Chapter 4
Implications for Project Evaluation

4.1. Increasing Importance of Impact Measurement

To draw a connection between the previous theoretical discussion on poverty reduction strategies and the actual work in the development arena, a process from the end of the project cycle has been chosen for deeper investigation. Impact measurement is for many donor agencies an important part of their work. It is reviewed here because the focus of the new strategies on the main goal of poverty reduction will likely require shifts in the emphasis of the evaluations process, which shall be portrayed here. Most of the new strategies explicitly acknowledge the high importance of the evaluation process and the establishment of statistical capacity for their ability to reach their goals.\(^1\) This concern is attributable to the need to increase the effectiveness of development efforts.

Improvements of aid effectiveness follow directly from the pursuit of the IDTs, since progress towards their achievement has only been a third of the required average rate since their establishment, requiring faster progress in the future. The ability to learn lessons from one’s experience in order to increase aid effectiveness is dependent on a functioning monitoring system on the project, sectoral and national level.\(^3\) As financial involvement in specific projects currently constitutes the largest financial involvement for many donor organizations and will likely continue to remain of importance, there is large scope for impact assessment on the disaggregated level - i.e. project level - to contribute to the effectiveness of overall aid delivery.\(^6\)

\(^1\) Most prominently in the strategy of DfID. See the chapter on ‘United Kingdom’, ‘IDTs and Impact Measurement’. Further reference to measurement concerns can be found i.e. in World Bank (2001a), p. 21.


\(^3\) See i.e. DfID (1999a), p. 36. The sectoral and regional level receive strong concern in the recent strategies as the countries ability to gather and evaluate information is seen as a precondition to design and implement effective national policies. Since this is not the concern of this empirical part of the analysis, the reader is referred for further information to Achikbache, B. et al. (2000), who thoroughly analyse the expansion of statistical capacity in connection of the PRSP process.

\(^4\) I.e. for the German financial cooperation handled through the KfW this has been around over 80% of the projects and the finance volume as of 1996/97. See KfW (1999), p. 7.

\(^5\) The move towards sector-wide approaches is still in the experimental phase. See i.e. BMZ (2001a), p. 23.

\(^6\) While countrywide statistical measurement is necessary for the formulation of overall policies and for the assessment of overall progress on poverty reduction, the effectiveness of the individual projects cannot be assessed via this approach. Therefore, the evaluation of single projects still needs to be conducted.
While the systems for impact monitoring on the project level are already in place in most donor agencies, the shift of importance towards poverty reduction as the overarching goal necessitates a review of the current praxis of impact evaluation. Poverty reduction as the major goal for development cooperation requires the linkage of all analysis back to this goal, which essentially calls for a concern for the poor individuals in the assessment of the impact of a project. Since evaluation systems developed in the past might not have placed such a high emphasis on the measurement in terms of reductions in poverty, there is potentially large scope for improvements. Assessing the current evaluation praxis in regard to its concern for poverty reduction and locating areas for improvements in line with the new strategic concepts are the goals of this analysis.

4.2. Background: The German Financial Cooperation and the KfW

To this end the monitoring praxis of the German financial cooperation handled through the KfW has been investigated\(^1\). The financial cooperation is a distinct part of the German development cooperation. Its conception and the background of the KfW as the implementing agency shall be introduced prior to going into the details of the analysis.

Financial cooperation has the objective to “contribute to improving the economic and social conditions of the people in developing [and transitional] countries”\(^2\) and to achieve structural preconditions for development\(^3\) through financing of investments and reform programs. This is achieved indirectly through the formation and financing of investments in economic and social infrastructure and directly through support for structural change on the general economic and sectoral level.\(^4\) More specifically, the economic and social position of the people in developing countries is to be improved through

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\(^1\) The German cooperation praxis can serve as an example for the changes that the new strategies require in impact evaluation despite the absence of concern for monitoring within the German action program, since on the level of the BMZ the importance of impact measurement is well acknowledged. On ministerial level it has been established that “development policies can only be successful if they are soundly planned, competent and efficiently managed and critically reviewed and evaluated. Only in this way it is possible to learn from the mistakes as well as the successes for future efforts. [...] The German government therefore attributes special importance to the impact measurement in development cooperation.” Wieczorek-Zeul, H. (1999). (Translation by the author.) This points out the concern for aid effectiveness mentioned above as one reason for choosing this topic.


increase and better utilization of production potential, the construction of social and economic infrastructure and the protection of the environment.\textsuperscript{1} 28\% of the volume of the German development cooperation is dedicated to this purpose, ranging in value at 2 billion DM.\textsuperscript{2}

The KfW has been charged by the BMZ with the responsibility to investigate and implement the German financial cooperation.\textsuperscript{3} The BMZ has delegated the evaluation of projects to the KfW to be performed in its own responsibility according to BMZ guidelines.\textsuperscript{4} This delegation of the execution of the evaluations to the KfW, combined with the obligation to follow the rules for evaluation established by the BMZ, establishes the connection between the KfW evaluations as part of the German evaluation praxis and the newly established German action program as part of the consensus in poverty reduction discussed prior.

