

**POLICY PERSPECTIVES AND AN ANALYSIS OF  
EVALUATION METHODS FOR SELECTED  
EC-FINANCED PROJECTS**

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## DECLARATION

I declare that POLICY PERSPECTIVES AND AN ANALYSIS OF EVALUATION METHODS FOR SELECTED EC-FINANCED PROJECTS is my own work, that it has not been submitted before for any degree or examination in any other university, and that all sources I have used or quoted have been indicated and acknowledged as complete references.

Jan Soeltenfuss

June 2006

Signed: Jan Soeltenfuss



POLICY PERSPECTIVES AND AN ANALYSIS OF EVALUATION METHODS FOR  
SELECTED EC-FINANCED PROJECTS

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**10 KEY WORDS:**

Evaluation

Monitoring

Development aid

European Commission

European Union

Public policy

Policy management

Project management

Economic assessment

Financial assessment



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ANNEX 1: CASE A) Final Evaluation Mission of the European Commission Regional Malaria Control Programme in Cambodia, Lao PDR, Vietnam (Cambodia, Lao PDR, Vietnam, January 2003)

ANNEX 2: CASE B) Evaluation of Structural Adjustment Facility I (SAF I) in Lebanon (Lebanon, February 2005)

ANNEX 3: CASE C) Final Evaluation: Hummingbird Highway Section A (Belize, January 2003)

ANNEX 4: CASE D) Evaluation of EC Support to the Public Enterprise Reform & Privatisation Programme (Arab Republic of Egypt, March 2002)

ANNEX 5: CASE E) Final Evaluation of the Project “Institutional Support to the Road Sector” (Cameroon, September 2004)

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\* According to an agreement with my supervisor and UWC, the separate annex has not been submitted together with this mini-thesis due to the fact that the information therein is confidential and cannot be distributed to third parties.



## TABLE OF ACRONYMS:

CBA	Cost-Benefit Analysis
CEA	Cost-Effectiveness Analysis
CFA	Communauté Financière d’Afrique
DG	Direction Générale
DGDev	Direction Générale du Développement
DGRelex	Direction Générale des Relations extérieures
EC	European Commission
EcoFin	Manual Financial and Economic Analysis of Development Projects
ERSAP	Economic Reform and Structural Adjustment Programme
EU	European Union
FA	Financial Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
NPV	Net-present Value
NGO	Non-governmental organisation
NMCP	National Malaria Control Programme
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
OVI	Objectively Verifiable Indicator
PCM	Project Cycle Management
PERPP	Public Enterprise Reform and Privatisation Programme

PEO	Public Enterprise Office
PST	Sectoral Programme of Transport
SAF	Structural Adjustment Facility
SCR	Service Commun des Relations extérieures
SME	Small- and Medium-sized Enterprises
SPA	Score-Point Analysis
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax
VOC	Vehicle Operating Costs
WHO	World Health Organisation

## **ABSTRACT**

### **POLICY PERSPECTIVES AND AN ANALYSIS OF EVALUATION METHODS FOR SELECTED EC-FINANCED PROJECTS**

Jan Soeltenfuss

This research proposed to look at quality standards of evaluations in economic and financial respect undertaken on behalf of the European Commission in order to assess the performance of its development assistance in a policy-driven context. Thereby, an approach was adopted which allowed for an elucidation of the evaluation itself, but also its embeddedness in project management and policy management. It provided an overview on the topic of evaluation, including definitions as well as key concepts and it explained the role of evaluation in the management of projects and policies likewise. By drawing up a set of quality criteria for economic and financial project assessment, this work analysed five case studies, whilst it considered the results against the background of evaluation methods in general, but also against evaluation as a phase of project management and policy management.

Those quality criteria were developed on the basis of the literature review and definitions provided by the European Commission. The case studies were chosen on the basis of certain characteristics ensuring that all samples dated from the same period, contained the same formal information, were conducted in English and were classified as ex-post evaluations.

This research found that evaluation on the basis on an individual project is often flawed and lacks quality in terms of the applied evaluation method. The evaluation reports considered in this study not only suggest that methods are often not properly applied, but also that the overall implementation of projects is often faulty and thwarts evaluations of good quality. Furthermore, the European Commission yet has to put in place adequate

capacities in financial and technical terms. In this sense, also the project management approach of the European Commission is questionable just as well as the overarching policy management, which project management can be considered part of.

Hence this work has suggested scrutinising the capacity of evaluation teams in terms of training and expertise. It further proposed to deploy more financial resources to evaluation and to equip EuropeAid, the Commission's executive arm in development assistance, with a clear and unchallenged mandate to supervise evaluation undertakings. All of the above is at present absent and risks to thwart policy management of the Commission in the area of the delivery of development assistance as well as evaluation mission on the project level.





# **CHAPTER 1: PRESENTING THE STUDY**

## **1.1 INTRODUCTION**

The evaluation of projects and programmes in development cooperation has since recently attracted increased attention by scholars and academics in the field of development studies and related disciplines. The evolution of this subject area signifies a change in the perception, understanding, and interpretation of what development management is, how it ought to be organised and what it is supposed to deliver. By putting the evaluation of development interventions into the spotlight, theorists not only spurred a debate on how the outcomes and results of interventions could be suitably measured, on a more general level they also questioned paradigms of development planning and management, as well as public policy and policy management processes. Since for a long time the evaluation of development action has not been a hinge for thinkers and practitioners, it had only been considered a minor feature of development planning. Consequently, evaluation of projects and programmes with its tools, methods and techniques is not yet enjoying the widespread interest that it deserves. However, the number of research publications on this topic has been increasing for quite some time, creating a certain awareness that allowed for a critical reflection on managing development. As a result, evaluation has been defined in various ways, it has been associated with a number of methods to assess changes induced by programmes and projects and it was scrutinised in terms of its limitations.

## **1.2 RESEARCH PROBLEM AND RESEARCH QUESTION**

The academic elucidation of the subject of evaluation has, apart from university scholars, also been driven forward by large international institutions such as the Organisation of Economic Cooperation and Development (OECD) or the European Union (EU) respectively. Such organisations are not only conceptualising and researching on subjects related to evaluation, but they also actively evaluate their respective engagements in development cooperation. The European Commission (EC) for instance evaluates its

development engagements on various levels and it is, therefore, not only an institution steering debate on evaluation, but it has likewise practical experience in this field. One area, however, that has not yet seen a lot of attention within big international organisations is the research on the quality of evaluations. A systematic and comprehensive investigation into qualitative standards, specifically referring to methodological aspects but also to formality and content of evaluations, is rarely to be found.

Hence, this study chooses as its focal point the illumination of quality standards in evaluation activities. It proposes to concentrate on the evaluation of projects and programmes in development assistance financed by the EC. More specifically, it suggests looking at financial and economic evaluation methods applied to projects and programmes. It will provide an analysis of these methods and it will illuminate whether the evaluations follow generally recognised standards for economic and financial assessment. Further, the study will elucidate in how far the appliance of different methods can be considered apt, and in how far an appropriate or relevant approach has been utilised for the interventions being examined. Besides, it will unveil possible implications for policy management, which evaluation is part of, by the EC. It will be attempted to draw conclusions from evaluation quality for the overall policy management of development cooperation within the EC.

The research question of this study is, therefore, if evaluations in practice follow methods for economic and financial assessment of projects and programmes in a proper manner in the context of EC-financed development cooperation and which implications can be drawn from this for EC policy management in development aid.

### 1.3 OBJECTIVES AND SIGNIFICANCE OF THE STUDY

The guiding questions of this study will be:

1. Which economic and financial assessment methods are applied in project and programme evaluation?
2. Which economic and financial assessment methods are recognised by the EC and which are applied in EC evaluations?
3. Have the evaluations conducted under the EC followed apt standards of economic and financial assessment?
4. Can the quality in terms of economic and financial project and programme evaluation be considered appropriate, and if not, where are problems to be located?
5. Can repercussions be identified for policy management by the EC in planning, implementing and evaluating its development assistance?

The primary objectives that can be derived from the above include the following:

1. Presentation of different economic and financial assessment methods for projects and programmes
2. Illumination of the topic of evaluation within the framework of policy management and its significance therein
3. Analysis of five case studies in regards to application of evaluation methods in economic and financial respect
4. Suggestion of a quality assessment scheme of evaluation reports in terms of economic and financial evaluation of projects and programmes
5. Identification of quality hazards for EC evaluation and detection of potential causes of the latter

The significance of this research work is constituted by its embeddedness in development and its managerial processes.



First and foremost, this study helps to identify where problems and obstacles in evaluation activities are to be located and what can be done to remove them. Consequently, an assessment of economic and financial methods used in evaluations help the implementing/financing agency to ameliorate the standard of their evaluation missions and ultimately the standard of project and programme implementation. Also, this research suggests an assessment procedure that can be used for reviewing the quality of evaluations, which might be helpful for the implementing and/or financing agencies. Furthermore, it could serve to help these agencies to present the results of an intervention in a more objective manner allowing for verification and substantiation. Lastly, the study can help institutions in development cooperation to review their policy management framework and to ameliorate the way their policy objectives are managed as evaluation and project management are considered an integral part of a larger, more elaborate policy management approach.

#### **1.4 STRUCTURE OF THE RESEARCH**

Following from here, this work should be structured in different chapters.

Chapter two is to establish a theoretical background based on a literature review depicting different definitions of evaluation and other related terms.

Chapter three provides an overview of public policy and policy management approaches, in which evaluation is ingrained and constitutes a vital instrument in its own right.

Chapter four will describe evaluation methods for economic and financial assessment in the realm of development from the point of view of some academic writings, and from the perspective of the EC. This part will be based on a relatively small number of literature sources, since there are not many that adequately and exhaustively summarise

the topic of evaluation and its methodology.<sup>1</sup> Conversely, the most prominent landmark publications are incorporated.

Chapter five will clarify on the methodological approach used for this research and it will illuminate its limitations. It will then launch the case study of five ex-post evaluation reports and it will apply the theoretical framework to the samples.

Chapter six will derive research findings from the case study, while it will also relate back to part two.

Chapter seven will close this research by recapping the different steps of this work and by deriving conclusion. Furthermore, it will propose recommendations and areas of further research.



## **1.5 CONCLUSIONS**

This chapter set the scene for this research work. It gave a general introduction into the topic, it highlighted the reasons why this study was prepared, what the objectives are, and why the scientific illumination of the subject is necessary. It finally provided the formal structure of this thesis to guide its reader through the following chapters.

The next chapter will start the research process by defining its key terms and phrases on the basis of a literature review.

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<sup>1</sup> Here, methodology is understood as an aggregating term describing a set of methods and thereby depicting the scientific examination of the latter.

## **CHAPTER 2: EVALUATION AND ITS METHODS IN THE DEVELOPMENT CONTEXT**

This chapter will provide different definitions of evaluation and it will explain the role of evaluation in development. Furthermore, different evaluation typologies will be introduced and the type of environment, in which they are applied. It continues to highlight the criteria of evaluation, which compose the objectively verifiable base of all evaluation missions, whilst at the end of the chapter shortcomings and constraints of evaluation take the limelight of discussion.

### **2.1 WHAT IS EVALUATION? A BASIC DEFINITION**

Ever since the topic of evaluation noticeably surfaced in the realm of development and since more and more publications have been issued which engage with this field, numerous definitions have been drafted to depict this term. The evaluation concept has been defined by scholars from various backgrounds ranging from economists through to social scientists. This paper however will engage only with those definitions that are directly associated with development cooperation.

Some definitions have been developed by big international organisations or intergovernmental bodies that are nowadays considered to be guiding definitions as they are very often cited or referred, to whilst others have modified them to serve their specific purposes in particular circumstances. Some authors limit their definition of evaluation to an individual situation conditioned by a certain intervention to be assessed, others set boundaries in identifying particular areas where evaluations are used as a tool. Nevertheless, there are several key words that occur in almost any of the different definitions of evaluation, and they seem to be closely linked. Those include expressions such as efficiency, effectiveness, relevance, impact, and project planning amongst others.

Fanie Cloete avows that “[...] evaluation or assessment should be viewed as a judgemental process to compare explicit and implicit policy objectives with real or

projected outcomes/results or impacts.”<sup>2</sup> This policy-centred definition is geared towards Cloete’s objective to develop indicators to measure good governance policies. Wholey, Hatry and Newcomer who formulate a programme-specific definition assert that “evaluation is the systematic assessment of program results and [...] systematic assessment of the extent to which the program caused those results”, which have to be considered in view of actual intentions and original objectives stated at the beginning of the evaluated project.<sup>3</sup>

From the two definitions above it is clear that evaluation is a concept used in many contexts and that it can – depending on the direction of its definition – constitute the framework for different conceptual environments. None of the two definitions chose development issues as their hinge, yet it seems they serve very specific and well-defined purposes.

International development institutions have defined evaluation in more general terms listing all areas where evaluation could potentially play a role. The OECD provided one of the most prominent definitions of evaluation in the context of development work. It characterises evaluation as a “[s]ystematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability.”<sup>4</sup> This all-encompassing definition draws on projects, programmes and policies likewise to be possible arenas where evaluation can be a vital instrument.

Whenever the term of evaluation is mentioned another phrase appears simultaneously, namely ‘monitoring’. This term has been defined as “[...] the periodic remeasurement of appropriate parameters to determine the effects of particular management strategies or policies, and the response of systems to changes in the wider environment.”<sup>5</sup>

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<sup>2</sup> Cloete, Fanie (2005), p. 2

<sup>3</sup> Wholey, J. S., Hatry, Harry P., Newcomer, Kathryn E. (1994), p. 3

<sup>4</sup> DAC (Development Assistance Committee) (2002), pp. 27-28

<sup>5</sup> Bosch, O.J.H. (1996), p. 12

As should be clear from the above definition, the major difference between monitoring and evaluation is constituted by their respective magnitude. Evaluation is a broad assessment of a project, programme or policy discussing the performance in all relevant fields that the intervention touches upon. Monitoring, conversely, describes a tool used to continuously keep track of activities conducted under an intervention. By definition, monitoring reports are shorter than evaluations but they can be the basis for the latter. It should be noted here that for the purpose of this research work only the term evaluation will be used, as this study is constructed on the basis of evaluation case studies.

## **2.2 THE OBJECTIVES OF EVALUATION**

In this section the objects of evaluation in the development context shall be briefly defined and explained. In the literature evaluations are concerned with assessing projects, programmes or policies. Projects are defined as “a series of activities aimed at bringing about clearly specified objectives within a defined time-period and with a defined budget”. A compatible expression to project is intervention, which is also very often used. The term programme can have different meanings: (1) a set of projects taken together geared towards a common goal; (2) aggregation of various ongoing initiatives that support common objectives (a primary health care programme for instance); (3) a sector programme defined under a governments sector policy (health sector programme for instance).<sup>6</sup>

A policy is usually characterised as a statement of intent, whereby the policy process goes through several phases including evaluation (besides others such as initiation, design, analysis, formulation, implementation among others).<sup>7</sup> Often, some of the above described expressions are considered synonyms. Project and programme for example are very frequently interchangeably used. Having stated that there is, however, a difference between the two, the expressions “programme” and “project” as well as “intervention” will also be occasionally utilised as synonyms in this research. The reason for this is that

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<sup>6</sup> *Adopted from* European Commission (2004), p. 143

<sup>7</sup> De Coning, C. B. (2000), p. 3

in the case study the delineation between the terms appears rather unclear, and it would be very complicated to disentangle whether the samples to be presented later are rather of project- or programme nature.

### **2.3 EVALUATION AND DEVELOPMENT MANAGEMENT**

In order to start an investigation into evaluation methods, its workings, assumptions, limitations, and its areas of appliance it should be worthwhile to clarify on how the embeddedness of evaluation in development management can be characterised.

Evaluation, as we have already seen, has been neglected for a long time in development management and was deemed rather redundant if not entirely unnecessary. Despite this, evaluation departments existed in many large-scale development institutions already before the topic became a major focus in theory and practice: evaluation sections specifically concerned with the assessment and appraisal of development projects and programmes within the United Nations Development Programme (UNDP) has been in existence since the late 1960s. But regardless of having these institutional arrangements in place, the interest in evaluation remained fairly minor.

Only with recent calls for more accountability and transparency in public sector institutions and the introduction of evaluation procedures in the realm of public administration the topic became also central to organisations of development assistance, as some of them are financed exclusively with public funds or receive at least partly financial and other resources from public bodies. Since then evaluation and its academic exposition is a growing field, and it has attracted a great deal of consideration from theorists and practitioners in the field.

This is not to say that evaluation is nowadays generally considered necessary to assess the results of development intervention. Vaessen and De Groot emphasise the fact that with regard to small development projects evaluation is not exactly common.<sup>8</sup> But even

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<sup>8</sup> Vaessen, Jos, De Groot, Jan (2003), p. 4

big institutions, like the bodies of the EC that are concerned with development, criticise understaffed evaluation units; an indication that the issue of evaluation still has to be strengthened and fostered in practice. However, in most development organisations evaluation has now a major role to play in comparison with the negligent attitude in earlier times. Evaluation has now found its permanent place in development planning and management. It is very thoroughly implanted in newly designed tools for development practice, such as project cycle management understood as a framework of management and planning activities and decision-making processes in periodic phases. In this framework, evaluation is perceived as a vital instrument to gauge the outcomes and results of a project or programme and to compare those with the initial objectives in order to develop a picture of the intervention's implementation, performance, and sustainability. In other words, an evaluation as a predetermined aspect of the project management cycle allows ameliorating project management at various stages. The recommendations of an evaluation feed back into different steps in project management and planning and ensure input for improvements and modifications. Hence, an evaluation should be able not only to show if a project or programme has been successful, but it should also be capable of identifying reasons and causes of failure in case the action has been unproductive. It therefore clearly indicates to donors, implementers and stakeholders where the problems are and how undesired effects are to be evaded in the future.

## **2.4 TYPOLOGIES OF EVALUATION**

In the development context, evaluations can be distinguished in several types. Evaluations of projects and programmes can be done in different time periods, as in the literature there are usually three types to be found:

Ex-ante Evaluations take place before a project starts. Those evaluations concentrate on giving detailed and specific recommendations to decision-makers in all areas that the project might touch upon (ecological, economic, cultural, social) in order to estimate if it

will be able to deliver the desired outcomes and if the project is to be prioritised over others given a certain relation of input over output to be expected.

Mid-term evaluations are conducted during project implementation which is to say whilst a project is still running. The emphasis is placed on measuring the project-induced effects and on determining whether those are intended and, therefore, desirable effects. If negative effects are identified this type of evaluation should make suggestions as to how those harmful effects can be eliminated on short notice. In case that those effects cannot be brought to a standstill the project may finally be discontinued.

The third type, the ex-post evaluation, is executed after the completion of a project. It examines if the projected objectives of the intervention have been met and it categorises project-induced changes after the end of the intervention.

These three types of evaluation are very often confused in the literature. There are also other typologies that are used synonymously. Formative evaluation or process evaluation are often used to describe mid-term evaluations that take place in the implementation phase of the project cycle. Conversely, ex-post evaluations are sometimes entitled summative or impact evaluation, though they basically depict the same concept. Lastly, ex-ante evaluations are also known as project appraisal as they usually serve the purpose of identifying which project alternative is chosen over others and it, hence, assists the decision-makers to select the most appropriate one.

Another type often referred to in many publications is the meta evaluation which constitutes a completely different category in itself. Meta evaluations represent the evaluation of an evaluation. They go one step further and produce an evaluation of a set of other evaluations which mostly assess whole development strategies or policy aggregations. One example of meta evaluations is for instance the EU country strategy



evaluations which are chiefly based on a sample of individual project evaluations from the respective country.<sup>9</sup>

The evaluation of development interventions can be distinguished further into internal and external evaluations. Internal evaluations are usually conducted by personnel of the donor or the implementing organisation. External evaluations are done by contracted experts or agencies that put together the evaluation on their behalf. In view of internal and external evaluation the question of credibility, reliability and integrity is very often raised. In fact, the scope, magnitude and scale of all evaluation efforts depend very much on who evaluates what and for whom. With this in mind, one could advocate that internal evaluations can never be as objective, unbiased and neutral as external ones. Internal evaluators would be occupied with praising the positive outcomes of the project, whilst negative results would be neglected in the overall consideration. The advantage of external evaluation, one might say, is that outside experts gauge the project impact in a more impartial and truthful way. Although internal evaluations in large development agencies must just as well strictly adhere to concrete Terms of Reference (ToR), external evaluations are nonetheless deemed more credible and realistic in the field of development cooperation.

