview with the Ministry of Finance focused mainly on aid modalities such as PBAs and budget aid.

<sup>16</sup> The generic ToR termed this category as 'leadership'. The evaluation team, however, decided to rename the category as 'commitment', assessing hence to which degree donors are committed to implement the PD. In the opinion of the evaluation team the term 'leadership' does not express this interpretation.

<sup>17</sup> Only in extreme cases was the frequency of a statement sometimes indicated, for instance when only one interlocutor differed from what the overwhelming majority expressed. The intention was here not to completely ignore the differing statement.

**Chart: Analytical grid of the country evaluation Germany**



risks generating a false precision because it is ultimately the substantive weight rather than the frequency of a statement that counts. To give a fictitious example: If ten interlocutors declare to be highly committed to the PD agenda and only one interviewee points to objective factors that impede its implementation, the latter statement would get only a weight of one tenth on the basis of frequency. The same goes for the analysis of documents.

- It should be recalled that the sample is not representative in a statistical sense.

On the other hand, the evaluation team specified the institutional affiliation of the interlocutors to make clear which institutions statements or information had come from (the institutions are usually indicated in parentheses). It should be noted that all interlocutors were approached in terms of their areas of competence, responsibilities and experience, which means that their statements do not necessarily represent the official views of their entire institutions.

The findings of the evaluation are presented in Chapters 3 to 5. Each section (such as 3.1, 3.2, 3.3, 4.1 etc.) ends with an assessment by the evaluation

team. The team's conclusions are the subject of Chapter 6 and are geared to recommendations.

### 2.3 Limitations

Several limitations have already been mentioned before: focus on core actors of German aid rather than full coverage of all institutions; no interview conducted with the Federal Parliament's Budget Committee; questionnaires sent only to the embassies and country offices in the ten partner countries; failure of a few country offices to answer the questionnaires.

A further limitation was that at the request of BMZ, the evaluation team approached the national coordinators of the ten partner country evaluations in order to capture possible information on Germany's behaviour regarding the implementation of the PD on the ground (output dimension of the overall evaluation). The idea was to compare the information on the three input categories (commitment, capacity, incentives) obtained through the documents, interviews and questionnaires with the 'output' information on actual behaviour. Unfortunately the evaluation team did not receive answers so that the input and output dimensions could not be compared.<sup>18</sup>

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<sup>18</sup> The interview guides and questionnaires included a question on illustrative evidence of PD implementation in order to give the interlocutors the chance to exemplify their statements particularly on commitment. Such evidence is included in this report, but it is far from providing a comparison between the input and output dimensions defined in the overall evaluation.

## 3 Assessing commitment

Commitment to the PD as a politically binding framework for development cooperation, to its principles and to the different proposed modalities is key for an effective implementation of the PD. This evaluation assesses commitment within the German aid system along three main dimensions: Section 3.1 examines to what degree actors within the German aid system appear to acknowledge the PD as a binding framework for their development cooperation activities, how the PD's principles and modalities are interpreted and how their relevance for more effective aid is assessed. Section 3.2 examines how this commitment is translated into policies, guidelines and procedures of the individual organisations, and Section 3.3 reports how these policies and documents have been disseminated within individual institutions and within the German aid system as a whole.

### 3.1 General acknowledgement and interpretation of the Paris Declaration in the German aid system

#### 3.1.1 General acknowledgement of the Paris Declaration

The Paris Declaration is widely acknowledged as a politically binding framework for the German aid system. This applies to all levels from the highest political level to professional staff 'on the ground' across the various agencies. BMZ and the four implementing agencies declare themselves fully

committed to the Paris agenda and its implementation, and accept it as a reference for improving the effectiveness of German development cooperation. In addition, BMZ commits itself to act as a champion for the PD agenda in the multilateral context, particularly at EU and OECD-DAC level.

At the same time, it is widely argued that the PD's principles are not entirely new. Particularly the three principles ownership, alignment, and harmonisation, it was noted, had explicitly or implicitly been endorsed in the Rome Declaration before. However, great importance was attributed to the fact that with the PD these principles were for the first time clearly formulated and agreed upon by a broad range of donors and recipients alike.

Thus, while not entirely new in content, in the view of German development agencies the PD is an important opportunity to reflect on past successes and failures of development aid and helps to move the discussion on aid effectiveness forward by providing both a point of reference as well as a source of legitimacy to exert pressure on donors and partners. In the perception of most actors in the German aid system, this makes the PD a veritable milestone in the discussion on more effective aid. Relevance and impact of the PD are expected to be clearly greater than that of previous agreements and declarations.<sup>19</sup>

At the same time, there is the perception that other important actors, in particular some multilateral organisations and some recipient governments are not sufficiently committed to,

<sup>19</sup> One interlocutor explained the high relevance of the Paris Declaration by the disappointing track record of aid effectiveness and argued that this Declaration was the last chance for the international "aid industry" to come up with a new paradigm to justify its existence.

### Box 3.1: Civil society's perspective on the Paris Declaration

In 2006, about 7.5 percent of German bilateral net ODA went to civil society organisations (CSOs). Accordingly, BMZ expects CSOs to abide to the PD's principles in their work.<sup>a</sup> However, BMZ accepts that the PD cannot be applied one to one to development cooperation carried out by CSOs and is therefore engaged in a dialogue with civil society on the PD in order to reach a common understanding of the issues involved.

Civil society's perspectives on the PD are mixed. CSOs welcome the PD as an important step to achieve the MDGs. However, while the principles are generally accepted for CSOs as well, the PD is thought to concern primarily official aid agencies. The perception is that the PD is a reaction to deficits in official development cooperation that do not directly apply to civil society development cooperation.

The general position seems to be that the principles of the PD should be adopted in CSO's development cooperation, where possible. However, the definitions of the PD are thought not to fit many aspects of CSO's work (in particular alignment) while, for example, the need to improve efficiency by reducing transaction costs through harmonisation is accepted at least by large CSOs. On the other hand it is pointed out that competition for funding sets clear limits to the possible scope of harmonisation among CSOs as it is vital for many to display a clearly identifiable profile in order to access funding from private and official sources, at least in their domestic markets. At country level German CSOs accept that it has become more important for them to focus on ownership, strengthen their partners' capacities and accept less visibility in exchange for enhanced effectiveness of their cooperation.

Civil society actors see an important role for CSOs in developing and implementing practical systems for monitoring and evaluating MDG progress in the partner countries.<sup>b</sup> They share the impression expressed by some official aid agencies that the PD focuses too narrowly on central governments in partner countries, thus neglecting important actors in development processes, namely CSOs in the partner countries.

One civil society representative felt that coherence was missing as a sixth principle in the PD and underlined the importance of coherent policies by bi- and multilateral donors.

a See document no. 8 in Annex 3, p. 3

b See document no. 64 in Annex 3

or fully capable of, implementing the PD.<sup>20</sup> This is thought to seriously undermine the PD credibility and potential impact. The same concern was expressed with regard to non-traditional and non-DAC donors, who – to a large extent – are thought to not endorse the PD's principles.

In addition, there is the impression that some donors use the PD to pursue specific agency interests. A particular concern is that some donors tend to interpret the PD principles and modalities in such a way as to favour budget support as the aid instrument of choice in order to achieve

20 In particular in partner countries where lack of commitment combines with weak capacities and institutions, partner leadership is reported to be insufficient to provide for effective donor coordination and scope for alignment.

quicker and easier disbursement of their aid. As for such interpretations of the PD modalities it was frequently pointed out that general budget support is not the sole aid instrument congruent with the PD principles and that in fact no explicit reference to budget support is made in the PD.

The PD is criticised by various actors of being generally too much focused on central government while neglecting important stakeholders such as sub-national entities and civil society in developing countries. In addition, there is a concern that the PD follows a development model involving extensive state planning, assuming altruistic and development-oriented donor and recipient governments, while neglecting vested interests on both sides.<sup>21</sup>

Another concern expressed is that the PD might lead donors and partners to focus too much on procedures and thus lose track of the real objectives, i.e. building partners' capacities and ultimately improving aid effectiveness.

Also, while the principles are acknowledged to be of general relevance for effective development cooperation, it is mostly agreed that the PD – and especially the proposed modalities – primarily apply to LDCs, above all to Sub-Saharan African countries. The PD's relevance for other countries is mostly thought to require at least some qualification (see Section 3.1.5).

### 3.1.2 Principles of the Paris Declaration

There is a broad consensus among virtually all actors in the German aid system that the five principles (ownership, alignment, harmonisation, managing for results, mutual accountability) laid out in the PD are key for enhancing the effectiveness of aid.

Notwithstanding this general acknowledgement, most interlocutors found it important to differentiate between the five principles with regard to their relevance for the goal of aid effectiveness. Concerns about unclear definitions of some of the principles and indicators in the PD were voiced, too. At country level, some deplored that the PD did not provide for clear guidelines and sanction mechanisms to create incentives for donors and partner countries to implement the five principles in practice. In addition, a number of potential conflicts between the principles were pointed out, especially between ownership on the one side and harmonisation, managing for results, and mutual accountability on the other. At the same time, the potential for complementarities between individual principles was acknowledged as well (see Section 3.1.3).

**Ownership:** Among the five principles of the PD, the highest relevance is generally attributed to the principle of ownership. Yet, there is a concern that the PD's concept of ownership (or its interpretation by other actors) may be too narrowly focused on recipient governments' ownership. This concern was particularly pronounced in the agencies engaging in technical cooperation, where interview partners found that the goal of enhanced aid effectiveness was jeopardized by this concentration on (central) government ownership and by the neglect of broad country and in particular civil society ownership. A number of interlocutors in these institutions underlined that they operate with a much broader concept of democratic ownership that includes sub-national levels of government as well as civil society and target groups.<sup>22</sup> In addition, within GTZ the opinion was voiced that ownership should not be considered a mere ex ante requirement but an important goal of development cooperation. It was felt that the PD does not provide clear guid-

<sup>21</sup> This concern is particularly pronounced in those agencies engaging in technical cooperation, i.e. GTZ and DED.

<sup>22</sup> GTZ pointed out that this broader understanding of ownership was increasingly reflected in the international debate and that a round table on 'democratic ownership' was envisaged for the 3rd High Level Forum in Accra in 2008.

ance as to how partner ownership could be generated and sustained.

**Alignment:** Alignment is generally accepted to be of fundamental importance for the effectiveness of development cooperation among German aid agencies. In a number of cases it was described as a further evolution of the harmonisation principle and as such was considered even more important than harmonisation. It was noted that alignment had been an issue in development cooperation before 2005, but that the PD gave additional momentum and provided clearer guidance on how to implement the principle. Yet, some interlocutors voiced the concern that alignment might in practice be interpreted as the requirement to always reach consensus between all actors. This could, for example, lead to situations where controversial issues on which a consensus may seem improbable, are simply left out of the policy dialogue. At country level, it was emphasised that alignment required operational partner systems and processes, which frequently are not in place and need time to develop. As a consequence it was concluded that despite its strategic importance, the principle of alignment can frequently not be realised to its full extent in the short run.

**Harmonisation:** Harmonisation is generally considered an important principle of the PD, albeit not a new one. Yet, some interlocutors in GTZ and KfW warned that a trade-off exists between harmonisation and a pluralistic competition of ideas between different donors that can offer recipients a broader menu of approaches to effectively cope with their development challenges. In addition, it is feared that too dogmatic an approach to the principle could lead to overwhelming transaction costs.<sup>23</sup> Accordingly, it was noted that harmoni-

sation should not be mistaken as an objective in its own right but that it should primarily be understood as a means to foster ownership and ultimately development effectiveness.<sup>24</sup>

It was striking that, when asked about harmonisation, various interlocutors, especially within BMZ and DED, at first referred to harmonisation within the German aid system. Individual interlocutors in KfW and BMZ opined that – despite considerable improvements over the past few years – harmonisation within the German aid system remained a considerable challenge that in some cases needed to be addressed before effective harmonisation with other donors could take place. This view is in part reflected in the interpretation of some of the PD’s modalities as well, in particular with regard to joint missions, monitoring and evaluation (see below).

At country level, it was noted that partner countries frequently did not play their role in coordinating donor agencies, thereby severely limiting the scope for harmonisation among them. In one case it was noted that as long as the partner countries’ policies remained unclear as they were, there was no point in donor coordination whatsoever.

**Managing for results:** Managing for results is perceived as a key principle with regard to improving aid effectiveness. BMZ distinguishes two main dimensions of results orientation in German development cooperation. The first is to effectively support partner countries in enhancing the results orientation in their development processes. The second is to orient German development cooperation more strictly towards development results (see document no. 67 in Annex 3). All organisations covered by this evalu-

<sup>23</sup> One example given for this at country level is the case of Bangladesh, where donor coordination is reported to take place within a local consultative group made up of not less than 26 sector working groups.

<sup>24</sup> One interlocutor differentiated between coordination (whilst maintaining own procedures) and harmonisation (i.e. creating common procedures) and noted that most harmonisation was often actually stuck at the level of coordination without going deeper into harmonising procedures among donors.



ation have adopted specific procedures to implement results orientation in their internal management processes as well as in their cooperation with development partners (see Section 3.2.4).

With regard to implementing the principle at partner country level, however, many interlocutors saw a need for more efforts to make the principle operational. It was suggested that the OECD-DAC should develop a clearer nomenclature in order to ensure that all stakeholders have a similar understanding of the principle. Furthermore, it was noted that managing for results could conflict with the principle of ownership (see Section 3.1.3). According to an opposing view managing for results (together with mutual accountability) is important to foster ownership, harmonisation and alignment.

Germany has taken over a lead role in the “DAC Joint Venture on Managing for Results” by BMZ’s chairing two task teams within the Joint Venture, whose purpose is to clarify conceptual and methodological issues: the task team “Conceptual and Technical Guidance” and the task team “Mutual Accountability at Country Level”.

**Mutual Accountability:** Mutual accountability is generally perceived as the least clearly defined principle in the PD. Many interlocutors explained that they had no clear concept of what mutual accountability should mean in practice. In addition, no common understanding seems to have been established as to into whose responsibility mutual accountability falls: While a number of interlocutors in implementing agencies, in particular in KfW and InWEnt, noted that in their view accountability was the responsibility of BMZ, an interviewee in BMZ stressed that the ministry could not be held accountable for concrete results as these were in the hands of the implementing agencies.<sup>25</sup>

Voices from all organisations covered by this evaluation agreed that unless a clearer definition and operational concept of the principle was provided, its relevance for aid effectiveness could not be conclusively assessed. Regardless of these concerns, achieving mutual accountability is generally perceived as a serious challenge for all actors. In addition to questions concerning the operationalisation of mutual accountability in practice, the relation between domestic and external accountability is sometimes felt to be insufficiently addressed by this principle (see following Section).

### 3.1.3 Conceptual conflicts and complementarities between principles of the Paris Declaration

A number of potential conceptual conflicts between some of the five principles of the PD were pointed out to the evaluators. Such conflicts were seen as particularly relevant between ownership on one side and harmonisation, managing for results, and mutual accountability on the other.

- It was noted that harmonisation could result in a ‘ganging up’ of donors against partner countries and it is feared that this could seriously jeopardise ownership, if donors colluded to impose their own priorities upon partners. At the country level it was observed at least in one case that the strong focus on harmonisation among donors had led to the exclusion of partners from important discussions.
- The potential conflict mentioned most frequently was between ownership and mutual accountability. It was argued that in practice it was impossible for donors

<sup>25</sup> According to KfW, it has to be differentiated here between accountability at policy and operational level. At operational level accountability for development results is regarded as a mutual responsibility of KfW and the partners.

to credibly confer full responsibility for aid resources and to allow for genuine leadership and ownership for development processes by partner countries on the one hand while at the same time establishing credible mechanisms to hold them accountable for their actions. Maybe even more obviously, the conflict was argued to exist between conferring full ownership to partner governments and at the same time have the very same governments hold donors accountable for development results. As a consequence, various interlocutors thought that there was a clear trade-off between the two principles and that additional efforts (and a clearer definition of the principle mutual accountability) were needed to strike the right balance between the two principles at a conceptual level.

- Similarly, a potential conflict was seen between ownership and managing for results, in particular where weak partner capacities could not guarantee results-oriented management of development programmes. More precisely, it was felt that in such cases donors could not abide to the principle of ownership in the sense of fully transferring leadership and responsibility for aid resources to partners and at the same time guarantee development results. Conversely, also the opposite view was expressed that it is precisely the principle of managing for results that could help to resolve conceptual conflicts between ownership and harmonisation and mutual accountability: by donors and partner countries focusing on mutually agreed results rather than on controlling inputs and holding each other accountable for these results, donors could more readily foster and accept partner countries' leadership and ownership.

- Another potential conflict was noted to arise between internal and external accountability, both on the partner country and on the donor side. In partner countries, it was stated, the focus on external accountability of governments to donors could lead to a weakening of domestic accountability structures, in particular between governments and parliaments. A very similar conflict was thought to exist between donor governments being accountable to partners and at the same time towards their own parliaments.

### 3.1.4 Modalities and indicators

All four German implementing agencies stressed that they had adhered to the principles to varying degrees long before they were reaffirmed in the PD in 2005. Equally, the modalities and indicators defined in the PD to operationalise these principles are generally accepted among German aid institutions.

Overall commitment to meet the indicators appears to be high in all agencies covered by this evaluation.<sup>26</sup> Yet, views on how the individual indicators are to be interpreted tend to differ between agencies. The main debate is on the interpretation of indicator 4 (capacity strengthening by co-ordinated support), indicators 5a and 5b (use of country public financial management and procurement systems) and, in particular, indicator 9 (use of common arrangements and procedures through programme-based approaches).

The PD indicates various modalities to improve the effectiveness of aid, which could not be covered in full detail in this evaluation. The following presents the main findings with regard to those modalities that are directly related to the debated indicators and which most interlocutors commented on.

<sup>26</sup> For example, the organisational targets GTZ set itself for 2007 explicitly refer to indicators 4 and 9 of the Paris Declaration (see Section 5.1 of this report).

**Programme-based approaches:** In the wake of launching the PD, an intense debate evolved within the German aid system on the interpretation of the programme-based approaches (PBAs) concept defined in the PD. The debate was primarily on the question whether the PBA concept implied only financial contributions in support of joint programmes or whether the concept also allowed for direct contributions<sup>27</sup> (in kind). Initially, the term PBAs was translated into German using the already existing term PGF (*“Programmorientierte Gemeinschaftsfinanzierung”* or programme-based joint financing), which was previously used for financing arrangements such as co-financing World Bank PRSCs or basket funding mechanisms.<sup>28</sup> This narrow interpretation of the term PBA was, however, rejected by a number of actors within the German aid system. In particular GTZ stressed the view that in accordance with the definition of PBAs provided in the explanatory notes<sup>29</sup> on indicator 9 in the PD, contributions to PBAs could take other forms than contributions to joint financing mechanisms and budget support, and that this specifically included direct contributions of technical cooperation. This discussion led to the common understanding within the German aid system that PBAs in fact describe a broad concept of support to partner programmes that

can involve different aid instruments, including direct contributions through technical cooperation (see also Box 3.5).<sup>30</sup>

In particular with regard to budget support as one aid modality implied in indicators 5 and 9 of the PD,<sup>31</sup> Germany initially held considerable reservations. This was due to different views on the instrument’s potential effectiveness within BMZ, among implementing agencies and in the Ministry of Finance. Especially GTZ voiced strong reservations against the instrument and expressed serious doubts about its potential effectiveness (see document no. 45 in Annex 3). In addition, based on the “Guidelines for Bilateral Financial and Technical Cooperation” valid until March 2007, the only form Germany could provide budget support was by co-financing World Bank poverty reduction support credits (PRSC) unless BMZ asked for and received permission from the Finance Ministry. In any case, the budget committee had to be informed.<sup>32</sup>

After a long debate between BMZ and the Ministry of Finance, the updated “Guidelines for Bilateral Financial and Technical Cooperation” explicitly acknowledge budget support and other forms of PGF<sup>33</sup> as a standard aid modality and

27 inputs pledged by the German Government are generally provided directly by GTZ or by the consulting firms it contracts; there is no transfer of funds in these instances. Direct contributions include the secondment of experts, the conducting of training measures, the preparation of studies and the supply of materials and equipment. Local subsidies are also considered direct contributions. See GTZ: The World of Words at GTZ, glossary available at [www.gtz.de](http://www.gtz.de).

28 This was done to distinguish the term from the programme terminology used in the internal German discussion for efforts to join-up bilateral projects into strategic clusters and programmes (see Stephan Klingebiel: Der internationale Diskussionsstand über Programmorientierung, German Development Institute, Bonn 2003, p. 13).

29 According to this definition PBAs share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

30 As a consequence of this consensus, the term PGF was further differentiated for internal monitoring and management purposes into a project indicator PGF II for joint financing arrangements such as baskets, TA-pools, or budget support operations and PGF I for other forms of support to PBAs, including direct contributions of technical cooperation. BMZ explains the relation between the terms PBA and the PGF indicator with the formula  $PGF I + PGF II = PBA$ . In day-to-day communication, BMZ and other institutions commonly use the abbreviation PGF to describe PGF II (or PGF in a ‘narrow sense’).

31 The definitions and guidance issued by the OECD-DAC for the 2008 survey on monitoring the PD explicitly state that “direct budget support (including General and Sector budget support) is typically likely to respond to the attributes of a PBA”.

32 Those cases where Germany provided budget support in its own name were based on a special agreement reached between BMZ and the Ministry of Finance based on a pilot case in Mozambique.

33 i.e. PGF II or PGF in a ‘narrow sense’ (see footnote 30). BMZ defines PGF as the joint financing of a recipient country’s reform programmes – developed and owned by the partner country – together with other donors. Besides basket funding arrangements, budget support plays a paramount role for this aid modality (see [http://www.bmz.de/de/wege/bilaterale\\_ez/zwischenstaatliche\\_ez/gemeinschaftsfinanzierung/index.html](http://www.bmz.de/de/wege/bilaterale_ez/zwischenstaatliche_ez/gemeinschaftsfinanzierung/index.html))

define the scope and requirements for the use of such instruments in German development cooperation. BMZ's high commitment to the use of PGF is expressed in its targets to significantly expand the amount of financial cooperation provided in the form of PGF (see Section 3.2.3). Yet, serious reservations against German contributions to budget support programmes still prevail in Parliament, in particular in the Budget Committee, but also – albeit apparently to a lesser extent – in the Committee for Economic Cooperation and Development (AwZ). The apparent reasons for these reservations consist in high perceived fiduciary risks of PGF as well as concerns about the visibility of German taxpayers' contributions to partner countries' development programmes.<sup>34</sup> The latest indication of these reservations was the decision taken by the Budget Committee in November 2007 to freeze budget allocations for PGF until further notice,<sup>35</sup> meaning that for the time being BMZ will be required to obtain special approval for new commitments to PGF contributions.

Notwithstanding these reservations in Parliament, a relatively broad consensus has been achieved among BMZ, GTZ, and KfW, that PGF can effectively contribute to implementing the PD principles. This consensus has been translated into a detailed (draft) concept paper on the use of PGF in German development cooperation, which explicitly acknowledges the importance of these instruments for German development cooperation with regard to implementing the PD. This concept is also accompanied by a policy paper on budget support within the framework

of PGF, which informs the political debate on the issues involved (see Section 3.2.3). The consensus reached entails the qualification that PGF, in particular in the form of general budget support, is understood as just one aid modality among others that can be used to implement the PD's principles. The general view is that budget support as an aid instrument is appropriate only in selected countries and that the default cooperation model should always involve a country specific mix of instruments and modalities.<sup>36</sup>

#### **Joint missions, monitoring, and evaluation:**

Efforts to reduce transaction costs by jointly conducting donor missions as well as monitoring and evaluations are a key issue in the PD (indicator 10). As reported in Section 3.1.2 some interlocutors see the main challenge created by the principle of harmonisation in a better coordination within the German aid system. In line with this finding – at least at the implementing agency level – some interview partners seem to interpret modalities such as joint missions or joint monitoring and evaluations as referring to joint activities among German agencies. In fact, there is evidence that considerable resources are absorbed by coordinating and harmonising activities and procedures among German implementing agencies.<sup>37</sup> Yet, there is evidence as well that German aid agencies are committed to harmonise and coordinate efforts with other donors (see Section 3.2.4).<sup>38</sup> The BMZ evaluation division has started joint evaluations already long before the PD and is currently undertaking some 30 percent of evaluations together with other partners.