The Kreditanstalt für Wiederaufbau (KfW) was established in 1948 as a public holding with 80\% of its capital stock held by the Federal Republic of Germany and the other 20\% held by the German states.\textsuperscript{5} It assumes the role of a supportive bank for the national economy and of a developing bank for developing countries.\textsuperscript{6} In the scope of its activities the support for the German and European economy through financing of investments (65\% of its commitments) and export and project financing (31\%) make up the largest share, while the promotion of developing and transitional countries makes up 4\% of the yearly portfolio.\textsuperscript{7}

Nevertheless the support for developing countries amounted to \textbf{new commitments} valued at 1.5 billion EURO in 2000.\textsuperscript{8} Thereof 0.9 billion EURO have been provided by the BMZ on concessional terms, ranging from non-repayable contributions for LDCs to 2\%-interest 30-year loans.\textsuperscript{9} The remaining 0.6 billion EURO are contributions of the KfW at market conditions\textsuperscript{10} which are granted in combination with ODA flows in form of mixed financing, either secured by German export credit insurance agency or by combined financing.

\textsuperscript{1} See KfW (2000b).
\textsuperscript{5} See KfW (2000b).
\textsuperscript{6} See BMZ (2000d), p. 211.
\textsuperscript{7} Data as of 2000 is based on the overall commitments of loans and grants, adding up to 36.2 billion Euro. A small part of the KfW’s activities is also dedicated to consultation and other services for the government. The data was provided by the KfW foreign secretariat, Frankfurt.
\textsuperscript{8} See KfW (2001a), p. 8 and 10 for the data value for new commitments.
\textsuperscript{9} 2\% interest loans are means for financing for middle-income countries, yet even for these grants are available for special project types. For a deeper insight see KfW (2001a), p. 64.
without tying of aid.¹ This policy to mix concessional credits with those on commercial terms is undertaken to accommodate the rising financial needs of many developing countries² despite limited ODA resources and to implement projects that would otherwise not have been possible. This involvement of commercial loans has surged enormously between 1998 and 2000.³

The regional distribution of support provided by the KfW spans all major regions troubled by severe poverty. The five-year average distribution of new commitments is shown in figure 12. Regarding the sectoral distribution the KfW shows a concentration on social and economic infrastructure. Within the social sector, water and sewage systems received the foremost priority, implicit in a 36% share of funds in 2000.⁴ Also of importance is support to the financial sector. Figure 13 shows the five-year average distribution of new commitments by sector. Since large deviations from the average can be made out for some regions and sectors, the respective value for the year 2000 is provided in brackets.

The KfW's main activity rests with the provision of financing in the pursuit of investment projects⁵ and support of the financial sector⁶. The responsibilities of the concrete implementation of the projects rest with a local organization. As a development bank, the KfW shares in the success of projects and supports its partners in developing countries with technical planning, implementation and monitoring of projects. A small part of its activities is also extended to studies and other supportive measures⁷ and the training of local personnel, yet the role of providing know-how and consulting services for the partner country is left mainly to the GTZ, with which a number of projects are conducted in close cooperation⁸. Aside from the financing of individual projects the KfW also provides a small part of its aid in terms of support for the import of generally

¹ See KfW (2000b) and BMZ (2000d), p. 209 – 211. For combined financing the goods involved secure the credit volume, while in combined financing the security for the loan is guaranteed via a new federal guarantee scheme. Combined financing is limited to countries with a limited risk of default on credit.
³ See KfW (2001a), p. 10. While market funds have only accounted for 33 million Euro in 1998 after a sharp drop compared to the previous year (262 million Euro in 1997), this value has risen to 601 million Euro in 2000, including a 495 million Euro loan to the Poverty Reduction and Growth Facility of the IMF.
⁴ See KfW (2001a), p.11.
⁵ This includes social and economic infrastructure, support for the productive sector and the protection of the environment. See KfW (2000b).
⁶ This includes the introduction of new financial instruments, the recapitalization and reorganization of existing banks and the support for decentralized financial systems such as micro-credit schemes. See KfW (2000b).
⁷ These are conducted to aid the partner country in the preparation of projects and to aid in the implementation. See KfW (2000b).
needed goods and as structural adjustment support for reforms on the national or sectoral level.¹