But even their assumed independence can be questioned especially if big and influential institutions such as the EC ask contracted agencies to conduct them. External evaluations are an expensive business and private evaluation agencies, it could be argued, have an interest not to be overly rigid in their assessment in order to please the hand that feeds them. For the moment it should only be noted here that evaluations can never be totally objective and free of interests.

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<sup>9</sup> Besides individual evaluations from projects, the EU country strategy evaluations also build on interviews or data gathered from government authorities in the respective country. For a general example of those country strategy evaluations *see* EuropeAid (2005)

## 2.5 CRITERIA FOR EVALUATION

As we have already found out, evaluation is based on several conceptual constructs that serve the evaluator to judge the success or failure of a certain development intervention under scrutiny. Those constructs or criteria carry different weight, meaning, and significance in the evaluation process and in many publications a clear and proper distinction is largely absent. Also, it depends on the choice of literature, as in German writings the connotation of some criteria are not more but remotely analogous with their English or French translations. The concepts introduced hereunder will concentrate first and foremost on efficiency, effectiveness, relevance, impact and sustainability. Besides, other determinants will shortly be explained that are also considered essential to evaluation in the literature.

The first expression that always appears in the context of determinants of evaluations is efficiency. This concept is used in many academic disciplines and, hence, it is tied to many different abstract milieus. The definition of efficiency that roots in economics – though even here there are many variations of it – associates the term with the relationship of input over output. This means that a condition of improved efficiency is achieved if (1) with the same input the output can be increased, or (2) if the same output can be produced with less input.<sup>10</sup> The field of evaluation draws on this definition and implants the idea into the environment of a development intervention. The OECD characterises efficiency as “[a]n economic term which means that [...] aid uses the least costly resources necessary to achieve its objectives.” The same source also depicts the second term to be highlighted at this stage, which is effectiveness. “[Effectiveness is] a measure of the extent to which an aid programme attains its objectives.”<sup>11</sup> So effectiveness looks purely if the objectives of a development intervention have been met and at which magnitude.

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<sup>10</sup> Friedman, David (2005), p. 2; in this specific context Friedman talks about production efficiency.

<sup>11</sup> OECD (1988), p. 39

Departing from the definitions which have been quoted above, it is timely to now look at how the EC defines the determinants that evaluation ought to cover. Efficiency, according to the EC guide book on evaluation procedures in interventions under the Commission's external cooperation programmes, wants to illuminate the relationship between inputs and outputs as above stated. Further, this determinant tries to detect how well the numerous activities during the intervention translated the available resources into the desired outcomes in terms of quantity, quality and timeliness. Effectiveness is related to the question if the project actually brought about the envisaged potential benefits for the target group, the guide mentions. It merely asks if the project has achieved the initially defined purpose and if the beneficiaries profit from the outcomes of the project in the intended way.

The EC covers three other criteria besides efficiency and effectiveness: relevance, impact and sustainability. Relevance, the guide says, asks the question in how far a development intervention with its design has actually succeeded in addressing the problems previously identified. Impact scrutinises the correlation between the actual development intervention and the achievement of its overall objective. In other words, impact tries to establish in how far the achievement of the overall objective of a development intervention can actually be attributed to the intervention itself, as outside effects or interferences could have brought about the same results.<sup>12</sup> Sustainability, in this context, is defined as a means to determine in how far the intervention or its positive results can be maintained or continued after the donor institution draws out.

This set of determinants used by the EC or the OECD is by no means a strict and general agenda to follow. Many development organisations attach a different definition to the items listed above. This is not to say that their definitions substantially differ from the above ones, but they are in some cases more specific and detailed by appending examples of possible areas of appliance. Other institutions choose to add supplementary criteria to those already mentioned, as Borrmann et al show. The authors include another two

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<sup>12</sup> *Adopted from European Commission (2001a), pp. 11-14*

It must be noted that the guidelines for evaluation procedures within the EC's development cooperation are currently under review. At the time when this study was written the new guide had not yet been published.

determinants to be covered in evaluation reports, namely significance (Signifikanz), and lessons learned (Schlussfolgerungen).<sup>13</sup> Significance is closely linked to what has been defined above as impact. Significance looks at those effects having influenced the overall result of the development intervention that can be considered external (i.e. those that might have contributed to a positive outcome but can not be accredited to the intervention). Those effects can be political, social, economic, ecological, technological, institutional or cultural. Lessons learned consider the explanations provided for the success or the failure of an intervention. Further, it concludes at which stages of development planning and implementation improvements and amendments are needed in order to ensure a better success rate for other interventions.

Other authors add more determinants to those already mentioned, as Cloete shows. He includes a further set of additional criteria to be covered in evaluation reports, namely participation of stakeholders or target audience, equality and equity, originality, legitimacy, reliability, validity, objectivity, and usability. Though these elements will not be considered in detail in this research, it should be noted that they largely refer to the way the information in an evaluation is produced and the manner in which data is generated and used to assess a project's progress.<sup>14</sup>

## **2.6 SHORTCOMINGS AND CONSTRAINTS OF EVALUATION**

There are a lot of constraints and shortcomings that are threatening an effective evaluation or monitoring endeavour. Some of them refer to the structure and the design of evaluations, others to outside conditions such as technical assistance and expertise available or political limitations. Hogwood and Gunn argue for instance that evaluations often do not cover side-effects or other indirect consequences of development interventions. Also, if evaluations need to generate indicators for measuring a certain outcome, evaluators run the risk to be inadequate and unclear with their indicators chosen. Further, insufficient planning of data collection can lead to inaccurate results and

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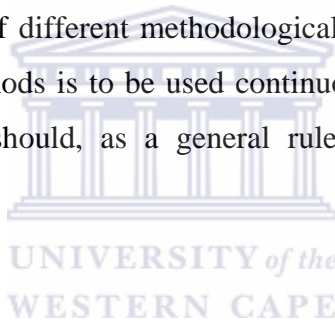
<sup>13</sup> Amended from Borrmann, Axel et al (1999), p. 33

<sup>14</sup> Adopted from Cloete, Fanie (2000), pp. 213, 222

conclusions in evaluations. Lastly, they assert that the potential outcome of evaluation can be politically sensitive and hence project implementers of financing agencies often abstain from evaluation altogether.<sup>15</sup>

Besides the aspects already mentioned, the evaluator ought to make sure that his or her undertaking does not suffer lack of financial resources as this might impact on the quality of the contents. Also the lack of human resources can likewise pose a problem. In addition, the evaluation and its applied method must find the acceptance of the involved people on whose cooperation and support the evaluation depends.

In order to respond to all these constraints to a sound and all-encompassing evaluation, different methods can just as well be compromised. As a result, an evaluator may need to utilise a certain combination of different methodological approaches. Consequently, the chosen method or mix of methods is to be used continuously as “[t]he methods used in the appraisal of an activity should, as a general rule, also be used in the ex-post evaluation”.<sup>16</sup>



## 2.7 CONCLUSIONS

In this chapter the scene has been set to clarify on what evaluation is, what evaluation is primarily concerned with and the great discussion around the definition of evaluation have been highlighted. Afterwards, the different types of evaluation were explained and the different criteria which a standard evaluation ought to cover. The part on constraints and shortcomings stressed that there is a limit to what evaluations are able to tell its reader about a certain project. Most issues raised in this section will be applied to this work and will be explained in more detail in chapter four.

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<sup>15</sup> It must be noted that the authors talk about evaluation and monitoring likewise. *See* Hogwood, B.W., Gunn, L.A. (1984), pp. 224-227

<sup>16</sup> OECD (1992), p. 137

## **CHAPTER 3: EVALUATION, PUBLIC POLICY AND POLICY MANAGEMENT**

In this chapter the topic of evaluation will be considered in a wider perspective allowing for placing evaluation in the context of public policy and policy management. The following will explain what public policy and policy management is, how it can be defined and, most importantly, how evaluation can be seen as embedded in this. Furthermore, it will be attempted to draw a direct connection between the approaches and models discussed in this chapter, and the case studies later presented in this work in order to further illuminate how individual evaluation reports can hold vital implications for policy makers in the public realm.

Evaluation and assessment measures in general are part of various domains and can be found in many academic disciplines. There are many sciences that make reference to evaluation in one way or the other. One of those areas also includes public policy, though it could be said that this is not exactly an obvious arena for evaluation. Having defined evaluation in chapter 2, this chapter will establish a link between public policy and evaluation. More specifically, it will follow the argument that evaluation can be constructed as a part of project management which, in turn, is part of policy management, using certain prominent models of the latter to fortify this tie and to argue in its favour.

First, a definition has to be provided in order to make sure that the terminology – included therein are public policy and policy management – is well understood and well differentiated. Second, a certain number of models for public policy will be introduced in order to prepare for the linkage between public policy, project management and evaluation.

### **3.1 DEFINING PUBLIC POLICY AND POLICY MANAGEMENT**

So far, the term policy has been defined in chapter 2 as a statement of intent, which provides already a hint for the meaning of public policy. However, since definitions in

the field of public policy and bordering issues like policy management are contentious and much debated, definitions vary and can, at times, serve very particular and narrowly defined purposes of an academic writing about public policy.

According to Heymans, public policy can be understood as “setting the parameters within which government departments and others operating within the sphere of particular policies” function.<sup>17</sup> Heymans regards public policy as a result of a certain choice – which can be paralleled with a statement of intent – made by government. Van Baalen, in turn, asserts that public policy is the logical continuation of a statement of intent. In his view, public policy signifies a formal and stated decision of a government body, which is geared towards bringing about political, economic, social or institutional change.<sup>18</sup>

Both definitions already touch upon the next term to be defined, which is policy management. In fact, it is very difficult to distinguish public policy from policy management definitions as they are, in some writings, very difficult to disentangle. In numerous cases it can even be said that both terminologies are paralleled and bear no significant differences. It will be attempted to avoid this in this chapter, as for the further development of the arguments presented hereunder, it is vital to clearly pull the differences between both expressions in shape and to draw them out clearly.

Mac Master avows that “the concept of policy management refers to the facilitation and management of the policy-making process in a specific effort to improve the success of policy initiatives.”<sup>19</sup> It can be said that here, the author highlights the actual activities and the steps to follow through to make a policy initiative work and to make it a success. In other words, the sharp difference between public policy and policy management is that public policy wants to tackle a certain situation by setting out certain objectives to be reached once a decision has been made in favour of a certain policy. Policy management, conversely, can be understood as the method applied in order to sort out the situation by drawing up a strategy containing specific steps or activities. This can be said to be the

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<sup>17</sup> Heymans, Chris (1996), p. 29

<sup>18</sup> Van Baalen, Johan (2000), p. 190

<sup>19</sup> Mac Master, G. (2004), p. 8

principal differentiation between public policy and policy management. But which are those steps or activities to follow in policy management? This question will be answered in the next part of this chapter when various policy management models will be introduced.

### 3.2 INTRODUCING MODELS OF POLICY MANAGEMENT

From the above definition it is obvious that authors in the field of public policy and policy management use models to fortify their assumptions and to clarify on their explanations. In the literature, those models are sometimes called public policy models and in others policy management models, though they largely depict the same thing. In this paper they will be called policy management models as the above definitions have attempted to draw out a difference between the two.<sup>20</sup> Further, since policy management is, according to the definition provided earlier, rather activity-based they shall be denominated after policy management.

Policy management, Mac Master proclaims, consist of “interlinked activities constituting the functions of policy formulation, implementation, monitoring and evaluation”, whilst all those activities are conducted through certain organisational arrangements. He suggests, hence, certain phases which a policy has to go through in a policy management approach. According to his argument, policy management has to be facilitated in this phase-based way in order to be successful. Mac Master clearly points out that “failure to properly manage the policy process [i.e. policy management] can result in policy failure.”<sup>21</sup>

As can be seen from the above, evaluation constitutes a part of this policy process and needs to be in place to ensure success and timely implementation.

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<sup>20</sup> Authors quoted hereunder do not necessarily use the same term. De Coning calls them models of policy-making whilst Mac Master depicts them as policy process models.

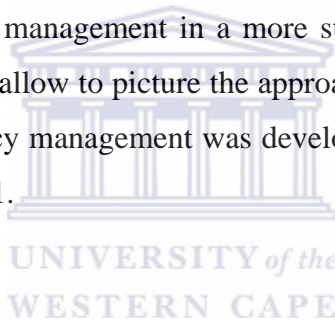
<sup>21</sup> Ibid, pp 8



Hanekom also believes that policy management manifests itself in a process of phases, including evaluation, despite the fact that he voices doubts about having a fully accepted theory of policy making in place.<sup>22</sup>

The different phases on the two approaches described above are largely similar, though in many writings some phases have been added or left out, depending on where the author decided to put his or her emphasis. Hanekom for instance believes that one of the compulsory phases to sketch the policy management process is the official authorisation of a certain policy to be implemented. This phase of authorisation is not mentioned in Mac Master's approach. However, it should be evident by now that the most important steps for conducting policy management are stated by both authors.

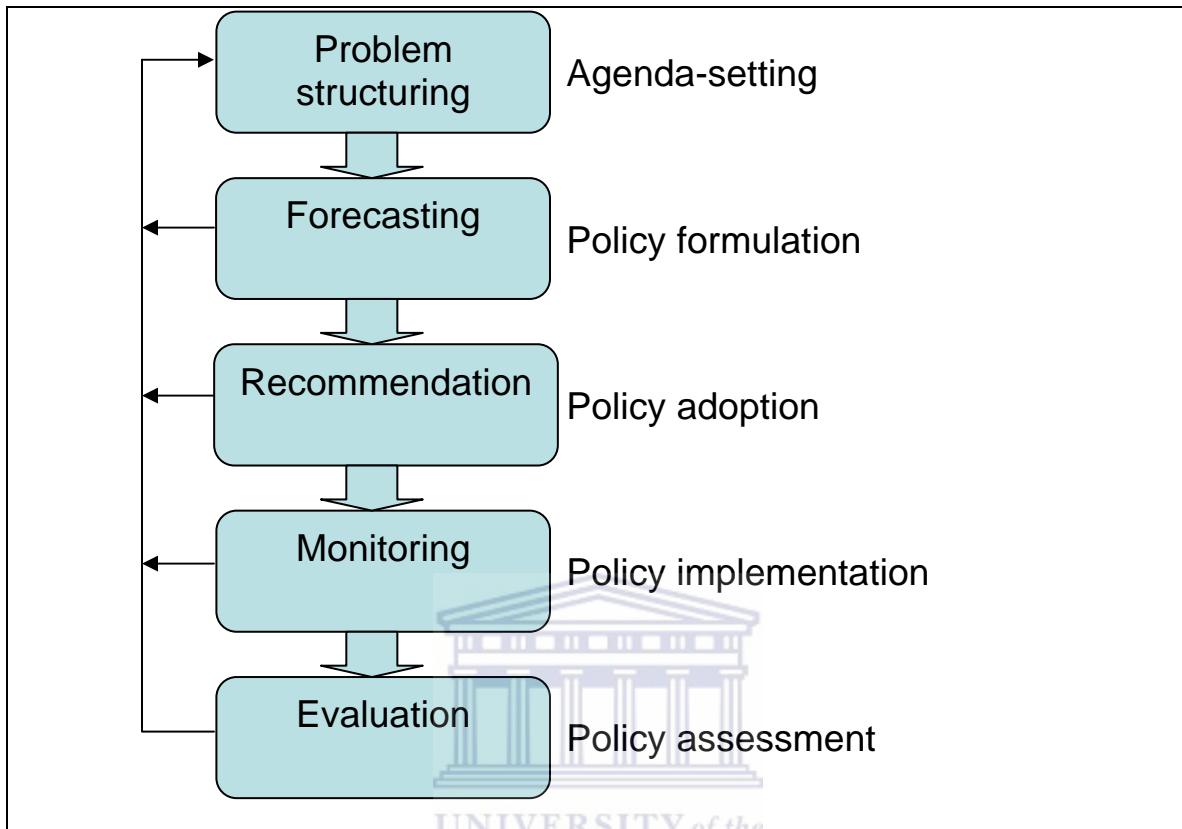
In order to think about policy management in a more structured way, two models will now be introduced, which will allow to picture the approach and to break it down into its stages. The first model of policy management was developed by Gunn and contains five phases, as can be seen in table 1.



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<sup>22</sup> See Hanekom, S. X. (1987), p. 45

**Table 1: Policy-making model by Dunn**

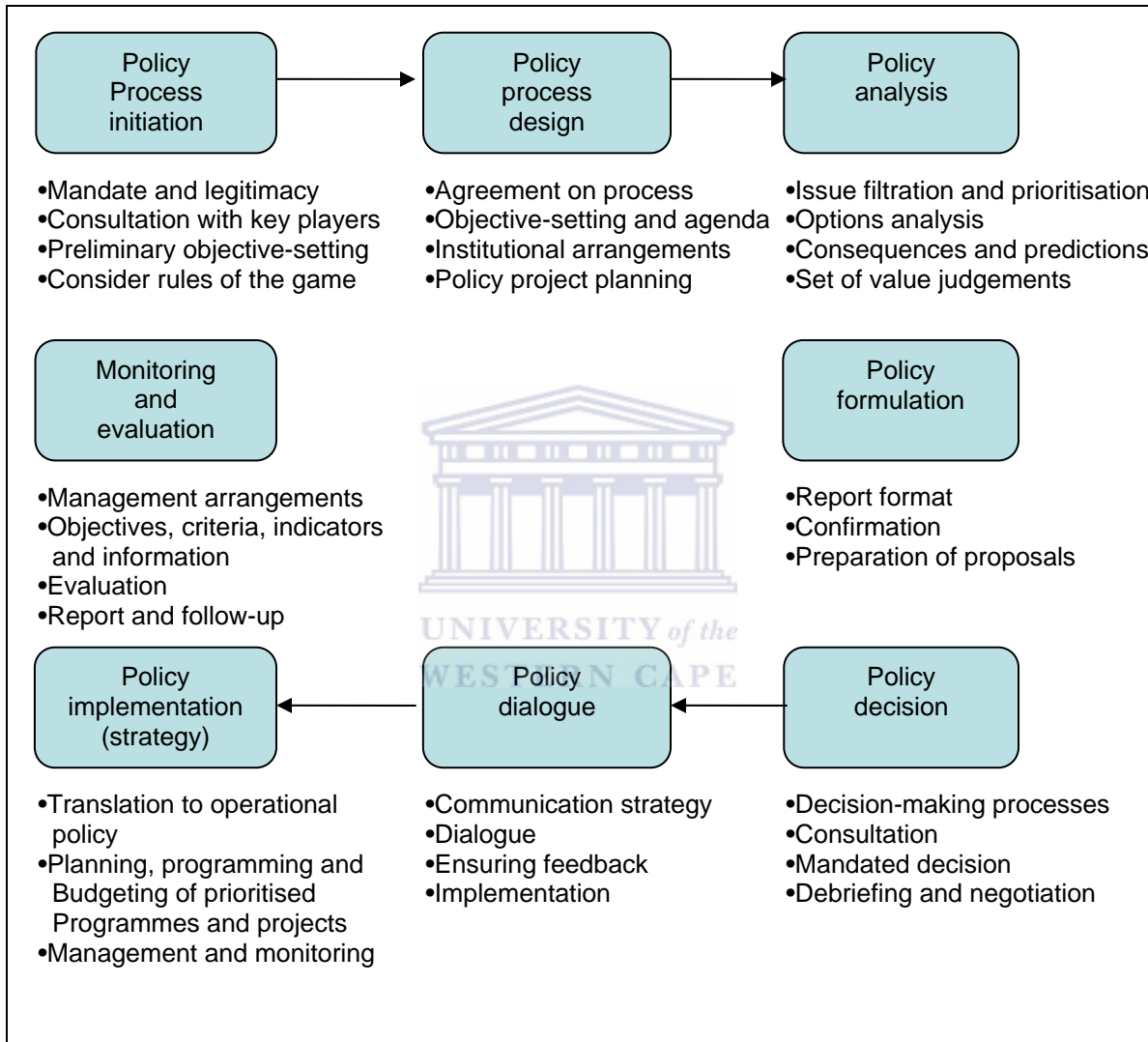


Source: Dunn, W. N. (1994), p. 17

Dunn asserts that a certain policy is born when a problem is to be resolved. After identifying the latter, a policy has to be formulated in order to tackle the problem, whilst there is the possibility to suggest numerous policies. Those have to be decided upon in the next step as one of the policy approaches is adopted. Then, the implementation phase follows which makes sure that all measures taken are closely monitored since an overall evaluation is due once the implementation phase came to an end. Dunn rightly illustrates that all phases in his model influence and feed back into the first phase, here entitled as “Agenda-setting”. This is due to the fact that policy management is an exercise that can positively stimulate other policy management processes. This multi-phase feedback, of which evaluation can be considered the most important, allows policy makers to ameliorate their policy management in the future.