34 These findings are based on observations made by evaluation team members during an AwZ hearing on opportunities and risks of budget support on November 7th 2007, an interview with members of the AwZ, written communication between the Budget Committee and the BMZ as well as information from various other actors in the German aid system. There was, however, no direct communication between the evaluation team and the Budget Committee to confirm the reasons for its reservations against PGF.

35 The Budget Committee will reconsider the freeze when a report on PGF requested from the Court of Auditors expected for the 29 February 2008 is submitted.

36 The target set by BMZ to provide 66 percent of its bilateral aid in support of PBAs thus explicitly refers to PGF I and PGF II.

37 Upon the initiative of the BMZ evaluation division, in 2006 the understanding and use of DAC evaluation criteria were harmonised throughout the bilateral system. The diverse planning formats of KfW and GTZ, namely logframe and AURA, have been subsequently harmonised in the new priority area programmes.

38 One example given was a harmonisation initiative involving five banks (including KfW) in Vietnam with the objective to harmonise procedures. One success was the development of a joint monitoring tool and the establishment of a common standard for feasibility studies that is applied jointly with the Government of Vietnam.

**Delegated cooperation/silent partnership:**

Another approach to harmonisation discussed in German development cooperation refers to silent partnerships and delegated cooperation.<sup>39</sup> BMZ acknowledges that delegated cooperation can be a sensible approach to achieve better division of labour. It is, however, considered as a transitional instrument that should only be applied as long as a 'true' division of labour based on partner countries' priorities has not been implemented. As a consequence, BMZ does not generally aim at medium or long term delegated cooperation, in particular not as a silent partner.<sup>40</sup>

Nevertheless, BMZ acknowledges that exceptions to this general rule should be made in cases where one donor cannot mobilise enough resources to meet ambitious targets or where the associated risks should be spread among various donors; in those cases the instrument should be applied on a medium to long-term basis. Also, because BMZ aims at playing a role as a lead donor wherever appropriate, it is assumed that, in exchange, mandates for delegated cooperation have to be conceded in some cases.

An agreement by the Nordic Plus donors (Denmark, Finland, Ireland, The Netherlands, Norway, Sweden and UK) on common procedures for delegated cooperation<sup>41</sup> is in principle acknowledged by BMZ to provide a useful framework for delegated cooperation. However, individual elements

of this framework are seen as problematic for German development cooperation. In particular, the agreement not to charge overheads to delegating partners is considered disadvantageous for German financial cooperation. It is feared that this principle could imply subsidising other donors' activities if, on average, Germany has to bear more overheads than it can roll over to other donors.<sup>42</sup> It is thus envisaged to adopt certain elements of the Nordic Plus agreement, in particular accreditation and standardisation of procedures while maintaining the practice of charging (and paying) overheads.<sup>43</sup>

Currently, GTZ and KfW are taking part in delegated cooperation in a number of cases. Yet, in accordance with BMZ's reservations, the current figures<sup>44</sup> clearly show that GTZ and KfW have received far more mandates from silent partners than they have given to other donors.

**Pooled technical assistance and pooled financing:** BMZ considers the pooling of technical assistance and pooled financing arrangements an effective way to implement the PD principles of harmonisation and alignment. According to information provided by BMZ, as of June 2007 GTZ was participating in 20 TA-pools and baskets (with financial contributions of € 9.66 million involved) and planning participation in another ten TA-pools and baskets (with financial contributions of € 8.38 million). BMZ plans to double

39 BMZ defines silent partnerships as a delegated cooperation in a narrow sense where one 'silent partner' fully delegates preparation, management, implementation and policy dialogue to another donor or agency. Where only certain tasks and responsibilities are delegated, BMZ talks of 'delegated cooperation in a broader sense' (see document no. 1 in Annex 3). One example of delegated cooperation is the energy sector in Afghanistan, where KfW manages funds provided by BMZ and the European Union for the rehabilitation of energy supply in Kabul.

40 The reasons given by BMZ for this are that (i) other donors do not (anymore) have similarly strong implementing capacities, (ii) specific demand exists for contributions other donors have not financed in the past few years (e.g. direct contributions of long-term technical cooperation or long-term investment or long-term accompanying measures for investment), and that (iii) the structure and instruments of German development cooperation are inadequate for acting as a silent partner in delegated cooperation (see document no 1 in Annex 3).

41 Norad (2006): Nordic Plus Practical Guide to Delegated Cooperation

42 One interlocutor at KfW expressed concerns that KfW was still legally liable for the use of funds even if it ceded implementation to other donors.

43 See document no. 1 in Annex 3.

44 Currently, GTZ is implementing € 61million provided by other donors, while itself only provides € 2.5 million to other donors. KfW implements € 365 million on behalf of other donors, while itself acts as a silent partner only in one case, delegating the implementation of € 4.6 million to another bilateral donor (data provided by BMZ).

pooling in technical assistance in Sub-Saharan Africa.<sup>45</sup> As for financial cooperation's contributions to pooled financing arrangements, in 2007, BMZ mandates for KfW to negotiate contributions to basket funding mechanisms amounted to € 226.5 million.

**International division of labour:** BMZ declares itself to be committed to act as a champion of the PD agenda on an international level. This commitment was underlined by the German initiative to establish a code of conduct for division of labour at the European level (see Section 3.2.4).

### 3.1.5 Relevance across countries

In principle, BMZ commits itself to implementing the PD in all partner countries of German development cooperation. Nonetheless, the focus is clearly on LDCs, in particular in Sub-Saharan Africa. For Latin America and Asia, it is argued that some differentiation of the principles is necessary. In fact, some interlocutors in BMZ and the four implementing agencies did not think that the PD had much relevance for Asian countries, with the exception of Vietnam, where the impression was that the government genuinely endorses the PD and obliges donors to abide to it.

Virtually all interlocutors who commented on this issue agreed that in the case of the so-called anchor countries,<sup>46</sup> countries in conflict and fragile states, the modalities and instruments to

implement the PD principles need to be adapted to the specific country context: In the case of anchor countries, coordination as an element of harmonisation tends to be seen as most relevant. In the case of fragile states, harmonisation is considered as extremely important as well, while alignment is thought to be less relevant in most cases since systems and procedures in many countries do not meet the required minimum standards. Managing for results was seen as universally relevant for German development cooperation, independent of the country type.

With respect to the different modalities, there is a broad consensus that budget support is not an adequate aid instrument for countries other than well governed LDCs. Other forms of PGF are thought to be appropriate under certain circumstances in fragile states but would generally not be relevant for anchor countries, where capacities are high and usually specific competencies and not financial resources are mostly warranted.

### 3.1.6 Intended or unintended, positive or negative effects of the Paris Declaration

The evaluation team asked all interlocutors to provide illustrative evidence of the PD's effects observed to date, be they intended or unintended, positive or negative, as it stands to reason that commitment to the PD is not independent of such observations. A selection of the anecdotal evidence for such effects is presented in Box 3.2.

45 Several GTZ interviewees expressed their concern that in this process GTZ could be marginalised. According to BMZ such a concern is unfounded.

46 Countries that, due to their economic weight and political influence, play a growing role in their respective regions and also on a global scale (in defining international policies and for the achievement of the Millennium Development Goals (MDGs)). Currently China, India, Indonesia, Pakistan, Thailand, Egypt, Iran, Saudi Arabia, Nigeria, South Africa, Argentina, Brazil, Mexico, and Russia as well as Turkey qualify as anchor countries according to BMZ's definition. For the specific definition criteria and BMZ's cooperation concept with anchor countries see BMZ (2004): Anchor Countries – Partners for Global Development, BMZ Position Paper, No 119.

**Box 3.2: Intended and unintended effects of the PD****Positive effects**

- Communication between headquarters and country offices, in particular between BMZ country desks and development cooperation officers in the embassies, is reported to have improved considerably.
- A number of country representatives as well as staff members in headquarters noted that partner governments have become much more self-confident in their relationship with donors and increasingly demand coordination, alignment, and transparency of donor activities. An illustrative example given is the government of Bangladesh, which – quoting the PD – decided to take over the chair in the biannual national development forum, which serves as a communication platform with donors and was previously usually chaired by the World Bank.
- Partner governments are reported to feel more pressure to formulate coherent policies and improve the consistency of budget allocations with their national poverty reduction strategies.
- The dialogue between donors and partner countries has reportedly become more structured and substantiated.
- One GTZ country representative highlighted an improved internal coherence and more consistent quality of management processes at GTZ due to PD-related organisation-wide targets.
- The frequency and quality of communication among donors at country level is perceived to have increased substantially, providing for more transparency, exchange of ideas, coordination, and peer learning among donors. This is observed both with respect to policies and procedures. This in turn leads to more pressure to improve the quality and to abide to good practices of development cooperation.
- Coordination efforts and dialogue processes have intensified GTZ's efforts to link-up with other organisations at national as well as at the international level. Willingness within the German aid system to coordinate has improved, according to GTZ. This is confirmed by the perception of one BMZ official who considers that the introduction of common programme proposals of the implementing agencies would not have been possible without the PD. The same applies to country and priority area teams, which another BMZ official described as a result of the PD.
- The German embassy in Bangladesh noted increased demand for German technical cooperation by other donors as an indirect effect of the PD.
- In Mali, the German embassy noted efficiency gains and improved significance of German development cooperation in sectors with a reduced number of donors.
- In the Philippines, the German embassy noted that PD-related processes had improved the possibilities, in particular for CSOs, to hold the government accountable for efforts to reach the MDGs. This was supported by Foreign Office's observation that as a consequence of the PD public debate on the use of aid money has improved in recipient countries.

- In Uganda, the administration is reported to put a much stronger focus on monitoring policies as a consequence of the PD-related dialogue processes.
- The German embassy in Uganda reported that attempts at a more effective division of labour had already led to some thinning out of donors in overcrowded sectors. It was noted, however, that the same process might lead to a situation in the future, where too few donors will be present in key sectors to manage the complex dialogue with the partner government.
- InWEnt noticed that its instruments had become much more visible as a consequence of coordination efforts. This was confirmed by DED, which observed that BMZ is increasingly making use of its possibilities to actively coordinate the implementing agencies and nowadays involves DED in important discussions from which it was excluded before (when DED was “operating below BMZ’s radar”, as one interlocutor put it).
- As a consequence of being more involved in an exchange of ideas and arguments with other agencies and donors, DED reports improved self-reflection and learning from other institutions. DED’s strong focus on managing for results in its programmes and projects is reported to have caused positive spillovers into other management areas.
- InWEnt noticed a change from a much supply-driven to a more demand-driven development cooperation induced by the PD’s principles.
- DED noticed an increased demand for DED’s services at local level, or as one DED representative put it: “The more ownership, the more DED”.
- One GTZ official noted that one positive effect of the PD was a renewed optimism among aid professionals compared to only six years ago when a feeling prevailed that aid was ineffective.
- KfW Zambia noted that in particular general budget support is producing significant positive effects by improving the quality of the policy dialogue with the government.
- KfW Senegal reported that harmonisation and division of labour reduced the workload for its thinly staffed country office. It also observed that the awareness for principles of aid effectiveness had significantly improved.
- The Foreign Office noted that the PD provides embassies with an important reference point, for instance in controversial discussions with the World Bank.
- BMZ and KfW stressed that their decentralisation processes was a consequence of the PD.
- Finally, one BMZ official stressed that the discussion about reforming the institutional set-up of the German aid system was intensified as a result of the PD.



**Negative effects**

- Transaction costs on the donor side are generally perceived to have risen substantially. The picture is less clear for transaction costs on the recipient side: GTZ country offices and embassies in at least two cases observe reduced transaction costs for the partner side. This view was shared by one interlocutor in KfW headquarters, while another high ranking KfW staff member as well as another GTZ country office representative thought that transaction costs for recipients had rather risen, too. One interlocutor at GTZ headquarters thought it was too early to tell.
- It was noted that because of a misguided interpretation of the principle of alignment, sometimes controversial issues were not implemented, if no consensus among donors and recipients could be reached.
- A role conflict was observed to exist between GTZ experts' role as trusted advisors to partner governments and the increasing need for them to participate in donor coordination groups.
- It was noted that the number of reports and documents was continuously growing and that this could mean that at one point they would not be read anymore.
- It was noted that in the case of South Africa the Ministry of Finance used the PD to channel more resources through Treasury and that this served to undermine sector ministries' ownership.
- In at least one country it was noted that the government did not have the capacity to effectively coordinate donors and that it was overburdened by donor demands to do so.
- An observed focus in discussions on procedures was thought to come at the cost of discussing less content with other donors and recipients.
- Various interlocutors observed a tendency to more bureaucratisation, centralisation and a planning mentality in development cooperation due to the PD.
- Implementing the PD was thought by some interlocutors to be regarded as an end in itself by some actors causing the creation of new parallel structures and mechanisms to plan and monitor the implementation of the PD, both at country as well as at the international level.
- One interlocutor noted that harmonisation and the will to reduce transaction costs and duplication of labour led some donors to refrain from own substantive analyses of, e.g., country performance. Instead, they made use of analytical work by the World Bank and the IMF, thus uncritically adopting their positions even on controversial issues.
- Some interlocutors (e.g. in BMZ and InWEnt) felt that the PD's country focus was superseding regional initiatives such as NEPAD, the African Peer Review Mechanism (APRM) or the African Union.

### 3.1.7 Assessment

Commitment to the Paris Declaration at headquarters level as well as at decentralised country level seems genuine and high in all German aid institutions covered by this evaluation. The PD is generally seen as a highly relevant and politically binding international agreement. However, individual interpretations and relevance assigned to the different principles and modalities vary within and between agencies and across countries.

Perceived conceptual conflicts between principles of the PD are not regarded as serious enough to jeopardize the implementation of the PD and the overall commitment to the PD is not questioned because of these conflicts.

Anecdotal evidence shows that interlocutors in all organisations covered by this evaluation observe positive and negative effects of the PD. The general impression is that – so far – positive effects have outweighed the negative ones. At least, by and large, there is no evidence that the observed negative effects undermine the commitment to the PD and its principles in any significant way.

As for the discussed potential conflicts between some of the PD's principles, it is the evaluation team's conviction that such tensions are rooted in the complex nature of the aid relationship between donors and recipients. In the team's view, their occurrence is thus not due to an inadequate conceptual framing of the PD but rather lies at the very heart of the aid effectiveness debate. As a consequence, they can only be resolved by means of continuous monitoring, reflection, and learning in the course of implementing the PD.

In particular, the perceived conflict between ownership and mutual accountability should be in part resolvable by a consistent results orientation by all stakeholders, at least with regard to

the tension between conferring full ownership and responsibility for resources to recipients and holding them accountable for development results. The same link is thought to exist – albeit probably less obviously – between managing for results and the perceived tension between country ownership and donors being held accountable by recipients. The evaluation team's perspective is that the commitment made by donors under the mutual accountability principle (Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens) represents an important input to the process of generating genuine partner ownership and should thus in practice not collide with this principle.

The evaluation team was somewhat surprised by the frequency with which concerns were expressed that the principle of mutual accountability was not well enough defined in the PD. Taking the relatively clear commitments for partner governments and donors respectively into account, which are formulated in the PD under this principle, the evaluation team's understanding is that this concern refers mainly to the mutual commitment to “jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments (Indicator 12).” In fact, there seems to exist no common international understanding as to how such assessments should be structured in order to ensure objectivity and how mechanisms that are to hold each side accountable for development results could be designed in practice.

Against this background, BMZ's engagement in the DAC Joint Venture on Managing for Development Results is regarded as an important input into the conceptual refinement of the PDs principles and modalities, in particular, to further develop assessment methodologies for indica-

tor 12 of the PD. Work at the level of the Joint Venture should thus also contribute to answering the key question: Who can legitimately be held accountable by whom, for what, and how? Taken together, this should help to resolve potential conflicts between ownership on one side and harmonisation and mutual accountability on the other. This should also apply to the potential conflict between internal and external accountability on the recipient as well as on the donor side.

The evaluation team has some concerns with regard to German aid institutions' interpretation of indicator 9 of the PD. More specifically, in the view of the evaluation team it is debatable whether in kind contributions of technical cooperation are in fact compatible with the PD's definition of PBAs, in particular the requirements for a single comprehensive budget framework; formalised processes for harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and the use of local systems for programme design and implementation, financial management, monitoring and evaluation (see footnote 29).<sup>47</sup>

However, it needs to be emphasized that the evaluation team's concern is not whether the wording of the definition should be interpreted in

one way or another. What's more, it is the team's general conviction that from a development perspective there can be good arguments for a range of modalities to support partner programmes and policies, including direct contributions of TC, and that the final decision on modalities and instruments should always be guided by the objective to increase the effectiveness of aid and to reach development results, rather than by formal conceptual definitions.

This view is supported by the definitions and guidance issued by the OECD-DAC for the 2008 Survey on Monitoring the Paris Declaration,<sup>48</sup> which acknowledge that "Donors can support and implement programme-based approaches in different ways and across a range of aid modalities including budget support, sector budget support, project support, pooled arrangements and trust funds [...]. A range of aid modalities can be designed to exhibit the features of a PBA. For example, direct budget support (including General and Sector budget support) is typically likely to respond to the attributes of a PBA [...]. Similarly project aid that is delivered in the context of a Sector-Wide Approach, or that is pooled through a basket fund or through a pooled arrangement for technical assistance can respond to the required attributes." However, at the same time it is explicitly stated that "no particular aid modalities automatically qualify as PBAs".

Thus, while there might be good reasons to decide in particular circumstances that the potential advantages of direct contributions outweigh the arguments for strict harmonisation and the use of local systems, e.g. for financial management, there are so far no clear criteria as to guide this decision.

Accordingly, the evaluation team believes that clear criteria need to be established as to the circumstances under which in kind contribu-

47 Based on the DAC's Definitions and Guidance (of 4 January 2008) for the Questionnaires of the 2008 Survey on Monitoring the Paris Declaration, some interlocutors in BMZ argue that in kind contributions of technical cooperation are compatible with the PD's definition of PBAs. Reference is made to the specification of the criteria no. 3 and no. 4 (listed on p. 22 of the Definitions) for ODA to qualify as a PBA. The specification of criterion no 3 reads: "Is there a formal process for donor coordination and harmonisation of donor procedures for **at least two** of the following systems: (i) reporting, (ii) budgeting, (iii) financial management, and (iv) procurement?" The specification of criterion no. 4 reads: "Does your support to the programme use **at least two** of the following local systems: (i) programme design, (ii) programme implementation, (iii) financial management and (iv) monitoring and evaluation?" (bold letters in the original document quoted). – These specifications do not dispel the evaluation team's doubts regarding the PBA-compatibility of in kind contributions. First, all of the four criteria of the PBA definition have to be met (including no. 2 "a single comprehensive programme and budget framework"). Second, even the specification of criterion no. 3 requires at least two conditions to be met (i.e. in addition to reporting either budgeting or financial management or procurement). The evaluation team is not sure whether in kind contributions of technical cooperation in the way they are frequently practiced by Germany meet these conditions. BMZ expects the 2008 Monitoring Survey to provide further clarification of the subject.

48 Available at <http://www.oecd.org/dataoecd/55/58/39858712.doc>

tions to PBAs should be considered appropriate and superior to other approaches. This decision should be strictly guided by the objective to support partner countries' development strategies in the most effective way and not by practical constraints rooted in the specific institutional set-up of an individual donor's aid system. One potential avenue to ensure this, could be to establish a requirement for other donors contributing to a supported partner programme to formally agree that there is a specific need for direct contributions in the particular country circumstances.

Finally, there seems to exist unexploited potential for more delegated cooperation with German aid agencies as active as well as silent partners. Although the general view can be accepted that international division of labour based on partners' priorities should be the medium to long term goal, the need to consistently reduce transaction costs and eliminate duplication of labour in the short run makes it seem inappropriate to forgo the immediate gains which delegated cooperation promises in this respect.

### **3.2 Reflections in policies, implementation plans, programmes, and procedures**

#### **3.2.1 Policies**

As an EU member state, Germany is an active part of a wider European policy framework that has also played a role in the formulation of the Paris Declaration. The European Consensus on Development (2005) and the EU Africa Strategy (2005) are two documents of a variety of policies that were agreed at European *and* member state level. The latest EU document with policy relevance for the Paris Agenda was the "Code of Conduct on Division of Labour" (also with explicit reference to

the PD, see document no. 69 in Annex 3), which was agreed under the German EU Presidency in May 2007. Focus of this evaluation, however, is bilateral German development cooperation.

The key overarching document for German development cooperation is currently the "12<sup>th</sup> Report on Development Policy" of May 2005 by the German Federal Government to the Federal Parliament (see document no. 68 in Annex 3).<sup>49</sup> This edition was elaborated in the wake of the formulation of the Paris Declaration and contains a section on the "evolution of instruments and structures in German cooperation" (see Chapter 4 of the report on institutional and systemic capacity).

BMZ's key tasks include the elaboration of country and sector strategies as well as other general policy documents. With specific regard to the Paris Declaration, a strategy paper was published by BMZ in September 2005, identifying potential areas for reform and adaptation in the German aid system six months after having signed the PD (see document no. 26 in Annex 3). The strategy paper entitled "Enhanced aid effectiveness: focusing German development cooperation on the Millennium Development Goals. Implementing the Paris Declaration on Aid Effectiveness" (see document no. 25 in Annex 3) included an implementation plan for all German development cooperation for 2005/2006 (see below).

German implementing agencies also have embraced the PD in their policies, even though one does not always find a distinct high-level policy statement. Yet, the principles are found throughout a variety of planning and conceptual papers of the organisations. One interlocutor spoke of a "cascade-like trickle-down", as is also formulated in the DAC Peer Review of German Development Cooperation of 2005.

<sup>49</sup> The report is published in roughly biannual intervals. The 13<sup>th</sup> report is not yet published, which might be due to workloads during the EU Presidency and the G8 Chair in 2007.

### 3.2.2 Implementation plan

BMZ's implementation plan on the Paris Declaration for 2005/2006 (see document no. 25 in Annex 3), is structured along the principles and the indicators of the PD and is linked to the MDGs. It identifies detailed activities for the German aid administration. Measures suggested are, inter alia, the extension of multi-annual commitments, more joint missions and joint evaluations, better coordination among German agencies and more funds for PGF. It was accompanied by a staff manual of December 2006. The manual is even more important than the implementation plan in that it spells out in much more detail, which steps have to be taken by the German aid system in order to achieve the PD targets by 2010.

The implementing agencies make reference to the BMZ implementation plan, although they have not necessarily elaborated a plan for their own activities. KfW for its part refers directly to the BMZ implementation plan on the Paris Declaration from which the overall strategic goals for financial cooperation with regard to the PD, their planning, implementation and monitoring at the levels of both headquarters and local offices are continuously derived. GTZ also makes reference to BMZ's plan, and further reflects the latter in its annual goals (see document no. 34 in Annex 3). GTZ's annual goals are laid out in its business plan and are feeding into implementation strategies in the partner countries. These goals reflect demands for a stronger reference to national poverty reduction strategies of partner countries and focuses on capacity development. In 2007, for instance, PD indicator 9 is a specific goal for the strategic annual planning of GTZ with regard to funding obtained from the BMZ, i.e. for about 66 percent of its overall business activities.<sup>50</sup> DED has circulated guidelines (in a letter to staff) empha-

sing planning, monitoring and evaluation with regard to aid effectiveness (see document no. 55 in Annex 3); annual targets of DED also included several aspects of the PD, inter alia, co-financing and including effectiveness orientation in all level of cooperation.

### 3.2.3 Programmes

Much of the debate on the PD has evolved around PBA, or rather: PGF. The updated "Guidelines for Bilateral Financial and Technical Cooperation" of March 2007 have now changed the framework for coordination among German actors. The formal requirements for PGF set by the guidelines have been reduced to a check if German contributions to joint financing arrangements are primarily used to finance investment and not for current expenditures.<sup>51</sup>

BMZ has drafted a PGF concept paper (document no. 18 in Annex 3) detailing goals, design features, minimum requirements, and exit criteria for German participation in PGF as well as the distribution of responsibilities within the German aid system. A separate policy brief (document no. 70 in Annex 3) on budget support in German development cooperation summarizes the concept paper to inform the ongoing political debate on PGF.