**Figure 12: KfW Regional Distribution in 2000**

![Regional Distribution Chart](image)


**Figure 13: KfW Sectoral Distribution in 2000**

![Sectoral Distribution Chart](image)


The **project cycle** in the responsibility of the KfW spans the project assessment prior to financial involvement, project monitoring during implementation and

¹ See KfW (2000b).
project evaluation after the termination of the project. The emphasis in the following empirical study is placed on the stage of the **final evaluation**. In this evaluation the KfW considers the following aspects in the evaluation of the success of a project\(^1\):

- Sectoral Framework
- Achievement of Target (comparison of target to actual outcomes based on measurable indicators)
- Individual economic aspects
- General economic aspects
- Socio-economic and -cultural implications
- Environmental effects and
- Sustainability of effects over time.

Due to the multiple dimensions of the definition of poverty, poverty reduction can be measured within all of these variables. In most cases where it is considered it is regarded within the assessment of socio-economic and -cultural implications.

In its **impact assessment** the KfW uses a six-level scale established by the BMZ to evaluate its projects. This scale translates as follows\(^2\):

- **Level 1**: very good and good
- **Level 2**: satisfactory
- **Level 3**: overall sufficient
- **Level 4**: overall insufficient
- **Level 5**: clearly deficient
- **Level 6**: the project has clearly failed.

According to the above criteria and this evaluation scale, 75% of all projects of the KfW evaluated in 1996/97 have been successful in its own assessment.\(^3\) The majority of these have been in the first two levels – 44% –, with the remaining 31% being sufficient. In its own benchmarking against other agencies concerning its evaluation systems and success level the results of the KfW lie within or above the comparable ranges.\(^4\) The success by region and sector is presented in figures 14 and 15. They show that the success has been fairly equally distributed over regions and sectors, with especially high success quotas in Asia.\(^5\)

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\(^1\) Source: KfW (2000b).
\(^3\) See KfW (1999), p. 14. According to the volume of aid this success reaches 72%.
\(^4\) See the benchmarking against the World Bank and the Agence Francaise Développement in KfW (1999).
\(^5\) These do not reflect the consequences of the Asian crisis, which have not been reflected in the final evaluations. The negative deviations for Europe and North Africa have been attributed mainly to exceptional experiences such as failure of large-volume projects in these areas. See KfW (1999), p. 19.
**Figure 14: Success of Projects by Region (1996/97)**

*Source: KfW (2000b), also published in KfW (1999).*

**Figure 15: Success of Projects by Sector (1996/97)**

**Source: KfW (2000b), also published in KfW (1999).**
The procedure of evaluation that has established these numbers and the implications of the new consensus on it are at the heart of the following analysis.

4.3. Aim of the Empirical Study

As pointed out prior, this analysis aims at linking the discussion of the new strategies of poverty reduction to the practical work of development agencies, in particular to the task of impact evaluation. As has been portrayed in the Pyramid of Consensus\(^1\), the highest level of agreement has been reached regarding the priority of poverty reduction in development cooperation.\(^2\) This requires evaluation mechanisms to evaluate the success of projects against the baseline of the reduction of poverty that they have achieved. As the strategies and their focus on poverty reduction have been established recently, this concern of poverty reduction as the central measure for impact evaluation might not have been fully translated into the praxis of development cooperation yet. This study outlines the current procedures of the impact evaluation of the German financial cooperation and outlines improvements for progress in line with the new strategic concepts.

Therefore, this study takes a look at the degree to which the situation of the poor people and the change of their situation has been regarded in the evaluation praxis of the KfW. It explores in which situations a focus on the poor people’s situation has been especially strong and which factors contribute to a higher or lower concern for their situation. It also explains how the situation of the poor was assessed, i.e. the chain of argumentation in cases of inductive reasoning or the analysis of data in quantitative analysis. Based on these assessments, recommendations are provided on two areas: internal regulatory measures within development agencies to increase the focus on the poor people’s situation and measures to foster the generation and use of necessary data. For the second point the costs of data gathering are taken into account as an important factor.

In the evaluation of this analysis it has to be taken in mind that many of the projects evaluated in recent years and thus subject to this study have been devised a decade or more ago, when the current focus on poverty reduction was not yet established. While this does not have to affect the current procedure of measuring the poverty impact of projects, it can help to explain the lack of ex

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\(^1\) For reference see the chapter on ‘Consensus on three Levels’.