Apart from the Dunn-model, there are other concepts that are more elaborate and more comprehensive. The model developed by De Coning can be used as an example as shown in table 2.

**Table 2: Key considerations for phases of the generic process model**



Source: De Coning, C. B. (2000), p. 48

In his model, De Coning takes several aspects into account that are missing in Dunn's model presented above. Whilst Dunn remains relatively shallow on some issues heavily influencing policy management, De Coning draws attention to factors such as consultation with key players in a policy making process or value judgements. Furthermore, De Coning pays tribute to other phases that are not drawn out very sharply

in Dunn's model. Additional phases include Policy Analysis and Policy Dialogue. Other phases like Policy Process Initiation and Policy Process Design can be considered as lumped together into one phase in the Dunn model (Agenda-setting).

The De Coning model, nevertheless, shows two minor weaknesses. First, it does not explain where the need for policy management comes from, as it does not emphasise a problem situation at the beginning of the policy management process. Second, from his model it is not set out unmistakably that all policy phases, first and foremost evaluation, feed back into the very beginning of his policy management approach.

From introducing two models of policy management, one principal conclusion can be drawn already: Evaluation is evidently part of policy management and it is considered an integral factor of the latter to assess success or failure of a policy. It can, therefore, even be seen as the most important phase in policy management as it asks the ultimate question of timeliness, adequacy and aptness of the whole process and the way it was implemented. But what are the implications for the topic of this research? This question will be answered in the last part of this chapter.

### **3.3 POLICY MANAGEMENT AND MANAGEMENT OF DEVELOPMENT PROJECTS**

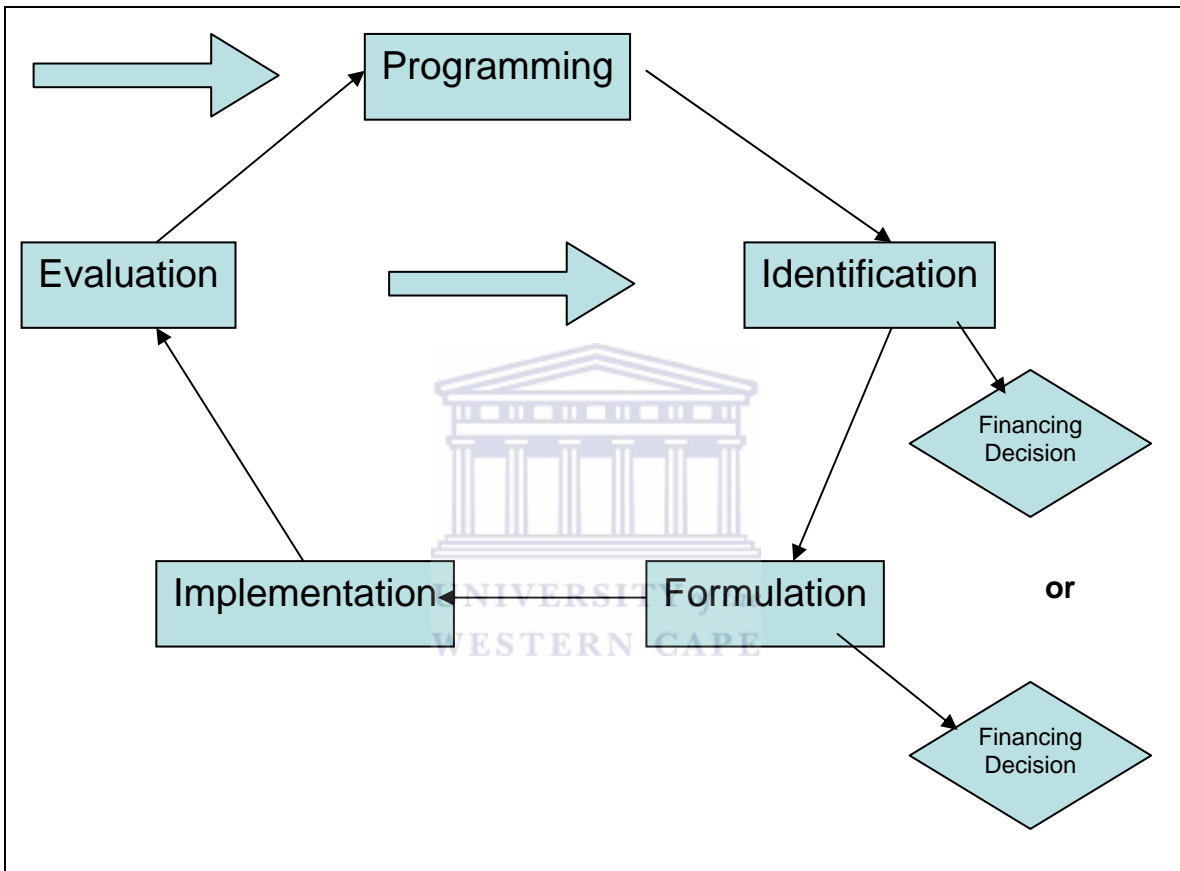
As described above, policy management processes can be expressed in schemas in which evaluation plays a vital role. Those policy management models strongly resemble concepts of project management, which renders policy management even more interesting in regards to this research work.

In fact, some policy management models are similar to project management models, such as the project cycle management (PCM), which has been already mentioned in the second chapter.

For instance, the above introduced model developed by Dunn can be seen as closely associated with the PCM of various international organisations or intergovernmental bodies like the EC, which uses its project cycle management approach in all its projects.<sup>23</sup>

The following table shows the PCM approach used by the EC.

**Table 3: Project cycle management model as used by the EC**



Source: European Commission (2006), [www.ec.europa.eu/comm/europeaid/qsm/project\\_en.htm](http://www.ec.europa.eu/comm/europeaid/qsm/project_en.htm)

Some phases are close to the phases in the policy management models above. But it cannot be said that PCM is deducted from these models and that they bear the same implications for projects as policy management models for policies. This is due to the fact that policies and projects respond to different objectives and targets. The target of a policy is a higher goal, whilst the target of a project eventually contributes to this higher goal. But it can be suggested that projects are part of the larger policy management

<sup>23</sup> Included in those projects are the five case studies later presented in this work.

approach. Individual projects within their PCM can be found in the implementation phase of policy management. This means that policy management within its implementation phase uses projects to reach its policy target.

Therefore, for the further understanding of the arguments developed in this paper, evaluation in the five case studies to follow will not only be seen in its respective PCM background, but also on a the larger scale of policy management, where the individual project is supposed to contribute towards reaching the policy's objectives. Just as well as the evaluation reports examined later hold implication and explanations for the individual project considered and the way it was managed, it also illuminates policy management standards within the EC in general and it allows for conclusions on the approach that the EC takes globally towards its development assistance to third countries. All these points will be discussed in the chapter on research findings after the examination of the case studies.

### **3.4 CONCLUSIONS**



This chapter explained the link between evaluation and policy management. First, it elaborated on the definition and the different concepts of policy management and public policy, whilst it later referred to some of the most prominent models of policy management, one phase of which is evaluation. It was further argued that policy management models resemble models of project management, though they cannot exactly be paralleled, for policy management is concerned with facilitating the higher objective to be achieved by individual projects. In other words, project management can be seen as imbedded into policy management when looking at the implementation phase of the latter. It is, hence, in the implementation phase of policy management that project management is to be found. This can have direct implications for policy management in the sense that, if the project management is faulty, the whole policy management approach as the overarching framework might be inadequate as well.

This argument sets the scene for the case studies later considered in this work. If the evaluation of projects shows weaknesses not only in the approach to evaluation itself, but

also to the project implementation this could have vital repercussions on the policy management of development cooperation in general.



## **CHAPTER 4: EVALUATION METHODS OF ECONOMIC AND FINANCIAL ASSESSMENT**

In this chapter methods of economic and financial assessment of projects will be introduced. It will start with the three most prominent methods, which have their roots in economics and which are applied in most cases of economic and financial assessment. The chapter also clarifies in which scenario the methods can be applied. Subsequently, the EcoFin guidelines of the EC will be explained, as this guide suggests its own, slightly adapted, methods for project evaluation, followed by a critique of EcoFin.

### **4.1 INTRODUCING THE BIG THREE**

In order to assess the impact of a project, scholars have developed a wide range of methods, whereby only its proper appliance can guarantee legitimate and justifiable results. In the academic literature evaluation methods are distinguished in several categories depending on the respective academic discipline, and they carry different characteristics that are not generally applicable to the field of development. For the reason of further illuminating the research focus of this work, only those evaluation designs will be considered hereunder that are generally of high relevance to development. Hence, the current chapter will concentrate on approaches used to assess the success of a development intervention in economic and financial terms. Also, whilst three methods will be introduced below, it shall be clarified at this stage that they will be explained in the context of ex-post evaluations.

It is undisputed that all these methods can also be used for ex-ante evaluations, but since this paper centres on ex-post evaluations only, it will provide the following explanations with the context of this work in mind. Therefore, the main aspect of the discussion will not be in how far these methods can help to assess whether a certain intervention is chosen over numerous other alternatives, but rather to gauge whether an intervention can be seen as successful in light of a hindsight perspective.



In many readings the different methods are not clearly distinguished from each other, mostly due to the use of a certain vocabulary that makes a clear-cut separation a complicated undertaking. Only few publications will constitute the resource pool of this chapter, as only this set of literature was considered comprehensive enough to assure an adequate presentation of this section.

Methodological approaches that allow the evaluator to assess a project in economic and financial terms include cost-benefit analysis (Nutzen-Kosten-Analyse), cost-effectiveness analysis (Kosten-Wirksamkeits-Analyse) as well as score-point analysis (Nutzwert-Analyse).

#### **4.1.1 COST-BENEFIT ANALYSIS**

The cost-benefit analysis (CBA) is probably the most prominent approach among economists, as this method is inherently based on economic theory and its presumptions are based on economic reasoning. CBA is mostly used in development-related contexts if effects of projects are to be expressed in strictly quantifiable terms. In particular, this model looks at welfare changes of those individuals being affected by an intervention and it tries to establish whether the individual welfare went up or if it decreased through the development project. Thereby, CBA attempts to express all induced changes in monetary terms also in order to ensure comparability.

In the literature CBA is characterised as a method that is very participatory in the sense that affected individuals are asked to assess their changes in welfare themselves. Consequently, this approach does not rely on the rule of an outside expert to evaluate changes affecting the target group. The aspect of participation is often put in the forefront in order to distinguish CBA as an approach that is placing a high emphasis on the beneficiaries.

Due to its roots in economic theory the model originally departs from the assumption that interventions are necessary in order to correct market failures or that situations of scarcity

have to be overcome. It follows that CBA can only put those factors into consideration which the affected individuals deem noteworthy or relevant, as Bergen, Loewenstein and Olschewski assert.<sup>24</sup> Those issues account for the widespread belief that CBA has major weaknesses: (1) the pure concentration on economic and therefore quantifiable aspects, and (2) the possible omission of other features of relevance as they might not be reckoned pertinent.

There are statements about CBA which claim that the method could arrive at a positive result in evaluating a development intervention despite the fact that there might be negative side-effects induced by the very same intervention.<sup>25</sup> For instance, one could argue that CBA is unable to account for the distribution of welfare. In this case, the CBA method would come to a positive result as the socio-economic situation of individuals has ameliorated in general, regardless of a possible unequal distribution of this welfare increase. Another scenario depicting the same alleged shortcoming could be to assume that the affected individuals would positively evaluate an intervention due to increased welfare, but the welfare for another group of people not considered in the evaluation went down. Consequently, the assessment would not be able to fully describe the intervention-induced effects – positive and negative ones. Although both types of effects would be entirely quantifiable, it could be argued that the evaluation is imperfect as the respondents treated those effects as negligible and minor.

This weakness, however, can be deemed unjustified as the CBA method can be modified accordingly to enable the consideration of external effects. Hereby, the costs of possible side effects can be defined and factored into the overall input/output calculation and can hence produce a balanced result. Also, if a project requires inputs that would be withdrawn from other interventions, this extraction could be potentially detrimental and it has to be registered as such in the CBA. CBA is able to account for those negative upshots caused by withdrawal of inputs by calculating shadow prices (for instance for labour).<sup>26</sup>

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<sup>24</sup> Bergen, V., Loewenstein, W. J., Olschewski, R. (2002), p. 415

<sup>25</sup> Borrmann, Axel et al (1999), page 35

<sup>26</sup> See Bergen, V., Loewenstein, W. J., Olschewski, R. (2002), pp. 424-425

Despite this flexibility in applying the CBA method, it must be said that some authors still argue, nevertheless, that it fails to take certain consequences into its contemplation, for example social change or institutional change amongst others.<sup>27</sup> Other writers extend the list of those items that are problematic to assess with CBA due to placing a monetary value on it. Kee argues that also things like national security, quality of life or environmental purity are difficult to express in monetary terms.<sup>28</sup> To counter those arguments of Kee and Borrmann though, one could emphasise that even those items are expressible in monetary terms if the affected people would determine their individual willingness to pay.

Usually CBA is only suitable to assess project effects in very specific contexts. According to the literature, CBA should only be applied to situations where project-induced changes ought to benefit a limited number of individuals that live in a geographically confined space. This means that it is an ideal method for providing a macroeconomic view on interventions with a local focus.

#### **4.1.2 COST-EFFECTIVENESS ANALYSIS**

The cost-effectiveness analysis (CEA) is characterised in a very ambiguous way in many academic sources. Some authors consider CEA as an individual method that is to be distinguished sharply from CBA. Others proclaim that CEA is to be seen as a modified version of CBA as it eliminates some of its shortcomings whilst they are both based on the same principles.<sup>29</sup>

Bergen, Loewenstein and Olschewski stress the differences between the two. The assessment that CEA can provide does not cluster around one aspect in particular like CBA that is exclusively concerned with societal welfare. CEA rather identifies welfare changes on various levels as it also concentrates on non-quantifiable aspects of socio-economic change. This means that – following this approach – the impact assessment is

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<sup>27</sup> Borrmann, Axel et al (1999), pp. 35-36

<sup>28</sup> Kee, James Edwin (1994), pp. 457-459

<sup>29</sup> Rossi, Peter H., Freeman, Howard E., Hofmann, Gerhard (1988), p. 181

not strictly expressed in monetary terms but other characteristics are also put into the overall contemplation. For each of these characteristics the envisaged goal ought to be reached with the lowest possible amount of input. Here CEA and CBA are quite close in their endeavour to attach the paradigm of efficiency to their respective analyses. Both methods adhere to the principle of efficiency in evaluating whether a certain change has contributed towards the realisation of the project goal.<sup>30</sup> However, the CEA method, as opposed to CBA that proclaims exclusively welfare change as an impact determinant, completely abstains from giving such a final parameter indicating success or failure of a project. It can hence be said that CEA is multi-dimensional and it sees all identified results establishing success or failure on a horizontal non-hierarchical surface.

Many theorists assert that CEA is an appropriate and ample method to be applied to projects that have more than just one predefined goal. CEA identifies for each goal alternative approaches that could have brought about the same outcomes. Then verifiable and valid indicators for the alternatives are chosen in order to make them calculable. In the next step it determines the costs associated with the respective alternatives. The costs and the indicators, ideally expressed in ordinal scales, provide the evaluator with an efficiency parameter that can indicate if a certain project alternative has served the overall project goal. The results of a CEA are expressed in a matrix listing alternatives and the costs attached to them.

A striking disadvantage of the CEA is that it is not capable of producing absolute advantages of a chosen alternative as CEA does not juxtapose costs with the advantages for the affected people. A second disadvantage is that CEA identifies the goals of a project by political decisions and not identifying the absolute costs of alternatives. Furthermore, CEA can not provide an indicator on how useful an intervention is towards the overall goal. If an intervention fails to address the overall goal, CEA is incapable of detecting this flaw. The method will merely be able to identify the cheapest project

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<sup>30</sup> See Bergen, V., Loewenstein, W. J., Olschewski, R. (2002), p. 442; nonetheless, this only holds as long as the project is does not produce a negative output as CEA cannot account for it since absolute costs of alternatives are not considered.

alternative, but it will not be able establish the fact that the intervention itself may not be desirable.

### 4.1.3 SCORE-POINT ANALYSIS

The score-point analysis (SPA) is the third method that allows for a project assessment in economic and financial respect. SPA is often categorised as closely linked to CEA as both approaches have a very central characteristic in common: both are applicable to multi-dimensional settings and SPA is also capable of evaluating interventions aiming at realising several project goals.

The difference between the two paradigms, however, is twofold. As opposed to CEA the SPA-method does not list all individual expected project goals (Teilwirksamkeiten) in a matrix but it rather summarises all of them individually and it looks at the respective gains (Nutzwerte) for the target group. The other difference is related to the display of costs connected to project alternatives as costs are not considered in the SPA. In that sense one could even argue the SPA, therefore, does not represent an economic method since the consideration of costs are not part of its scope.

In practice, SPA ranks project alternatives and relates a point system to them indicating how well the individual aspects of these alternatives taken separately would serve the overall project goal. In order to establish an aggregated value out of the point system different levels of significance have to be attached to every single project goal. This can be achieved in a direct or indirect way. The direct way asks for input from the relevant political authorities or from the targeted groups. The indirect way takes a retrospect view and looks at how political decisions were reached in the past to decide on the significance of certain project alternatives.<sup>31</sup> Here, an imminent downside comes to light which is the comparative irrelevance of affected people as a sole standard for or against a certain alternative.

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<sup>31</sup> See Bergen, V., Loewenstein, W. J., Olschewski, R. (2002), p. 449

## 4.2 WHICH METHOD TO CHOOSE?

One look in the literature confirms the assumption that there is no lack of different evaluation designs. By now it should be clear already that the choice of the appropriate approach heavily depends on the nature of the project and in how far the evaluator or the ToR for that matter, wishes to place emphasis on validity, reliability, and representative vigour of his work – signifying the three basic principles of evaluation.<sup>32</sup> It can further depend on geographical location or the size of the target group. Besides, the evaluator should be aware of the shortcomings of each method and what they are able to deliver and – maybe more importantly – what they omit or leave out of their reflection. Furthermore, one has to look at how the project was planned out originally. As Bolay argues, only those projects allow for evaluation whose design was laid out accordingly. This means that the intervention must have clearly formulated goals that must be sufficiently operationalised and that must have been given valid indicators to contribute towards achieving the goals.<sup>33</sup> Further, the evaluator ought to make sure that his undertaking does not suffer lack of financial resources as this might impact on the quality of the contents. Also, the lack of human resources can likewise pose a problem. Likewise, the evaluation and its applied method must find the acceptance of the involved people on whose cooperation and support the evaluation depends.