BMZ has set targets to expand the amount of financial cooperation provided in the form of PGF from € 300 million in 2006 and € 350 million

<sup>50</sup> The remaining comprise, inter alia, services provided on behalf of other donors, and activities of International Services, the commercial branch of GTZ.

<sup>51</sup> Beyond the limit of € 20 million, formal approval by the Finance Ministry is required. The limits for formal requirements have been raised successively in the past: from originally € 6 million to € 15 million and now, with the updated Guidelines, to € 20 million. This may in fact create incentives for BMZ to make PGF contributions only below this limit.

Formal checks are necessary in all cases due to German budget law, which requires the budget line for financial cooperation to be used predominantly for investment purposes. This is because the budget line for financial cooperation is entirely counted as investment expenditure which helps the government to satisfy a constitutional requirement that the government's net borrowing in any fiscal year may not exceed the amount of investment expenditure in that year's budget.

in 2007 to € 400 million in 2008.<sup>52</sup> It is intended to expand the share of financial cooperation with Sub-Saharan African countries channelled through PGF (see document no. 16 in Annex 3). Budget support has become an important position within the PGF financial assistance envelope: in 2005 and 2006, more than 60 percent of all PGF were provided as budget support, in 2007, the level was at 44 percent and in 2008, the projected share of budget support in PGF is at 55 percent. This resulted in an overall share of budget support in all financial assistance of 15 percent (in 2005) and 14.2 percent (in 2006). A substantial part of German PGF is also provided via basket funds (for an example see Box 3.3), namely around one third (31 percent in 2005; ca. 39 percent in 2007).<sup>53</sup>

The linking up of financial and technical assistance apparently is an ongoing endeavour of the German aid system. One of the areas pointed to as an example for this was the German support to public financial management, which is closely linked to improving framework conditions in partner countries for the provision of budget support (for examples see Box 3.4).

Capacity development in partner countries is regarded as key for achieving the MDGs and is a key area of activities of German development cooperation. GTZ stated that it had invested in elaborating its understanding of capacity development, calling for further developing the argument of comparative advantages, and more thoughts on the rationale for modes of delivery (see document no. 44 in Annex 3). One example provided for capacity development activities is, inter alia, Senegal, where particular emphasis is put on decentralization, SME and financial sector

support. Ghana is also supported in a similar area (see Box 3.5).<sup>54</sup>

Also active in capacity development in this area is InWent, with capacity building support particularly to education ministries, related to the Collaborative Africa Budget Reform Initiative (CABRI).

These illustrations shall provide anecdotal evidence for embracing the PD in programmes. The conduct and results of these programmes are much rather – and in more detail – subject of country evaluations.

### 3.2.4 Procedures

German bilateral aid is based on government-to-government consultations and negotiations. Interviewees flagged these negotiations' potential of being at odds with the PD in their current format. It was questioned whether these bilateral consultations and negotiations should be led by an envoy from headquarters, as is currently practice; this potentially adds to the burdensome high number of missions in some countries.

German aid is usually based on country strategy papers (see Chapter 1). For a number of partner countries, country strategies have been replaced by joint assistance strategies with other donors and the partner country (e.g. Uganda, Mozambique). In these cases, BMZ only provides for an introductory chapter for domestic use in order to contextualize the specific German contribution in aid. This "chapeau" paper should then lead to priority area strategy papers (*Schwerpunktstrategie-papiere*) which operationalise German assistance.

52 This is also contained in annual targets for staff. BMZ department 3 for 2007 aimed at achieving 50 percent of all committed financial assistance to be in the modality of PGF and at a doubling of the pooling of technical cooperation. On staff and departmental targets of BMZ, see Section 5.1.1.

53 Figures provided by BMZ. On the current standoff with Parliament, see above, Section 3.1.

54 To reflect this broader concept of ownership, GTZ has developed a participatory evaluation instrument (eVal) to assess progress in development indicators and ownership, aimed at checking if partners, donors and local populations share the same concepts of specific development activities and views of progress made.

**Box 3.3: German support to the Tanzanian health sector basket fund**

In the 1970s, the Tanzanian public health sector was commended as exemplary. Due to lack of resources and mismanagement, however, it then got into crisis and public health deteriorated. In the mid-1990s, Tanzania started a comprehensive public health reform. This reform is supported by a broad donor community via a sector-wide approach (SWAP).

While, some years ago, dozens of donors implemented more than 250 projects – mostly uncoordinated and with high transaction costs for the Tanzanian Ministry of Health – donors nowadays coordinate in order to work more efficiently on this challenge. As an alternative to the multitude of individual projects, a basket fund was initiated in mid-2000. The basket fund was meant to increase ownership of the Tanzanian side and provide for more effective coordination of resources. It was supported by several bi- and multilateral donors (Germany, World Bank, Denmark, UK, Ireland, Norway and Switzerland).

The SWAP is more than a funding mechanism. It creates the framework for joint decision-making on priorities, settling of conceptual questions and discussing issues around implementation.

KfW and GTZ yielded their experience and strengths from project work in Tanzania and other countries in this process. Both German institutions covered particularly the four topics financial management, infrastructure development, health services at district level and combating HIV/AIDS. The World Bank, for instance, worked on questions of financing mechanisms (health insurance models, financial contributions by patients, health funds at community level, etc.).

BMZ thus far has contributed € 25.7 million to the basket funding and has committed a further € 6 million for the coming years.

See document no. 3 in Annex 3

**Box 3.4: Examples of countries with budget support activities (with negotiating mandate to KfW) accompanied by technical assistance (GTZ)**

Country	Budget support via financial cooperation	Accompanying technical assistance
Burkina Faso	General budget support through KfW	GTZ counsellor to the Ministry of Finance
Ghana	General budget support through KfW	3 GTZ counsellors in the areas of fiscal policy, fiscal administration, and public finance reforms, InWEnt programme public finances, DED counsellor to support the German lead
Malawi	Sector budget support through KfW (Decentralisation)	GTZ counsellor to the ministry in charge, GTZ counsellor in the bilateral cooperation sectors supporting the thematic work on the programme
Namibia	Sector budget support through KfW (Transport)	GTZ counsellor to the ministry in charge, further support by CIM
Niger	Sector budget support through KfW (Primary education)	GTZ counsellor to the Ministry of Finance
Rwanda	General budget support through KfW	GTZ counsellor at macro-level in bilateral focal sectors, also lead among donors on decentralisation and family planning
Zambia	General budget support through KfW	GTZ counsellor to the Ministry of Finance
Tanzania	General budget support through KfW	GTZ counsellor in bilateral focal sectors supporting budget planning and implementation in respective thematic areas

Source: BMZ

**Box 3.5: Direct contributions of technical cooperation and capacity development linked to PGF**

One example provided by GTZ documentation on joined-up development cooperation (“development cooperation in one cast”) was Ghana, where GTZ conducts a programme on Good Financial Governance (GFG). Its goal is to support partners in their reforms. The focus of this programme which goes beyond Public Financial Management in the narrower sense, is capacity development in the fiscal system over a period of 12 years. With the new phase in 01/2007, support has been expanded to a reform of the budgetary system. Partners in this programme are the Ministry of Finance and Economic Planning (MoFEP), not least so because of its role in coordination of the budget, and the Revenue Agencies Governing Board (RAGB) – the oversight body over three separate fiscal agencies. Ghana is currently supported by Multi-Donor Budget Support (MDBS), in which participate: the African Development Bank, Denmark, Germany, the European Commission, France, Canada, the Netherlands, Switzerland, the UK and the World Bank. The programme is closely linked to Ghana’s second generation Poverty Reduction Strategy Paper (GPRS II). On demand of the BMZ, GTZ participates in strategic planning within the MDBS. In the MDBS Core Group, Germany is represented by the economic cooperation officer of the embassy and by KfW. GTZ, also present at group meetings, sees itself as being in the position of a linkage between the government of Ghana and the group of donors to the country. GTZ argues that the modality of aid – provision of a technical expert – made it possible for GTZ to establish its capacity on the spot, to react to partners’ needs with flexibility and, at the same time, to create a trustful cooperation with partners.

See document no. 38 in Annex 3



These latter papers – conceptually developed before the emergence of PRSPs – are jointly agreed between Germany and the partner government. By now they are to indicate objectives and indicators as central elements of managing for development results. Where bilateral formal discussions prevail (consultations and government-to-government negotiations), coordinated donor papers are used for preparation sometimes.

A key document on procedures are the “Guidelines for Bilateral Financial and Technical Assistance” (*FZ/TZ-Leitlinien*, see document no. 19 in Annex 3), which were revised in 2007. The new guidelines provide the framework for an improved cooperation of the different implementing agencies, namely KfW and GTZ. It accommodates for joint programming and joint reporting of both structures and requires better linked up-cooperation within the German aid system. Often, however, German agencies appear to understand joint programming, joint missions or joint evaluations as joint missions among German agencies, rather than missions with other donors’ agencies.

Similarly to other changes in procedures, joint funding mechanisms have gained (conceptual) ground with the Guidelines for Technical and Financial Assistance of 2007. Regulations appear to no longer favour parallel funding over joint funding due to more procedural flexibility. As indicated above, a number of improvements have been agreed upon with regard to the aid modality PGF in the German system.

The updated “Guidelines for Bilateral Technical and Financial Assistance” also provide for a broader scope for German implementing agencies to engage in delegated cooperation and silent partnerships. The document gives more flexibility in accepting the procedures of partners when engaging in silent partnerships. BMZ has established best practice in delegated cooperation (see document no. 4 in Annex 3) and, in July 2007, formulated the state of affairs on this pro-

cedure. The 2007 document on delegated cooperation provides definitions (according to DAC) and German positioning. Inter alia, BMZ refers directly to PD indicator 4 (50 percent of technical cooperation should be coordinated with other donors and aligned to partner programmes) (see document no. 1 in Annex 3). Delegated cooperation and silent partnerships are to a lesser extent practiced with Germany being the silent partner. This form of aid delivery is rather seen as transitional; BMZ prefers a clear division of labour. However, the Foreign Office stated reservations about focusing aid on a smaller number of countries and the practice of delegated cooperation: In cases of overall political interests, say, in a post-conflict country or in a country in democratic transition, the withdrawal of aid from a partner country – albeit much in line with the PD – could send the wrong political signals.

During its EU Presidency, Germany was highly engaged in reaching an agreement on a Code of Conduct on a Division of Labour. Complementarity of EU donors is a long-debated issue within the European Union with relatively few results until now. In May 2007, the code of conduct was agreed by the EU Council of Ministers. The document makes explicit reference to the PD and outlines eleven principles on how to coordinate among donors. EU donors should have a maximum engagement per country in three sectors – and not more than five EU donors should engage in any partner country. Before the code of conduct was in place, Germany had already begun to focus its development cooperation to a maximum of three sectors per country, as discussed in Chapters 1 and 4.

Regarding managing for results, BMZ introduced a management by objectives (MBO) process in 2004 defining goals for the ministry as a whole and for the different departments and units. The commitments made under the PD have been incorporated into the MBO process. Results orientation (especially with regard to poverty

reduction and the MDGs) is being integrated into policy and strategy papers, particularly into priority area strategy papers and common programme proposals (see Section 1.2.2). Furthermore German development cooperation supports international efforts for enhancing results orientation, examples being the support given to the development of a harmonised Poverty Impact Assessment within the DAC POVNET and the chairing of two task teams within the DAC Joint Venture on Managing for Results (see also document no. 67 in Annex 3).

All implementing agencies have developed their own programming tools to better aim for and monitor results. DED provided its Planning, Monitoring and Evaluation (PM&E) work as an example for programming. PM&E has been adapted since the launch of the Paris Declaration and is explicitly referring to it (see document no. 54 in Annex 3). DED now aims at shifting its focus away from individual projects and rather taking the broader country and programming context into consideration (see document no. 55 in Annex 3). Similarly, InWEnt has clustered its activities and has established PriME (Programme-integrated Monitoring and Evaluation System), trying to assess outcome and impact of its activities by referring to the plausibility of results chains. In 2002, GTZ introduced its new contracting procedure AURA (*Entwicklungspolitischer Auftragsrahmen, Development-policy Framework for Contracts and Cooperation*) with a view to strengthening its results orientation.<sup>55</sup> For KfW, the programming tool is a logframe approach.

<sup>55</sup> With a relatively new management tool called , GTZ is furthermore aiming at identifying success factors for the activities of its staff, thereby also aiming at results.

### 3.2.5 Assessment

The evaluation team found evidence that German development cooperation is indeed striving to implement the Paris Declaration beyond mere summit rhetoric. This endeavour to translate the PD into practice is tangible throughout the German system and explicitly also comprises technical cooperation. The evaluation team was provided with the examples of a number of programmes – mainly at country level – and found evidence for substantial debate and reflections of PD principles in these programmes.

Principles of the Paris Declaration are endorsed and reflected in basic policy documents of all German actors of state cooperation. All actors have highlighted the PD's translation into their policies, programmes and procedures. Some of these policy changes have pre-dated the Paris Declaration, yet they accommodate for its principles. Translation into policies is practised to varying degrees, with InWEnt showing less explicitly PD-triggered changes.<sup>56</sup> Whether the programmes have been duly realised and whether they have reaped the intended results, will be predominantly subject to the evaluations at partner country level.

The BMZ implementation plan prescribes policies for the ministry and German implementing agencies. The paper also lists clear tasks for the aid administration, identifying specific needs for more information to be provided and thus provides for an adequate level of tangibility and action orientation. At hindsight, much of the points have been addressed by the German aid system at policy level. While implementation of activities suggested in the plan has been moni-

<sup>56</sup> This lesser extent of explicit reflection in InWEnt policy papers might be partly due to the agency's specific role (capacity development). It might also be explained by the relatively recent establishment of InWEnt (2002). Much of the predecessor of Paris, the Rome Agenda, was already in the discussion when rules and procedures of this merger of DSE and CDG were established; hence a perception prevails that there is lesser need for redirection of internal readjustments.

tored in practice, there has not been a systematic monitoring report nor a follow-up on identification of further activities.

The changes in procedures are regarded as due to debates on more coherence in the German development system (“German development cooperation in one cast”, as is the catchphrase in the German aid system) and due to political support by the PD. All implementing agencies appear to have programmes supporting PD-relevant areas, particularly on PGF.

At the level of programmes and procedures, German implementing agencies pointed to having invested in their understanding of capacity development. This, however, does not yet mean ‘mission accomplished’ as the crucial part is a common understanding among donors and between donors and partners. A joint evaluation study commissioned by BMZ, Danida and AusAID formulates this as an ongoing task for international development, with one of the key recommendations for the effectiveness of technical assistance being: “Develop a common understanding of capacity and change” and “Improve the capacity of development partners”. In that evaluation, agencies such as GTZ were highlighted as “being well-placed to design interventions that position TA roles within a broader capacity development support strategy” due to their experiences on the ground.<sup>57</sup>

With regard to managing for results, the topic appears to be high on the agenda, but with a discussion still in flow. The evaluation team was presented a number of documents. Managing for results features prominently in BMZ’s implementation plan on the PD. BMZ regards this plan as the paramount frame of reference for the German

aid system. Under this umbrella, however, each agency operates with its own system. German implementing organisations appear to be actively embracing important elements of the PD relevant to their activities; often, the tools described in their documents predate the PD.

The “Code of Conduct on a Division of Labour” at EU level represents a success of the German EU Presidency. Implementation, however, can be expected to be slow and difficult in the entire EU. Closing down some aid activities (even if in a consorted manner with other donors who might pick up activities in this field) is a major challenge for all donors.

### 3.3 Dissemination

#### 3.3.1 Findings

The dissemination of the PD and related topics and documents has taken numerous forms ranging from the provision and exchange of information to the discussion of specific topics in particular events or standing fora and the publication of papers or articles. An overview is given in Box 3.3.<sup>58</sup> It shows that dissemination has not been confined to the executive branch (i.e. the BMZ, the Foreign Office and the implementing organisations) but included the legislative branch (more specifically the Federal Parliament’s Committee on Economic Cooperation and Development and the Budget Committee) and major civil society organisations (CSOs).

As for the executive branch, dissemination has extended to both headquarters and offices at country level. None of the interlocutors inter-

57 Tony Land: Joint Evaluation Study of Provision of Technical Assistance Personnel. – What can we learn from promising experiences?, ECDPM Discussion Paper No. 78, September 2007, page xi and 37.

58 The overview contains neither dissemination through training (by means of workshops/seminars or manuals/guidelines), which will be dealt with in more detail in Section 4.1.1, nor dissemination through organisational or individual performance targets (see chapter 5), although both training and performance targets by their very nature tend to have a strong dissemination effect.

### Box 3.6: Levels and forms of dissemination of the PD and related topics and documents in the German aid system

#### I. Government level (BMZ, Foreign Office, main implementing agencies)

1. *Dissemination of PD-related documents (BMZ implementation plan, policy statements, guidelines, manuals, briefs, best practices etc.)*
  - Dissemination of the documents at headquarters level (BMZ, DED, GTZ, KfW)
  - Dissemination of the documents from the headquarters to the country offices (including a circular of the Foreign Office to the embassies in 2005 requesting acknowledgement and implementation of the PD)
  - Foreign Office passing PD-related guidelines, manuals etc. of the BMZ on to the embassies
  
2. *Particular information events on the PD and related topics (other than training programmes, workshops and seminars)*
  - Presentation of the PD in several directorate meetings of the BMZ
  - Particular information events on the PD (DED, InWEnt, KfW)
  - Regular PD-specific *jour fixe* twice a month (GTZ)
  - Round table discussions on the PD in InWEnt's training centre for outgoing experts and volunteers (in February 2006 and June 2007)
  
3. *Discussion of PD-related subjects in regular meetings or standing fora*
  - PD being a topic in the regular introduction for new BMZ staff
  - PD-related topics being discussed in:
    - the country and sector/thematic teams<sup>a</sup> (including on evaluation) of German development cooperation
    - the regular meetings of the GTZ teams in partner countries
    - the biennial meetings<sup>b</sup> of BMZ's economic cooperation officers<sup>c</sup> seconded to the embassies
    - the regular meetings of the heads of KfW's country offices
  - PD being the topic of KfW's Berlin Forum on Globalization (*Berliner Fachgespräch zur Globalisierung*) in January 2007
  - PD-related aspects being touched during GTZ's 2007 annual conference (*Eschborner Fachtage*) on capacity development
  - Special discussion on budget aid during the 2007 annual meeting of German ambassadors
  - PD-related topics being discussed in several *jour fixe*-events organized by InWEnt (for Bonn-based development cooperation organizations)
  - Presentation by DED on mainstreaming the PD at local level (*„Paris in die Kommunen tragen“*) during the *BMZ-Mittagsgespräch* (BMZ brown bag lunch) on 6 December 2007
  
4. *Informal (day-to-day) exchange of information and experience concerning PD-related subjects*
  - Current exchange at headquarters and field level within and across the individual organizations (including exchange with other donors)
  - Experience with the PD being shared in the briefings and debriefings of BMZ's economic cooperation officers on the occasion of their annual leaves in Germany
  - Current experience with the PD in partner countries being reported from country offices to headquarters (BMZ, DED, GTZ, KfW)

## II Parliamentary level

5. *PD-specific discussions with committees and members of the Federal Parliament (Bundestag)*
  - Meeting of BMZ officials with members of the Committee on Economic Cooperation and Development (AwZ) after the adoption of the PD to inform about the PD
  - Discussion on budget aid between the BMZ's Parliamentary Secretary of State and members of the Budget Committee in October 2007
  - Written answers by the BMZ to detailed questions by members of the Budget Committee on PGF and budget aid (December 2007)
  
6. *PD-related hearings held by the Bundestag's Committee on Economic Cooperation and Development (AwZ)*
  - Hearing on good governance (including the relationship between good governance and PBAs/public financial management) held in June 2006
  - Hearing on budget aid held in November 2007

## III Civil society organisations (CSOs)

7. *PD-specific discussions with CSOs or information events organized by CSOs*
  - Discussion on 8 May 2007 between BMZ and representatives of VENRO, the aid services of the two main Churches, political foundations and some other CSOs on the PD and its meaning for CSOs and the Federal Government
  - Seminar on the relevance of the PD for CSOs organized by DWHH on 7 September 2006
  
8. *Papers and articles on the PD and CSOs*
  - Paper by EED on the view held by the aid services of the Churches on the PD and the „Paris Agenda“ of the Federal Government (May 2006) [document No. 64 in Annex 3]
  - Article on the relevance of the PD for CSOs published in the bimonthly review „Eins. Entwicklungspolitik“ by the former BMZ division chief in charge of cooperation with CSOs [document No. 65 in Annex 3]

a For an explanation of the country and sector/thematic teams see Box 4.4.

b The biennial meetings take place in Germany. In 2007, for the first time an additional regional meeting was held in Nairobi.

c The term „economic cooperation officers“ is derived from the first part of BMZ's official name (Federal Ministry for Economic Cooperation and Development) and originates from the time when the BMZ's name was only „Federal Ministry for Economic Cooperation“. Actually the economic cooperation officers are responsible for development cooperation.

viewed in the headquarters and none of the representatives in the ten partner countries who answered the questionnaires complained of insufficient information on the PD.<sup>59</sup>

Regarding the parliamentary level, the initiative to disseminate the PD was taken by BMZ shortly

after its adoption by informing the Committee on Economic Cooperation and Development (AwZ). At later stages discussions were held with members of the Budget Committee. In turn, the AwZ dealt with PD-related topics such as PBAs and public financial management in a hearing on good governance and held a specific hearing on budget aid, while the Budget Committee recently asked the BMZ to answer a detailed list of questions on PGF/budget aid. The two committees

59 Only one interviewee mentioned that the BMZ's implementation plan had not got to his desk.

have focused their interest so far mainly on PGF and budget support rather than on the PD agenda as a whole, because they regard the two modes of delivery as critical issues.

Dissemination at the CSO level equally occurred on the initiative of both sides, i.e. the BMZ and some major CSOs. The BMZ held a discussion with representatives of VENRO (the umbrella organisation of German development CSOs), the aid services of the Churches, the political foundations and some other CSOs. According to BMZ, this discussion is to be continued. The former BMZ division chief in charge of cooperation with CSOs published an article on the relevance of the PD for CSOs [document no. 65 in Annex 3]. DWHH, one of the main non-religious development CSOs in Germany, organised a seminar on the relevance of the PD for CSOs. EED produced a paper on the Churches' view on the PD and the Paris Agenda of the Federal Government [document No. 64 in

Annex 3]. For the views taken by German CSOs' on the PD see Box 3.6.

### **3.3.2 Assessment**

The overall impression is that the PD has been disseminated widely and intensively in the German aid system: widely due to the involvement of the main actors at the levels of government, parliament and CSOs, and intensively, since the dissemination frequently extended beyond the provision of information by taking the form of discussions of specific subjects of the PD. Concluding, it can be said that the main actors of the German aid system have translated their acknowledgement of the PD not only in policy statements, an implementation plan and procedures but also in a process of dissemination and discussion which has certainly contributed to increasing the knowledge and understanding needed to implement the PD agenda.

## 4 Assessing capacities

In the following, capacity will be discussed at two levels: institutional capacity of the individual organisations considered in this study and systemic capacity of the German aid system as a whole. Institutional capacity is defined as comprising three aspects that are crucial for the implementation of the PD: (i) institutional embedding of the PD, (ii) PD-related knowledge (with training being an essential input to knowledge), (iii) human resources (including capacity of action at partner country level).<sup>60</sup> Systemic capacity means the ability of the German aid system to cope with the challenges of the PD. There are factors in the institutional set-up of the German aid system and the interplay of the main actors that support and complicate the implementation of the PD.