\(^2\) Even though it has been pointed out that the German government does not explicitly present poverty reduction as the overarching goal of poverty reduction, the action program and even more the BMZ has established poverty reduction as its major concern. The embracement of the IDTs and the special pronouncement of the goal to cut by half the percentage of people living in poverty point at the fact that poverty reduction can be seen as the strongest priority also in the German development cooperation.
ante data gathered prior to the project start in order to allow meaningful comparisons to the ex post situation. This study also does not cover the work of the newly established independent evaluation unit at the KfW\(^1\), whose evaluation reports were not yet available at the completion of this study.

This analysis **ANTECEDES TWO STUDIES** commissioned by the BMZ in the mid 1990s on poverty reduction and reach of the target group\(^2\) and successes and problems\(^3\) in the German development cooperation. The latter includes a broad analysis of the evaluation praxis, but provides only brief insights on the inclusion of poverty reduction, while the former provides deep insights into the topic of poverty reduction but only briefly assesses the evaluation praxis. Therefore, the combination of concerns on the evaluation praxis and on poverty reduction provides a real extension to these analyses, while drawing on their conclusions where appropriate.

This analysis has a **NARROW FOCUS** on the combination of the two themes of poverty reduction and impact evaluation, limiting itself to the investigation of the inclusion of the situation of poor people in the evaluation of projects. A discussion of the effectiveness or the overall adequateness of the evaluation system is not attempted in this study. It also does not question the methods deployed by the KfW to assess the success of a project unless they refer to the assessment of poverty reduction, nor does it investigate the effectiveness of the German financial cooperation. The evaluation system and its methods have been extensively analyzed e.g. in Borrmann (1999), who attests a creditable quality control and ex-post impact evaluation system corresponding to internationally accepted standards.\(^4\) The effectiveness of the financial cooperation based upon these standards has also been sufficiently discussed.\(^5\) For these reasons the analysis focuses on the single aspect of the inclusion of the situation of poor people within the process of impact evaluation.

**4.4. Study Design**

This study has been conducted on a sample of 75 reports of the final evaluations undertaken by the KfW between 1997 and 1999. On the basis of these reports the integrations of the situation of the poor in the final analysis has been

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5. Results from the years 1996/97 are examined in detail in KfW (1999). For results on newer periods see KfW (2001a).
evaluated. Since the sampling procedure is based on some of the variables used in the analysis, these are defined before explaining the procedure.

4.4.1. Variables

The study uses a series of variables that are readily available from the reports presented:

**Financing:** Costs of the project in million DM.

**Fin\_Quint (Fqu):** Ordinal measures constructed on the basis of the variable *Financing*. The sample population has been split in five groups of 15 projects based on the level of financing. The group with the lowest Financing received the ordinal value 1, going up in unity steps to the value 5 for the group with the highest financing. Thus the value corresponds to the respective quintile.

**Impact\_Level (IL):** This variable describes the distance from the project impact to the immediate circumstances of the poor. It is based on a categorization scheme of the BMZ. The values assigned here are listed below including a short explanation. The scheme of the BMZ as assembled by the KfW is presented in annex 6.

- **IL 1:** SHA – Selbshilfeorientierte Armutsbekämpfung (selfhelp-oriented project to fight poverty). Projects “directed at target groups with a significant share of poor people (aimed at helping) (...) the target group directly to take responsibility and organize the themselves in improving their living conditions”.

- **IL 2:** SUA – Sonstige unmittelbare Armutsbekämpfung, v.a. soziale Grunddienste (other direct poverty reduction projects, especially social services). Projects “directed at target groups with a significant share of poor people (aimed at supporting) (...) the target group’s participation in the project”.

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1 The BMZ uses this categorization to generate a classification of projects on the basis of their focus on fighting poverty corresponding to DAC conventions. Level 1 and 2 projects are according to the BMZ scheme automatically assessed to focus primarily on poverty reduction, for level 3 projects fighting poverty is secondary goal and for level 4 projects fighting poverty is not relevant. See KfW (2000c). This does not correspond to the broad consensus of fighting poverty as outlined prior, which acknowledges strategically oriented measures as conducive to long-term poverty reduction. Therefore this automatic relationship between level of impact and fighting poverty is not used in this analysis.

2 KfW (2001a), p. 23. The separation of the quotation to distinguish between IL1 and IL2 variables is based on the BMZ categorization explained in more detail in annex 7.

the target group is not self-responsible in the organization of the project.