However, the mere role that the evaluator plays differs considerably conditioned by the method chosen. As should be clear from the description of the different approaches to financial and economic evaluation, one could argue that the evaluator has a varying control and a substantial rule over the outcome of evaluations depending on which design has been selected. This role is characterised by the potential influence that the evaluator has over the final result, the decision on the evaluation design (before and after the project) and scope, or the value judgement of individual aspects of the evaluation, as well as the overall conclusion.

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<sup>32</sup> See Borrmann, Axel et al (1999), p. 34

<sup>33</sup> Bolay, Friedrich W. (1988), pp. 355

As already mentioned, the CEA and the SPA methods rely more on a value judgement of the individual evaluator as in these evaluations the target group is usually not as directly consulted as with CBA. Here, the final decision which individual measure to achieve the project goal is given priority over others rests in the worst case with the evaluator alone. This ultimately leads to the question in how far the evaluator is able to realise the fact, that he can potentially influence the results of an evaluation, and in how far he or she is willing and able to act accordingly in order to ensure a relatively unbiased evaluation procedure. Finally, he or she must have the relevant expertise and exposure to respond to these limitations.

### **4.3 METHODS IDENTIFIED BY ECOFIN**

After having shed light on what the academic literature has to say about economic and financial evaluation methods, the following will briefly summarise under what kind of principles project evaluations are conducted in the EC.

Generally speaking, the evaluation unit of EuropeAid affirms in their mission statement that evaluations are subjected to the paradigms of impact, efficiency, effectiveness, sustainability, and relevance, which were already defined and outlined in part one of this research with the help of some other academic sources. Besides those evaluation criteria, the EC has published the EcoFin guidelines in order to summarise all methodological approaches of economic and financial assessment from French and English writings in one book. The application of EcoFin guidelines in project and programme evaluation is not binding for evaluators, but it can be assumed that EcoFin features those economic and financial assessment methods that are officially recognised by the EC.

EcoFin basically argues that there are always two ways of approaches to evaluation. One was a vigorous financial and economic assessment, whilst the other just totally ignored these methods. Hence, the EcoFin methodology serves in the first place to really assess the value of a project, avoiding the process of mere value judgements deeming a project worthwhile just because there was a certain interest in it from governments or donors.

However, it is stated that approaches suggested in EcoFin as a sole-standing method can only deliver a partial view on a project and does, hence, not provide a holistic attempt to evaluation in itself. “The proposed methodology aims at understanding the income generating mechanisms for a project’s stakeholders as well as the national economy. It also studies the extent to which project resources are efficiently utilised”.<sup>34</sup> In other words, EcoFin tries to determine and to quantify the costs and benefits of development projects. Thereby the evaluation must be complemented with other significant factors ensuring the sustainability of the project, such as socio-cultural issues, women in development, political constraints and others. Some of these aspects fall under the category of cross-cutting issues. On the whole, EcoFin wants to produce standardised information on projects and the behaviour of stakeholders involved. The methodology suggested by EcoFin in terms of analysis of projects involves two strands, namely financial and economic analysis.

“Financial analysis involves examining the activities and resource flows of individual entities (e.g. an industrial or commercial firm, public institution, etc.) or groups of entities (e.g. artisans, farmers, retailers). [...] Economic analysis involves examining resources among groups of entities (e.g. entities involved in a project, subsectors, national or regional economy) and their impact on society as a whole.”<sup>35</sup> The “entities” are thereby understood as exercising an economic function with the aim to produce or sale goods and services, to distribute income, to finance activities or to consume goods. The resources that entities use in order to transform intermediary goods and services into new outputs are called factors of production (labour, capital, natural resources).<sup>36</sup>

In terms of the object to be evaluated the manual distinguished between two types, specifically projects with tangible and non-tangible outcomes. The first type can be measured in monetary terms. Those projects aim for instance at increasing production of goods and services. The latter type cannot be measured in monetary terms, at least not in an accurate way or without carrying out extensive research that exceed time and

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<sup>34</sup> European Commission (1997), p. 3

<sup>35</sup> Ibid, p. 7

<sup>36</sup> Ibid, p. 18



resources of evaluation missions. Examples for projects with tangible outcomes include those which cater for goods and services that are sold or not sold, but for whom a market exists (i.e. road projects, professional training, and agricultural extension projects). Examples for non-tangible include for instance social projects, environmental or cultural projects. However, the boundary between those two kinds of projects is not always clear and depends in the end on the individual judgement or interpretation. There are in fact projects that could in theory fall into both categories.<sup>37</sup>

For projects with tangible outcomes the evaluation method to be chosen according to EcoFin is CBA to allow for an analysis of the flow of goods and services which are valued.

Financial analysis for this type of projects would involve the comparison between costs (expenses, under certain circumstances also non-monetary) and benefits (revenues, also possible in terms of non-monetary flows) resulting from the activity. This means identifying and estimating all flows of money, goods and services resulting from the activities of the economic entity in comparison to the with- and without project scenario.<sup>38</sup> Included therein are investment costs, operating costs, and benefits which the entity earns from the activity. Also the borrowing requirements for the with-situation must be estimated. Further, solvency and viability of projects will be assessed by looking at the impact of the project on the entities' overall financial situation, by calculating return on invested capital, and by estimating financial assistance necessary.

Economic analysis of projects with tangible outputs takes place through two channels, depending on whether the aim is

- a) to estimate the effect of the project on the national economy or

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<sup>37</sup> Ibid, p. 10

<sup>38</sup> The with/without-project-scenario accounts for interventions in time-dynamic environments where it cannot be assumed that the without-project-scenario is characterised by stagnation. This scenario has vital implications on identifying a project's net-impact on a certain situation as even without the intervention things may have changed for the better.

- b) to assess the project's viability within the international economic environment.

For a) costs are defined as economic resources lost by the national economy, whilst benefits are defined as new income distributed to domestic entities (i.e. contributions to the growth of the economy). For b) the evaluator has to analyse in how far the output can possibly be a resource on the world market. In this situation, costs are defined as real consumption of economic resources measured on the basis of their world market price. Benefits are measured in the outcomes of the project, calculated as well on the basis of world market prices.<sup>39</sup>

Therefore, a full economic analysis of projects with tangible outputs would include:

1. drawing up an account of all entities involved in the project
2. calculating all effects induced in the economy
3. determining the viability of the project within framework of the international economy
4. calculating the return on invested capital (based on effective total costs, foreign exchange costs, international market costs)
5. examining the projects' relevance from the standpoint of the economic policies and structural reforms

For projects with non-tangible outcomes only cost analysis (budget), efficiency analysis and economic effect analysis is conducted. Any of these approaches is limited and concentrates largely on minimising costs. There is, according to EcoFin, no attempt to see if the costs of an intervention are greater or lesser than the benefits. Costs are simply defined as resources used by the project and benefits are defined as the tangible results in physical counts (i.e. number of patients treated for a health-related project).

The analysis of projects with non-tangible outputs involves:

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<sup>39</sup> Ibid, pp. 11-13

1. describing results in simple quantifiable terms
2. assessing the budget of the project in terms of money flows
3. assessing the financial situation of the entities and their viability
4. estimating necessary financial assistance by identifying all donors and their respective contributions
5. estimating the project's efficiency by verifying that resources are sufficient and necessary
6. determining the overall viability of the project
7. if applicable, estimate projects' effect on country's major economic indicators (public funds, income distribution, foreign exchange reserves)
8. examining project's relevance from strategic standpoint<sup>40</sup>

Not all flows of costs and benefits existing within the project are due to its existence. Some of these flows would also have been achieved without the project intervention. This means that the costs and benefits without the project always need to be deducted from costs and benefits with the project in order to see the 'net-impact'. However, there is a difference between the without-the-project situation and the before-the-project situation. Most processes where projects intervene are dynamic environments, so activities are likely to change over time anyway. This makes an assessment very difficult to find out the real impact of a project.<sup>41</sup>

Following EcoFin, also the time factor has to be put into account. Some project impacts can not be seen instantly but need to be assessed some time after the project. Productivity of a project usually goes down in the immediate aftermath of the intervention, before it picks up speed again (S-shaped curve). Time also deserves consideration as investments are made today for future benefits, but the monetary value of investments also changes over time. Sometimes, analyses are based on a constant value of the money, sometimes on the basis of current prices. Also opportunity costs can be calculated (costs that

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<sup>40</sup> Ibid, pp. 14-15

<sup>41</sup> See also footnote 31

determine the value of a resource used for a project if it had been used for another productive purpose instead).

Finally, the guidelines also consider the factor of risk in order to account for costs, benefits or returns that are thwarted by certain changes (prices, ecological, political or simply wrong estimates). As a result, actual outcomes or results of an intervention differ significantly from those planned. EcoFin suggests discounting measure (contingencies) to react to a possible risk to lose for instance investments, and a sensitivity analysis that estimates how susceptible an intervention is to project management and planning deficiencies (for example delays in implementation, rise in operating costs).<sup>42</sup>

#### **4.4 CRITIQUE OF METHODS SUGGESTED BY ECOFIN**

EcoFin advocates a methodology for financial and economic assessment of interventions from both sides – ex-ante as well as ex-post – as most systematic procedures suggested in the publication can be used in more than just one of these evaluation type. From the ex-ante and the ex-post perspective it can be said that EcoFin argues in a practical way by proposing steps to follow in an evaluation that are geared towards serving in a real-life case. In that sense, EcoFin can be understood as a roadmap for evaluators and it is based on what is actually possible to achieve during an evaluation mission. EcoFin guidelines put aspects like information constraints and disadvantageous circumstances or political restrictions into account. The manual, furthermore, suggests a solid way to incorporating risk and net-present value (NPV) into the overall framework of evaluation activities, as it succeeds in developing standards for a systematic risk assessment or for the judgement of results and outcomes coming into effect with time.

However, the EcoFin guidelines also show weaknesses. The most profound flaw is the rather limited magnitude of suggested methods for interventions with non-tangible outcomes. The manual fails to provide approaches, like CEA or SPA, that are

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<sup>42</sup> The issue of risk will not be further considered at this point, as risk analysis focuses on the ex-ante phase of projects, whereas this research proposes to concentrate on the ex-post perspective. *See* *ibid*, pp. 21-22

internationally recognised and that are part of evaluation practice. In EcoFin, the effectiveness of inputs is not systematically considered in the guidelines for the assessment of non-tangible results. Though EcoFin mentions that the aim in considering interventions with non-tangible outputs is to minimise costs, the comparison of project alternatives as suggested in CEA or SPA is not proposed, although those methods were already known at the time when the manual was written.<sup>43</sup>

The absence of the consideration of CEA and SPA is surprising as it could be assumed that a body like the EC would be conditioned to budget analyses in the sense of ensuring to spend less money. Even more so, considering the fact that in some samples of the case study evaluations are to be found that feature traces of comparison of possible project alternatives, which will be discussed later in the section on research findings.

## 4.5 CONCLUSIONS

This chapter has introduced methods of economic and financial assessment of projects in development. It has started off by explaining the three most prominent ones on the basis of a literature review, whilst they were then put against methods applied by the EC in evaluating their development assistance. Since the latter set of methods was considered slightly below standard in comparison with what is normally considered apt steps in evaluations, a critique of the EC approach was presented to highlight shortcomings, which will be relevant for the chapter on research findings. Those shortcomings, mostly related to project with non-tangible outcomes, will therefore illustrate flaws in the case studies as is to be seen later.

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<sup>43</sup> The above quoted authors Rossi, Freeman, Hofmann published about CEA already in the late 1980s, whereas EcoFin was written one decade later.

## **CHAPTER 5: THE CASE STUDY**

In this chapter of the paper a few ideas on the methodological design shall be clarified. As it was already stated, this work concentrates on an analysis of the economic and financial methodology for project evaluation in EC-financed development cooperation. In order to facilitate an analysis, a research object needs to be defined in its characteristics, providing information of why the research objects in question have been selected. Finally, the limitation of this study will be spelled out, before the case study will be presented.

### **5.1 METHODOLOGICAL ASPECTS AND LIMITATIONS CONCERNING THIS STUDY**

The research objects of the work are project and programme evaluation reports done on behalf of EC delegations. The research objects will be aggregated to a case study consisting of a sample of five. Those evaluation reports were collected from the archives of the evaluation unit of EuropeAid in Brussels.

The case studies are chosen from a variety of countries and a variety of sectors. Since the research proposes an analysis of evaluation methods that are generally applied to interventions irrespective of their geographical location or their sectoral implantation, the case study attempts to represent a diverse assortment of environments and circumstances. The reason why those five cases have been chosen is based on the fact that all samples share certain characteristics. Those characteristics are:

1. All reports date from the period between 2002 until 2005. Hence, they have been conducted recently. This is important as for all report samples the same evaluation guidelines were valid. Since EuropeAid constantly updates evaluation procedures and requirements, comparability between the samples is guaranteed as they all stem from the same limited period.

2. All reports are classified as ex-post evaluations that have been contracted out to private evaluation consultancies by the delegations in the respective countries where the interventions took place.<sup>44</sup>
3. All reports feature the same formal information. They all display the same set of evaluation criteria (relevance, efficiency, effectiveness, impact and sustainability), they all have their respective ToR annexed to the report, which is vital for the methodologically proper examination.
4. All evaluations have been written in the English language in their original version. This is considered pertinent for the rationale of this research as no translations were necessary, which could have thwarted the information value conveyed.

In order to facilitate the suggested quality assessment of the case study, the samples will be scrutinised along a total number of six questions or indicators, which try to illuminate the quality standard. For the most part, the results of the indicator analysis will then be displayed in a dichotomous matrix after every sample. The six questions are:

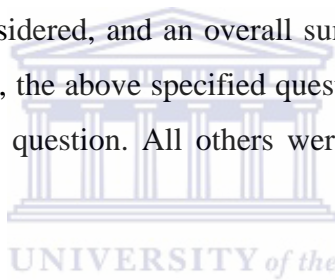
1. Do the applied evaluation methods reflect the expectations of the ToR?
2. Are the results or outcomes of the project adequately quantified?
3. Are market prices, shadow prices or other monetary values attached to the quantities?
4. Are these results and outcomes further assessed or subjected to further interpretation?
5. Have different spheres of the project been assessed differently and how has the evaluation mission aggregated those sphere-specific outcomes to a final statement?
6. Are values of project effects which accrue at different moments of time in the lifespan of the period discounted to their net-present values?

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<sup>44</sup> In some cases the evaluation took place at the very end of the intervention however the report was still classified as 'ex-post' by EuropeAid. This is due to the fact that most evaluations are paid out of an intervention's budget and for that reason they sometimes take place during the actual period of implementation. For the purpose of this study though, this detail can be considered irrelevant, as it does not infringe on the methodological adequacy.

All the above listed questions are to be understood in the overall framework of the research and they, hence, concentrate exclusively on economic and financial assessment of the projects selected for the case study; they have been developed in light of the EcoFin guidelines and the academic sources used in part 3.1 of this work. The above questions have been identified on the basis of this literature and they can, therefore, be seen as a foundation of what is deemed important and vital in terms of economic and financial project assessment. In other words, the questions touch upon the most central aspects of economic and financial project evaluation and they, thus, represent a solid starting point for the attempted quality assessment.

In order to be able to answer to those indicators, every sample will be summarised in terms of an overall description of the intervention, a review of the primary objectives and activities, the ToR will be considered, and an overall summary of the evaluation results will be provided. Subsequently, the above specified questions will be answered, whereas question five is the only open question. All others were narrowed down to exhibiting dichotomous information.<sup>45</sup>



The reason why the indicators developed in this work are of dichotomous nature is manifested in the fact that it is very difficult to develop reliable indicators for a quality assessment of evaluations in the first place. So as to having indicators in place that can be considered as much objectively verifiable as possible, it was decided to stick to dichotomous indicators only. Another disposition would have entailed the problem of profound value judgements rather than more or less confirmable information. Though the author admits, that answering to the indicators still depends to certain degree on individual reflection, the indicators presented here feature, however, the best opportunity to objectivity that can be reached in this research work.

The research presented here has, furthermore, certain limitations attached to it, of which some have already been implied in the previous section.

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<sup>45</sup> This is generally valid, unless it was necessary to give supplementary information; for this case the tables will display a third category entitled “other”.



One limitation is related to the actual objectivity of the indicators developed in order to illustrate the quality standard of evaluations. The development of the indicators has proven extremely difficult and the response to them likewise. Specifically in the scope of this research it is merely impossible to create indicators that can be responded to without any trace of value judgement or individual interpretation. In fact, the responses to the questions in the subsequent part are based on the reasoning of the author. In order to reduce the individualism in the interpretation of the questions, the responses provided to the questions ought to be verified against the research findings, which give further information on the set of indicators developed for the samples.

Another paramount limitation of this study comes to light when reading the examination of the case studies. It becomes clear that the office-desk perspective adopted in this work presents a problem. The fact that no insights of the real-life cases were possible could be seen as severely hampering the description, analysis and interpretation of the case studies, along with the conclusions and recommendations drawn from them. Besides, other associated drawbacks can be derived from this, which influence the validity of the research proposed in this study.



The knowledge gap between what is to be seen in the paperback version of the evaluations, and what the evaluation mission has actually experienced in real life can be substantial. If, for example, an evaluation does not feature certain relevant information or aspects, it can not be automatically assumed that the evaluation mission failed to produce vital data. It is not possible, hence, to establish beyond doubt why this information has not been provided. The evaluators may not have realised the necessity to generate it, but they also might have been unable to get access to information, or it did not exist in the first place. As a result, research findings and judgements drawn on the basis of an individual case are, at times, to be understood as speculative, as it can only be assumed why information has not been given.

However, in order to minimise the potential influence of the limitations, this research tries to be as precise as possible in formulating criticism, findings and conclusions. In

addition it will be attempted to keep speculative aspects to a minimum by only disclosing judgements if they are fortified by indications or evidence to be found in the case studies. This means that if vital information in the reports is missing, and the evaluation mission has not stated why that is the case, it can be reasonably proposed that the team would not have incorporated the information even if it had existed. By following this strategy of feeding speculation with evidence, the study will try to avoid one-sided and unbalanced judgements as much as possible.

In this chapter the case study will be presented. In order to clarify on the background and to give some additional information on the embeddedness of the samples depicted, a brief outline will be given on the administration, organisation and implementation of projects and programmes financed by the EC. This information is relevant in order to understand the case studies and their analysis in the context of the overall workings of development assistance provided by the EC.



## **5.2 ORGANISATION AND ADMINISTRATION OF EC-FINANCED PROJECT AND PROGRAMME ASSISTANCE**

After introducing and elucidating different methods of evaluation in the context of development cooperation in the first part of this research, the following part will explain the mechanisms of project evaluation in EU-financed development work. This part will look at institutions, institutional arrangements and responsibilities clustering around evaluation of EC-financed development aid. The following questions shall be answered:

1. How does EC-financed development aid work function?
2. Which institutions and departments deal with development aid in the EU system?

The institutional setting for development assistance within the EU, how the EU funds projects, how they are conducted and who evaluates them at what time are questions that are deemed extremely relevant in pursuit of this research. To illuminate these aspects is

vital in order to understand the relevance of the research topic and it helps to pave the way leading up to the case studies presented in this part.

The European Union (EU) is often characterised as one of the biggest donor worldwide. The EU and its member states give more than 50% of the total official development assistance (ODA). The European Commission (EC) alone accounts for more than 10% of ODA and in 2003 it spent a total of 12 billion euros on programme- and project-related development assistance.<sup>46</sup> This means that the latter figure is only the contribution made by the institutions of the EU.

Those institutions in the EC bureaucracy that handle the external aid include by and large two Directorates General (DGs): DG Development (DGDev), DG External Relations (DGRelex).<sup>47</sup> Those two account for the bulk of the development assistance provided by the EC. The interventions financed differ in regards to duration, financial scope, sectoral embeddedness or range of activities financed. Generally, the broad sectors supported include food aid and support operations, refugees, migration, rehabilitation and reconstruction and infrastructure, social and economic development, environment, health and education, decentralisation and administrative reform, as well as human rights and democracy. There are, however, several other DGs which also established own budgets for development assistance of different kinds. This is to say that under the DG for environment, for instance, a certain budget is set aside for development interventions clustering around environmental issues.