### 4.1 Institutional capacity

#### 4.1.1 Institutional embedding of the Paris Declaration

For an agenda to be implemented, it is important to have staff serving as focal points and organisational units in charge of managing and supporting the process. As for the PD-agenda, BMZ, DED, GTZ and KfW appointed focal points for the PD.<sup>61</sup> In the Foreign Office, the division in charge of development cooperation serves as the focal point for the PD. In addition, BMZ, DED, GTZ and

KfW created special units of different configurations or strengthened existing ones to deal with specific PD-related topics (see Box 4.1 next page). The task of these units essentially consists of studying the topics, mainstreaming them in the own organisation and providing support to staff at headquarters and country level.

#### 4.1.2 Knowledge and training

According to the interviews, in which more than 100 interlocutors participated, and the questionnaires answered by 34 representatives in partner countries, the knowledge of the PD is high. During the interviews the interlocutors, who comprised not only staff directly concerned with the PD but also members of regional departments, proved to be well informed about the principles and modalities agreed in the PD and the agenda resulting from the PD for the German aid system as defined in the BMZ's implementation plan. The same can be said of those who answered the questionnaires.<sup>62</sup> The uncertainties and differing views expressed with regard to the interpretation of some principles, modalities and indicators (see Chapter 3.1) do not contradict this finding since the concerns voiced expressed the need for further clarification of relevant aspects rather than lack of knowledge of the PD.

60 Capacity of action at country level depends not only on staffing but also on the degree of delegation of decision-making power, which analytically is a separate issue and should therefore be distinguished from capacity in terms of human resources. In practice, however, as a response to the PD the German aid system has made efforts to increase human resources at country level, accompanied in various cases by the delegation of some decision-making power. Therefore, both issues will be dealt with together (Section 4.1.3).

61 By its own account, InWEnt has not appointed a focal point for the PD. InWEnt mentioned its Programme Commission, which is in charge of discussion and appraisal of project proposals and was said to put great emphasis on results orientation.

62 This finding is based on the direct observation by the evaluation team during the interviews and the study of the answers to the questionnaires. Several interlocutors, including superiors, described the knowledge of the PD as being *generally* high in their institutions for the reasons indicated below (particularly the extensive training provided).

#### **Box 4.1: Institutional embedding of the PD**

##### **BMZ**

- Appointment of a focal point for harmonisation and the PD (within the division 220 “Planning, principles and quality control of development cooperation with countries”) in charge, among other things, of BMZ’s implementation plan concerning the PD
- Strengthening of division 220 (in addition to the focal point for harmonisation and the PD) to deal with the following PD-related subjects: delegated cooperation, budget support and PGF, division of labour among donors (including the “EU Code of Conduct on Complementarity and Division of Labour in Development Policy”), redesigning the priority area concepts in accordance with PD principles
- Division 310 „Poverty reduction; Programme of Action 2015; coherence; sectoral and thematic principles“ being in charge of managing for development results and mutual accountability

##### **Foreign Office**

- Division 401 (in charge of development cooperation) acting as a focal point for the PD within the Foreign Office and passing basic documents, directives and official requests of the BMZ on to the embassies

##### **DED**

- Working group (created in mid-2006) on results-oriented planning, monitoring and evaluation (relates to the PD principle of managing for results although the unit was not directly prompted by the PD)
- Working group (created in mid-2007) on capacity development

##### **GTZ**

- GTZ-wide working group on PBAs (created in early 2006) with a steering group, a core team and two subgroups dealing with training and best practices)
- Working group on capacity development with a PD subgroup
- “Strategic project” on modes of delivery (in charge of elaborating manuals and guides, modes of delivery are also included in one of the 2008 corporate annual goals)
- Informal working group on procurement
- Sector project on public financial management
- Jour fixe to discuss PD-related subjects (twice a month)

##### **KfW**

- Establishment of a competence centre on PGF
- Appointment of focal points for the aid effectiveness agenda (in strategic department as well as in regional departments)
- Establishment of a working group on harmonisation of procedures together with AFD and EIB
- Reorganisation of 2003 (strengthening the sector teams and linking them with the country teams) helping the KfW engage in sector-wide approaches



This picture does not necessarily mean that the details of specific topics of the PD agenda are always fully known. As an example, reference was made to German embassies whose economic cooperation officers, according to the Foreign Office, are not always sufficiently trained to engage competently in discussions on budget aid. Another example is the PD's principle of managing for results: While its relevance is acknowledged and its meaning as defined in the PD is understood, several interlocutors expressed uncertainties about how to precisely identify and assess the development results of aid contributions, attributing this to methodological uncertainties rather than to a lack of information and training.

The widespread knowledge of the PD was attributed by the interlocutors to the dissemination described in Chapter 3.3 and particularly to the provision of PD-related training (see below). In addition, the following three factors were mentioned as promoting the knowledge and understanding of the PD:

- the PD's concerning most work areas at headquarters and country office level;<sup>63</sup>
- the need to "live" the PD in practice, particularly in the partner countries (e.g. need to participate in the intensified dialogue with other donors and the partners as a consequence of the pressure to harmonise and align);
- the continuous exchange of information and experience regarding the PD within

the German country teams, in country offices, at headquarters and between country offices and headquarters.

Box 4.2 gives an overview of PD-related training (meaning training that covers the PD as a whole or major topics related to the PD agenda). The box shows that training has been provided both indirectly through manuals, operational guidelines, briefs etc.<sup>64</sup> and directly through seminars, workshops, conferences etc.<sup>65</sup> Furthermore, it can be seen that training events are addressed to virtually all professional staff at headquarters and country level affected by the PD (all new staff and existing staff such as project managers, country teams etc.).<sup>66</sup>

The interest in PD-related training and the discussion of PD-related topics was reported to be high. This refers not only to particular training events but also to less formal discussions (such as brown bag lunches) and ad hoc-discussions and was explained by the commitment to the PD and the practical relevance of the PD-agenda for the current work.

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63 According to one interlocutor, the PD is much more known than the MDGs because the PD refers to the ways how development cooperation is implemented and thus concerns the current work in many aspects.

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64 This section refers to manuals, operational guidelines, briefs etc. in the narrow sense of guides for implementation (excluding training materials used in individual training events). It does not include policy statements, principles, basic documents etc. which formulate the policy and/or express the commitment with regard to the PD and are therefore dealt with in chapter 3.2. Sometimes the dividing line is blurred.

65 A third form can be coaching of staff members by their superiors in the current work (which was mentioned by one interlocutor as very useful).

66 There was only one complaint (from the economic cooperation officer in an embassy) of lack of PD-related training.

#### **Box 4.2: PD-related training in the German aid system**

*Manuals, operational guidelines, briefs etc.*

##### **BMZ**

- Guide to the BMZ's implementation plan concerning the MDGs and the PD\* (September 2005)
- Guidelines for participation in joint financing in the framework of PGF\* (November 2001)
- Concept note on PGF\* (draft, December 2006)
- Notes on joint financing (June 2005)
- Note on delegated cooperation (June 2007)

##### **DED**

- New standard format for a planning, evaluation and monitoring (PM&E) system introduced in mid 2007

##### **GTZ**

- Guide for product managers on how to revise a product with regard to PBAs
- Participation in the elaboration of the Joint Procurement Policy Guide (developed by nine donors in November 2005)\*
- Budget support: an assessment by the GTZ
- GTZ's experience with PBAs
- *(Planned as part of the "strategic project" on modes of delivery:)* Orientations on the EU Code of Conduct on Complementarity and Division of Labour in Development Policy, PBAs and capacity development

##### **KfW**

- Guide to staff on PD and BMZ's implementation plan regarding the PD
- Guide for staff dealing with public financial management
- Guide for staff on Programme Based Approaches (PBA)
- Questions and answers on Programme Based Approaches (PBAs)
- Discussion paper on alignment and harmonisation of donor policies in budget support programmes

*Training seminars, workshops, conferences*

##### **BMZ**

- PD being one aspect of the introductory training for new BMZ staff
- Once a year, the instruments and procedures of bilateral development cooperation (including PD-related aspects) are presented in several training modules
- PD-related topics being the subject of training within the country teams
- *(Planned)* Training programme for outgoing economic cooperation officers (including the PD agenda)

**DED**

- The new planning, monitoring and evaluation (PM&E) system (including ownership, alignment and results orientation) being the subject of numerous training activities in the headquarters and country offices
- PD-related topics (including capacity development and results orientation) being the subject of training events for professional staff and new staff in Germany and abroad (during specific seminars, “summer/winter schools” and regional conferences)
- PD being one subject of the introductory training for new field staff
- *(Planned)* e-learning platform for the PM&E system

**GTZ**

- PD being one aspect of the introductory training for new GTZ staff
- PD being a module in the project management course (since 2007)
- Training on PBAs (periodic one-day seminars for staff at the headquarters; four-day seminars for field staff: to date three seminars held in Africa, one in Latin America and one in Asia; collection of best practices)
- PGF being the subject of two internal workshops (in 2006 and September 2007)
- Training modules on other topics of the PD (such as public financial management, silent partnerships, results orientation)
- GTZ being a member of the “Train4dev” Network’s subgroup on public financial management
- Participation of headquarters and field staff in international conferences on PD-related subjects

**KfW**

- PD and PD-related topics (such as budget aid) being modules in the training of KfW’s trainees
- PD being one aspect of the introductory training for new KfW staff in headquarters and in the field
- PD being a regular topic at annual meeting of heads of KfW’s field offices
- Intensive training on PGF and public financial management (for staff in the headquarters and country offices including local staff)
- Participation of headquarters and field staff in international events and conferences regarding the Paris Declaration
- Participation in workshops on national level (e.g. workshops organised by Konrad Adenauer Stiftung and Evangelische Akademie Bad Boll)

\* Documents having the character of both operational and conceptual guides

#### 4.1.3 Human resources (including capacity of action at country level)

According to the interviews and questionnaires, the implementation of the PD has so far led to a considerable increase in transaction costs for German aid institutions (as for other donors alike) particularly at country level. It also put additional pressure on the staff capacity not only in qualitative terms (prompting the training efforts described before) but also in quantitative terms. The situation is complicated by the fact that human resources have already been strained before (BMZ, DED, German embassies). There was not much hope of a considerable decline in transactions costs for the short term.

Increasing transaction costs, which were emphasised particularly by the Foreign Office and several German embassies, were reported to result primarily from the principles of alignment, harmonisation and managing for results. The need for dialogue and coordination within the German aid system, with other donors and with partner countries has risen considerably, requiring additional staff capacity at headquarters and particularly at field level. Moreover, the PD agenda involves a shift to new modes of delivery (such as PBAs and budget support) and to consistent results orientation, both of which entail a demand for new substantive and management skills that are not always available and therefore to some extent have to be created first. An overview of the problems and challenges is given in Box 4.3.

#### **Box 4.3: Problems and challenges related to the PD-induced pressure on human resources in the German aid system**

##### *General problems (prior to the PD)*

- Increasing workload because of the combined effect of new tasks (due to the expanding development cooperation agenda including new subjects to be dealt with) and annual staff cuts of 1.5 percent over the last decade (BMZ, DED)
- Sometimes too fast a turnover of staff making it difficult to adequately perform a function or pursue an agenda, including the PD (BMZ)
- Understaffing of the German embassies concerning the aid agenda in partner countries where Germany is engaged in several priority areas. Generally, one economic cooperation officer represents BMZ and is in charge of government-to-government dialogue at country level (Foreign Office; several embassies; BMZ)

##### *Problems and challenges resulting from the PD*

- Problems in finding qualified personnel for new tasks such as results-oriented planning, monitoring and evaluation (DED)
- Lack of staff for coping with new tasks resulting from the PD (such as harmonisation at country level or joint evaluations with other donors and partner countries); as a consequence participation in all relevant harmonisation meetings is hardly possible (BMZ, several embassies, DED headquarters, some KfW country offices)
- Increasing workload at country level for economic cooperation officers, country directors, priority area coordinators, programme managers (several embassies, DED, GTZ, KfWs)
- Economic cooperation officers at embassies, who act on behalf of the German government, are frequently unable to fully cover the dialogue with other donors and partners (despite support from the priority sector coordinators and the country offices of the implementing organisations). As a consequence the priority sector coordinators and/or the programme managers of GTZ and KfW often engage in sector and policy dialogue speaking *de facto* on behalf of the German government (BMZ).

The German aid system has reacted to this challenge in a number of ways (see Box 4.4).

At headquarters, reassigning existing staff to PD-related tasks has been practiced by BMZ and virtually all implementing organisations interviewed. PD-induced recruitment of new staff was reported by GTZ, KfW and DED. BMZ did not mention the recruitment of new staff, which is in line with the Federal Government's policy, pursued for more than a decade now, to gradually reduce staff at all Federal ministries („slim state“). It should be noted, however, that BMZ has actually been able to increase its capacity in the last few years by the secondment of professionals from other institutions, mainly from implementing agencies, to BMZ headquarters, some of whom deal with PD-related subjects.

At country level, three responses can be observed:

- Staff of the implementing agencies (country directors, priority area coordinators, programme managers) increasingly supports the economic cooperation officers at German embassies in the dialogue with partners and other donors.
- BMZ and KfW have transferred staff from headquarters to the country level (BMZ by increasing the number of development cooperation officers seconded to the embassies, KfW by transferring PGF managers to the country offices). GTZ and KfW mentioned the recruitment of some new staff for country offices (including local staff).
- In a few cases, decision-making power has been delegated to the country level. BMZ is undertaking a rather specific „decentralisation pilot“ in four countries, giving development cooperation officers greater autonomy in the drafting of priority area strategy concepts and the preparation of government negotiations. DED transferred the planning, monitoring and evaluation responsibility to its country offices. KfW transferred its PGF management largely to the country level and increased the number of its country offices in the last few years, which de facto involves the transfer of a good deal of operations management to the country level. DED has traditionally had a strong country representation through its coordination offices in the

**Box 4.4: Responses by the German aid system to the PD-induced pressure on human resources and capacity of action at the country level (other than training and organisational rearrangements)**

**Headquarters**

*Assigning additional tasks to existing staff (increasing the individual workload)*

- Desk officers in country, sector or institutional divisions assuming additional tasks resulting from the PD agenda (such as harmonisation) (BMZ)

*Reshuffle of existing staff (assigning existing staff to PD-related tasks)*

- Assignment of several staff members to division 220 (“Planning, principles and quality control of cooperation with regions and countries”), which is in charge of the PD, to deal with different subjects of the PD agenda such as budget aid, delegated cooperation and division of labour among donors (BMZ)
- Assignment of a staff member to division 310 (“Poverty reduction; Programme of Action 2015; sectoral and thematic principles”) to deal with managing for development results (BMZ)

- Appointment of focal points for specific subjects of the PD (BMZ, DED, GTZ, KfW)
- Assignment of several professionals to the “competence area“ on PBAs (GTZ, KfW)

#### *Recruitment of new staff*

- Employment of new staff in the headquarters (GTZ, KfW)
- Recruitment of a professional for management for development results and the new planning, monitoring and evaluation system (DED)

#### *Including PD-related qualifications in job descriptions*

- Knowledge of the PD being an element of job descriptions (GTZ)
- More emphasis on management qualifications in job descriptions (DED)

### **Country level**

#### *Assigning additional tasks to existing staff (increasing the individual workload)*

- Priority area coordinators, country directors and programme managers of the implementing agencies increasingly support the economic cooperation officers at the German embassies

#### *Increasing staff capacity at the country level*

- Increase of the number of economic cooperation officers and development cooperation advisers (to 37 in January 2008) seconded from BMZ to the embassies in the last few years (the process started already before the adoption of the PD and was accelerated afterwards)
- Secondment of professionals from headquarters to country offices to assume the role of PGF managers (KfW: since 2005, in 2006, there were 6 PGD managers, in 2007, there were 13 PGF managers for the most part in Africa)
- Increase of staff in some country offices including local staff (GTZ, KfW)
- Planned: Transfer of one fourth to one third of headquarters staff to the country level (KfW)

#### *Strengthening the representation and capacity of action at the partner country level*

- “Decentralisation pilot” in Egypt, Ghana, India, Morocco (economic cooperation officers being given greater autonomy in the drafting of priority area concepts and the preparation of government negotiations)
- Transfer of part of the planning, monitoring and evaluation (PM&E) responsibility to the country offices (DED)\*
- Increase of the number of country offices in the last few years (KfW; currently 54 offices including offices run by local staff)
- Transfer of PGF management to country offices by appointment of PGF managers (KfW)

\* DED considers PM&E as the primary responsibility of the partner countries and sees its own role in the support of the creation of related capacities where they do not exist.

partner countries (currently 44). GTZ started to increase its country representation about ten years ago (i.e. much earlier than BMZ and KfW) and currently has offices in 67 developing countries.

The efforts made so far to meet the PD-induced challenges in terms of human resources and the capacity of action at country level were acknowledged by interlocutors but nevertheless considered insufficient. Further strengthening of capacities at headquarters was deemed necessary by BMZ and DED, while BMZ, the Foreign Office and several embassies stressed the need to enhance the capacity of action of the development cooperation officers. Several interlocutors in these institutions referred to the example of some other donors that unlike Germany have delegated a considerable part of decision-making power to their country representations. They also pointed to the need to increase German embassies' capacity not only in terms of staff seconded but also through more delegation of authority. Finally, KfW obviously sees the need to strengthen its country representation since it is planning to transfer one fourth to one-third of its headquarters staff to the country offices in the next few years.

#### 4.1.4 Assessment

The PD appears to be clearly embedded institutionally since there are both focal points (except in the case of InWEnt) and units (divisions, working groups, competence centres) that deal with PD-related topics. The activities of these units mentioned by the interlocutors convey the impression that the institutional embedding of the PD is not just a formal one (in the sense of having focal points in the organisational charts), but also a substantive one in that the follow up

to the PD and the discussion of relevant subjects have been taken aboard by working units.<sup>67</sup>

Knowledge is a crucial precondition for implementation. The picture emerging from the evaluation in this regard is positive. PD-related training has been taken seriously by headquarters (which largely organize the training also for their field staff), particularly in areas that constitute a challenge for the respective organisation (e.g. PGF, PBAs, public financial management, procurement, results-based planning, monitoring and evaluation). The more than two and half years since the adoption of the PD have obviously been used for broadening and deepening the knowledge and understanding of the PD throughout the institutions. This is an important asset.

As for human resources and the capacity of action at country level, the PD agenda is a challenge which has spurred a number of positive responses. These efforts are useful but appear to be not yet satisfactory regarding BMZ and DED headquarters and particularly German embassies. The latter, despite the support received from country staff of the implementing agencies, appear to be insufficiently staffed and authorised for effective dialogue and negotiations with partners and other donors. Since the implementation of the PD is a matter notably at country level, the reduced capacity of action of the development cooperation officers at the embassies is a clear bottleneck that has to be addressed.

## 4.2 Systemic capacity

The interviews and answers to the questionnaires pointed to a number of factors inherent in the German aid system and extending beyond the

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<sup>67</sup> This does not necessarily mean that staff resources are always sufficient to adequately deal with a PD-relevant subject. As an example BMZ mentioned managing for development results, pointing out that the existing staff capacity was not sufficient for giving conceptual and strategic guidance, supporting implementation and ensuring adequate monitoring.

sphere of individual organisations that both support and complicate the implementation of the PD.

#### 4.2.1 Factors supporting the implementation of the Paris Declaration

**Separate development cooperation ministry enjoying cabinet rank:** With its representation in Cabinet and its own ministerial organisation, development cooperation is in a privileged position to bring its voice and experience to bear in the government's discussions and decision-making. According to several interlocutors in BMZ, this is a potential advantage in the implementation of the PD since further alignment with partner countries' priorities and strategies and enhanced harmonisation among donors may imply that other German interests (e.g. foreign policy or economic interests)<sup>68</sup> are affected or the visibility of the German aid contributions is reduced. Under such circumstances, defending the aid effectiveness agenda pursued by the PD may be easier with development cooperation enjoying cabinet rank.<sup>69</sup>

#### Considerable implementation capacity:

The implementation capacity of the German aid system is high as interlocutors in all institutions interviewed pointed out. The Federal Government can count on numerous experienced organisations when it comes to the implementation of different types of development assistance

(such as financial cooperation, technical cooperation, economic cooperation, and training). German implementing agencies (such as GTZ, KfW and DED) have become attractive partners for delegated cooperation and silent partnerships with other donors who have dismantled part of their implementation capacity in recent years. In addition, Germany is a strong actor in technical cooperation and capacity building (mainly through GTZ and DED, but also through InWent and KfW), which can be an advantage when partner countries need longer-term support in areas such as sector programme management, public financial management or procurement (linking PBAs or budget support with capacity building).

**Multi-level approach:** German development cooperation often adopts a multi-level approach by engaging simultaneously at central and decentralised level (e.g. through advisers in ministries assisting in policy formulation on the one hand and complementary projects or programmes supporting the implementation of the policies on the other hand). By this approach and by implementing projects and programmes at different (national, regional and local) levels, German aid organisations claim to be well rooted in the partner countries and to be in a good position to participate in policy and sector dialogue.<sup>70</sup>

**Wide-spread country representation:** GTZ, KfW and DED are represented in a large number of partner countries through country offices. BMZ

68 One interviewee in the Foreign Office pointed out as an example that greater division of labour among donors (mentioned in the PD as a way to enhance harmonisation), if implying Germany's ending its development cooperation with a partner country, might conflict with Foreign Office interests in maintaining good relations with the partner country concerned (for instance if the latter had just held democratic elections).

69 One BMZ interlocutor, while acknowledging the advantage of BMZ enjoying cabinet rank, pointed to the coordination problems between BMZ and Foreign Office especially at country level (see below) resulting from the co-existence of both ministries. As for a possible solution he referred to the example of some other donors (such as the Netherlands and some Scandinavian countries) where the aid administration is part of the ministries of foreign affairs, which, however, are headed not only by the foreign minister but also a development cooperation minister enjoying cabinet rank.

70 DED pointed to its comparative advantage of working particularly at decentralised levels and cooperating with local governments, CSOs and the private sector, enabling itself to feed this experience back into discussions and policy formulation at national levels [document no. 66 in Annex 3].



is represented in virtually all partner countries through the German embassies (although in many of them there are no development cooperation officers seconded from BMZ). This wide-spread country representation certainly makes it easier to engage directly in policy dialogue with partners and other donors at country level (though, as mentioned above, the intensity and quality of this engagement vary, depending on human resources capacity and the degree to which decision-making power is delegated to the field).

#### 4.2.2 Factors complicating the implementation of the Paris Declaration

**Complicated co-responsibility of BMZ and Foreign Office:** While at headquarters level BMZ is responsible for most of bilateral German ODA, in the partner countries strictly speaking the Foreign Office has the final decision-making power through its embassies. BMZ officials seconded to the country level act under the authority of the ambassadors and theoretically can communicate with BMZ only via the ambassador and the Foreign Office. While in practice a *modus operandi* has been found in most cases, the flow of information and the decision-making processes can become difficult as several BMZ interlocutors pointed out.

**Multi-organisational aid system:** According to BMZ interlocutors, the coexistence of different implementing organisations, whose mandates overlap to some extent and which also pursue organisational self-interests, means that the German aid system is complex at both headquarters and country level. This state of affairs was said to reduce the efficiency of German aid (considerable transaction costs due to necessary but often complicated and difficult internal coordination among the different institutions) and its effectiveness (because of less than optimal harmonisation and coherence of the different instruments, projects and programmes). This view was confirmed

by independent country programme evaluations (CPEs) commissioned by BMZ such as the CPEs conducted in Honduras and Bangladesh in 2006, which revealed inefficiencies in the coordination of German aid agencies. In addition, the complexity of the German aid system puts an additional burden on partner countries and other donors. A different view is held by GTZ, according to which the multi-organisational structure of the German aid system has created advantages of specialisation and has fostered professionalism.

**Institutional separation of financial and technical cooperation:** Several interlocutors mostly in BMZ but partly also in KfW considered this separation, which is also reflected in separate budget lines, to be a problem because it not only entails problems of coordination but also appears increasingly inadequate in view of the trend to more comprehensive forms of programme aid and the need for harmonisation among donors and intensive policy dialogue with the partner countries. Despite a number of efforts made in recent years to improve coordination between financial and technical cooperation, the interlocutors who raised the issue regard the present situation as suboptimal. They referred also to the latest DAC Peer Review of Germany, which characterises the distinction between financial and technical cooperation as “increasingly artificial in the current environment of more joined up development cooperation” (see Box 1.1), and to the coalition agreement of the present Federal Government (of 11.11.2005), which calls for “a better linking of financial and technical cooperation”. By contrast, GTZ maintains that the considerable implementation capacity of German bilateral aid results particularly from the institutional pluralism and the specialisation of different implementing organisations.

**Specific delivery modalities in the area of bilateral technical cooperation:** As was pointed out by several BMZ interlocutors, there is a tension between the PD’s principles of alignment and

harmonisation and the way a large part of German bilateral technical cooperation is agreed and implemented.

- On the one hand, the principle of alignment calls for using partner countries' own institutions and systems (paragraph 17 of the PD). More specifically, PD indicator 5b calls for donors using partner country procurement systems and indicator 8 calls for continued progress in untying aid (although technical cooperation is exempted from the 2002 DAC Consensus on Aid Untying). Under the principle of harmonisation donors commit "to implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement ..." (paragraph 32 of the PD, operationalised by indicator 9 referring to the use of common arrangements or procedures).
- On the other hand, BMZ's budget, which is part of Germany's Federal Budget Law, confers the implementation of bilateral technical cooperation mainly to GTZ.<sup>71</sup> In addition, the Federal Government's Guidelines for Bilateral Financial and Technical Cooperation require the latter to be provided largely in the form of direct contributions (i.e. by the implementing agency and in kind).<sup>72</sup> This explains why the government agreements between Germany and partner countries frequently provide for technical cooperation to be implemented directly by GTZ in the form of in-kind contributions (e.g. experts recruited and sent by the GTZ).

Therefore, a considerable share of German bilateral technical cooperation is tied.<sup>73</sup>

Following the PD, particularly the aforementioned indicators 5b, 8 and 9, partner countries can call for the use of their procurement systems, for progress regarding aid untying and for common arrangements. According to several interlocutors particularly in BMZ, the PD may increasingly lead partner countries to prefer donors (in this case Germany) to support capacity building by financial contributions to the budget or specific programmes (preferably in the form of common arrangements with other donors), from which subsequently technical cooperation components would be financed after international invitations to tender to which GTZ could respond by offering its expertise. Alternatively (again according to BMZ interlocutors), partner countries, while accepting in kind contributions by GTZ in the form of experts, are entitled to take part in the selection of those experts. In the context of the latest DAC Peer Review BMZ declared its intention to further untie technical cooperation (without questioning the relevance and comparative advantage of direct contributions).<sup>74</sup> Against this backdrop, several BMZ interviewees argued that GTZ's role as the frequently pre-determined provider of German technical cooperation might be questioned in the future.<sup>75</sup>

71 "The measures [of bilateral technical cooperation] are implemented by GTZ unless they are implemented by the Federal Government itself and its own Federal Agencies." (Annotation No. 5 to budget line 896 03-023 of the BMZ Budget).

72 Federal Government's Guidelines for Bilateral Financial and Technical Cooperation, para 14. According to the same para, "financial contributions are provided if there is a qualified local project execution agency able to guarantee assumption of responsibility for the proper planning and implementation of the development measure." [document no. 19 in Annex 3]

73 According to the BMZ's Guide to its Operational Plan for Achieving the MDGs and Implementing the PD (of December 2006, p. 9), about 50 percent of bilateral technical cooperation can be regarded as untied (local purchase of materials, financial contributions, recruitment of local staff), which means that the other 50 percent are regarded as tied.

74 BMZ's Manual to its Operational Plan for Achieving the MDGs and Implementing the PD (Dec. 2006, p. 9).

75 This opinion was expressed as the personal view of the interlocutors and does not necessarily represent the official position of the BMZ. The same point is made in: Tony Land, Joint Evaluation Study of Provision of Technical Assistance Personnel. – What can we learn from promising experiences?, (ECDPM Discussion Paper No. 78, September 2007, pp. 4-5): "The research suggests that decisions about the mobilisation and deployment of TA personnel should be a country responsibility, negotiated openly with development partners. As such, the 'procurement' approach to TA management, characterised by direct client procurement of technical assistance, with development partners merely providing funding into a budget or pool and the personnel/service provider having a direct relationship with the client (referred to in several reports on TA) stands as a legitimate goal for all to work towards. It also means that developing the capacity of countries to assume fuller responsibility for TA management should be a priority."

GTZ argues that partner orientation is a matter of principle of its policy in that technical cooperation (as well as German bilateral development cooperation in general) responds only to demands expressed by partner countries and aims to strengthen partners' capacities. In addition, GTZ maintains that it has acquired a wealth of experience and comparative advantages in a number of areas and is able to transfer values all of which can be used for the benefit of partner countries. Furthermore GTZ does not deny that technical cooperation can (and to some extent also does) take the form of financial contributions or contributions to pooled technical assistance. In addition GTZ uses the instruments of financial contracts and local grants where appropriate.

Apart from the fact that technical cooperation in the form of financial contributions has hitherto been the exception rather than the rule, the point made by various interlocutors (particularly in BMZ) and shared by the evaluation team, however, is that from GTZ's arguments irrespective of their validity it does not follow that the assignment and implementation of technical cooperation can only be organised in the way it has predominantly been so far.

**Problems of representation at country level:<sup>76</sup>**

The representation of the German aid system in the partner countries, while having improved, reportedly continues to suffer from several problems:

- According to BMZ interlocutors, there is still a lack of harmonisation of the various German aid organisations which do not always speak with one voice, making it sometimes difficult for partner countries to deal with Germany as one donor.
- BMZ interlocutors pointed to the complicated hierarchical structures. Theoretically BMZ officials seconded to the embassies as development cooperation officers report to the ambassadors while the country directors of the implementing organisations report to their headquarters (and the latter to BMZ). Although in practice the interplay of the different German actors was said to be pragmatic, cooperative and constructive, there may be situations where it becomes difficult for BMZ to coordinate German projects and programmes from its ministerial perspective.
- The dividing lines between the responsibilities of development cooperation officers at embassies and programme managers of the implementing organisations sometimes become blurred. Due to the limited staff capacity of the embassies and the increasing need for policy and sector dialogue with partners and other donors, development cooperation officers at the embassies often delegate their participation in such dialogue de facto to programme managers of the implementing organisations although the latter strictly speaking cannot act on behalf of the Federal Government.
- According to interlocutors in BMZ and KfW, there can be role conflicts when programme managers (mostly from GTZ) act simultaneously as advisors to the partner country's government (as part of capacity building), as priority area coordinators of German aid programmes and as chairs in donor harmonisation processes.

<sup>76</sup> In addition to the problems referred to in Section 4.1.3 (lack of staff for fully engaging in the dialogue with other donors and the partners and insufficient delegation of authority to the development cooperation officers).

#### **Box 4.5: Recent reforms of the German aid system**

##### *Institutional concentration*

- Integration of DEG (in charge of promoting cooperation between firms in Germany and partner countries) as a subsidiary into KfW (2001)
- Creation of InWEnt as a merger of CDG and DSE (2002)

##### *Regional concentration*

- Decision to reduce the number of partner countries to 70 (37 “priority countries” and 33 “partner countries”)\* (2000)
- Decision to further reduce the number of partner countries to 57 (January 2008)

##### *Thematic concentration*

- Concentration of German development assistance on three priority areas in “priority countries” and one priority area in “partner countries” (since 1999)
- Elaboration of priority area concepts in order to “join up” the different instruments of German aid in view of a coherent strategy

##### *Improving harmonisation and strengthening the strategy capacity*

- Introduction of country teams made up of two subgroups: one group in Germany, operating at the headquarters of the various institutions concerned, and a group in the partner country whose membership mirrors the first group (2003)
- Introduction of sector/thematic teams made up of staff from BMZ and the implementing organisations
- Elaboration of joint programme proposals by German implementing agencies

##### *Increasing the representation and capacity of action the partner country level*

- Appointment of priority area coordinators in the partner countries to ensure better coordination and harmonisation of the different German actors operating in a priority area
- Co-location of the country offices of various German aid organisations in one “German House” to facilitate internal communication and coordination (see also Box 4.4)

\* “Priority partner countries” were defined as countries where German development cooperation focuses on three priority areas, while “partner countries” are characterised by one priority area. The term “priority partner countries” is no longer used whereas the distinction between countries with three priority areas and countries with one priority area is retained.

### 4.2.3 Assessment

The German aid system has clear strengths that support the implementation of the PD (cabinet rank of development cooperation, considerable implementation capacity, multi-level approach, wide-spread country representation). Yet the interviews and answers to the questionnaires point to a number of complicating factors. They are neither new nor unknown but have been criticised for a long time in Germany (by aid practitioners, politicians and analysts alike) and from outside (notably by DAC's Peer Review Reports of German Aid of 2006 and 2001; see also Box 1.1). As a consequence a number of reforms have been undertaken over the last decade, aiming essentially at "joining up" the German aid system (termed in German as "*Entwicklungszusammenarbeit aus einem Guss*"), i.e. reducing the institutional complexity and harmonising concepts, approaches and procedures in order to enhance the efficiency and effectiveness of the system (for an overview see Box 4.5).

These reforms have been explicitly acknowledged as helpful by many interlocutors in all institutions

interviewed. At the same time quite a number of interlocutors particularly in BMZ consider the reforms to be still insufficient for the German aid system to be able to fully cope with the principles and modalities of the PD. Not surprisingly this view is not shared by all institutions interviewed.

The problem, however, is that while the reforms implemented so far have certainly brought about improvements, the world has changed: The PD now requires donors to take far-reaching decisions to achieve the goal of enhanced aid effectiveness. For Germany, this message has been pronounced quite clearly not only by the latest DAC Peer Review of Germany but also in BMZ's "Guide to the Operational Plan for Achieving the MDGs and Implementing the PD" (December 2006) which specifies the range for action to be taken. In other words: The weaknesses of the German aid system, despite having been mitigated over the last few years, have become even more evident than before because of the PD agenda. This conclusion should not be interpreted in negative terms. The PD agenda, while being a real challenge, can also stimulate further reform and therefore provides a chance. Exactly this hope was expressed by several interlocutors.

## 5 Assessing incentives/disincentives

### 5.1 Incentives

The study identified six incentives:<sup>77</sup> intrinsic motivation, BMZ commitment, organisational target agreements, individual performance targets, confirmation of institutional profiles and synergies/learning.

**Intrinsic motivation:** Many staff members perceive the PD as a means to increase the effectiveness of their work and declared to be intrinsically motivated to implement the PD (GTZ country offices, German embassies, DED, BMZ, KfW).

#### Organisational target agreements:<sup>78</sup>

- *BMZ:* Target agreements, which apply to all three directorates general, include the goal of increasing the quality and impact of development cooperation through further regional, thematic and instrumental concentration. Directorate General 3 has set the target of reaching a 50 percent share of PGF in financial cooperation and of doubling pooled technical assistance by 2007 in Sub-Saharan Africa. Directorate General 2 has the target of implementing the PD institutionally and instrumentally in financial and technical cooperation. BMZ staff pointed out, however, that BMZ's target agreements were not adequately operationalised and that there should be a better monitoring of goal attainment.

- *GTZ:* In 2007 one of GTZ's organisation-wide target agreements referred to increasing the number of BMZ-financed projects with programme-orientation in the sense of indicators 4 and 9 of the PD. GTZ's Africa Department has the target of providing 66 percent of its technical cooperation in the context of programme-based approaches. Organisation-wide target agreements are translated into departmental and individual staff members' targets, all of which are monitored.
- *InWEnt:* Some of InWEnt's organisational target agreements include PD-relevant aspects. This especially applies to Department 1 "Planning and Monitoring", which has the task of regional and partner coordination. InWEnt's target agreements are not quantitatively operationalised.
- *KfW:* The policy targets defined by BMZ feed into the targets that KfW sets itself overall as well as for specific regions. The overall targets are defined on a yearly basis, translated into individual staff members' targets, monitored and are for internal use only.

**Individual performance targets:** BMZ, GTZ und KfW have individual performance targets for their staff, which – depending on the area of competence – include PD-relevant topics, e.g. strategic focusing of bilateral aid in terms of the PD (BMZ), active development of concepts for basket financing

<sup>77</sup> PD-related staff training (dealt with in Section 4.1.2) can also function as an incentive.

<sup>78</sup> DED has no explicit organisational target agreements. DED points out that it orientates its work towards the Federal Government's development policy goals, BMZ's regional concentration efforts, BMZ regional, country and priority area strategy papers and BMZ's operational plan to achieve MDGs and implement the PD.

in certain sectors (KfW), further development of financial cooperation engagement in SWAPs (KfW). DED has no individual performance targets and trusts in its staff members' intrinsic motivation.<sup>79</sup> Several GTZ staff at country level regard individual performance targets as a positive incentive to implement the PD principles. The incentive function of BMZ's individual performance targets was questioned by some BMZ interviewees because no monetary incentive is connected with them.<sup>80</sup> Monetary incentives (which do exist in GTZ and KfW), however, were said to be less important than intrinsic motivation (KfW heads of department). The incentive system for the development cooperation officers is regarded as unsatisfactory (German embassies) as there is currently only an informal coordination between the Foreign Office and BMZ regarding the performance assessment of development cooperation officers.<sup>81</sup>

**Confirmation of institutional profiles:** DED,<sup>82</sup> GTZ and KfW interviewees interpret the PD as a confirmation of their own institutional policy and area of expertise. They regard approaches such as alignment with local partners (DED), support to capacity development (GTZ) and ownership (GTZ, KfW, DED) as basic business principles congruent to the PD principles. Therefore, they consider their

79 In 2008, DED will introduce a performance-oriented payment component and expects PD-relevant aspects to play an important role in this context.

80 BMZ staff contracts are subject to civil service regulations which have so far not included monetary incentives since the salary is fixed. Starting in 2008, performance-oriented salary components will be introduced in the German civil service.

81 One development cooperation officer mentioned that there were no specific incentive systems in place with regard to the PD (the PD being implemented on the basis of mere intrinsic motivation). According to this interviewee additional incentives for development cooperation officers should be introduced that take the latter's' bearing the main responsibility for PD implementation at country level into account.

82 According to several DED regional desk officers, implementing the PD is in line with BMZ's efforts to join up German development cooperation ("EZ aus einem Guss"). According to this concept, BMZ requires the core implementing agencies (including DED) to focus their activities on the priority areas BMZ has agreed with partner countries. DED interviewees regard this as both positive and negative. On the one hand, DED is said to be recognized and involved by BMZ much more than it had been in the past, because DED is now a player within the priority areas of German development cooperation. On the other hand, DED can no longer cooperate with its partners as freely as it could before.

respective organisation to be well positioned in the aid system.<sup>83</sup>

**Synergies and learning:** Closer collaboration between German agencies is regarded as positive as it fosters learning and synergies (Foreign Office and DED country level).

**BMZ commitment:** The commitment of BMZ to the PD (expressed through target agreements and official statements) was reported as an incentive to adhere to the PD (KfW).

## 5.2 Disincentives

The study found a number of disincentives for implementing the PD which are briefly explained in the following.

**Scarcity of human resources:** In BMZ, DED and the German embassies human resources were reported to be scarce (see Section 4.1.3). Increasing workload and competing demands were mentioned as a disincentive to the implementation of the PD. Several development cooperation officers at German embassies said to have little extra time to spend on longer-term oriented, politically complex issues and to be unable to attend all relevant donor coordination meetings.

**Bureaucratisation/additional workload:** The problem of high workload was reported to be aggravated by a trend, observed so far as a result of the PD agenda, towards bureaucratisation and more time needed for dialogue and harmonisation (GTZ regional desk officers, KfW, DED country offices and headquarters).

83 One GTZ interlocutor put it this way: "Die Umsetzung der Paris-Erklärung bedeutet, Eulen nach Eschborn zu tragen" which is a modification of the German proverb "Eulen nach Athen tragen". The English equivalent would be: "Implementing the PD means carrying coals to Eschborn [GTZ headquarters]" as a reference to the English proverb "to carry coals to Newcastle".

**BMZ's fast staff rotation:** According to one BMZ interviewee, fast staff rotation in BMZ is an obstacle to the implementation of the PD. While as a rule BMZ staff is expected to change their working area every five to seven years, staff actually appears to increasingly rotate after one or two years, i.e. before they have become acquainted with their field of responsibility.

**Complexity of the German aid system:** Interviewees mentioned that the complex German aid system sometimes leads to cumbersome coordination processes and to an increase in coordination activities, which is a disincentive for more cooperation among the German agencies. In addition, German procedures were criticised for being sometimes inflexible and slow (KfW regional desk officers, country offices and headquarters, BMZ, one German embassy).

**Interfering short-term political priorities:** Short-term political priorities were reported to get into conflict with implementing the PD principles in several ways: (i) Pressure to disburse funds may conflict with PD principles. (ii) In BMZ it was mentioned that cross-cutting thematic earmarkings ("big five") sometimes interfere with the PD agenda. (iii) According to interviewees in GTZ, German embassies and BMZ, sectoral allocations made due to other political commitments (e.g. G8 commitments) or political priorities can undermine PD principles when BMZ wants to provide financing to fulfil these commitments, but does not necessarily align sufficiently with partner countries' priorities.

**Call for visibility of German aid contributions:** According to several BMZ interlocutors, members of Federal Parliament tend to call for the visibility of German aid contributions, which sometimes makes it difficult for German aid agencies to comply with the PD principles. Members of the Committee on Economic Cooperation and Development pointed out that visibility was indeed an important factor for them as they are

accountable to German tax-payers and believe that aid effectiveness can be demonstrated more easily in the case of clearly identifiable projects and programmes. One KfW country office reported harmonisation at country level to conflict sometimes with directives from KfW headquarters asking for visible German contributions. Furthermore being the silent partner in delegated cooperation appears to be not always attractive because the silent partner has to do work for the active partner without receiving credits for a successful implementation (BMZ desk officer, KfW heads of department).

**Institutional self-interests:** Three points were made: (i) According to several BMZ interlocutors, BMZ's interest in defending its position as a ministry in its own right vis-à-vis the Foreign Office has been one reason for BMZ to oppose delegating a greater part of its decision-making power and professional staff to the partner country level (regarded as important for Germany to be able to fully engage in alignment and harmonisation). This would strengthen the role of German embassies and ambassadors who, in accordance with the Federal Law on the Foreign Service, claim authority over government staff acting abroad and decisions taken abroad. (ii) Interviewees of KfW, GTZ, BMZ and the Foreign Office pointed out that institutional self-interests sometimes complicate common reporting and joint missions of German aid agencies as well as delegating tasks to other agencies. KfW heads of department and a GTZ country office mentioned that there were no incentives in the German aid system to conduct joint missions. (iii) In a focus group discussion with members of regional units of GTZ, the concern was expressed that technical cooperation might be marginalized due to the PD because of changing aid delivery modalities.



### 5.3 Assessment

The number of quite different incentives and disincentives reported by the interlocutors is remarkable in that it demonstrates how far the implementation of the PD agenda affects (or is affected by) the “nerves” of German aid institutions and the German aid system as a whole. Although it would appear very difficult to put precise weights to the individual incentives and disincentives, some are probably stronger than others.

**Incentives:** Intrinsic motivation has interestingly been said to be the strongest incentive because of two reasons: First, interlocutors expressing this view believe that implementing the PD can actually contribute to increasing the effectiveness and impact of their work and thus their job satisfaction. If this finding can be generalised, intrinsic motivation is an asset that has to be maintained by sustained efforts to implement the PD. Second, organisational target agreements and individual performance targets, while in theory providing a strong incentive, were reported to be still insufficiently translated into manageable and monitorable performance indicators. While efforts have already been undertaken to this end, it is still seen as a challenge. Yet it has to be kept in mind that the potential impact of individual performance targets is limited in BMZ, DED and

InWEnt, because these institutions contract their staff under civil service agreements which to date have not offered much scope for monetary incentives. This will only gradually change. Therefore supporting intrinsic motivation remains crucial.

**Disincentives:** The problem of high workload and increasing transaction costs has to be taken seriously (as already pointed out in Sections 4.1.3. and 4.1.4). Here and in the case of some other disincentives such as the complex German aid system and the call for visibility of German aid contributions, it is exactly the stringent implementation of the PD that will contribute to overcoming the disincentives. To give just two examples: Harmonising complicated procedures perceived so far as a disincentive will certainly make life easier. Enhanced effectiveness of joint efforts of partners and donors, provided it is demonstrated by development progress, should be a more powerful argument for convincing parliaments and taxpayers than the visibility of individual projects and programmes.<sup>84</sup> Institutional self-interests can be strong disincentives. They should be discussed against the backdrop of the high commitment to the PD declared by all institutions interviewed and on the basis of sound factual evidence regarding the implications, costs and benefits (in terms of enhanced aid effectiveness) of changing existing structures and procedures.

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<sup>84</sup> Effectiveness of individual projects and programmes is no guarantee for overall development progress in partner countries and may well coincide with a deterioration of the socio-economic and political situation (known as the micro-macro-paradox).

## 6 Conclusions

### Commitment

**General acknowledgement and interpretation of the PD:** Although commitment to the PD in the German aid system is high, there is a general concern about the interpretation of some of the principles and modalities formulated in the PD. Accordingly, one of the main challenges for German aid agencies and the international community will be to develop a better common understanding of the principles, modalities and indicators of the PD. It is felt that there is still some uncertainty and too much room for interpretation with regard to the implications of the PD for German development cooperation in practice.

In particular, the discussion on a broader concept of ownership in the sense of “democratic ownership” needs to be taken further at national and international level in order to establish a common understanding of the concept and to address concerns that some actors on the donor and the recipient side might have too narrow an understanding of ownership as central government ownership only. In particular those German aid institutions stressing the need for a broader understanding of the concept should capitalise on the round table on the issue planned for the Third High Level Meeting in Accra in September 2008.

As for the concerns regarding the interpretation and implications of the commitments made under the principle of mutual accountability, it is important to answer the following questions for aid practitioners: (i) Who can legitimately be held accountable by whom, for what, and how? (ii) How should the potential conflict between internal and external accountability on the recipient as well as on the donor side be dealt with? (iii) How should potential conflicts between ownership on one side and harmonisation and mutual

accountability on the other be solved? BMZ can take advantage of its chairing a task team on mutual accountability in the “DAC Joint Venture on Managing for Results” by feeding back results to the German aid system.

Furthermore, the evaluation team recommends that BMZ further intensifies its communication with Parliament on issues related to the PD and the general discussion on aid effectiveness in order to further raise awareness and understanding among parliamentarians, in particular in the Budget Committee and the Committee for Economic Cooperation and Development (AwZ).

Another important challenge is believed to consist in convincing other important actors to endorse the PD’s principles and take them seriously in their cooperation. This applies to recipient governments and multilateral organisations as well as to non-traditional and non-DAC donors such as China, India or Saudi Arabia. Getting those partner countries as well as other donors on board will pose a key challenge for the success of the PD in enhancing aid effectiveness in the future. The OECD-DAC as well as bilateral members should, therefore, engage more actively in a dialogue with those countries on the aid effectiveness agenda. In addition, they should make use of the occasion of the Third High Level Forum to better communicate the Paris agenda to those actors and promote understanding and endorsement of the PD’s principles by non-DAC donors.

Regarding German bilateral development cooperation, the evaluation team believes that there is untapped potential for more use of delegated cooperation in Germany’s development cooperation in order to reduce transaction costs and reduce duplication of labour. The evaluation team recognises BMZ’s argument that delegated

cooperation should be considered as a transient measure until effective international division of labour is achieved. Yet, in view of the urgency to reduce transaction costs of development cooperation, it seems indispensable to move on all fronts in order to achieve cost reductions in the short term as well. In particular, BMZ should consider mandating German implementing agencies to act as silent partners more often.

The evaluation team also believes that there is a case for direct contributions, in particular of long-term technical cooperation, in areas where specific donor expertise is in demand. At the same time, direct contributions can have a number of disadvantages for both sides of the aid relationship with respect of transparency, flexibility, and compatibility with other local and donor activities as well as with indicator 8 of the PD. As a consequence, clear criteria need to be established at international level as to the circumstances under which in kind contributions to PBAs should be considered appropriate and superior to other approaches. This decision should be strictly guided by the objective to support partner countries' development strategies in the most effective way and not by practical constraints rooted in the specific institutional set-up of an individual donor's aid system.