The implementing agency for the EC is EuropeAid that can be conceived as the executive arm of the EC as far as development assistance is concerned. Nevertheless, it must be said at this point that there are several development operations that are implemented by the DGs themselves and are not delegated to EuropeAid for that matter (for instance those referring to pure financial assistance that is increasingly handled by the European

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<sup>46</sup> See Soeltenfuss, Jan, Omondi, Rose (2005), p. 214

<sup>47</sup> For reasons of simplicity, the English designation of the institutions has been chosen. To see the French equivalents refer to the table of acronyms.

Central Bank). For the purpose of this research those engagements outside of EuropeAid will be considered marginal.<sup>48</sup>

The budget available for development projects and programmes is spent in different ways. It can be given in the form of financial assistance for a bilateral intervention planned by the receiving country (usually by a state authority or public administration department) together with technical assistance from consultants; it can also be subjected to budget lines where non-governmental organisations (NGOs) can suggest a project under a “call for proposals” for a certain predefined area of intervention; finally, the budget can be spent on projects and programmes planned by the EuropeAid which are then executed by contracted consultancies. Those consultancies do not plan the interventions, but they are only concerned with its facilitation.<sup>49</sup>

Generally speaking, before any intervention receives EC-money it must prove adequate preparation. No intervention will be eligible to funding, if it has not followed certain planning requirements, including submission of logframes, budgets, time schemes or monitoring and evaluation designs. If an intervention is finally implemented a financing agreement (FA) is signed by both parties, the EC and the partner (being either the above mentioned state authority, NGO, consultancy).

With the FA, each intervention is obliged to submit or at least allowing for monitoring reports stating the progress of the intervention whilst it is running. After the completion of a project a final evaluation is in theory required in all cases. In practice not all projects are evaluated due to the very limited human resources available for evaluation and there is no clear and unambiguous directive on which projects and programmes should be prioritised for evaluation. When this research went to print, there was a discourse within EuropeAid about setting a benchmark referring to the financial magnitude of interventions to be given priority. In other words, if an intervention exceeds a certain

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<sup>48</sup> See *ibid*, pp. 214

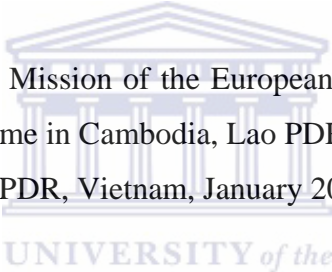
<sup>49</sup> *Ibid*, p. 219

amount of financial assistance, it must be subjected to a final evaluation. At present there is no such regulation.

All the technical and procedural aspects provided here is of relevance for understanding and conceptualising evaluation activities in the EC. The aspects discussed in this section will be elucidated in more detail in the chapter on research findings, which will further illuminate the pertinence of this background information.

### **5.3 PRESENTING THE CASES**

The case studies analysed hereunder are now presented with their respective title, the country of intervention, and the date of submission of the evaluation report:

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- Case A) Final Evaluation Mission of the European Commission Regional Malaria Control Programme in Cambodia, Lao PDR, Vietnam  
(Cambodia, Lao PDR, Vietnam, January 2003)
- Case B) Evaluation of Structural Adjustment Facility I (SAF I) in Lebanon  
(Lebanon, February 2005)
- Case C) Final Evaluation: Hummingbird Highway Section A  
(Belize, January 2003)
- Case D) Evaluation of EC Support to the Public Enterprise Reform & Privatisation Programme  
(Arab Republic of Egypt, March 2002)
- Case E) Final Evaluation of the Project “Institutional Support to the Road Sector”  
(Cameroon, September 2004)

## 5.4 CASE A)

### General description of the Project:

The Regional Malaria Control Programme in Cambodia, Vietnam and Laos was initiated based on the request of the three countries to establish a multidisciplinary approach of regional magnitude to combat malaria. The project was drawn up due to the fact that the three countries share some common characteristics in regards to malaria transmission and control strategies, whereby the project aimed at supporting the respective national malaria control programmes already in place.

A total of five FAs were signed; three FAs for each individual country, a fourth for a regional project along the borders that involved three national projects in the individual countries concerned, and a fifth one with the World Health Organisation (WHO). The latter agreement was signed between the WHO and the EC for chiefly providing technical assistance, such as studies and surveys on the part of the WHO to document the progress of the national malaria control approaches.

The three regional projects and the parallel WHO project were implemented between July and September 1997 depending on the country. All projects ended at the end of the year 2002 after a prolongation granted by the EC. The overall budget for the three individual country projects as well as for the regional project amounts to EUR 32,185,681 million. This budget was subject to a later increase which has already been considered in the amount specified above.

The three national projects were each managed by a project management unit whilst they were monitored and supervised by a respective steering committee. The regional project was managed by a regional coordinator who was at the same time heading the unit

responsible for monitoring and supervision. The individual projects report to the EU delegation in their respective countries.<sup>50</sup>

Objectives, targets and activities:

The general objective of the three national projects was to support the National Malaria Control Programme (NMCP) already in place in each of the respective countries. The national projects were to help the NMPC achieving their aims and targets. For the three national projects the following priorities were identified: (1) reducing mortality, morbidity and incidence rates, (2) strengthening the capacity for health management, and (3) consolidating the health care system. For item (1) the explicit aim of the EC-financed programme considered in this section has been specified in at least the case of Laos. Here, the target to be reached was set at a 50% reduction in morbidity, mortality, and incidence within four years.<sup>51</sup>

The regional project was mainly to provide (1) training and research on malaria related issues, (2) information and exchange between three countries, and (3) designing a common policy and strategy for the three countries.

The main activities within the different national projects and the regional project likewise included: (1) support for technical and academic training (in areas such as management, planning, disease control, medical knowledge exchange), (2) improved availability and quality of drugs and other medical equipment needed, (3) improvement of health infrastructure by increasing the number of trained health workers, and (4) undertaking of studies to monitor progress on improvements in the respective NMCP.

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<sup>50</sup> See European Commission (2003a), pp. 63-64 (annex 1, separate annex); the Laos project presents an exception, as it reports to the Bangkok delegation of the EU.

<sup>51</sup> See *ibid*, p. 28 (annex 1, separate annex)

### Description of the ToR:

The global objectives of the evaluation mission include the assessment of the efficiency and in how far the offering of input was done in an economically advantageous way as well as evaluating its impact and its effectiveness in achieving the anticipated results. On a more specific note, the ToR request the evaluation mission to (1) assess the benefits and effectiveness of activities related to malaria control, the health system, and primary health care; (2) in regards to the latter, analyse to which extent outputs have been achieved; (3) evaluate quantitatively and qualitatively how these activities fit into the FAs;<sup>52</sup>

### Results of Evaluation:

In general, the evaluation report gives an overall assessment of the Malaria Control Programme in the three countries that is deemed positive. For the most part, the classic criteria of relevance, efficiency, effectiveness, impact and sustainability are aggregated to a final judgement that considers the project worthwhile.

The overall objectives to achieve a lower rate of malaria morbidity and incidence in the project areas is seen accomplished, whereby morbidity has decreased more rapidly than the rate of incidence.<sup>53</sup> As indicated in the report, this reduction of morbidity and incidence is largely to be attributed to a strategy of early diagnosis and appropriate treatment as well as to the utilisation of equipment preventing infection.

Further, the programme was successful in developing human resource trained in disease control and in improving the information and communication systems in national health care in the three countries. It also contributed towards the implementation of malaria control measures in rural areas where the project activities were applied on the provincial, district and community level. In other words, the project achieved to implement methods of malaria control in areas that previously did not benefit from any such activities.

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<sup>52</sup> See *ibid*, p. 68 (annex 1, separate annex)

<sup>53</sup> See *ibid*, p. 59 (annex 1, separate annex)



Besides, the reports, surveys and studies were produced to document the activities and measures taken, as well as the induced changes that the numerous actions accomplished. Apart from minor management deficiencies and at times inappropriate spending on some activities, the report draws affirmative conclusions on the whole on all criteria of the evaluation.<sup>54</sup>

### Analysis of Evaluation:

(1) Generally speaking, the evaluation followed the ToR in terms of adhering to an analysis of the five criteria specified, namely relevance, efficiency, effectiveness, impact, and sustainability. In view of the economic and financial assessment spelled out in the ToR the evaluation report attempted to assess the benefits and effectiveness of activities related to malaria control, the health system, and primary health care. The same applies to the second expectation of the ToR which asked for analysing the extent to which outputs have been achieved. Also in regards to the quantitative and qualitative evaluation of the activities undertaken and how those fit into the FAs the report follows the guidelines provided by ToR.<sup>55</sup>

(2) The evaluation gives a quantified account of the programmes' outputs. It quantifies for instance the number of regions covered by the respective national projects, the number of health workers trained or the amount of publications produced. Clearly quantified accounts of the projects' outcomes in physical units are, therefore, established in the document. There are further costs per unit to be found summarising some of the activities undertaken under the budget as well as operating costs of the project.<sup>56</sup>

The tangible outputs are manifested by the possible changes in public expenditure on health care, which is only peripherally covered in the evaluation possibly because it was not the overall goal of the project. Despite the marginal consideration of this aspect, a CBA could have illustrated the efficiency of the project in regards to changes in savings. Consequently, in how far the programme influenced the countries' spending on health is

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<sup>54</sup> See *ibid*, pp. 14-15 (annex 1, separate annex)

<sup>55</sup> See *ibid*, p.8 (annex 1, separate annex)

<sup>56</sup> See *ibid*, pp. 21-23 (annex 1, separate annex) for the case of Cambodia

not established, even though it must be said that the actual incremental effect of this programme on public spending on health would be very difficult to express as changes in the national accounts could not be directly linked to the malaria control programme.

(3) The evaluation team has attached market prices for the majority of the physically quantified results. The report clearly states cost per unit parameters for most of the outputs. This is for instance illustrated by the operational costs per capita for an early diagnosis and appropriate treatment approach or costs of training per participant/day.<sup>57</sup>

(4) The outcomes identified in the evaluation are further assessed in the sense that the evaluation mission gives background on how outcomes relate to the wider context of the project purpose. In view of the accounts quantified in physical units the evaluation clearly states their relevance for the project and for the continuity of the latter. The evaluation mission states for instance that trained health workers do greatly contribute to the potential success of the project after the end of the FAs. Also the fact has been recognised that better malaria control does produce better health conditions which induces healthy workers that can earn money for their families and that contribute to economic advancement. In other words, vital linkages have been drawn from the outcomes of the project to its potential sustainability.<sup>58</sup>

(5) The results of the assessment presented in the evaluation are positive across all spheres that the project touches upon. In terms of cost-effectiveness it is said that in some cases some activities could have been implemented in a cheaper way but this does not affect the overall judgement of the project being in favour of the intervention.<sup>59</sup> All different areas assessed are aggregated into a final positive statement putting the achievement of the main project goal in the focus.

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<sup>57</sup> See *ibid*, p. 23 (annex 1, separate annex)

<sup>58</sup> See *ibid*, pp. 34-35 (annex 1, separate annex) for the case of Laos

<sup>59</sup> See *ibid*, p. 11 (annex 1, separate annex) in regards to the regional project being criticised for producing outputs at relatively high costs

(6) The factor of time has not been considered in the economic and financial analysis presented in the evaluation. The evaluation mission has not considered the NPV of inputs and outputs of the project, nor did it discuss the question of time and the ingrained question of values attached to project investments and returns in the overall contemplation of the intervention. In some chapters scattered comments are to be found that relate to the eventual impact of the project in the future, for instance in terms of a slight boost in economic development in the future due to diminishing the number of malaria cases, but a systematic consideration of the factor of time is largely absent.

**Table 3: Scores Case A**

Criterion:	Yes:	No:	Other
In line with ToR?	X		
Results adequately quantified?	X		
Market/shadow prices or monetary values attached?	X		
Results/outcomes further interpreted?	X		
Assessment of spheres and aggregation?			All spheres assessed positively
Factor of time considered (NPV)?		X	

## **5.5 CASE B)**

### General description of the Project:

The programme studied hereunder is an intervention geared towards facilitating a structural adjustment policy in Lebanon. The intervention under this Structural

Adjustment Facility (SAF) came in two phases, whereas the evaluation only considers the first phase.

The programme was designed to support the Lebanese government in its efforts to comply with the reform policy agenda agreed with the World Bank and the International Monetary Fund (IMF), and to improve the Lebanese position in trade liberalisation under the EU-Lebanon Association Agreement. The above mentioned reform policy and the EU association agreement implied an agenda of reorganising the system of public finance in the country that heavily relies on revenues stemming from custom tariff resources.<sup>60</sup>

The FA between the EC and Lebanon was signed in April 2000. The budget support for this programme came in two steps involving two stages of disbursements of funds made available from the EC. The total budget for the programme amounted to EUR 50 million, whereby the first disbursement came at EUR 30 million and the second at EUR 20 million. The payments were conditioned by the compliance with mutually agreed conditions involving the overhaul of the state finances and the conformity with budgetary stringencies.<sup>61</sup>

The first payment of EUR 30 million was made in July 2000 after all disbursement conditions had been met. Afterwards, some delays in implementation were observed, leading to an extension of the programme by one year, which moved the end of the programme to April 2003. Despite prolonging the programme, the second disbursement was only partially executed. Overall, only the sum of EUR 44,25 million was at last bestowed to the intervention, which corresponded to the share of conditions finally accomplished.<sup>62</sup>

The programme reported to the delegation of the European Union in Beirut. The final evaluation was published in February 2005.

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<sup>60</sup> European Commission (2005), p. 46 (annex 2, separate annex)

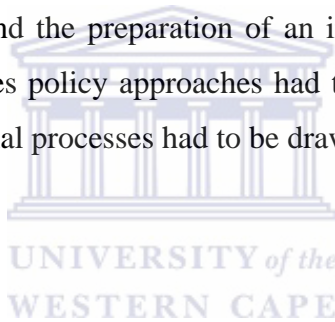
<sup>61</sup> For a detailed matrix of the disbursement conditions *see* *ibid*, pp. 56-59 (annex 2, separate annex)

<sup>62</sup> *Ibid*, p. 2 (annex 2, separate annex)

### Objectives, targets and activities:

The main objective of the programme was, as already hinted earlier, to give support for reforming the sector of public finance, “including the introduction of VAT [value added tax] and acceleration of the privatisation process”, as well as the stabilisation of the macro-economic framework in the country.<sup>63</sup> Those actions were deemed necessary due to Lebanon’s profound dependence on revenues from custom tariffs – apparently the only considerable resource of state revenue – and due to envisaged resources for debt reduction induced through privatisation.

On a more specific note, the activities of the programme involved (1) the reorganisation of the general framework of the fiscal system, (2) the adoption of a general consumption tax (which is the VAT), (3) and the preparation of an income tax scheme. To succeed with these three major activities policy approaches had to be developed, staff resources reorganised, and administrative processes had to be drawn up and implemented.<sup>64</sup>



### Description of the ToR:

The ToR of the evaluation conducted under this programme feature the big five criteria to be analysed in the evaluation, whereby special attention ought to be given to assess efficiency, effectiveness and relevance. The impact-criterion is also proposed as a hinge.<sup>65</sup>

Specifically the ToR oblige the evaluation team to (1) determine whether the programme can be considered coherent and relevant to the Lebanese governments’ reform agenda, (2) analyse cooperation with other donors – notably the IMF and the World Bank, (3) analyse the dialogue between the EC and the Lebanese government, (4) gauge in how far the programme speeded up reform processes in the country, (5) judge in what way the

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<sup>63</sup> Ibid, p. 2 (annex 2, separate annex)

<sup>64</sup> For an overview of the detailed activities in the logframe *see* *ibid*, pp. 53-55 (annex 2, separate annex); it has to be noted that this logframe redrawn due to the absence of a logframe during the implementation phase.

<sup>65</sup> Ibid, p. 45 (annex 2, separate annex)

conditionalities of the intervention were appropriate given the country's economic context.<sup>66</sup>

### Results of Evaluation:

Overall, the evaluation draws a much differentiated picture of the programme. The report stresses the importance of the VAT that has been introduced under the intervention as one of its major components. The installation of the VAT is rated successful and the evaluation team notes that the establishment itself, along with other supporting measures (trainings, implanting a new management style in tax administration, human resource management), helped to streamline the macro-economic framework of the country.<sup>67</sup> In this sense, the intervention by the EC is gauged as having contributed a vital chunk to improving the situation of public finance. Also, the management of the VAT and the attributed administration is considered very sound, which is due to a strong commitment by Lebanese authorities. The report states that the tax revenues from the VAT rose, whilst dependence on customs tariffs shrank.<sup>68</sup> The evaluation, however, raises the question in how far the VAT introduction can actually be fully associated with the EC intervention, as plans for its implementation already existed before the EC support came into play.<sup>69</sup>

Apart from the VAT implementation, the report certifies a lack of effectiveness for all other measures planned under the EC intervention. None of the other projected activities delivered the expected results, some of them have not even been implemented due to political constraints causing substantial delays. For example, privatisation efforts have not been significantly driven forward, and the introduction of an income tax has not yet been facilitated.<sup>70</sup> Here, the evaluation hints that this is also due to a defunct project design that unrealistically assumed to observe changes after a minimal time span.

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<sup>66</sup> Ibid, p. 46 (annex 2, separate annex)

<sup>67</sup> Ibid, p. 18 (annex 2, separate annex)

<sup>68</sup> Ibid, p. 3 (annex 2, separate annex)

<sup>69</sup> Ibid, p. 5 (annex 2, separate annex)

<sup>70</sup> Ibid, p. 19 (annex 2, separate annex)

## Analysis of Evaluation:

(1) The evaluation followed the ToR closely, and considers the predefined focal aspects at particular length along the lines of the five criteria of relevance, efficiency, effectiveness, impact and sustainability. The evaluation considers the relevance of the programme towards the Lebanese reform agenda, it analyses the cooperation with other donors as well as the dialogue between the EC and the Lebanese government, and it looks at the impact of the programme in regards to the reform processes in the country. It further provides an overview on the conditionalities of the programme and elaborates on their feasibility.

(2) The outputs of this programme are difficult to describe, as the EC intervention constitutes an integral part of a reform agenda that would exist also without its financial contribution. To identify the incremental output or results of the programme in the framework of the whole reform agenda is therefore problematic.

The introduction of the VAT can certainly be attributed to the EC intervention which the evaluation team has rightly recognised. The impact of the VAT on the overall fiscal framework is adequately illustrated in quantified terms of the overall breakdown of tax revenue or in terms of tax ratios put up against its GDP (gross domestic product) share.<sup>71</sup> Also the effect of the SAF I programme on the situation of public debt is considered in quantified terms, and it is understood to have increased instead of a forecasted decline.<sup>72</sup> In regards to the changes in the human resource management of the tax authorities – again an aspect that cannot be properly apprehended to the EC intervention only – the number of civil servants hired is not stated. However, human resource reforms are seen to have impacted positively on public expenditure with a slowing down of the increasing staff costs.<sup>73</sup>

(3) Market prices, shadow prices or other monetary values attached to the programmes' outcomes are observable for some activities of the SAF I programme. All items

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<sup>71</sup> Ibid, pp. 6, 24 (annex 2, separate annex)

<sup>72</sup> Ibid, p. 5 (annex 2, separate annex)

<sup>73</sup> Ibid, p. 19 (annex 2, separate annex)

considered in the break down of the tax revenue are listed with its monetary value.<sup>74</sup> As previously indicated, in regards to human resource management reforms no monetary account is provided, though it can be plausibly assumed that this information could have been produced by the evaluation mission.