**Reflection in policies and procedures:** BMZ should monitor and update its implementation plan on the PD. Systematic stock-taking of achievements in implementation and identification of additional requirements in the light of the PD could enhance the political leadership function of the ministry.

The update on the "Guidelines for Bilateral Financial and Technical Cooperation" can now lead to improved cooperation within the German system. Joint assessments, joint missions and joint planning, however, would need to go further beyond joint activities of actors within the German aid system. The latter, nevertheless, would generally

seem to be a prerequisite for joint activities with other donors (internal harmonisation prior to external harmonisation).

**Dissemination:** Although the dissemination of the PD in the German aid system has been wide and intensive to date, it remains a continuous task in terms of provision of information and discussion of specific subjects for three reasons, which may be relevant also for other signatories of the PD:

- The PD was adopted early in 2005 and sets targets to be achieved by 2010. This period of more than five years normally involves a sizeable change of staff in many organisations of the German aid system due to staff rotation, retirement and recruitment of new staff. Dissemination has to keep pace with this continuous change.
- According to the OECD's Baseline Survey 2006, Germany (as other donors) has not yet achieved all targets set in the PD and some of them still involve a considerable way to go. Therefore, the momentum regarding the implementation of the PD needs to be maintained, which in turn calls for further dissemination in the form of discussion of particularly those targets and topics that constitute special challenges for Germany.
- The PD is no end in itself, but serves the overriding purpose of enhancing aid effectiveness, which should ultimately gear the efforts to be undertaken under the PD. As a consequence the experience gained throughout the implementation of the PD should be fed back into the dissemination of the PD with a view to deepening the common learning process of all actors involved.

These conclusions apply equally to knowledge and training treated in this report as a dimension of institutional capacity.

## Capacity

**Institutional capacity:** Human resources (including capacity of action at country level) were identified as a bottleneck that affects the implementation of the PD and should therefore be addressed. Four aspects deserve attention with the first and fourth being closely related:

- The problem of high workload reported particularly by interlocutors in BMZ and DED should be considered since it was said to leave less capacity than desired for putting the PD agenda into practice and to risk reducing intrinsic motivation. While the perspective of decreasing transaction costs as a result of the PD may ease the situation, it will probably not be the solution since the problem had already existed before the adoption of the PD with the latter putting an additional strain on staff.
- German embassies especially in partner countries with a strong involvement of German development cooperation need to be better staffed to be able to adequately deal with the PD agenda at country level. As a consequence, the number of development cooperation officers needs to be increased.
- The delegation of more decision-making power to development cooperation officers at the embassies should be seriously considered (a point already made in the latest DAC Peer Review of Germany; see Box 1.1). This will require a rethinking of the role of BMZ and the Foreign Office at country level, which is a systemic issue since the areas of competence of BMZ and the Foreign Office are at stake. It should be analysed to what extent pragmatic improvements are pos-

sible under the existing definition of competencies of both ministries. The current decentralisation pilot in four countries may provide further evidence for this.

- As for the increased transaction costs having resulted so far from the PD agenda particularly at country level, the problem is that they might weaken the commitment to the PD although they ought to be a transitional phenomenon by definition. One of the overriding objectives of the PD (besides enhancing aid effectiveness) is explicitly the reduction of transaction costs. For this to be achieved, however, the momentum regarding the implementation has to be kept, which requires not only sustained reforms of aid modalities but also retaining the motivation of all actors involved.

**Systemic capacity:** The factors complicating the implementation of the PD should be addressed since the PD agenda is ambitious in itself and a challenge for Germany as the 2006 Baseline Survey has shown. It is beyond the scope of this evaluation to indicate precise ways of how to deal with the problems confirmed rather than highlighted by this evaluation (since they were already known before), because in some cases very complicated issues are involved. It is probably overoptimistic to expect the problems to be solved within the time horizon of the PD (i.e. until 2010) because systemic problems tend to be more difficult to deal with than problems within individual organisations (as can be seen from the reform process initiated in the German aid system about a decade ago and still not completed).<sup>85</sup> However, the message resulting from this evaluation and expressed by many interlocutors is clear: Putting the PD agenda into practice requires further reforms whose implementation offers the German aid

<sup>85</sup> See for instance the recommendations of the latest DAC Peer Review (Box 1.1) or the fact that the Federal Government's intention to better link financial and technical cooperation, expressed in the coalition agreement of November 2005, has not yet put into practice.

system the chance not only to increase its own efficiency and effectiveness but also to contribute to enhanced aid effectiveness overall.

### **Incentives/disincentives**

**Incentives:** Intrinsic motivation was said to be the strongest incentive and hence constitutes an asset that needs to be maintained (by sustained commitment of each organisation to the PD and support to staff engaged in practical implementation). In addition, PD targets should be integrated into organisational target agreements and, as far as possible, into individual performance targets (where this has not yet happened) and should suf-

ficiently be operationalised and monitored. It has to be kept in mind, however, that achieving PD targets also depends on partner countries' conditions and behaviour.

**Disincentives:** BMZ should follow a more strategic staff planning avoiding too fast a staff rotation. Overcoming several disincentives reported depends on both sustaining implementation of the PD (which for instance should reduce transaction costs and additional workload resulting from the PD) and further reforms of the German aid system (which, among other things, would make coordination within the German aid system at headquarters and country level easier).

## Comments of BMZ's Management

BMZ welcomes the very thorough analysis of capacity, commitment and incentives in the German aid system provided by the evaluation team. The assessment will be a valuable input for further policy decisions aimed at further improving the results of German Development Cooperation. While broadly sharing the findings, conclusions and recommendations of the evaluation report, we would like to note the following:

### **Programme-Based Approaches (PBA)**

The PBA indicator of the Paris Declaration, indicator 9, commits donors to provide 66% percent of aid flows in the context of PBA. Until recently, there was some uncertainty in the international aid effectiveness debate on the correct interpretation of the criteria that must be met in order for ODA to qualify as PBA. With the recently published, refined OECD "Definitions and Guidance" on the 2008 Paris Declaration Monitoring Survey, specific, internationally shared criteria have now been established. It is pointed out in the guidance document that these criteria can be met across a range of aid modalities – including project support – and that no particular aid modality automatically qualifies as PBA. The evaluation has pointed to the need for BMZ to communicate and explain this new consensus to all relevant players so as to establish a common understanding on this issue within the system of German Development Cooperation. BMZ will translate this message into action. The newly specified criteria will help enable German Development Cooperation to be adapted towards PBA compatibility across all modalities of aid delivery.

### **TA Pooling**

German Development Cooperation obtains part of its comparative advantages from a broad

variety of instruments for the support of capacity development. BMZ will further enhance the flexibility of its use and combinations, in order to optimize aid effectiveness. In this context, it emphasizes the evaluation team's statement that it "considers the pooling of technical assistance and pooled financing arrangements an effective way to implement the PD principles of harmonization and alignment." TA-Pooling will increasingly play a complementary role in the provision of Technical Cooperation, as stated in the evaluation.

It is the international consensus that TA Pooling can involve financial contributions and/or in-kind contributions. The way German Development Cooperation contributes to pooled arrangements is decided on a strictly demand-driven, case-by-case basis. In this spirit, German Development Cooperation has reformed its regulatory framework to allow a more flexible response to the specific needs of the partner country in TA pools – be it in the form of in-kind contributions, financial contributions or a combination of both. Obviously, however, German Development Cooperation will only participate in those TA pools where we, in agreement with the partner country, believe that our specific in-kind or financial contribution will achieve maximum benefit.

### **Outlook**

German Development Cooperation adopted a PD implementation plan and manual soon after the approval of the Paris Declaration. However, as the evaluation report reveals, in some regards discussion is still ongoing on achieving a joint understanding on the meaning of some of the indicators, also within the system of German Development Cooperation. This has led to some divergent ideas on how German Development

Cooperation needs to be further adjusted in order to be in compliance with the Paris Principles. Our revised aid effectiveness implementation plan and manual for 2008/2009 will build on the inter-

nationally shared Guidance & Definitions Framework for the Monitoring Survey and consolidate views on the further reforms and adaptations needed.

# Annexes

## **Annex 1: Terms of Reference**

**Federal Ministry for Economic Cooperation and Development (BMZ)**

*Division for Evaluation of Development Cooperation*

**Evaluation of the  
Implementation of the Paris Declaration  
by Development Partners:  
Case Study Germany**

**Terms of Reference (ToR)**

19 July 2007

These ToR cover the evaluation of the implementation of the Paris Declaration by the German development cooperation at headquarters and, to a limited extent, at field level. The evaluation is part of a wider evaluation process encompassing in a first phase ten donor countries/multilateral organizations on the one hand, and ten partner countries on the other hand. The overall evaluation will be conducted in two phases. The present evaluation of the German case refers to the first phase only.

The following Part I describes the context, purpose, scope and focus of the overall evaluation and the ten donor evaluations. It is based on the generic ToR agreed on at OECD level. Part II specifies the ToR of the German evaluation within the overall framework. For the sake of comparability, Part I and II follow proposals by The Netherlands and Denmark to translate the generic ToR into specific ones for the individual donor evaluations.



## I Context, Purpose, Scope and Focus of the Overall Evaluation

### 1. Introduction

Alongside its strong focus on monitoring, the Paris Declaration on Aid Effectiveness (in short the Paris Declaration) also highlights the importance of an independent cross-country evaluation process, including both partner countries and donor agencies. The Declaration states that this evaluation process should provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives and that it should be applied without imposing unnecessary additional burdens on partners.

In response to this commitment, the OECD DAC Network on Development Evaluation (EVALNET) explored possible approaches to an evaluation. The proposed evaluation<sup>86</sup> received strong support from the DAC Working Party on Aid Effectiveness (WP-EFF) and EVALNET. Early in 2007, an international Reference Group was established, comprising partner country members of the WP-EFF, members of EVALNET and representatives of civil society, to commission and oversee the evaluation.

Ten partner countries and ten donor countries/multilateral organizations have volunteered to be evaluated:

- *Partner countries:* Bangladesh, Bolivia, Mali, Philippines, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, and Zambia
- *Donor countries/multilateral organizations:* Australia, Denmark, Finland, France, Germany, Luxembourg, Netherlands, New Zealand, United Kingdom, and UNDP.

<sup>86</sup> Information about the evaluation can be found at [www.oecd.org/dac/evaluationnetwork](http://www.oecd.org/dac/evaluationnetwork) (click Paris Declaration).

## 2. Background, rationale and purpose of the overall evaluation

### Background of the overall evaluation

The Paris Declaration on Aid Effectiveness<sup>87</sup> poses an important challenge to the world of development cooperation in general and to the field of development evaluation in particular. Compared with previous joint statements on aid harmonisation and alignment, it provides a practical, action-oriented roadmap with specific targets to be met by 2010 and definite review points in the years between. Furthermore, the number of countries and international organisations who participate in the High Level Forum (HLF) which guides the implementation of the Paris Declaration and have put their signature to the joint commitments contained in the Declaration is unprecedented.<sup>88</sup>

The Paris Declaration is built around five key concepts:

- *Ownership:* Developing countries exercise leadership over their development policies and plans.
- *Alignment:* Donors base their support on developing countries' policies, strategies and systems.
- *Harmonisation:* Donors coordinate their activities and minimise the cost of delivering aid.
- *Managing for results:* Developing countries and donors orient their activities to achieve the desired results.
- *Mutual accountability:* Donors and developing countries are accountable to each other

<sup>87</sup> High Level Forum, *Paris Declaration on Aid Effectiveness*, Paris, 2 March 2005. For the full text, see: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

<sup>88</sup> This reflects a progressive widening of the range of voices included in major meetings convened by the OECD DAC.

for progress in managing aid better and in achieving development results.

The way in which these concepts relate to each other is visualised in Figure 1.<sup>89</sup>

The Paris Declaration expresses a shared view on at least the basics of how some central institutional variables fit together, and why they are important. It draws together international thinking on some of the core topics of concern to both sides of the official international aid relationship. The Declaration conveys a simple but important message: aid will be more effective if the actions and behavioural changes listed as commitments under the five headings are undertaken, and less if they are not. Moreover, development results are considered to depend to a significant extent on the same variables.

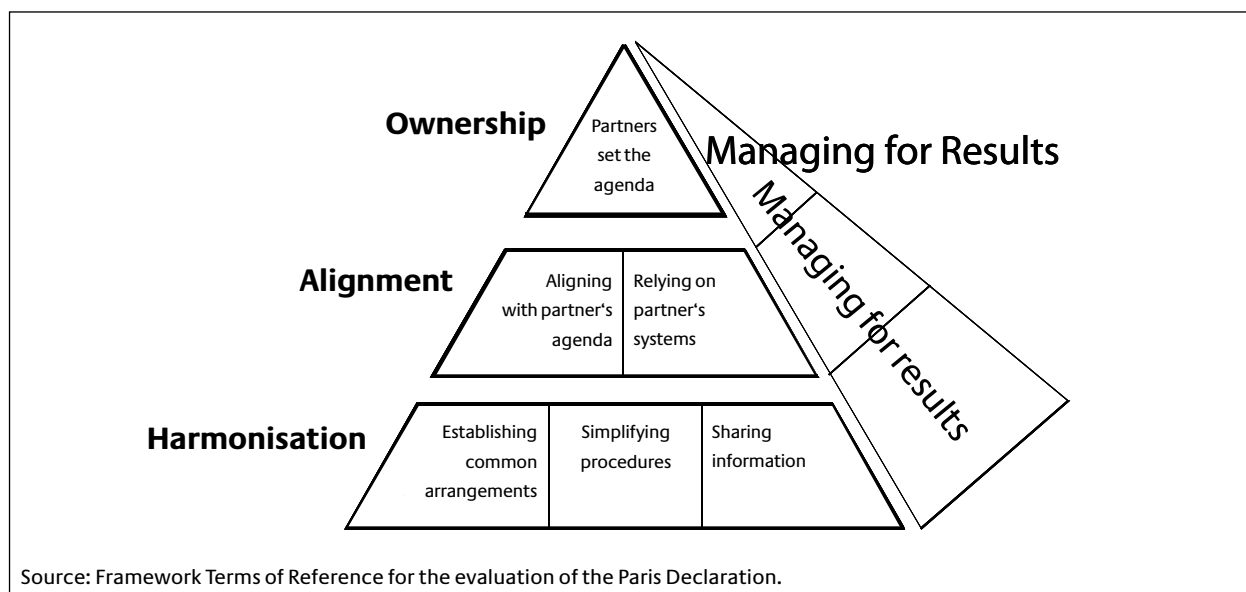
Underneath the consensus on these central propositions, there exist however important

differences of interpretation and emphasis. This reflects several factors. First, there are some unexpressed but generally recognised disagreements about how the variables Ownership, Alignment, etc. relate to each other. There is not a single, universally accepted view on these matters. Second, these views are, in the main, practical axioms that form part of the current world-view of particular agencies; they are based on experience, but not strongly rooted in a body of systematic evidence. Thirdly and most importantly, the “programme theory” or set of hypotheses that give the Declaration its logic has not been fully articulated.

#### Rationale of the overall evaluation

The evaluation is explicitly set up to complement the monitoring of the implementation of the Paris Declaration, including the Medium Term Monitoring Plan, which has advanced through the Joint Venture on Monitoring, by deepening the understanding of the lessons emerging from

**Figure 1: The Paris Declaration concepts**



<sup>89</sup> Mutual accountability is not reflected in this figure but is an important aspect. An alternative figure which includes this aspect can be found in OECD, *The 2006 Survey on Monitoring the Paris Declaration*, OECD, 9 May 2007, p. 16.

the Paris Declaration surveys.<sup>90</sup> The surveys are rightly focused on whether partners are actually fulfilling their commitments measured across the 12 indicators and how the implementation is progressing – and only to a limited extent raise more fundamental questions related to why some of the changes are occurring, or why not. Also, the surveys are not designed with the attempt to measure whether the process actually leads to increased effectiveness and whether there are unintended effects of the processes of change set in motion.

The evaluation will therefore focus on causal effects, which are not captured within the parameters of the Paris Declaration surveys with particular focus on envisaged outcomes and benefits of the aid effectiveness agenda. Also, the evaluation process makes it possible to raise more fundamental questions related to the concept of change that is implicit in the Paris Declaration and to give attention to unintended outcomes of the implementation process.

### Purpose of the overall evaluation

The purpose of the overall evaluation is to provide information about the effects of the steps taken in order to increase aid effectiveness which in the longer term is expected to result in improved development effectiveness in the partner countries. Some of the more specific questions which the overall evaluation should help answer are:

- Why are some actions and commitments included in the Paris Declaration implemented, while others are not?
- What is the concept of change underpinning the Paris Declaration?
- What are the successes of the Paris Declaration (examples of obstacles overcome)?

- Does the Paris Declaration process lead to any unintended (negative or positive) effects?
- Does the Paris Declaration process lead to more effective aid?

### 3. Design of the overall evaluation

The overall evaluation will be conducted in two successive phases: The first phase (2007 – 2008) will mainly address input and (to the extent possible) output levels, through a series of partner country, donor, and thematic evaluations. The second phase of the evaluation (2008 – 2010) will address outcome and impact levels.

The architecture of the **first phase** of the evaluation will comprise:

- *Partner country evaluations:* The sampling frame for the country level evaluations is a self-selection of partner countries willing to conduct such studies.
- *Donor evaluations:* Similarly to the sampling of country cases, there is a self-selection process of donors willing to undertake a donor evaluation.
- *Thematic studies:* The Reference and Management Groups may initiate special thematic studies to supplement the country level and donor evaluations. Thematic studies should primarily be based on existing documentation and could focus on topics such as the links between aid effectiveness and development effectiveness; technical cooperation; untying of aid; fragile states; civil society or cross-cutting issues.

90 OECD: *Aid Effectiveness. 2006 Survey on Monitoring the Paris Declaration. Overview of the Results, Paris 2007.*

- *A synthesis report*, based on the results of the preceding steps, and other completed and ongoing donor/joint evaluations that focus on aspects of the Paris Declaration agenda.

The first phase will run from March 2007 to July 2008. It will provide information on the “how’s and why’s” of the implementation process of the Paris Declaration, in order to deliver practical lessons and help take stock of implementation performance at the 3rd High-Level Forum (HLF) on Aid Effectiveness to be held in Ghana (September 2008). Efforts will be made to identify “emerging results” and effects of the implementation of the Paris Declaration. The second phase of the evaluation will run from the HLF in Ghana in 2008 and up to the 4th HLF in 2010. This phase will particularly focus on whether the intended, long-term effects of the Paris Declaration are being achieved.

#### **4. Purpose and objectives of the donor evaluations**

The central argument for evaluating the follow-up to the Paris Declaration at the level of individual donors is that various donors appear to be interpreting and implementing the Paris Declaration commitments in different ways. An evaluation allows investigating and discussing the reasons behind this differentiation. Furthermore, the evaluation can address the learning needs of the donors. The purpose of the evaluation is to assess what constitutes the practice of the donors at headquarters and field levels in implementing the Paris Declaration commitments in order to contribute to increased aid effectiveness. The emphasis will be on learning, by asking the twin questions: are we doing the right things and are we doing things right? More specifically, the

objectives of the donor evaluations are:

- To provide an insight in the ways in which the Paris Declaration is being interpreted by the aid administration at headquarters and field levels, how it is being implemented and to assess how the underlying assumptions of the Declaration are dealt with in the implementation process.
- To provide information and, if so, appropriate suggestions on how to facilitate more effective and efficient implementation of the Paris Declaration.
- To inform the synthesis study which is to be compiled at the end of phase one of the overall evaluation of the Paris Declaration.
- In addition to informing the synthesis study, the donors evaluations will also seek to deliver specific lessons that can be used more or less immediately by the donors evaluated in their implementation of the Paris Declaration.

#### **5. Scope, focus and information basis of the donor evaluations**

The survey conducted by the Joint Venture on Monitoring the Paris Declaration in 2006<sup>91</sup> on the implementation of the Paris Declaration summarizing the baseline findings, as well as different studies recording country-specific implementation experiences, highlight that the commitments of the Paris Declaration are not always matched by donor practices.

Three explanatory dimensions were identified as important determinants of donor behaviour:

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91 OECD: *Aid Effectiveness. 2006 Survey on Monitoring the Paris Declaration. Overview of the Results*, Paris 2007.

a) commitment, b) capacity and c) incentive systems in terms of their alignment with the Paris Declaration. The three dimensions can also be seen as drivers in the implementation of the Paris Declaration.

### Scope of the donor evaluations

The analysis of donor efforts related to the three dimensions – commitment, capacity development and incentive systems – will constitute the main scope of the evaluation.

#### *a) Commitment*

The Paris Declaration calls for a largely new way of delivering aid. Country strategies are no longer to be formulated by individual donors. Instead, with the emphasis on country ownership, donors' cooperation strategies are to be guided by partner government needs-based demands in an aligned and harmonised manner. This may explain why the Survey Report, in line with good practices for institutional reform, has donor leadership as the most important factor for ensuring commitment to the Paris Declaration objectives. However, the manner in which effective leadership is to be enacted is less clear, as the emphasis on demand-driven development cooperation challenges the current reality of donor policies, programmes, and procedures being driven by their administrative *and* political concerns (including allocation policies and planning).<sup>92</sup>

Similarly, with ownership, the use of conditionalities as an instrument for reform is challenged. Instead donors are now increasingly designing programmes (more) focused on policy dialogue in support of identified drivers of change in the

partner countries. Nonetheless, the usage of process indicators for release of e.g. general budget support is still widely applied through Performance Assessment Frameworks (PAF).

Furthermore, other than the donor/partner country schism, a disconnect between headquarters policies and in-country practices has been noted. For some donors it may be the case that the Paris Declaration is owned by policy staff at headquarters whereas country level staff possibly sees harmonisation tasks as getting in the way of efforts to achieve tangible development results. For other (typically project-oriented) donors, the picture is the reverse, with country level staff experiencing difficulties in engaging in collaborative efforts due to legal liability and the financial control concerns of their headquarters. Indeed, in some instances the legal liability concerns of donor headquarters have led to (initial) low commitments to the Paris Declaration at field level. This is why the Survey Report recommends that donor agencies make an effort to review procedural and legal frameworks so that the rules, procedures, or practices, which work against the Paris Declaration commitments, can be identified.<sup>93</sup>

#### *b) Capacity and capacity building*

Also within donor offices, whether at headquarters or at field level, uneven commitment to the Paris Declaration roll-out may be found, demonstrating that leadership on Paris Declaration commitments reflects first and foremost the commitment/ownership of individual members of staff as well as uneven capacities between different staff employed by the same donor. Indeed, individual donor representations might represent very differ-

92 For example in Zambia, the government's implementation of a division of labour, determining which donors should intervene in which sectors has been positively embraced by the more than 20 different bilateral and multilateral donors providing support to Zambia. Nonetheless, some donors have voiced their concerns over the new sector distribution – especially when the new distribution requires an exit from social (MDG-focused) sectors often enjoying strong backing from donor constituencies and the donor country's own public commitments.

93 OECD: *Aid Effectiveness. 2006 Survey on Monitoring the Paris Declaration. Overview of the Results*, Paris 2007, p. 57.

ent approaches to the Paris Declaration. As a consequence, donors and National Coordinators alike have called for more effective communication on the issues of the Paris Declaration between headquarters policy advisers and operation staff; this especially in countries where the aid effectiveness agenda has been launched only recently.

The Survey Report stresses that more effective aid is not necessarily aid delivered cheaply. Indeed, according to the World Bank, preparation of coordinated multi-donor programmes typically requires 15 – 20 percent more staff and budget resources than traditional stand-alone projects. These costs constitute an up-front investment in doing business in accordance with the Paris Declaration (assuming that coordinated aid is more effective) and should be factored into operational budgets and allocation of staff time. Several donors have started to decentralise staff resources as a consequence of the new aid effectiveness agenda, but so far no increases in operational budgets have been noted. Many partner countries are also concerned about the costs of delivering aid, and whether it is effectively reaching the poorest people for whom it is intended rather than being spent on the donor's administrative costs – this is a legitimate concern, which must be examined.<sup>94</sup>

### *c) Incentive systems*

Incentive Systems of the donors have been reported as a critical parameter for efficient donor behaviour. The baseline survey suggests that a number of obstacles work against donors' ability to meet the commitments made in Paris. These include amongst other things, staff numbers (thus individual staff work load and its management), inappropriate pressures for disbursements, lack of flexibility on staff time, and high staff turnover, which taken

together create incentives that reward short-term benefits over longer term and collective, gains.

Further, the donors need for visibility and influence takes at times precedence over the commitment to harmonised approaches – a tendency, which has been especially noted in intervention areas such as decentralisation where development models are seen as 'export-vehicles' of different donor systems. Similarly, experiences demonstrate that the same need for visibility limits effective delegation – this even when donors are willing to harmonise and align – as illustrated by the proliferation of donor groups *and* donor group members. It seems that career prospects for donor staff are improved by the maintenance of individual donor profiles through active participation in donor coordination. Such incentives may result in permanently high transaction costs.<sup>95</sup>

### **Focus of the donor evaluations**

The donor evaluations will focus on policies, guidelines, instructions, incentives etc. These elements constitute an input to the development process in partner countries and can thus be considered as **inputs** to the development process. At the same time, however, changes in development partner policies and guidelines following the agreement on the Paris Declaration can also be seen as related to the **outcome level** of the evaluation of the implementation of the Paris declaration. Special emphasis will be on the assessment of the three dimensions: commitment, capacity building and incentive systems, which are central to the Paris Declaration commitments.

**Outputs** (i.e. the ways how executing agencies, embassies and country offices translate instructions, guidelines etc. into practice) will mainly be captured through the partner country evaluations

<sup>94</sup> Similar concerns exist concerning the use of funds on partner countries' own administrative costs.

<sup>95</sup> O. Winkler Anderson / O. Therkildsen: *Harmonisation and Alignment: the double edge swords of budget support and decentralised aid administration*, Danish Institute for International Studies, 2007.

in the form of analysis of executing agency/ embassy/field office behaviour. To the extent possible, however – and based on existing documentation (e.g. annual work-plans and annual reporting from the country offices concerning progress in the implementation of the country programmes) – the donor evaluations will also aim to assess whether there are obvious gaps between the policy guidelines and the way these are interpreted by country representations.

The current donor evaluations will at this stage not be able to provide a definitive answer regarding the relevance of the underlying assumption of the Paris Declaration, namely that increased aid effectiveness leads to greater development impact. This particular issue will be covered, to the extent possible, during the *second phase* of the overall evaluation.

### Information basis of the donor evaluations

The evaluation will review the implementation of the Paris Declaration by the donors through an analysis of policy documents and other relevant written sources as well as interviews. It will make extensive use of existing documentation, including the most recent OECD/DAC peer reviews.

In addition, the evaluation will approach also donors' embassies and country offices in the ten partner countries joining the overall evaluation<sup>96</sup> through a brief questionnaire survey (perception study) in order to ascertain in a general sense how donor policies and guidelines have been communicated to and are being perceived by the embassies and other units responsible for the preparation, planning and implementation of development cooperation at the country level.

<sup>96</sup> By focusing on the ten partner countries of the overall evaluation, it is hoped to create synergies between the donor and partner country evaluations. As mentioned at the beginning, the ten partner countries have been included on a self-selection basis and the "sample" is thus biased in various ways (e.g. fragile states not represented). It is expected, however, that the overall evaluation will include a thematic study specifically on the question of implementation and use of the Paris Declaration in fragile states.

## II Case Study Germany

### 1. Institutional focus of the evaluation

Unlike many other donors, Germany's development cooperation system is characterized by a complex institutional set-up at both headquarters and field level which has to be taken account of in the evaluation. In order to keep the evaluation manageable, it will focus on the following main actors and include others (in particular the Federal Foreign Office and the Federal Ministry of Finance) as appropriate:

- *Headquarters level:* 1. Ministry: BMZ; 2. implementing agencies: GTZ (German Agency for Technical Cooperation), KfW Development Bank, InWEnt (Capacity Building International), DED (German Development Service).
- *Field level:* 1. German Embassies (development cooperation counsellors); 2. implementing agencies: heads of the offices of GTZ, KfW, InWEnt and DED (to the extent that the four implementing agencies are represented by own offices in the partner countries); 3. (possibly) the coordinators of the priority areas of German development cooperation in the partner countries.

### 2. Evaluation questions

Although the evaluation is geared towards (and will be structured in accordance with) the three dimensions '*commitment, capacity, incentives*' identified as key variables in the donor behaviour concerning the implementation of the Paris

Declaration, it is necessary from both an analytical and substantive point of view to consider two additional aspects:

- The way how the five principles of the Paris Declaration are interpreted and internalized by the German aid system in policies and procedures. This aspect is important because, as mentioned earlier, there exist differences of interpretation and emphasis. The extent to which a development partner is committed to implementing the Paris Declaration and creates capacities and incentives to this effect is influenced by the interpretation of the Declaration's key principles and of the relationship between them. Therefore, it is planned to include a specific chapter in order to capture this aspect. The chapter will be based on the answers to a number of particular questions listed in the **Attachment** to these Terms of Reference.
- Illustrative evidence of actual implementation of the Paris Declaration by the German aid system; including this perspective allows to ask two questions that may be relevant for both the interpretation of the Declaration's principles and the commitment, capacity and incentives (to be) created for implementing them: (i) Do German actors find that the implementation of the Paris Declaration has had expected or unexpected, positive or negative, effects already at this stage, and if so, how do they deal with these? (ii) Are there marked differences between developing regions as far as the implementation of the Paris Declaration is concerned?

The following list of questions refers to the three core variables of the evaluation, i.e. commitment,

capacity and incentives. It should be seen as an explorative starting point. The questions will be further developed by the evaluation team during the research<sup>97</sup> and translated into interview guides for the interviews with the above-mentioned institutions at headquarters level and the questionnaires to be sent to their representations in the ten partner countries.

#### *Assessing commitment*

- How is the Paris Declaration interpreted and acknowledged at (i) governmental/ agency level, (ii) parliamentary level and (iii) by the German civil society? (see also the **Attachment**)?
- Is the underlying rationale of the Paris Declaration acknowledged across regions and sectors or is it deemed appropriate only for a sub-sample of countries and sectors receiving German aid?
- How has the Paris Declaration's emphasis on demand-driven development cooperation been reflected in policies, programmes and procedures concerning German development cooperation (e.g. formulation of targets and implementation plans; creation of additional capacity etc.)?
- What are the (potential) conflicts with other political/agency actors or levels, and what is being done to resolve these?
- To what extent do different German actors share the view underlying the Paris Declaration that new modalities (general budget support, sector wide approaches, etc.) increase aid effectiveness?

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<sup>97</sup> Attention will be given to possible weak points of Germany that can be inferred from the 2006 Monitoring Survey on implementation of the Paris Declaration.



*Assessing capacity*

- What is the level of staff knowledge and understanding of the principles of the Paris Declaration and their operational implications (at headquarters and at field level)?<sup>98</sup>
- Have specific instructions, guidelines, operational directives and assessment criteria been disseminated to staff to stimulate implementation of the Paris Declaration? Are there separate implementation plans at corporate and/or embassy level?
- Are guidelines for implementation of the Paris Declaration in German development cooperation considered clear and unambiguous by staff at decentralised levels – and do not stand in competition with or contradiction to other guidelines?
- Has the German aid system provided the organisational and staff capacity and the financial resources needed to ensure the operationalisation and implementation of the Paris Declaration (e.g. focal points for the Paris Declaration itself, for management for development results etc.)?
- To what extent does the specific German institutional set-up facilitate/impede the implementation of the Paris Declaration? Has the role of individual organisations been adapted in the light of the Paris Declaration?
- Is the level of staffing adequate and managed in a way that supports the

implementation of the Paris Declaration? Are they backed by (i) adequate staffing at decentralised levels and (ii) adequate competence development for both posted and local staff on key aspects such as how to support ownership, implement alignment and harmonisation in practice etc?

*Assessing incentive systems*

- Are specific incentives provided by the German aid system – e.g. for recruitment, performance assessment (incl. performance targets; *Zielvereinbarungen*), staff management and training – for management and staff to comply with the Paris Declaration's objectives of ownership, harmonisation, alignment and results orientation?
- Are there any perceived disincentives (e.g. transaction costs) in respect of other agency priorities?
- To what extent is the implementation of the Paris Declaration congruent with individual aid agencies institutional interests?

**3. Methodology and structure of the work**

The evaluation work will involve:

- An analysis of documents of the BMZ, possibly the Foreign Office, and the four implementing agencies GTZ, KfW, InWEnt and DED (policy documents, instructions, guidelines, annual plans etc.), of records of Parliamentary debates, evaluation reports

<sup>98</sup> At the field level this evaluation will focus exclusively on the perceptions of staff (posted and locals). Information on the actual behaviour of German embassies and implementing agencies in the ten partner countries will be collected in connection with the country level evaluations. It is planned, however, as far as possible to include preliminary results of the partner country evaluations on the behaviour of the German aid institutions in the partner countries in the present evaluation by organizing video conferences with the teams conducting the partner country evaluations.

and the recent DAC Peer Review of Germany (2005);

- Semi-structured interviews with key respondents at the BMZ, the Federal Foreign Office, the Federal Ministry of Finance and the headquarters of GTZ, KfW, InWEnt and DED;
- A brief user-friendly questionnaire survey with focus on how instructions, guidelines etc. related to the Paris Declaration are put into practice by the German Embassies and country offices located in the ten partner countries of the overall evaluation;
- Semi-structured interviews with respondents of a selection of German non-governmental development agencies and other key stakeholders (politicians, other parts of the German government system).

#### 4. Organisation of the evaluation

The responsibility for the German case study lies with the evaluation division of the BMZ headed by Michaela Zintl who acts as focal point for the international reference group of the overall evaluation and manages the process of the German evaluation.

The evaluation will be carried out by the German Development Institute (DIE) in Bonn, which formed a team of four staff members headed by Guido Ashoff and including Sven Grimm, Stefan Leiderer and (partly) Martina Vatterodt. The team will be supported by several research assistants.

A reference group will be established to provide feed-back to the products of the evaluation and assist in guiding the process. The group will be chaired by the head of BMZ's evaluation division.

#### 5. Conduct of work and time schedule

The evaluation will be conducted from July 2007 until November 2007 and consists of three phases with a fourth phase to be developed in detail at a later stage:

##### Inception

The draft ToR and further evaluation process will be discussed on 8 August 2007 between the representatives of the five institutions involved (Foreign Office, GTZ, KfW, InWEnt, DED), the DIE's evaluation team and the evaluation division. Following that meeting, the ToR will be finalised by the evaluation team and approved by the BMZ evaluation division.

The evaluation team will submit an inception report until 31 August 2007 which describes in more detail the way in which the evaluation will be carried out.

##### Data collection, analysis and drafting

Data collection, interviews and the questionnaire survey will be carried out in the period August-October, followed by analysis and drafting. The draft report will be submitted to the evaluation division of the BMZ until 16 November 2007.

##### Consultation and reporting

The evaluation division of the BMZ will forward the draft report for comments to the institutions involved at headquarters' and field level. A workshop will be held to discuss the findings, conclusions and recommendation with the internal reference group possibly enlarged by external members.<sup>99</sup> The final report will be submitted by the evaluation team until end-November 2007 and forwarded by the evaluation division of the BMZ to the international management group of the overall evaluation and the Synthesis Team.

<sup>99</sup> Possible intermittent consultation meetings with other development partner's evaluation departments and evaluation teams will be decided on a later date

## Synthesis and Dissemination

It is tentatively foreseen that the German case study will be discussed a) in a workshop of the reference group of the overall evaluation with the team leaders of the 10 plus 10 evaluations; b) in one or two further workshops in Bonn and possibly Frankfurt / Eschborn with the aim to disseminate results and provide options for learning for staff in the headquarters of government and implementing agencies.

## 6. Deliverables

Deliverables will include:

- brief inception report of about 5 pages to be submitted until 31 August 2007;
- draft evaluation report for discussion to be submitted until 16 November 2007;

- final evaluation report of no more than 50 pages (including executive summary and excluding annexes) until 30 November 2007.

## 7. Key background documents (preliminary list)

- Monitoring Survey on the Paris Declaration (2007)
- OECD/DAC Peer Review Report of Germany, December 2005
- BMZ (operational) plan of action for implementing the Paris Declaration and for reorienting German development cooperation to meet the challenges of the Millennium Declaration (BMZ 2005)
- Leitlinien der Finanziellen und Technischen Zusammenarbeit [Guidelines for Financial and Technical Cooperation] (2007)

## Timetable for the evaluation:

Timing	Activity
8 August	Discussion of ToR: BMZ's evaluation division, the five institutions involved (Foreign Office, GTZ, KfW, InWEnt, DED) and the evaluation team
August	Start of the evaluation work, including: <ul style="list-style-type: none"> <li>● Identification and information of the key respondents to be interviewed</li> <li>● Collection and analysis of documents</li> <li>● Preparation of interview guides for the interviews with key respondents</li> <li>● Preparation of the questionnaires for embassies and country offices</li> <li>● Analysis of documents</li> </ul>
September – October	Analysis of documents (continued) Sending questionnaires to embassies/country offices in partner countries Interviews with key respondents in Germany
October – first half of November	Analysis of interviews and questionnaires Drafting the evaluation report
16 November	Submission of the draft report to BMZ
Second half of November	Discussion of draft report with reference group and institutions involved Finalisation of the evaluation report
End-November	Submission of final evaluation report to international management group
January?	<i>Workshop of reference group of the overall evaluation with the 10 plus 10 evaluation team leaders</i>
February?	<i>Dissemination workshop(s)</i>

**Attachment to the TOR: How are the principles of the Paris Declaration interpreted by the German aid administration and reflected in policies and procedures**

<b>Paris Declaration Principle: Main Question</b>	<b>Typical sub-questions</b>	<b>Indicators</b>	<b>Methods</b>
<b>Ownership:</b> <i>To what extent does Germany respect partner countries' ownership of their development policies and plans?</i>	<p>How is the concept of ownership defined and reflected in German policy?</p> <p>How is the concept of ownership perceived and assessed by the German aid administration?</p> <p>What are perceived strengths and weaknesses of the concept of ownership?</p> <p>How is the impact of (increased) ownership on effective development perceived?</p> <p>To what extent, why and how does Germany respect ownership of partner countries? What are the constraints for respecting ownership?</p> <p>How does Germany support strengthening of partner countries' capacity for improving national development strategies?</p> <p>What are the issues that have to be considered when implementing the concept of ownership?</p> <p>How do ownership and conditionality relate to each other?</p> <p>How do ownership and sector targets relate to each other?</p> <p>How do ownership and the scaling-up of aid relate to each other?</p>	<p>The extent to which and how 'ownership' is used in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc.</p> <p>Perceptions of staff and other stakeholders about the benefits of (increased) ownership for effective development.</p> <p>The extent to which funds are spent in accordance with partner country priorities.</p> <p>Participation in Joint Assistance Strategies.</p> <p>Perceptions of German policy makers of the feasibility of respecting ownership / capacity of partner countries to 'lead'.</p> <p>Reasons given by staff at headquarters and country level for not respecting partner countries ownership.</p> <p>Programmes / funds for partner countries' capacity enhancement to improve policy and strategy</p>	<p>Review of Documents (e.g. policy statements, declarations, instructions, guidelines, manuals, planning documents, evaluations etc. of the BMZ, the Foreign Office, GTZ, KfW, InWEnt and DED; statements, records etc. of Parliament, NGOs and possible other stakeholders; Monitoring Survey on the Paris Declaration of 2007; latest OECD/DAC Peer Review Report of Germany of 2005)</p> <p>Interviews with key staff members at the BMZ, the Federal Foreign Office, GTZ, KfW, InWEnt, DED</p> <p>Study of minutes of relevant meetings of the Parliamentary Committee on Economic Cooperation and Development and other reports</p> <p>Questionnaire survey (covering German embassies and country offices in the ten partner countries)</p>

<b>Paris Declaration Principle: Main Question</b>	<b>Typical sub-questions</b>	<b>Indicators</b>	<b>Methods</b>
<b>Alignment</b> <i>To what extent does Germany base its support on partner countries' development strategies en systems?</i>	<p>How is the concept of alignment reflected and defined in German policy?</p> <p>How is the impact of alignment on effective development perceived by German actors?</p> <p>What are perceived strengths and weaknesses of the concept of alignment?</p> <p>To what extent, why and how does Germany align its policies and strategies with those of partner countries?</p> <p>What are the constraints to align policies and strategies with those of partner countries?</p> <p>How does Germany support partner countries' capacity development for improving operational frameworks?</p>	<p>The extent to which and how 'alignment' is mentioned in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc.</p> <p>Perceptions of staff and other stakeholders of the benefits of (or constraints for) alignment for effective development.</p> <p>The extent to which partner countries' systems are used to deliver aid.</p> <p>Pooling of resources with other donors.</p> <p>Reasons given by staff at headquarters and country levels for not aligning (quality of partner country's systems and procedures, German rules, procedures or routines, transaction costs, perceptions of impact on aid effectiveness, transaction costs, etc.).</p> <p>Programmes / funds for partner countries' capacity development concerning planning, budgeting, and establishing performance assessment frameworks.</p>	<p>Review of Documents</p> <p>Interviews</p> <p>Questionnaire</p>
<b>Harmonisation</b> <i>To what extent does Germany coordinate its activities and reduce the costs of delivering aid?</i>	<p>How is the concept of harmonisation defined and reflected in German policies?</p> <p>How is the impact of harmonisation on effective development perceived by German actors?</p> <p>To what extent, why and how does Germany harmonise its development cooperation policy?</p> <p>What are the constraints for harmonisation of policy?</p>	<p>The extent to which and how the term 'harmonisation' is mentioned in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc.</p> <p>Perceptions of German actors of the benefits of (and constraints for) harmonisation for effective development.</p> <p>Percent of ODA spent via general &amp; sector budget support</p> <p>Extent to which aid modalities are coordinated with other donors.</p> <p>Reasons given by staff at headquarters and country levels for non-harmonisation (domestic political, internal agency, external factors including transaction costs)</p> <p>Perceptions of impact of harmonisation on aid effectiveness.</p>	<p>Review of Documents</p> <p>Interviews</p> <p>Questionnaire</p>

<b>Paris Declaration Principle: Main Question</b>	<b>Typical sub-questions</b>	<b>Indicators</b>	<b>Methods</b>
<p><b>Managing for Results</b></p> <p><i>To what extent does Germany orient its activities to achieve the intended results and support developing countries in doing so?</i></p>	<p>How is the concept of managing for development results defined and reflected in German policy?</p> <p>To what extent does Germany orient its activities to achieve the desired results?</p> <p>Does Germany support partner countries to develop a results-driven approach? If so, how? If not, why not?</p> <p>Does Germany harmonise reporting and monitoring formats with other donors if country systems cannot be relied on?</p>	<p>The extent to which and how terminology concerning results-driven policy is mentioned in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc.</p> <p>The extent to which Germany relies on partner countries' performance assessment frameworks for resource allocations.</p> <p>Programmes / funds for partner countries' capacity enhancement of information systems in support of decision-making and management.</p> <p>Examples of coordination with other donors on reporting and monitoring.</p>	<p>Review of Documents</p> <p>Interviews</p> <p>Questionnaire</p>
<p><b>Mutual accountability</b></p> <p><i>To what extent is Germany accountable to developing countries and supports developing countries to be accountable as well in managing aid better and in achieving development results?</i></p>	<p>How is the concept of mutual accountability reflected in German policies and how is it defined?</p> <p>How does the German aid administration try to improve its accountability?</p> <p>What are the constraints for providing timely, transparent and comprehensive information of aid flows to partner countries?</p>	<p>The extent to which and how terminology concerning mutual accountability is mentioned in German policy documents, annual plans, instructions, parliamentary debates etc.</p> <p>Key respondents' views on the concept of mutual accountability.</p> <p>Type(s) of reporting mechanisms.</p> <p>Reasons provided by staff at headquarters and embassies why providing timely, transparent and comprehensive information is difficult.</p>	<p>Review of Documents</p> <p>Interviews</p> <p>Questionnaire</p>

**Annex 2: List of Interviewees**

<b>Organisation</b>	<b>Name</b>	<b>Title</b>	<b>Date</b>
BMZ	Mr Stather	State Secretary	21/09/07
BMZ	Mr Lehmann	Director General (Directorate General 1: Central management, cooperation with civil society forces)	11/09/07
BMZ	Mr Ducklau	Deputy Director General (Directorate 11: Cooperation with civil society forces in the field of development)	17/09/07
BMZ	Ms Westphal	Head of Division (Division 100: Organisation and organisational development)	25/09/07
BMZ	Mr Rademacher	Desk Officer (Division 100: Organisation and organisational development)	25/09/07
BMZ	Ms Barth	Desk Officer (Division 110: Principles of cooperation with civil society forces, churches, political foundations, social structure assistance)	22/10/07
BMZ	Mr Port	Desk Officer (Division 110: Principles of cooperation with civil society forces, churches, political foundations, social structure assistance)	22/10/07
BMZ	Mr Tantz	Head of Division (Division 111: InWEnt; scientific/ academic and cultural institutions)	14/09/07
BMZ	Mr Baur	Head of Division (Division 112: Projects of private organisations, development services, DED)	25/09/07
BMZ	Ms Hoven	Director General (Directorate General 2: Cooperation with countries and regions, Asia, Latin America, Europe, peace building, United Nations)	24/09/07
BMZ	Mr van de Sand	Deputy Director General (Directorate 20: Asia, South-Eastern Europe, Afghanistan)	05/10/07
BMZ	Mr Neumann	Head of Division (Division 200: South-East-Asia)	14/09/07
BMZ	Mr Weber	Desk Officer Bangladesh (Division 204: Afghanistan, Bangladesh, Pakistan)	19/09/07
BMZ	Mr Bonnet	Deputy Director General (Directorate 22: Cooperation with countries and regions, planning and policy, Director for Latin America)	28/09/07
BMZ	Mr Fass-Metz	Deputy Head of Division (Division 224: South America)	18/09/07
BMZ	Mr Kadel	Focal point for Paris Declaration (Division 220: Cooperation with countries and regions, planning and policy)	27/09/07
BMZ	Mr Schneider	Head of Division (Division 221: Coordination of financial cooperation, KfW, DEG)	26/09/07
BMZ	Mr Zink	Head of Division (Division 222: Coordination of technical cooperation, GTZ)	10/09/07
BMZ	Ms Hildebrand	Deputy Head of Division (Division 222: Coordination of technical cooperation, GTZ)	10/09/07
BMZ	Mr Hofmann	Director General (Directorate General 3 (Global and sectoral policies, European and multilateral development policy, Africa)	17/09/07
BMZ	Mr Mohs	Head of Division (Division 310: Poverty reduction, Programme of Action 2015, coherence, sectoral policies)	21/09/07
BMZ	Ms Kranz-Plote	Desk Officer (Division 310: Poverty reduction, Programme of Action 2015, coherence, sectoral policies)	21/09/07
BMZ	Mr Albert	Deputy Director General (Directorate 32: Africa and the Middle East)	01/10/07
BMZ	Mr Schröder	Head of Division (Division 320: Regional development policy, Southern Africa)	17/10/07
BMZ	Ms Schmidt	Desk Officer Zambia (Division 320: Regional development policy, Southern Africa)	17/10/07