(4) The results specified in the evaluation report are subjected to further interpretation. Specifically under the ToR's requirement to assess the conditionalities of the intervention, the evaluators interpret the outcomes against the possible likeliness that the planned results could have been suitably realised in the first place. The report mentions for example that some results were impossible to materialise due to an inadequate contemplation of the time frame needed to bring about the envisaged outcomes. Here, the evaluation detects serious flaws at the project planning stage.<sup>75</sup>

Besides, the results and outcomes are further interpreted in the context of the overall sustainability of the programme. It is stated that even objectives of the programme, that have not yet been achieved, could be accomplished in the future as the reform dynamism is likely to continue and decision makers are largely convinced about being on the right track with their reform agenda.<sup>76</sup>

(5) The evaluation's assessment is positive in regards to the implementation of the VAT. This is seen as a tremendous success and a significant change in the country's fiscal system. All other projected objectives have been achieved partly or not at all, which the evaluation criticises, but in a balanced way. As above argued, the evaluators identify problems in terms of planning and implementation of the programme, and they thereby put the absence of some expected results into perspective.

Overall, the evaluation aggregates the different spheres to a slightly positive angle and it puts a higher weight on the fact that the VAT component has been successfully implemented.

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<sup>74</sup> Ibid, p. 24 (annex 2, separate annex)

<sup>75</sup> Ibid, pp. 13-15 (annex 2, separate annex)

<sup>76</sup> Ibid, pp. 29-30 (annex 2, separate annex)



(6) A systematic consideration of NPV or discounting measures to account for time-dynamic processes in the life span of the programme is absent. Though some statements can be found about certain programme results to be materialising in the future, no methodological contemplation is observable.<sup>77</sup>

**Table 4: Scores Case B**

Criterion:	Yes:	No:	Other
In line with ToR?	X		
Results adequately quantified?	X		
Market/shadow prices or monetary values attached?			Partly, but obvious deficiencies
Results/outcomes further interpreted?	X		
Assessment of spheres and aggregation?			Most important sphere assessed positively, all others negative
Factor of time considered (NPV)?		X	

## 5.6 CASE C)

### General Description of the Project:

The project considered hereunder is a major infrastructure project in Belize concerning the upgrading of Hummingbird highway, which is one of the major road links in the country. The highway is of particular importance of the country's economy due to its

<sup>77</sup> The evaluators argue that the VAT implementation paved the way for other reform steps to come that might finally achieve fiscal accounts as planned. *See ibid*, pp. 26-27, 29 (annex 2, separate annex)

geographical location. It connects agricultural centres with the areas where agricultural products are processed and stretches further to the seaside, where they are finally exported. In that respect, the highway is vital for agricultural, industrial advancement as well as tourism and social development in the country. Besides, it serves the surrounding communities with access to health, to job markets and administrative centres likewise.

The Hummingbird highway was built in 1954 with some of its sections being reconstructed in 1979. The geometric design and the initial construction of the road is considered below standard, there was no regular maintenance work and the absence of drainage systems contributed to its decline.

In order to avoid a further corrosion of the highway the EC decided in 1997 on the allocation of EUR 4,7 million for upgrading the highway on a segment of 12 kilometres of which EUR 4,569,130 million were finally used after counting in the depreciation of the euro.<sup>78</sup> These 12 kilometres were part of a section accounting for 28 kilometres, where the remaining 16 kilometres were also reconstructed, but under the financial help of the Caribbean Development Bank.<sup>79</sup> The financing agreement was signed in mid 1998, whilst works started at the end of the year after the execution of the construction work had been contracted out. The construction ended in late 2000 with the final acceptance certificate granted in July 2001.

The responsibility for the execution of the project rested with the Ministry of Works, whereas a Project Execution Unit was charged with project management, administration and monitoring. The latter was assisted by an outside engineering consultant team. The project reported to the EU-delegation for Belize and Jamaica. The final evaluation took place in January 2003.

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<sup>78</sup> European Commission (2003b), pp. 1/5-2/5 (annex 3, separate annex)

<sup>79</sup> Ibid, p. 4 (annex 3, separate annex)

### Objectives, targets and activities:

The overall objective of the Hummingbird highway upgrading is to steer economic growth and development. Besides, the intervention targets at “enhancing the living conditions in the project areas through increased agricultural production, development of eco-tourism and better access to social services [...]”<sup>80</sup> These objectives are to be met by the sustainable improvement of the state of the major road infrastructure in the area.

Apart from the overall objective, the specific purposes of the highway upgrading are (1) to reduce transport costs, (2) to reduce travel time, (3) to reduce post harvest losses, and (4) to generally increase the accessibility of the project area through rebuilding the road infrastructure.

For this particular intervention the reconstruction of the Hummingbird highway on a stretch of 12 kilometres can be considered the major activity. These 12 kilometres are part of an overall section of 28 kilometres identified as priority engagement. Another related activity could be detected in making the road stretch suitable for all weather conditions.

### Description of the ToR:

In general the ToR request the evaluation team to assess in how far the intervention contributed to the overall objectives (increase in economic growth and agricultural production as well as eco-tourism, better access to social services, reduce travel time and transport costs, to avoid post harvest losses, and to improve accessibility of the project area). The ToR state that the results of the evaluation ought to benefit also other donors which fund infrastructure projects in the country. Further, the results of the evaluation should be to the benefit of those who managed the project as they may be able to improve their work once the evaluation mission has drawn its conclusions.

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<sup>80</sup> Ibid., p. 2/5 (annex 3, separate annex)

### Results of Evaluation:

The overall success of the project is reckoned positive as the implementation of the project “constitutes a great and sustainable improvement of the Hummingbird highway, and thus the purpose of the project has been achieved.”<sup>81</sup> Though it is said that the effects on agriculture have been less beneficial than expected, the project has nevertheless made a contribution towards the development of those areas that were previously difficult to access. More business activities, tourism and agricultural cultivations have been detected. Furthermore, the evaluators note that the contractors did good work, as no delays and no quality deficiencies are observable. It is further noticed that other project objectives have also been met. This includes a significant reduction in travel time along the highway, and a dramatic reduction of post harvest losses has been accomplished.<sup>82</sup>

It is asserted, nonetheless, that the Project Execution Unit as well as consultants charged with monitoring activities were not performing as planned on some managerial and organisational aspects (for instance in terms of reporting and adequate documentation).<sup>83</sup> Further, problems arose from not adequately putting into consideration the dependence on bus services along the road, resulting in the absence of bus stops in reasonable intervals.

This, however, does not contravene the fact that the project is still gauged a very successful intervention.

### Analysis of Evaluation:

(1) The evaluation follows the ToR attached to the document. It obeys the list of items to be covered and it illuminates them in the context of the project purpose.

For example, the report features sections elaborating on economic growth achieved in the region, increase in agricultural production, the analysis of travel parameters, as well as

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<sup>81</sup> Ibid, p. 5 (annex 3, separate annex)

<sup>82</sup> Ibid, pp. 19-20 (annex 3, separate annex)

<sup>83</sup> Ibid, pp. 5-6 (annex 3, separate annex)

the description of the development of tourism in the region.<sup>84</sup> Further, the evaluation team provides an in-depth technical analysis that allows for practical recommendations for the contractors involved and features lessons to be learned for further supporting infrastructure projects of that kind in the country. This technical analysis mainly takes place under the evaluation of the efficiency criterion and contains procedural and mechanical information that could be considered helpful for similar undertakings.<sup>85</sup>

(2) The evaluation offers a quantified description of most if not all project results. This applies to accounts in physical entities as well as in monetary terms.

Leaving the strictly technical features of the highway aside (like the average size of pipes used for the drainage system), the report quantifies the volume of traffic on the highway comparing it with forecasts, vehicle distribution, and the annual growth rate of traffic.<sup>86</sup>

It further establishes the Vehicle Operating Costs (VOC) savings for the highway and predicts the same for the years to come to allow for a CBA in terms of welfare surplus for the users of the road. Also, the reduction in travel time is quantified along the hours that traveller now save when using the highway.<sup>87</sup>

In another section of the report it is attempted to pin down the effect of the highway upgrading on local tourism. Here quantified accounts are provided on the increase of tourists visiting certain attractions around the country. Though the report clearly states that the incremental effect of the highway intervention on the tourist inflow is difficult to assess, it can still be reasonably assumed that the increase in tourists at sights that are located in the project area are to be attributed to the improved accessibility.<sup>88</sup>

For the development of the agricultural sector the report also resorts to the VOC that also benefit farmers when transporting their goods.

Moreover, the size of population of major settlements along the highway is monitored and quantified, just as well as the number of accidents broken down to different causes.<sup>89</sup>

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<sup>84</sup> See *ibid*, pp. 23-40 for the relevant sections (annex 3, separate annex)

<sup>85</sup> See *ibid*, pp. 13 (annex 3, separate annex)

<sup>86</sup> *Ibid*, p. 24 (annex 3, separate annex)

<sup>87</sup> *Ibid*, pp. 25-27 (annex 3, separate annex)

<sup>88</sup> This applies to at least one sight, the Blue Hole National Park, that saw a 64% increase in visitors between 1999 and 2000. Partly, this increase can be seen as a direct upshot of the intervention. See *ibid*, pp. 33-34 (annex 3, separate annex)

<sup>89</sup> *Ibid*, pp. 37-40 (annex 3, separate annex)

The disadvantage of the quantified accounts is that the report does not say whether they apply to the whole highway upgrading, or just to the 12 kilometres section that came under the initial EC intervention.

(3) The evaluation attached market prices to most of the physically quantified outcomes. Illustrative examples are the unit costs attributed to VOC per 1000 vehicles/kilometre, or the attempt to estimate the travel time saved denoted with a certain amount of salary paid per hour.<sup>90</sup>

The evaluation fails to depict the costs per unit for the material used to upgrade the highway. No accounts are to be found in the report referring to its costs, neither per unit nor in absolute terms.

(4) The results featured in the evaluation report are further assessed and interpreted. They are put into the context of the intervention and they are projected against the background of infrastructure undertakings in the country. Most quantified outcomes are, for instance, assessed in terms of potential prospects or forecasts as can be seen with VOC and monetarily quantified accounts of saved travel times.<sup>91</sup> Also, all project outcomes are understood in the framework of the probable sustainability of the intervention. The sustainability is primarily seen in technical terms looking at road maintenance and attached costs, but also the effects on the economy in future times is incorporated in the evaluation.<sup>92</sup>

(5) The results of this intervention are seen as positive throughout by the evaluation team, meaning that all spheres are assessed in light of the overall success of this infrastructural undertaking. Some criticism is signified in regards to the tender procedure in order to contract out the required construction services, but those irregularities are rather deemed negligible.<sup>93</sup>

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<sup>90</sup> Ibid, pp. 25, 28 (annex 3, separate annex)

<sup>91</sup> Ibid, pp. 28-29 (annex 3, separate annex)

<sup>92</sup> Ibid, pp. 20-21, 30 (annex 3, separate annex)

<sup>93</sup> Ibid, p. 9 (annex 3, separate annex)

(6) As above hinted, the issue of time is systematically considered in the report. The evaluation has for a period until 2019 calculated the benefits and costs to be expected, further applying NPV and interest rates to the initial investments and to future returns of the intervention.<sup>94</sup>

**Table 5: Scores Case C**

Criterion:	Yes:	No:	Other
In line with ToR?	X		
Results adequately quantified?	X		
Market/shadow prices or monetary values attached?			Partly monetary values, but considerable omissions
Results/outcomes further interpreted?	X		
Assessment of spheres and aggregation?			All spheres assessed positively
Factor of time considered (NPV)?	X		

## 5.7 CASE D)

### General description of the Project:

The project of the Public Enterprise Reform and Privatisation Programme (PERPP) is a technical assistance intervention, which was designed by the EC and the government of

<sup>94</sup> See *ibid*, pp. 29-30 (annex 3, separate annex)

Egypt to support the latter in its efforts to pursue its policy to privatise state owned companies.

The policy of privatisation and public enterprise reform already existed in Egypt before in the form of the Economic Reform and Structural Adjustment Programme (ERSAP). The PERPP can be understood as its successor integrating most aspects of the ERSAP into a focussed policy agenda which the EC and the government of Egypt agreed upon.

Primarily, the PERPP was designed to deal with the privatisation of companies in the manufacturing and commercial sector whereby the individual firms were aggregated under the umbrella of some 17 holding companies at the beginning of the project. In political respect the PERPP also reflected Egypt's commitments towards public sector reform and privatisation as agreed with the institutions of Bretton Woods.<sup>95</sup>

The FA for the programme was signed in September 1994 whilst operations and activities started in 1995. The FA was extended twice and ended finally in September 2002 as goings-on already terminated in March of the same year. The evaluation was likewise conducted in March 2002 at the very end of the programme.<sup>96</sup>

The EC pledged a total amount of EUR 43 million for the PERPP programme whereas the total costs were estimated at EUR 87 million. The resulting financial gap was to be closed by contributions from the World Bank, which in the end did not commit to the programme. As a result, the programme was solely financed with the EC contribution.

The internal organisation of the programme clusters around an office responsible for public enterprises (PEO), and a management unit dealing with drafting and administration of contracts on behalf of the PEO. Both parties report individually to the Cairo-based delegation of the EC.<sup>97</sup>

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<sup>95</sup> See European Commission (2002), p. 9 (annex 4, separate annex)

<sup>96</sup> See *ibid*, p. 7 (annex 4, separate annex)

<sup>97</sup> The managerial organisation of the programme is deemed chaotic by the evaluation mission with scattered responsibilities and authorities. For an attempt to sketch all relevant management entities *see ibid*, p. 27 (annex 4, separate annex)



### Objectives, targets and activities:

The general objective can be reckoned as an attempt to support the strategy of the Egyptian government to follow its commitments to privatisation of public enterprises as formally enshrined in the ERSAP. Further, the general objective can be described as an effort to follow the privatisation and public reform agreements made under Bretton Woods. On a more specific note, the following objectives and targets can be summarised: (1) to achieve 80-90 privatisation transactions and assist in negotiations,<sup>98</sup> (2) to restructure some 30 public enterprises in order to reinstate their technical viability and financial profitability, (3) to contribute expert advice on managerial and political issues in the privatisation process and assessment missions on which firms to privatise, (4) provision of training to managers of holding companies and public enterprises.<sup>99</sup>

The main activities under the project included: (1) Professional advisory services on privatisation assessment and transactions as well as on restructuring of enterprises to restore profitability, (2) short-term expert advisory services to deal with problems and issues arising from public enterprise reform and to assess public enterprises that are potentially to be privatised, (3) a training programme to provide expertise for managers and executives, (4) Establishment of a management unit to identify or suggest enterprises to be privatised, to shortlist consultants for the privatisation transactions, to assist in contracting, monitoring and drafting, and to deal with administrative matters.<sup>100</sup>

### Description of the evaluation's ToR:

In general, the ToR request the evaluation mission to put up an assessment of the impact of the EC intervention on the process of privatisation in Egypt whereby qualitative as well as quantitative aspects are to be taken into consideration. Besides, the evaluation ought to show if the objectives of the intervention have been met in terms of the preset

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<sup>98</sup> It seems this goal has been revised as the overriding target after a first evaluation of the programme in 1999 that avowed that this mark is under no circumstances to be achieved; *see* *ibid*, p. 31 (annex 4, separate annex)

<sup>99</sup> *See* *ibid*, p. 8 (annex 4, separate annex)

<sup>100</sup> *See* *ibid*, pp. 10-12 (annex 4, separate annex)

targets to privatise 80-90 companies. In particular, the ToR mention three aspects to be assessed in economic and financial terms: (1) assessment of the efficiency of the programme considering how activities translated into results in regards to quantity, quality and timeliness, (2) assessment of effectiveness of the programme looking at results produced in comparison to the intended purpose, (3) assessment of results in regards to attributiveness to the intervention.<sup>101</sup>

### Results of Evaluation:

Broadly speaking, the evaluation mission deems the PERPP a failure as it completely missed its envisaged targets and since it made a miniscule difference to the privatisation efforts of Egypt. Considering the five aspects of relevance, efficiency, effectiveness, impact and sustainability, the evaluators avow that the negative facets of the latter items by far outweigh the positive features.

The report states that the intervention disappointed in achieving the target of 80-90 privatisation transactions and the restructuring of another 30 companies, a goal that the evaluation reckons unrealistic from the start. Although a total number of 59 companies received some kind of technical assistance from the programme, the fact that only two enterprises were fully privatised as a direct result of the PERPP over the already extended life span of the programme, falls significantly short of what was supposed to be accomplished.<sup>102</sup>

The training programme for managers and executives, as part of the set of activities planned, only came off the ground after several attempts that were deficient in terms of organisation, procedural arrangements or budget constraints. The training finally provided was deemed worthwhile, whereby its usefulness is questioned in regards to possible applicability as only some enterprises were finally privatised. Furthermore, the

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<sup>101</sup> See *ibid*, p. 58 (annex 4, separate annex)

<sup>102</sup> See *ibid*, pp. 33-35 (annex 4, separate annex)

training was only tailored for the textile industry and was hence not viable for other industrial sectors.<sup>103</sup>

By and large, the evaluation criticises management deficits and shortcomings in the project design. Both aspects have most considerably contributed to the programmes mal-performance.

#### Analysis of Evaluation:

(1) The evaluation has responded to the expectation of the ToR. First and foremost, the impact of the intervention is considered in the evaluation in quantitative, but mostly in qualitative terms. The impact is unambiguously set out by putting actual achievements against anticipated goals, as requested by the ToR. Activities and results were examined as well as its efficiency and effectiveness. Finally, the evaluation also looks at the relationship between achievements and actual attributiveness, by studying other privatisation programmes running at the same time and that may be credited as well for progress in privatisation efforts of the country.<sup>104</sup>

(2) The evaluation gives in many instances quantified accounts of the programme's outcomes. The report mentions for example the total amount of companies privatised, or the number of companies having received other services that came under the technical assistance provided. Besides, other pertinent information like the monetary value of privatisation transactions, the number of liquidations, or the number of loss/profit making companies is listed.<sup>105</sup> Those accounts, however, only show the overall results of privatisation in the country and they are not to be attributed exclusively to the EC intervention. The evaluation even compares the expenditure of the programme and the expenditure initially planned. This comparison, however, is not extended into a sound budget analysis, as the comparison is only based on the total amount and not split up into

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<sup>103</sup> See *ibid*, pp. 38-39 (annex 4, separate annex)

<sup>104</sup> See *ibid*, p.19 (annex 4, separate annex)

<sup>105</sup> See *ibid*, pp. 17-18, 32 (annex 4, separate annex)

the different items of the budget. Consequently, it is only judged on basis of the relations between different activities financed and the outcome produced.<sup>106</sup>

In regards to the training programme for managers and executives of public enterprises no accounts are given in terms of number of participants, number of sessions held or the final costs. Those are just identified for the training programme proposals that were neither approved nor conducted.<sup>107</sup>

For the companies that received technical assistance from the EC intervention to regain profitability a CBA would have been able to show in how far this assistance has brought about changes of the producer's surplus in individual cases. However, since the actual costs of the technical assistance are not really displayed, a monetary analysis would be impossible to pursue on the basis of the information shown in the report.

(3) The evaluation attaches market prices for some of the physically quantified results, but not in a way that allows identifying the incremental contribution of the EC intervention. As mentioned above, the monetary value of the privatisation transactions is established, but the actual monetary value of the two individual companies privatised under the technical assistance of the EC is not stated.

Also operating costs of management bodies, total costs of the training for managers and executives is not provided.

(4) Most of the programme's outcomes are further elaborated on in the sense that they are put into the overall perspective of the Egyptian privatisation efforts. The fact that the actual EC contribution does not account for all achievements made under the PERPP shows that the results of the intervention are generally interpreted against the background of privatisation and public enterprise reform in the country.