Organisation	Name	Title	Date
BMZ	Mr Krahl	Desk Officer (Division 321: West Africa I)	28/09/07
BMZ	Mr Krake	Desk Officer Uganda (Division 323: East Africa)	20/09/07
BMZ	Mr Ohme	Commissioner for the Millennium Development Goals	01/10/07
GTZ	Mr Schmitt	Managing Director	14/09/07
GTZ	Mr Proksch	Head of Department (Corporate Development Department)	24/09/07
GTZ	Ms Richter	Head of Department (Planning and Development Department)	13/09/07
GTZ	Mr Hoffmann	Head of Department (Planning and Development Department)	13/09/07
GTZ	Ms Schieber	Head of Division (Contracting, procurement, logistics)	25/09/07
GTZ	Mr Wäscher	Head of Section (Public procurement systems – procurement management)	25/09/07
GTZ	Mr Monigatti	Senior Officer (Unit of competence building)	13/09/07
GTZ	Mr. I. Schaefer	Head of Unit (Unit of competence building)	13/09/07
GTZ	Mr Brandl	Head of Department (Evaluation Department)	01/10/07
GTZ	Mr Conze	Head of Department (Country Department Africa)	26/09/07
GTZ	Mr Dresrüsse	Head of Department (Country Department Latin America/ Caribbean)	26/09/07
GTZ	Mr Beier	Head of Department (Country Department Mediterranean Region, Europe, Central Asian Countries)	26/09/07
GTZ	Mr Mutschler	Regional Director (Regional Department Bolivia, Chile, Ecuador, Colombia, Paraguay, Peru, Venezuela, ECLAC)	14/09/07
GTZ	Mr G. Schäfer	Head of Economic Section (Africa Department)	14/09/07, 04/10/07
GTZ	Mr Müller	Country Manager (Regional Division Andean region, Paraguay, Bolivia, Ecuador)	14/09/07, 04/10/07
GTZ	Ms Starkenberg	Country Manager (Regional Division South Asia, Bangladesh, Nepal, Sri Lanka)	14/09/07
GTZ	Ms Tertsunen	Project Manager (Africa Department, Economic Affairs, PRSP)	14/09/07
GTZ	Mr Kampffmeyer	Head of Division (Division Policy and Strategy)	04/10/07
GTZ	Mr Herbon	Senior Policy Adviser (Division Policy and Strategy)	04/10/07
GTZ	Mr Nerré	Economist (Public Finance Group)	04/10/07
GTZ	Ms Petersen	Junior Expert (Division Economic Development and Employment, Working group PBA)	04/10/07
KfW	Mr Ohls	Senior Vice President (Regional Department I: Financial cooperation with Asia)	25/09/07
KfW	Mr Wenn	Senior Vice President (Regional Department II: Financial cooperation with Sub-Saharan Africa)	25/09/07
KfW	Ms Köhn	Senior Vice President (Regional Department III: Financial cooperation with Europe, North America and the Middle East)	25/09/07
KfW	Mr Gauges	Senior Vice President (Regional Department IV: Financial cooperation with Latin America and the Caribbean, Strategy)	25/09/07
KfW	Mr Wehinger	First Vice President (Strategy Department)	28/09/07
KfW	Ms Tawfik	Head of Division (Division Policy and Strategy)	28/09/07
KfW	Ms Mauve	Senior Manager (Division Policy and Strategy)	28/09/07



Organisation	Name	Title	Date
KfW	Mr Macioszek	Director Berlin Office (Directorate Berlin Office)	05/10/07
KfW	Mr Feist	Head of Division (Division: Financial products and policy)	26/09/07
KfW	Mr Strangmann	Head of Division (Division: Development economics)	26/09/07
KfW	Mr Orlik	Sector Economist PBAs (Division: Competence centre PBAs)	01/10/07
KfW	Mr Fleischhacker	Head of Division (Division: Competence centre PBAs)	01/10/07
KfW	Ms Stein	Head of Division (Division: Competence centre institutional development)	25/09/07
KfW	Ms Schroth	Sector Economist (Division: Competence centre institutional development)	25/09/07
KfW	Ms Terberger	Head of Unit (Evaluation unit)	10/10/07
KfW	Mr Sigrist	Regional Manager (Department East Asia and Pacific)	02/10/07
KfW	Ms Kneesch	Regional Manager (Department East and West Africa)	02/10/07
KfW	Ms Delbrück	Regional Manager (Department Latin America/ Caribbean)	02/10/07
KfW	Ms Diekmann	Country Manager (Department South and Central Africa)	02/10/07
KfW	Mr Henke	Regional Manager (Department South and Central Asia)	02/10/07
KfW	Mr Raschen	Principal Country Manager (Department South and Central Asia, Bangladesh, Nepal)	02/10/07
KfW	Mr Kleffmann	Country Manager (Department South and Central Africa)	02/10/07
InWEnt	Mr Popp	Chief Executive Director	19/09/07
InWEnt	Mr Roos	Head of Department (Department 1: Planning and monitoring)	18/09/07
InWEnt*	Ms Nelles	Senior Project Manager (Department 1: Division of quality and evaluation)	18/09/07
DED	Mr Wilhelm	Managing Director	12/09/07
DED	Ms Popp	Senior Policy Adviser (Department 1: Corporate development)	12/09/07
DED	Ms Stein	Head of Department (Department for training; returnee management and education; quality management)	13/09/07
DED	Mr Hamacher	Head of Department (Department B3: Quality management; knowledge management; controlling)	13/09/07
DED	Mr Rogg	Head of Sectoral Department (Sectoral department)	11/09/07
DED	Mr Brömmel	Head of Department (Department F6: International cooperation and consulting services)	11/09/07
DED	Ms Oermann	Head of Department (Department F7: Results orientation and programme monitoring)	11/09/07
DED	Mr Daraspe	Head of Department (Department Z4: Personnel recruitment of development workers)	05/10/07
DED	Mr Kastenholz	Head of Department (Department Z3: Personnel administration services/ full time staff)	05/10/07
DED	Mr Seidel	Head of Regional Department	24/09/07
DED	Ms Bucher	Head of Division (Division: Latin America and the Caribbean)	24/09/07
DED	Ms Zacher	Head of Division (Division: Eastern and Southern Africa)	24/09/07
DED	Mr Siekmann	Head of Division (Division: Near East and Central Asia)	24/09/07

Organisation	Name	Title	Date
Foreign Office	Mr Röken	Deputy Head of Division (Division 401: Development cooperation)	01/10/07
Foreign Office	Mr Pieske	Desk Officer (Division 401: Development cooperation)	01/10/07
Ministry of Finance	Ms Zuleger	Head of Department (Department budget 23: Economic cooperation and development)	16/10/07
Ministry of Finance	Mr Huke	Senior Officer (Department budget 23: Economic cooperation and development)	16/10/07
EED	Mr Lanzet	Senior Policy Adviser (Development Finance)	09/10/07
EED	Mr Kronenberg	Desk officer (Department Africa, team Action Plan 2015)	09/10/07
KZE	Mr Bröckelmann-Simon	Managing Director	09/10/07
VENRO**	Mr Post	Vice Chair (Board of the General Assembly)	02/10/07
DWHH**	Mr Post	Head of Division (Division: Public Affairs)	02/10/07
AwZ	Mr Hoppe	Chairman (Green Party)	15/01/08
AwZ	Ms Pfeiffer	Deputy Chairwoman (CDU: Christian Democratic Union of Germany)	15/01/08
AwZ	Mr Bauer	Member (CDU: Christian Democratic Union of Germany)	15/01/08
AwZ	Ms Groneberg	Member (SPD: Social-Democratic Party of Germany)	15/01/08
AwZ	Ms Hübinger	Member (CDU: Christian Democratic Union of Germany)	15/01/08
AwZ	Mr Königshaus	Member (FDP: Liberal Democratic Party)	15/01/08
AwZ	Ms Koczy	Member (Green Party)	15/01/08
AwZ	Mr Raabe	Member (SPD: Social-Democratic Party of Germany)	15/01/08

\* On request of InWEnt no group discussion took place with representatives of the regional departments.

\*\* The interview with VENRO and DWHH took place at the same time and was conducted with the same interviewee who represented VENRO as well as DWHH.

**Annex 3: List of Documents Reviewed\***

<b>Document Number</b>	<b>Organisation</b>	<b>Title</b>	<b>English equivalent of the German title**</b>
1	BMZ	Sachstand zur Positionierung des BMZ zu Delegated Cooperation	BMZs position with regard to delegated cooperation
2	BMZ	Handreichung Berichterstattung zu gemeinsamen EZ-Programmen	BMZ guide on joint reporting
3	BMZ	Verzahnung EU und multilaterale EZ mit bilateraler EZ (2003)	Interlinking EU and multilateral development cooperation with bilateral development cooperation
4	BMZ	Best Practice „Delegated Cooperation“	
5	BMZ	Hinweise Kombifinanzierung	Comments on joint financing
6	BMZ	AA-Beteiligung an der Kombifinanzierung	Participation of the Foreign Office in joint financing
7	BMZ	Runderlass Verbesserung Effizienz EU-Außenhilfe (2001)	Circular on enhancing the efficiency of EU development cooperation.
8	BMZ	Handreichung Operationsplan	Guide implementation plan
9	BMZ	BMZ Spezial: „Mehr Wirkung erzielen“	Enhanced aid effectiveness: Focusing German development cooperation on the development goals. Implementing the Paris Declaration on aid effectiveness.
10	BMZ	Länderteam-Konzept	Country team concept
11	BMZ	Verfahrensregeln Schwerpunktkoordinatoren	Rules of procedure for priority area coordinators
12	BMZ	Rahmenkonzept Schwerpunktkoordinatoren	Framework concept for priority area coordinators
13	BMZ	Arbeitspapier zur weiteren Umsetzung der MDGs auch im Rahmen der Pariser Erklärung.	Working paper on further implementation of the MDG´s in the context of the Paris Declaration
14	BMZ	Code of Conduct on Capacity Development. Developed by the Cooperating Partners Group. In support of the implementation of the Fifth National Development Plan, the Zambian Aid Policy as well as the Joint Assistance Strategy for Zambia (JASZ) September 2007	
15	BMZ	Handreichung PGF	Guide for PGF
16	BMZ	Positionspapier PGF	Position paper on PGF
17	BMZ	PGF-Kennung	PGF code
18	BMZ	PGF-Konzept Entwurf (Stand September 2007)	Concept paper on PGF (draft september 2007)
19	BMZ	FZ/TZ-Leitlinien	Guidelines for Bilateral Financial and Technical Cooperation
20	BMZ	FZ/TZ-Leitlinien: tabellarischer Überblick	Guidelines governing financial and technical cooperation: synopsis
21	BMZ	FZ/TZ-Leitlinien: wichtigste Änderungen im Überblick	Guidelines governing financial and technical cooperation: most important modifications at a glance
22	BMZ	Vermerk Referat 220 zu Arbeitsteilung	Comment of division 220 on division of labour

Document Number	Organisation	Title	English equivalent of the German title**
23	BMZ	Präsentation Arbeitsteilung	Presentation: division of labour
24	BMZ	Präsentation Programmvorschlage fur gemeinsame EZ-Programme	Presentation: proposals for joint development cooperation programmes
25	BMZ	Operationsplan 2005/2006. Ausrichtung der deutschen EZ auf die MDGs. Umsetzung der Paris Declaration on Aid Effectiveness	Implementation plan concerning the PD 2005/06
26	BMZ	Das Ergebnis von Paris und moglicher Reformbedarf in der deutschen EZ	Possible reform needs of the German development cooperation
27	BMZ	Sachstand Programmvorschlag und Berichterstattung zum gemeinsamen EZ-Programm	Programme proposal and reporting on joint development cooperation programmes (interim information)
28	BMZ	Handreichung Erstellung von Programmvorschlagen fur gemeinsame EZ-Programme	Guide for programme proposals on joint development cooperation programmes
29	BMZ	Prasentation: Paris Declaration on Aid Effectiveness: Stand der Umsetzung (08/2005)	Presentation: Paris Declaration on aid effectiveness: state of the implementation
30	BMZ	Ubersicht Abteilungsziele (25.9.2007), Abteilung I	Performance targets: Directorate General I (25.9.2007)
31	BMZ	Ubersicht Abteilungsziele (25.9.2007), Abteilung II	Performance targets: Directorate General II (25.9.2007)
32	BMZ	Ubersicht Abteilungsziele (25.9.2007), Abteilung III	Performance targets: Directorate General III (25.9.2007)
33	BMZ/ Foreign Office	Eckpunkte zur Starkung der entwicklungspolitischen Steuerung in den Partnerlandern Pilotprojekt in Accra (Ghana), Rabat (Marokko), New Delhi (Indien) und noch zu bestimmender 4. Standort mit aus dem AA entsandten EZ-Referentin/ Referent - Vereinbarung zwischen AA und BMZ -	Letter from the Foreign Office to the BMZ: key points for strengthening the orientation and management of German development cooperation in Ghana, Morocco, India and a forth partner country still to be determined
34	GTZ	Jahresziele der GTZ 2007	Organisational targets of GTZ for 2007
35	BMZ	Improving the 2008 PD Monitoring Survey: Suggestions by Germany, 9 August 2007	
36	GTZ	Paris Deklaration Baseline Survey – Ergebnisse und erste Bewertung aus Sicht der deutschen EZ	Paris Declaration baseline survey – results and first assessment from the point of view of the German development cooperation
37	GTZ	Monitoring der Umsetzung der Paris Deklaration in 2006 – Kurzauswertung der Ruckmeldungen der deutschen Botschaften	Monitoring of the implementation of the Paris Declaration in 2006 (summary of comments of German embassies)
38	GTZ	Erfahrungen der GTZ im Rahmen von Programmbasierten Ansatzen (PBA)	GTZ experiences with PBAs
39	GTZ	GTZ-Stellungnahme zum BMZ Positionspapier PGF	GTZ comment on the BMZs position paper on PGF
40	GTZ	GTZ-Vorschlag zur Anderung der PBA-Kennung des BMZ.	GTZ proposal for changing the PBA code of the BMZ

<b>Document Number</b>	<b>Organisation</b>	<b>Title</b>	<b>English equivalent of the German title**</b>
41	GTZ	Konzept: Virtuelles Kompetenzfeld „Programmorientierte EZ“, März 2006	Concept on the planned competence centre of programme based development cooperation (march 2006)
42	GTZ	Entscheidungsvorlage: Verankerung von Programmbasierten Ansätzen (PBA) in ausgewählten Produkten (Mai 2007)	Proposal for the use of PBAs. Decision on the integration of PBAs in selected products.
43	GTZ	Handreichung für Produktmanager: Wie überarbeite ich ein Produkt im Hinblick auf PBA? (Juli 2007)	Guide for product managers on how to adjust a product with regard to PBAs
44	GTZ	Das Verständnis der GTZ von Capacity Development. Ein Orientierungs- und Handlungsrahmen für die GTZ.	GTZs understanding of capacity development.
45	GTZ	GTZ-Grundsatzpapier zur Einschätzung der Budgethilfe (Sept. 2006)	GTZ position paper on budget support
46	GTZ	Fortbildungskonzept und Formate PEZ	Training concept for capacity building on programme based development cooperation
47	KfW	Budgethilfe – Erfahrungen und Perspektiven (N. Djafari E+Z 07/2006)	Budget support – experiences and perspectives. (article in D+C, N. Djafari 7/2006)
48	KfW	Vermerk: Aufgabenteilung in der deutschen Entwicklungszusammenarbeit zu PRSC (August 2007)	Note on division of labour in German development cooperation regarding PRSC
49	KfW	Hanoi Newsletter on Aid Effectiveness / August 2006 Thema: Poverty Reduction Support Credits (PRSC)	Hanoi Newsletter on Aid Effectiveness / August 2006 Topic: Poverty Reduction Support Credits (PRSC)
50	KfW	Hanoi Newsletter on Aid Effectiveness / Oktober 2006 Thema: Die 5-Bankeninitiative	Hanoi Newsletter on Aid Effectiveness / October 2006 Topic: The 5 Banks initiative
51	KfW	Hanoi Newsletter on Aid Effectiveness / Dezember 2006 Thema: Von der Paris Declaration zum Hanoi Core Statement	Hanoi Newsletter on Aid Effectiveness / December 2006 Topic: From the Paris Declaration to the Hanoi Core Statement
52	DED	Stellenausschreibung: Projektbearbeiter/ in für Wirkungsorientierung und Programmmonitoring	advertisement of a vacancy: project manager in the field of managing for results and monitoring.
53	DED	Rundschreiben 12/07: Planung, Monitoring und Evaluierung von Entwicklungsmaßnahmen (Mai 2007)	Circular 12/07: Planning, monitoring and evaluation of development measures.
54	DED	Wirkungsorientierung im DED (Juli 2006)	Results orientation at DED.
55	DED	Rundschreiben 19/2006, Handreichung Wirkungsorientierung	Circular 19/2007: Guide on results orientation
56	DED	Beschlüsse der Gesamtkonferenz des DED 2007	Decisions of the annual meeting of DED 2007.
57	InWEnt	Programmmaßnahmen von InWEnt zum Aufbau lokaler Kapazitäten für M+E	Programmes of InWEnt concerning local capacity building for monitoring and evaluation.
58	InWEnt	Präsentation: Was ist die Rolle von Technischer Zusammenarbeit und capacity building in PGFs und PEZ? Das Beispiel Bildung in Mosambik.	Presentation: the key role of technical cooperation and capacity building in joint financing and programme based development cooperation. The example of Mozambique.

Document Number	Organisation	Title	English equivalent of the German title**
59	InWEnt	InWEnt-Länderkoordination in der EZ aus einem Guss: Lessons learned am Beispiel Tansania.	InWEnt: country coordination within joined up development cooperation: lessons learned – the example of Tanzania
60	InWEnt	Kurzbeschreibung „Management von Bildungshaushalten“ im südlichen Afrika (mit Schwerpunkt Mosambik und Malawi)	Short description of managing educational costs, finances and budgeting
61	InWEnt	Projektskizze Budgetmanagement in Subsahara-Afrika	Project outline: budget management in Sub-Saharan Africa
62	InWEnt	Veranstaltungsprotokoll 14.6.2007	Summary of the information event on the PD (14/06/07)
63	InWEnt	Protokoll Podiumsdiskussion – Mehr Wirkung erzielen 10.2.2006	Summary of the panel discussion on „Enhancing Aid Effectiveness“
64	EED	Die „Paris Declaration“ und die „Paris Agenda“ der Bundesregierung aus der Sicht [der] kirchlichen Hilfswerke	The view of church development organisations on the PD
65	Rolf Drescher***	Die Bedeutung der Paris-Erklärung für zivilgesellschaftliche Organisationen, in: eins. Entwicklungspolitik, No. 18–19, 2006	The relevance of the Paris Declaration for CSOs
66	DED	Planungsvorstellungen der Geschäftsführung 2008	Planning for 2008 of DED's Executive Board
67	BMZ	German Development Cooperation. Reliable Partner for Results. Handout – 3rd Roundtable MfDR, Hanoi 2007	
68	Federal Government	Zwölfter Bericht zur Entwicklungspolitik der Bundesregierung, BMZ Materialien Nr. 131.	12th Report on Development Policy by the German Federal Government of May 2005 to the Federal Parliament
69	EU Council	EU Code of Conduct on Complementarity and Division of Labour in Development Policy, Council Conclusion 15 May 2007	
70	BMZ	Die deutsche Budgethilfe im Rahmen der Programmorientierten Gemeinschaftsfinanzierung (PGF) – Policy Paper, Entwurf Stand Oktober 2007	German budget support within the framework of programme-oriented joint financing, policy brief (draft October 2007)

\* This list contains only those documents which proved to be relevant for the evaluation. The original sample of documents provided by the institutions interviewed outnumbers the present list of documents.

\*\* Most documents are only available in German. To give the international addressees of this report an idea of the content, the English equivalent of the German titles are added.

\*\*\* Rolf Drescher is a division chief in the BMZ and was formerly in charge of cooperation with CSOs. Although formally speaking the article represents the author's personal view and not necessarily the official position of the BMZ, it can fairly be assumed that the article reflects the expertise and expertise concerning the subject the author had gained in his former position.

**Annex 4: Interview Guide for Government Organisations**

**General perception and assessment of the Paris Declaration**

1. How do you perceive and assess the relevance of the Paris Declaration (PD) for the international and German development cooperation?
2. How do you perceive and assess the principles of the PD in general? (ownership, alignment, harmonisation, managing for results, mutual accountability)
3. How do you perceive and assess the modalities agreed upon in the PD with regard to the goal of improved aid effectiveness?

**Relevance of the Paris Declaration for your organisation**

4. What is the relevance of the five PD principles for the activities of your organisation? Please explain.

	low	medium	high
Ownership			
Harmonisation			
Alignment			
Managing for results			
Mutual accountability			

5. Is there illustrative evidence of how your organisation contributed to implementing the PD in practice?
6. Which of the principles and modalities agreed upon in the PD constitute the biggest challenge for your personal area of competence?

7. Which factors in your organisation encourage and/or impede the implementation of the PD?
8. Which policies, programmes, and activities exist in your organisation with a view to implementing the PD?
9. What impact has the PD had so far in your organisation on:
  - (a) ... staff capacity building
  - (b) ... organisational structure
  - (c) ... procedures
10. How does your organisation enable its staff to implement the PD? (training, incentive system, etc.)
11. Where do you see incentives/disincentives with regard to addressing the major challenges mentioned in question 6?
12. What has been the impact of the implementation of the PD on the relationship between the headquarters and the field level representations of your organisation?

**Concluding questions**

13. Do you see expected or unexpected (positive or negative) effects of the implementation of the PD so far?
14. As a consequence of the PD, do you see a need for adaptation of the German development cooperation system? If so, where?
15. Further points related to the implementation of the PD you would want to raise?

**Annex 5: Questionnaire for German Embassies and Country Offices**

**General perception and assessment of the Paris Declaration**

- 1. How do you perceive and assess the relevance of the Paris Declaration (PD) for the international and German development cooperation?
- 2. How do you perceive and assess the principles of the PD (ownership, alignment, harmonisation, managing for results, mutual accountability) in the context of your partner country?
- 3. How do you perceive and assess the modalities agreed upon in the PD with regard to the goal of improved aid effectiveness in the context of your partner country?

**Relevance of the Paris Declaration for your organisation at partner country level**

- 4. What is the relevance of the five PD principles for the activities of your organisation in your partner country? Please explain.

	low	medium	high
Ownership			
Harmonisation			
Alignment			
Managing for results			
Mutual accountability			

- 5. Is there illustrative evidence of how your organisation contributed to implementing the PD in your partner country?
- 6. Which of the principles and modalities agreed upon in the PD constitute the biggest challenge for your organisation in your partner country?

- 7. Which factors in your organisation encourage and/or impede the implementation of the PD in your partner country?
- 8. Which policies, programmes, and activities exist in your organisation and in your country representation with a view to implementing the PD?
- 9. What impact has the PD had so far in your organisation and your country representation on:
  - (a) ... staff capacity building
  - (b) ... organisational structure
  - (c) ... procedures
- 10. How do your organisation and your country representation enable the staff to implement the PD? (training, incentive system, etc.)
- 11. Where do you see incentives/disincentives with regard to addressing the major challenges mentioned in question 6?
- 12. What has been the impact of the implementation of the PD on the relationship between your headquarters and your country representation?

**Concluding questions**

- 13. Do you see expected or unexpected (positive or negative) effects of the implementation of the PD so far?
- 14. In view of the implementation of the PD do you see a need for adaptation of the German development cooperation system? If so, where?
- 15. Further points related to the implementation of the PD you would want to raise?



**Annex 6: Interview Guide for Civil Society Organisations**

**General perception and assessment of the Paris Declaration**

1. How do you perceive and assess the relevance of the Paris Declaration (PD) for official and non-governmental development cooperation?
2. How do you perceive and assess the principles of the PD in general? (ownership, alignment, harmonisation, managing for results, mutual accountability)
3. How do you perceive and assess the modalities agreed upon in the PD with regard to the goal of improved aid effectiveness?

**Relevance of the Paris Declaration for your organisation**

4. What is the relevance of the five PD principles for the activities of your organisation at headquarters and field level? Please explain.

	low	medium	high
Ownership			
Harmonisation			
Alignment			
Managing for results			
Mutual accountability			

5. How do you deal with the principles of the PD in the work of your organisation (at headquarters and field level)? Is there illustrative evidence of how your organisation translated the principles of the PD into practice?
6. Are there modalities agreed on in the PD that you regard as relevant also for your organisation?
7. Has the process of putting the PD into practice in governmental development cooperation had an impact on the work of your organisation at headquarters level and in your partner countries?

**Relevance of the PD for the relationship between governmental and non-governmental development cooperation**

8. In view of the implementation of the PD, do you see a need for adaptation in the relation between governmental and non-governmental development cooperation? If so, where?
9. Do you see a role for civil society organisations in advocating for the implementation of the PD in governmental development cooperation?
10. Further points related to the PD you would want to raise

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