The evaluation states for instance that, despite its minimal outputs, the EC intervention managed to change mindsets over the years of implementation, previously defying privatisation. Through the programme's existence the climate changed towards a more

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<sup>106</sup> See *ibid*, p. 28 (annex 4, separate annex)

<sup>107</sup> See *ibid*, pp. 14-15 (annex 4, separate annex)

lenient attitude considering privatisation as a possibility for improvement of state finances and profitability of the companies concerned.<sup>108</sup>

Further, the project outcomes are interpreted in that the results are put into the context of the overall organisation and administration of the programme, which explains partly why the project has not performed as planned.<sup>109</sup>

(5) In general, the results presented and assessed in the evaluation are negative across all spheres. The evaluation team is, nevertheless, inclined to allow for some nuances as a difference between the quantitative and qualitative assessment of the programme is noted. Despite the programme's negative quantitative performance in comparison with the planned objectives, the evaluators proclaim that in qualitative terms the assessment is slightly more positive. However, if the resources used are also considered, then even the somewhat better qualitative assessment can be put into question.<sup>110</sup>

Even the above mentioned change in attitude of the Egyptian side towards a greater openness to privatisation cannot convince the evaluators in their final judgement. The final assessment, therefore, rests on the analysis of the project outcomes in comparison to what was envisaged under the given budget.

(6) The factor of time has not been considered systematically in the evaluation in terms of NPV or the calculation of outcomes to be expected in the future. The evaluation mentions, nonetheless, that some privatisation transactions are still to be expected in the near future, especially of those companies that benefited from the technical assistance under the EC intervention. The estimation is that 10-12 enterprises may be sold in the months to come after the end of the evaluation mission, a fact that could significantly change the programme's performance. In that respect a methodological consideration of time would have been vital and extremely relevant.<sup>111</sup> But the systematic consideration of this aspect in terms of NPV or discounting rates to expected results to come has not been incorporated in the evaluation.

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<sup>108</sup> See *ibid*, pp. 32-35 (annex 4, separate annex)

<sup>109</sup> See *ibid*, p. 41 (annex 4, separate annex)

<sup>110</sup> See *ibid*, p. 44 (annex 4, separate annex)

<sup>111</sup> See *ibid*, p. 28 (annex 4, separate annex)

**Table 6: Scores Case D**

Criterion:	Yes:	No:	Other
In line with ToR?	X		
Results adequately quantified?			Partly well-quantified but with substantial flaws
Market/shadow prices or monetary values attached?		X	
Results/outcomes further interpreted?	X		
Assessment of spheres and aggregation?			All spheres assessed negatively with minor exceptions
Factor of time systematically considered (NPV)?		X	

## 5.8 CASE E)

### General description of the Project:

The programme “Institutional Support to the Road Sector” was undertaken in Cameroon in order to strengthen the Ministry of Public Works in its activities and to reform the management of the road infrastructure in the country. Due to severe budget constraints and the bad condition of the road network, the Cameroonian government adopted a strategy for transport in mid 1996 that also affected the management and maintenance of the road network. In order to prop up the Cameroonian effort within this strategy, the EC

agreed to finance the programme of institutional support to the Ministry of Public Works in 1997 with programme activities starting in 1998.

The programme itself was split up into several individual activities that were all done under sole-standing technical assistance actions. In other words, the programme is to be understood as a cluster of individual technical assistance units that were aggregated to form the programme.<sup>112</sup> The different units are (1) Coordinating unit, (2) Budgeting and Accounting, (3) Human Resource, (4) Road Maintenance, and a fifth unit made up by several specialists contracted under a consultancy agency.

All units started their respective work at different time periods and thereby established some kind of sequence. For some units the time of operation that was envisaged was extended, for instance in the case of the coordinating unit or for the unit responsible for budgeting and accounting. However, all operations that fall under the programme considered hereunder ended in 2002, whilst the evaluation mission took place in 2004.

The total budget spent on the EC intervention amounted to EUR 1,93 million, including the additional budgets for the extensions of some of the technical assistance units.<sup>113</sup>

The programme was chiefly directed by the coordination unit, which was also responsible for incorporating the activities of the other units into the overall framework of the intervention. The programme primarily reported to the EU delegation in Cameroon.

#### Objectives, targets and activities:

The EC intervention is basically to be understood as a programme supporting the Ministry for Public Works to pursue their own envisaged targets under the Sectoral Programme of Transport (PST). Those targets include roughly the privatisation of road maintenance services, reform of organisational capacity in the ministry concerned, and

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<sup>112</sup> European Commission (2004), p. 16 (annex 5, separate annex)

<sup>113</sup> Ibid, p. 13 (annex 5, separate annex)

the implementation of a finance system that allows paying for all services and activities in regards to the road infrastructure.

In supporting the ministry with these activities the EC intervention aimed at developing the management capacity of the ministry in (1) planning, (2) preservation of road infrastructure, (3) programming, (4) budgeting, (5) accounting, (6) and human resource management. Specific programmed actions of the intervention included (1) training for staff of the ministry and companies charged with road maintenance in all above mentioned areas, (2) support to contracting out services to small and medium-sized enterprises (SMEs), (3) introduction of effective and transparent accounting procedures and financial control, (4) and a technical plan for road maintenance.<sup>114</sup>

#### Description of the evaluations' ToR:

The ToR of the evaluation state that the general goal is to assess the “impacts [...] of the project, its contribution to the total objective and its performance in terms of the specific objectives and results.”<sup>115</sup> Further, the evaluation ought to follow the criteria of efficiency, effectiveness, viability, impact and relevance, whereas an emphasis is to be put on the latter three. In more detailed terms the ToR ask for (1) the concrete achievements of the privatisation component of the programme, (2) the manpower organisation and planning, and (3) the results achieved within the ministry in terms of budgeting, accounting, and general management. Other points that the evaluation should raise include the quality of reporting of the technical assistance units.

#### Results of Evaluation:

The evaluation arrives at a mixed conclusion considering the different evaluation criteria. In terms of relevance it is stated that the programme was pertinent due to the Ministry of

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<sup>114</sup> See *ibid*, p. 72 (annex 5, separate annex)

<sup>115</sup> *ibid*, p. 63 (annex 5, separate annex)



Public Works urgently needing technical assistance in order to follow an ambitious agenda. It is even said that assistance and support from outside is still required.<sup>116</sup>

In terms of planned activities the evaluation states different conclusions depending on the action assessed. The support given to the Ministry of Public Works was fruitful in some areas of input provided for institutional support and planning. Technical strategies for the road infrastructure have been developed, whereas its implementation has been less effective. The privatisation effort, in turn, for road maintenance have been greatly supported by the EC programme, while planning activities for streamlining budgetary planning and the use of available resources have been rather weak.

Conversely, the training programme for administrators and contractors has been rated beneficial.<sup>117</sup>

The reporting on activities by the technical assistance units, one of the hinges of the evaluation according to the ToR, is considered poor. The same applies to handover periods of certain actions involving more than one technical assistance unit. Further, important documentation was not produced, and absence of teamwork thwarted the overall success of the programme.<sup>118</sup>

On the whole, however, the evaluation team abstains from giving a final judgement on the entire programme. It neither appears in a positive nor in a negative light. The advice of the evaluation team, nevertheless, to continue with some kind of institutional support hints that a worthwhile change has been established.<sup>119</sup>

#### Analysis of Evaluation:

(1) Overall it can be said that the evaluation mission respected the ToR and that the report reflects the demands proclaimed. All aspects of the ToR, as stated above, have been taken care of, whereas the three major evaluation criteria of viability, impact and

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<sup>116</sup> Ibid, p. 7 (annex 5, separate annex)

<sup>117</sup> Ibid, p. 39 (annex 5, separate annex)

<sup>118</sup> For a full sketch of the final assessment of activities *see* *ibid*, pp. 55-57 (annex 5, separate annex)

<sup>119</sup> Ibid, p. 60 (annex 5, separate annex)

relevance were treated as the main categories of the assessment. In regards to some of the aspects to be covered following the ToR, the evaluation team notes that relevant information for assessment can not be produced. This is mentioned for example considering the evaluation of changes in the management capabilities of the Ministry of Public Works or if it comes to quantifying programme results.<sup>120</sup> The report asserts that this lack of provision of information is due to the inadequate precision of indicators listed in the logframe.

(2) In this particular case the results of this programme are difficult to grasp, as it offered technical assistance to produce the output of an ameliorated management or an improved organisational capacity. In this sense, the evaluation quantifies by mentioning the different plans provided by the technical assistance units for budgeting, accounting, staff management or technical issues amongst others. Further, the number of the technical units themselves is presented, which could also be considered a quantified account. In addition, the reorganisation of manpower that quantifies by how much the labour force within the ministry has been reduced is adequately described including resulting savings of public expenditure. A CBA would have been a possible instrument to ideally identify saved expenditure in monetary terms, the evaluators mention, however, that actual monetary and audited data was not available.<sup>121</sup>

Also for the programme component of SME development some information is available on participants in training workshops or the number of SMEs now being capable of carrying out some road maintenance work.<sup>122</sup> Though in how far the latter point actually describes the incremental contribution of the intervention considered here, can not really be established as other support programmes for privatisation and road infrastructure were running at the same time financed by other international development agencies.<sup>123</sup>

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<sup>120</sup> See *ibid*, pp. 49, 52 (annex 5, separate annex)

<sup>121</sup> Except for the actual amount saved on public expenditure due to redundancies, which is set at 2 billion franc CFA (Communauté Financière d'Afrique). See *ibid*, p. 51 (annex 5, separate annex)

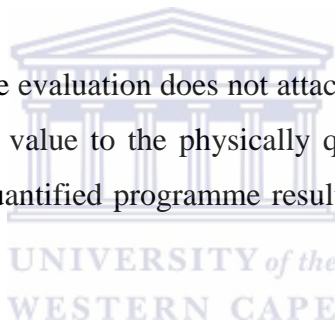
<sup>122</sup> *Ibid*, pp. 26, 50 (annex 5, separate annex)

<sup>123</sup> *Ibid*, p. 38 (annex 5, separate annex)

The quantified accounts on the training facilitated under the technical assistance are inadequately described. Neither the number of trainings and workshops is given, nor the costs involved leave alone the costs per participant. It can be reasonably assumed that at least the number of trainings conducted as well as the number of participants could have been easily produced considering the fact that at least for one training activity this information was available.<sup>124</sup> Furthermore, no information is provided on the money spent on each technical assistance unit, for instance in terms of costs of consultants hired or operational costs of the technical assistance unit.

The insufficiently quantified accounts of the programmes' results are the more surprising, as in the logframe of the intervention indicators allow for quantifying the performance of the activities conducted.<sup>125</sup>

(3) As already hinted above, the evaluation does not attach any kind of market or shadow prices nor any other monetary value to the physically quantified accounts. This comes logically as most physically quantified programme results are not sufficiently described either.



(4) Most of the assessed results and outcomes of the intervention are subjected to further interpretation. This may be due to the fact that the ToR of the evaluation clearly state the criteria of viability as one of the priorities. Hence, the evaluation team considers the programmes' deliveries in light of their respective contribution to the institutional reform of the road sector as well as the sustainability of the Cameroonian programme that the intervention was supposed to support. Further, as already mentioned, the evaluators recommend a continued engagement in the area of road infrastructure in Cameroon.

(5) The results of the assessment provided in the evaluation are mixed across the different spheres considered. Every evaluation criteria is gauged equally drawing attention to negative and positive aspects likewise. The report refrains from advocating a general

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<sup>124</sup> Ibid, pp. 24-25 (annex 5, separate annex)

<sup>125</sup> For full logframe including revision *see* ibid, pp. 72-74 (annex 5, separate annex)

conclusion in either direction, but it does mention that the programme made valuable contributions to the overall management of the road infrastructure in Cameroon, which hints a positive tilt.<sup>126</sup> Besides, the evaluation indicates that the negative facets are rather a consequence of the overall project planning than of the project.<sup>127</sup>

(6) The factor of time has not been systematically analysed. Despite the report showing awareness that some results and outcomes may be observed in the longer term, an assessment in terms of NPV or other discounting methodologies is largely absent.

**Table 7: Scores Case E**

Criterion:	Yes:	No:	Other
In line with ToR?	X		
Results adequately quantified?			Some, but considerable deficiencies
Market/shadow prices or monetary values attached?		X	
Results/outcomes further interpreted?	X		
Assessment of spheres and aggregation?			Spheres differently assessed; evaluation largely indifferent towards final judgement but slightly positive tilt
Factor of time considered (NPV)?		X	

<sup>126</sup> Ibid, p. 48 (annex 5, separate annex)

<sup>127</sup> Ibid, pp. 41-43 (annex 5, separate annex)

**Table 8: Summary of Scores of Case Studies Considered by Question**

<b>Case Question</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>(1)</b>	Yes	Yes	Yes	Yes	Yes
<b>(2)</b>	Yes	Yes	Yes	Partly, but deficiencies	Partly, but deficiencies
<b>(3)</b>	Yes	Partly, but deficiencies	Partly, but deficiencies	No	No
<b>(4)</b>	Yes	Yes	Yes	Yes	Yes
<b>(5)</b>	Positive throughout	Important spheres positive, others negative	Positive throughout	Negative with exceptions	Differently assessed, slightly positive
<b>(6)</b>	No	No	Yes	No	No

## 5.9 CONCLUSIONS

This chapter constitutes the heart of this research. It started off with explaining the methodological aspects and the limitations attached to it. It then provided the reader with the background on how EC aid programmes are organised and which institutional arrangements are in place to manage EC development interventions. It then presented the five case studies in detail, whilst it analysed each evaluation in respect to quality indicators earlier developed. In some cases it has been considered difficult to judge the quality indicators as no knowledge about the real life situation can be assumed. However, since most indicators were found of dichotomous nature, a relatively sound decision could always be taken based on indications found in the evaluation documents. The actual interpretation of the results from this case study research will be presented in the next chapter on research findings.

## **CHAPTER 6: RESEARCH FINDINGS**

In the following chapter of this paper the research findings of the case studies will be presented. The findings will be summarised according to the above introduced structure, whereby each question raised in the case study will constitute the framework of this part. First, for each question the score will be observed that the case studies reached in the quality assessment. This score will then be further illuminated in the context of some of the evaluations serving as an example for the respective interpretation. Finally, a paragraph on other important observation reported hereunder will bring this section to a close.

### **6.1 HAS THE EVALUATION RESPECTED THE ToR?**

In regards to the first question it has to be noted that the seemingly good results of all presented cases are largely misleading although all cases scored well with this question, indicating that they all followed their respective ToR.

The fact that all cases did follow the ToR remains undisputed, however this cannot be apprehended to the good quality of the evaluation reports, but rather to the bad quality of the ToR themselves. In general, the ToR ought to provide the guidelines for the evaluation mission, they ought to identify the areas of special attention, and they should formulate a certain method to be used. Based on the case studies, it can be said that the ToR remain very vague and unclear about some of these issues reflected in them. Whilst they generally well-describe the project background, the evolution of the EC engagement and the embeddedness of the intervention, most of them fail to oblige the evaluation team to a clear method to follow – other than the examination of the five criteria of relevance, efficiency, effectiveness, impact and sustainability that is.

This applies first and foremost to methods of economic and financial assessment of the intervention. Only one out of the total number of case studies actually obliged the evaluators in the ToR to conduct a CBA, while all others abstain from imposing any

detailed requirements.<sup>128</sup> Since this particular project was concerned with the provision of infrastructure in an otherwise difficult accessible area, CBA is less complicated to facilitate as the incremental project effects are more independent from other influences. In other words, it would have been very difficult in most other case studies to conduct CBA due to the complexity of other factors potentially manipulating the assumed independence of project effects.

This argument can, nevertheless, not serve as an overall excuse. In many other cases presented in this work, the ToR could have been more specific for instance in terms of the actual methodological approach applied. None of the ToR referred to the possibility to at least physically quantify the project outcomes or to attach market prices to them where appropriate.

## **6.2 HAVE THE PROJECT RESULTS BEEN ADEQUATELY QUANTIFIED?**

The research findings in regards to this question have already been touched upon. In most cases it would be apt to say that the most vital outcomes or results have been adequately quantified. However, if one wanted to go into further detail the picture turns out to be rather grim. Despite the scoring of the different case studies being rather positive, it should be noted that most evaluations considered in this work quantify project results just up to certain point. As hinted above, quantified accounts are missing in relation to some project results and it can be reasonably assumed that at least in some cases they could have been easily produced.

For example, in some of the cases trainings or workshops were provided as part of the overall intervention planned. Only one case adequately supplied the pertinent information on costs, number of participants amongst other parameters.<sup>129</sup> One other example could be case D, where the number of training participants has not been quantified, whereas the size of the training was planned for a certain amount of participants.<sup>130</sup> It seems odd that

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<sup>128</sup> See European Commission (2003b), p. 3/5 (annex 3, separate annex)

<sup>129</sup> See European Commission (2003a), p. 23 (annex 1, separate annex)

<sup>130</sup> See European Commission (2002), pp. 14-15 (annex 4, separate annex)

this information has not been integrated in the evaluation, and the question could be raised why this information has not been produced by the evaluation team. In addition to this it has to be said that, in case that quantified information is missing, the evaluations often declare that the information was not available and could therefore not be incorporated into the assessment.

The reason for this is often identified in form of massive problems and major deficiencies in the management of the project or in form of severe flaws at the project planning stage. This is illustrated by the fact that in some of the case studies proper project management tools were not applied. In the case of sample B a logframe was missing and had never been contemplated during the actual planning and implementation stage. In fact, it had to be drawn up, as already pointed out above, in hindsight by the evaluation mission.<sup>131</sup>

In other cases the logframe is in place, but it is incomplete and omits germane information for verifying a project's progress or its impact. This refers for instance to the negligent attitude towards the Objectively Verifiable Indicators (OVI), which ought to bolster the possibility for progress or achievement authentication. The OVIs are at times missing and, hence, can not allow for an assessment of certain activities or they are not linked to sources of verification.<sup>132</sup>

Another documented scenario is that all project management tools have been adequately drawn up, but they have not been implemented. In some examples, monitoring activities were envisaged as part of an intervention, but they have not been adhered to by the project managers. Though it had been required from the start, monitoring was ignored and could, hence, not generate the information that would have been needed by the evaluation team. This is stated for instance in the case D, where the evaluators notify that some information could not be stipulated as the monitoring function during project implementation was non-operational.<sup>133</sup>

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<sup>131</sup> See European Commission (2005), pp. 28, 52 (annex 2, separate annex)

<sup>132</sup> See European Commission (2004), pp. 72-73 (annex 5, separate annex); also European Commission (2005), p. 5 (annex 2, separate annex)

<sup>133</sup> See European Commission (2002), pp. 9, 23, 33 (annex 4, separate annex)



This argument can be considered valid for vast and infinite information that is difficult to produce in the course of an evaluation mission that is limited in time and resources or that would require a sizeable amount of outside input or expertise. On the other hand, the argument can serve as a well-suited pretext to conceal that significant fragments of information have not been considered in an evaluation report. In fact, it can be presumed that a certain kind of misunderstanding seems to exist between the evaluation mission and its envisaged task from their point of view, and the one of the EC as the contracting institution. Evaluation missions regularly criticise that certain information was not available to them in order to, for example, quantify an interventions' outcomes or results. But in how far the evaluation team is expected to produce that key information itself is a question that remains indistinct. After all it could be argued, that if the EC already had all the relevant information at hand, it would not need an expensive evaluation consultancy to interpret the latter.

As can be derived from the argumentation presented above, in regards to adequately quantified results of interventions the evaluators are usually not equipped with clear guidelines. Besides, some information cannot be produced due to profound difficulties in project planning and implementation. Conversely, evaluators also take refuge under exactly that cover to disguise methodological weaknesses of their own work.

### **6.3 HAVE SHADOW/MARKET PRICES OR OTHER MONETARY VALUES BEEN ATTACHED TO THE IDENTIFIED OUTCOMES?**

From what has been said up to this point, it is evident that most evaluations considered in this work have had difficulties already in adequately quantifying outcomes or results of programmes. Since question three can be understood as an extension of question two, it follows that most cases examined in here also show problems in attaching shadow/market prices or other monetary values to results.

In some cases it seems that the evaluation teams excuse the lack of attached monetary values with the lack of adequate information available to them. If for instance the planned

monitoring activities have not been conducted, the relevant information on monetary values may not have been produced. This dilemma has already been hinted in the above paragraph. Here again, the possible misunderstanding comes into play about what kind of data the evaluation mission is expected to produce, and what kind of data must be made available from the programme management side to allow for a smooth evaluation undertaking.

Nevertheless, it can be assumed that in some cases the need for attachment of monetary values has not been realised. In case C it is surprising that the utilised material during the intervention have not been considered in terms of their costs, or even unit costs for that matter. It seems obvious that this would have been an evident thing to do, to provide data on how much money has been spent on a certain amount of, say road gravel. Hence, it can be supposed that in some cases the necessity of associating monetary values with outcomes or results of an intervention has simply not been recognised by the evaluators.

#### **6.4 ARE THESE RESULTS AND OUTCOMES FURTHER ASSESSED OR SUBJECTED TO FURTHER INTERPRETATION?**

As can be observed from the score of the case studies, all evaluations assess the respectively identified results further, and they put them into the context of the overall intervention considering the impact, sustainability, as well as the general objective.

In none of the cases negligence could be detected towards the embeddedness of the results.

A possible explanation for this could be provided by the individual ToR of the cases. Since all ToR feature the five central evaluation criteria, two of which are impact and sustainability, the reports have to adhere to a further context-driven elucidation of recognised results and outcomes. Therefore, as can be seen in many of the presented cases, outcomes and results are judged in relationship to their possible weight in the overall impact of the intervention or in light of its potential sustainability and viability.

**6.5 HAVE DIFFERENT SPHERES OF THE PROJECT BEEN ASSESSED DIFFERENTLY AND HOW HAS THE EVALUATION MISSION AGGREGATED THOSE SPHERE-SPECIFIC OUTCOMES TO A FINAL STATEMENT?**

This question constituted the only out of six inquiries that could not be answered in a dichotomous scheme. From the answers given in the table 6 it can be seen that most evaluations bestow different interpretation to the spheres considered in them. In other words, the spheres have been – at least for the majority of the cases – assessed differently, featuring positive and negative results likewise. Only in the cases A and C all spheres have been gauged positive throughout. This is not to say that no criticism was voiced, but critical aspects were always put in a relative position to the overall positive impression, meaning that no substantial negative predisposition was added.

In all other cases, with their spheres being assessed differently, a general tendency is tough to detect. For example, the cases B and E show that despite positively and negatively assessed spheres, the evaluation largely avoids aggregating them to a final overall statement. It is rather attempted to give a balanced criticism for all different areas considered. A global opinion stating the view of the evaluation mission on the overall success or failure of the intervention is not discernible.

**6.6 ARE VALUES OF PROJECT EFFECTS WHICH ACCRUE AT DIFFERENT MOMENTS OF TIME IN THE LIFESPAN OF THE PROJECT DISCOUNTED TO THEIR NET-PRESENT VALUES?**

The vast majority of the cases examined have not put the dynamic of interventions and the resulting possibility of outcomes and results materialising at different times into account. As pointed out in table 6, only one evaluation saw the necessity of systematically assessing the factor of time, and it has presented a calculation of effects based on NPV.

Considering the other evaluation reports, the picture is less positive. Though some of them do realise that the dynamic of time influences the results of the project, it can not be observed that they extended this reflection into a systematic investigation. As mentioned, the cases B and D do feature statements, where intervention results and outcomes are still to be expected in future, and they are aware of the fact that the results to materialise could influence the ‘snapshot’-picture that an evaluation is able to deliver at a particular moment in time; but despite this indication, the reports abstain from conducting an analysis.

The aspect of NPV can be seen as a link to question two and three. In other words, if an evaluation already failed to adequately quantify results and outcomes, or if it failed to attach monetary values to the latter, it is highly unlikely that a sound analysis with NPV is contained therein. Since an apt quantified account of results and outcomes – possibly even with associated monetary values – represent the foundation of a further consideration under the NPV-concept, it is hardly surprising that reports failing on question two and three also fall short of question six.

## **6.7 OTHER FINDINGS**

The case study bears other revelations that are not directly related to the questions, which allowed for their quality assessment. Three aspects will be highlighted here: (1) The case studies considered against the background of literature review, (2) the case studies considered against the background of CEA and (3) the case studies reviewed in light of organisational and administrative constraints within the EC in regards to project and programme evaluation.

For the first item it must be said that the case studies do not obey generally accepted guidelines of economic and financial assessment methods. Already in terms of formal requirements, the case studies fall short of what one could expect them to deliver. For example, the previously mentioned budget analysis as an instrument for economic and financial project assessment would be completely disabled in some cases, as budgets are

either not attached to the reports, or there is nothing to compare as only one budget is to be found in the annexes, namely the ex-ante or the ex-post budget. However, only the comparison between the two allows, according to EcoFin, for a sound financial analysis in terms of efficiency and effectiveness.

The reason why the budgets are in some cases not attached can not be established in this study as only assumptions can be made with their respective limitations. One reason could be, as already stated, that the information was not available to the evaluation team. Since evaluations are often paid out of the budget of the intervention itself, it might sometimes not be possible to obtain a final ex-post budget displaying all items. This, nevertheless, can not serve as an excuse for not adding a preliminary ex-post budget and it also can not explain why even ex-ante budgets have not been considered.

A second reason could be that, due to the already explicated deficiencies of the project management during implementation, budgets were simply not looked after and were seriously affected by management shortcomings. This would lead to the situation that the evaluation team can not know how much money was spent on what. As already hinted at an earlier stage in this study, there are indications to be found in the case studies that fortify this possibility. Finally, a third reason could be that the evaluators have simply not considered it necessary to conduct an analysis based on the budgets and that it was hence not pertinent to annex any of this budgetary information.

The second finding to be discussed in this section is the role that CEA or SPA play for interventions with multiple objectives to be served or with no direct monetary values attached to them. The EcoFin guidelines turn a blind eye on this issue, which has been criticised earlier. This is astounding as at least one case (case D) shows that the need for CEA has been recognised. It explains different intervention alternatives for the respective programme, and it features which repercussions the alternatives might have had towards the initial overall objective.<sup>134</sup> This could be seen as an attempt to analyse in more detail

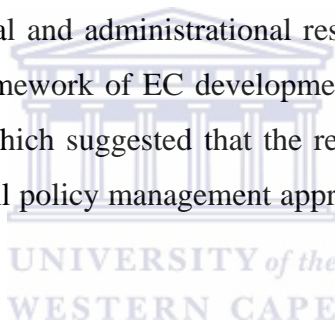
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<sup>134</sup> Ibid, p. 22 (annex 4, separate annex)

possible alternatives that are considered worthwhile from the perspective of the evaluation team.

The alternatives proposed by this evaluation report are not to be seen as entire analyses in the proper sense of CEA, as they are not contemplated systematically, and since they have no detailed costs attached to them. However, this unforeseen move to show, at least in a broader sense, traces of a CEA indicates that an analysis of this kind is deemed necessary by some evaluators. Hence, the neglect of CEA in the EcoFin manual as the guiding publication of financial and economic project and programme assessment seems odd.

The third item considered in this section concentrates on the review of the case study results in light of organisational and administrative restrictions coming into play with evaluation activities in the framework of EC development assistance. Here, this section refers back to chapter three, which suggested that the results of project evaluation hold vital implications for the overall policy management approach to development projects in general.



Globally, as has been indicated above, the evaluation missions in the majority of the case studies detected severe shortcomings in the way the projects were planned and implemented. Mostly, the evaluation teams referred to administrative problems. In order to understand which kind of constraints evaluation of EC development interventions face, one has to look at how the institutional arrangements around evaluation activities in the EC evolved.<sup>135</sup>

Until 1998/99 all DGs concerned with development assistance in the EC had their own evaluation departments. Those were at the time primarily working on the evaluation of individual projects and programmes (like the five case studies in this research). Then, in order to harmonise the evaluation activities, all those different departments were merged

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<sup>135</sup> The larger part of the information provided hereunder is based on discussions with personnel of the EuropeAid Evaluation Unit and can not be referenced as no publications or documents exist explaining the following. For a list of people contacted during the pursuit of this study *see* annex 1.

under the Service Commun des Relations extérieures (SCR). This means that SCR bundled all individual evaluation departments and its activities into one institution. This situation was to change again in 2001 when the responsibility for evaluation of individual projects and programmes finally went to the EC delegations in the world as a measure of decentralisation. The SCR was left with the responsibility for sectoral and country-strategy evaluation as well as with the development of tools and methodology whilst it was renamed (its current designation is: EuropeAid Evaluation Unit) and moved under the administration of EuropeAid, where it is still today.<sup>136</sup>

The major reason to shift the evaluation of projects and programmes from the headquarters in Brussels to the EC's diplomatic missions in the world was driven by the belief that the delegations in the respective countries could better access the interventions and supervise evaluation mission. Furthermore, delegations could more efficiently verify whether an evaluation team had done adequate work.<sup>137</sup>

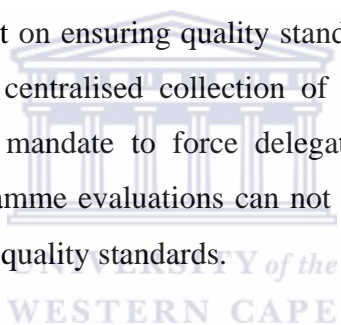
In practice, however, there are numerous constraints to this new arrangement of project and programme evaluations. First and foremost, the above described reorganisation of evaluation activities did not factor in that the delegations could very often not deal with the extra workload brought upon them. To organise, to contract out, and to supervise evaluations of projects and programmes needs personnel, expertise and financial resources that were, for the most part, absent. The delegations were left alone with the task to take over evaluation activities for interventions facilitated in their respective countries, irrespective of the fact that administrative and organisational conditions did not allow to fulfil this extra assignment. This imbalance between duties and resources can be seen as severely infringing on the quality of evaluation conducted. Neither are delegations able to oversee the work of evaluation missions, nor can they attentively verify in all cases if evaluation reports obeyed acceptable assessment standards. The situation of scarce resources which delegation is confronted with can, hence, be considered a major cause for deficiencies and shortcomings in evaluation undertakings.

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<sup>136</sup> European Commission (2001b), pp. 14-15

<sup>137</sup> European Commission (2002), pp. 3

Another result in regards to the organisation of evaluation within the EC is that no central archive is to be found where all evaluation reports are pooled – including reports of projects and programmes, but also those of country strategies or sectoral policies. In the EuropeAid archives in Brussels there are all sectoral evaluations and country strategy evaluations to be found, as the responsibility for those rests with the headquarters, as already mentioned above. But since project and programme evaluation was decentralised after 2001, not many of those reports are sent to Brussels in order to archive them, despite the repeated demand by the EuropeAid Evaluation Unit to deliver them. This is due to the fact that the delegations do not consider themselves obliged to do that, as the major authority on those reports rests upon them. In other words, they stress the fact that delegations are not compelled to report to the EuropeAid Evaluation Unit anymore. Also this issue has a negative impact on ensuring quality standards in project and programme evaluation. Since there is no centralised collection of all evaluations and no formal institution equipped with the mandate to force delegations to send them, a general overview of project and programme evaluations can not be established in order to form the basis for the formulation of quality standards.



If the individual project within a PCM approach is to be understood as institutionalising the implementation phased within the policy management process, the organisational and institutional basis of EC policy management can be seen as flawed, based on the above explanations. Neither does the EC have effective authority to conduct their project evaluation in an undisputed manner, nor does it possess sufficient resources in terms of financial capacity, human resource and expertise, as well as sound communication systems to ensure that a project can efficiently pass through the evaluation stage of the PCM. Besides, the role of EuropeAid Evaluation Unit, its power and weight in the evaluation process remains unclear and vaguely defined.

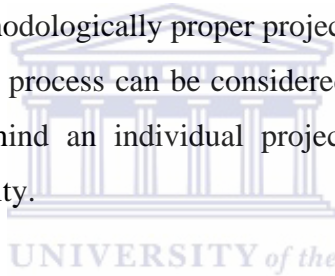
Interestingly, those shortcomings are also prominent hurdles for the success of policies going through the earlier described policy management process.



Mutahaba, Baguma and Halfani identify the same shortcomings for policy management, deterring a policy to succeed.<sup>138</sup>

## 6.8 CONCLUSIONS

From what has been said in this part of the research, it becomes clear that, in respect to economic and financial assessment of projects and programmes, there are quality flaws to be detected. Those flaws can be attributed to a variety of sources, ranging from inadequate planning and management of the intervention, blurred expectations in the ToR of evaluations, over doubtful expertise of some contracted evaluators through to administrative and organisational constraints in the contracting agencies. All these flaws have vital repercussions on the quality of evaluations and they continue to deteriorate the standard of methodologically proper project and programme evaluations. Hence, not only the evaluation process can be considered as severely thwarted, but also the entire PCM approach behind an individual project and the policy management procedure as its embedding entity.



In other words, it is obvious that one cannot strictly stick to what has been brought about by the case study in terms of quality standards of evaluation reports. More importantly, it is necessary to look at the whole implementation of the project altogether and at the policy management approach behind the implementation of individual projects. In this case, the overall policy objective of the EC can be seen as achieving their goals in development cooperation with third countries. However, since the EC does not devote enough resources to this policy objective, the policy implementation, in which project management plays the most important role, is starkly disabled.

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<sup>138</sup> Mutahaba, G., Baguma, R., Halfani, M. (1993), pp. 50-56

## **CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS**

In this chapter the major arguments of this research will be summarised as well as the principle results of the case study and its embeddedness in the set of quality standards, in project management and policy management respectively. Based on the conclusions drawn, the chapter will suggest some recommendations in order to ameliorate the quality standard of evaluations in regards to its methods and in regards to its implantation in project management and policy management likewise. Lastly, the chapter will identify areas of further research which could enable academics to drive forward the debate around evaluation, project and policy management.

### **7.1 CONCLUSIONS**

This research concentrated on methods of economic and financial evaluation of project and programmes and their quality of appliance, considering evaluation as implanted into a PCM which can be seen, in turn, as an integral part of policy management. More specifically, it analysed how those methods are used in the evaluation practice of EC-financed development interventions.

Having illuminated the background of the different methods available to evaluators, the research elaborated on which approaches to evaluation have been suggested by EcoFin, as a publication of guidelines to economic and financial assessment of interventions. Finally illuminating the concepts of policy management and the project cycle, this study suggested a quality assessment scheme, which rested on several indicators that were derived from the academic literature previously used. The research contribution in this paper was based on five case studies, which have been selected according to a preset array of criteria. These case studies were then subjected to the set of quality indicators.

The results of the indicators are very difficult to interpret in an objectively verifiable manner. It has been argued here that the development of quality indicators, and certainly its interpretation, is to an indefinite degree based on subjective value judgements. However, it has been stressed that the indicators presented in this work are as close as

one could get to objectively verifiable information. The results of this study are varied and allow to put into question not only evaluation activities in itself but also project management and planning in general just as well as policy management of the EC in regards to its own development cooperation.

Certain outcomes can be highlighted, that are considered most important:

Firstly, an evaluation needs to have clear guidelines on what to deliver. If those are not provided from the donor institution via the ToR, an assessment of high quality standard is thwarted. This ultimately leads to uncertainty about what kind of information the evaluation mission is supposed to produce and it leaves evaluators guessing at the expectations of the contracting institution.

Secondly, in many cases the project or programme management is so severely defunct that during the implementation phase vital information has not been produced. That this information could be of relevance for the evaluators and that they may not be able to generate this information in retrospect during a short field visit seems obvious. In this sense, an evaluation can only be of high standard if the intervention has actually foreseen or envisaged an evaluation of good quality in the first place. If this has not been put into consideration at the planning stage, or if during project implementation no steps are taken to ensure the generation of relevant information, an evaluation mission faces serious problems.

Thirdly, in some cases it can certainly be argued on the basis of the five samples that some evaluation teams are overburdened and they do not leave the impression of having in-depth knowledge about evaluation methods in economic and financial respect. Illustrated by the absence of obviously necessary information that – it can be assumed – was not difficult to come by, it can also be suggested that evaluators or their companies sometimes sell an expertise that is in fact limited.

Fourthly, the actual management of evaluation activities within the EC is sometimes confusing. This leads to uncertainty, vagueness and ambiguity about who is responsible

for what. The inaccurate funding, scant human resources, and absence of expertise for project and programme evaluation along with a lack of authority to manage evaluation activities spurs discontent and frustration among staff in the EC delegations and the EuropeAid Evaluation Unit, as well as among contracted consultants. In addition, the fact that the EuropeAid Evaluation Unit is not equipped with an ultimate mandate to assume complete and unchallenged authority over all project and programme evaluations is hampering the development of quality standards. Not only is it the case that interventions may not be evaluated at all, and that there is no unambiguous criteria to decide in which cases an evaluation is compulsory; also the fact that no institution has the formal power to oblige delegations to send finalised evaluation reports significantly weakens the quality of evaluations and the prospect of developing enforced quality schemes in the future.

Fifthly, it can be assumed that based on what has been concluded above the project management approach of the EC is insufficient in some cases. Implementation is weak, badly planned out, and managed by institutions with limited power and authority. Hence, the management of the individual projects of the case study presented in this work can be understood as negatively impacting on the whole policy management of the EC in regards to its development cooperation. If the individual project constitutes a part of the implementation phase of the policy management approach, and this individual project is bound to fail due to improper management of the latter, the whole policy management concept of the EC is put into question. In fact, some dangers to good policy management have been detected in the chapter on research findings (bad communication, insufficient resources, lack of formal authority of executing institutions), which ultimately means that the EC policy approach towards its development aid is not beyond doubt.

## **7.2 RECOMMENDATIONS**

Based on the conclusions laid down above, some important recommendations can be proposed in order to ameliorate evaluation standards, the PCM and its contents and policy management.

The improvement of evaluation quality standards is of crucial importance. It could be strongly advised that the EC should vigorously check the evaluation consultancies it works with in terms of expertise. More specifically, it could be vital to especially develop standards on projects with non-tangible project results. A clear-cut CEA approach could be adopted.

Second, the EC should do some work not only on project implementation but on its whole PCM approach. Whilst the approach in itself can be considered fully valid, the actual reality is rather grim in this respect. Very often, implementation ignores the subsequent phase of evaluation and fails to produce essential indicators for performance measurement at a very early stage. Here, the whole planning and implementation exercise within the PCM needs change towards a thorough system, which recognises all phases of project management and which realises that one phase feeds back into the others.

Third, the policy management approach of the EC towards its development cooperation ought to be reviewed. If the policy, or statement of intent, was to better the situation in developing countries and insufficient project management was part of the implementation phase of this policy, then the whole policy might be at fault just as well. If the EC struggles with unclear institutional arrangements, lack of authority, and lack of resources, then those shortcomings cannot be seen on the project management level only. They can also be located on the policy management level as the overarching system embedding project management. In other words, if the policy level is faulty, the project level is too. Concrete recommendations, therefore, mean to reorganise and redeploy the resources available to the EC to manage its development policy and to equip managing institutions with a proper mandate exercising unchallenged authority.

### **7.3 FURTHER RESEARCH**

The topic of this research has proven extremely vital for evaluators and project manager respectively. The results of this work may help to remove some of the obstacles in international organisations to develop quality standards for evaluations, as indicated in

part one of this paper. Further research on this issue is, however, more than necessary, for instance in regards to the development of objective quality indicators or in respect to which types of evaluations certain quality schemes are actually applicable.

Other research subjects could include an in-depth and more elaborate elucidation of the link between policy management and project management not only in regards to evaluation – as in this paper – but also in regards to other phases like decision-taking, planning or implementation.

Lastly, since this work concentrated on evaluation, it could be a worthwhile topic to explore different monitoring approaches to projects and how quality indicators for monitoring could be put in place to ameliorate not only evaluations but also project planning and implementation.



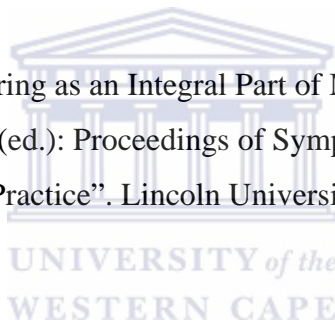
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Please see separate annex for additional publications attached to this research



ANNEX 1: List of People contacted:

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