IL 3: MSA – Übergreifende Armutsbekämpfung auf Makro- und Sektorebene (poverty reduction on macro- or sector level). In contrast to projects on level 1 and 2, level-3 projects cannot clearly identify the target group and cannot reach this group immediately, but only through more complex chains of effects. Yet indirect benefits in significant magnitude accrue to the poor in the area and the chain of effects is plausible.1

IL 4: EPA – Allgemeine entwicklungs politische Ausrichtung (general development oriented projects). The projects are supported out of general development oriented considerations2 but do not fulfill the constraints of the lower levels. I.e. the poverty reduction impact is more complex and “less directly inferable “.3

Success 6: Evaluation of the success of a project on a scale from 1 (best) to 6 (total failure). The scale has been presented in the discussion of the background of the KfW.

Success (s): This variable is constructed via a transformation of the variable success 6 on a three-level scale. This simplifies the investigation via correspondence analysis and was used in the sampling process to avoid too narrow splitting of groups. The new scale was constructed as follows:

s 1: Level 1 and 2 of the success 6 scale (very good, good and satisfactory projects).

s 2: Level 3 on the success 6 scale (sufficient projects).

s 3: Level 4, 5, and 6 on the success 6 scale (overall insufficient, clearly deficient, clearly failed projects).4

CRS: Industry code on the level of highest aggregation (1 digit), with the following meanings:

crs 1: Social infrastructure

crs 2: Economic infrastructure

4 This transformation has been proposed within the KfW, because the differences between the BMZ categories 1 and 2 are perceived as smaller than between 2 and 3. Level 3 projects are close to failure and therefore receive special scrutiny within the KfW process. Level 4 could have also received a special value since its failure only touches part of the implementation, but the number of projects within this category was too limited to justify a single category, since only around 25% of all KfW projects are of value 4 and below. The scheme proposed here has been used similarly in the analysis in KfW (1999), p. 14.
The preceding variables can either be retrieved directly from the reports, or can be obtained from a short conversion of the existing data. This has been supplemented by an additional variable where the values have been assigned based on the insights of the respective final evaluation given in the reports. This variable aims at assessing the degree to which poverty reduction has been taken into account in the final evaluations. Therefore, it stands at the core of the following analysis. It is designed as follows:

**Poverty Focus (Pov):** This variable evaluates to what extend the situation of the poor has been analyzed in the final evaluation. Four different levels have been distinguished for this purpose.

**Pov 0:** Poverty was **not regarded**. The report does not include reference to the effect of the project on the poor people and their situation.

**Pov 1:** Poverty was **implicitly** regarded. The report does not make a clear statement on the effect on the project on the situation of the poor people. Yet it can be inferred from the context that positive effects for the poor have been achieved, as the report delivers hints in this direction.

**Pov 2:** Poverty was **explicitly** regarded. The effect of the project on the situation of the poor has been argumentatively accounted for. This is the case if reference within the report is directed directly to the change of the situation of the poor and if the effects of the project to their advantage are conclusively pointed out.

**Pov 3:** Poverty reduction was **empirically or measurably** accounted for. This is the case if data that quantifies the benefits of the project for the poor has been gathered.

This variable only distinguishes broad categories, as a more refined framework brings up too many questions in the categorization of the individual project. The variable has been developed using distinctions similar to those drawn by Kranz-Plote / Micha in their assessment of the target group definition. This variable will be at the core of the quantitative analysis.

The assessment of the value for this variable is based on a rather mechanic approach that takes into account formal criteria, but not the strength of the data or argumentation deployed or the inclusion of the results in the final evaluation. Therefore, for each project evaluation the way poverty has been assessed has also been recorded and will be presented in the qualitative analysis.

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Some of the variables assessed here, especially the variable *Poverty Focus*, are concerned with the situation of poor people, without specifying the *definition of poverty*. Poverty is a multidimensional problem, as has been pointed out in the discussion of the consensus. As this analysis spans many different types of projects from a variety of sectors, the definition of poverty in each individual case might vary considerably. This impedes the use of a general definition of poverty. Therefore, this analysis leaves the definition of poverty to the individual evaluation. Based on the definition of poverty in a given report\(^1\), the parameter value of each variable was assessed.

### 4.4.2. Sampling Procedure

The base population for this sample are all 435 projects with final evaluations in the years 1997 to 1999. The procedure has been based on a partial random sampling method, accounting for frequency distributions along two dimensions.

The success of projects might have profound influences on the way the situation of the poor has been assessed or vice versa. On theoretical grounds, it is conceivable that projects that have failed due to technical or managerial reasons will not justify a special concern for the situation of the poor, as the assumed benefits cannot have materialized. Also the distance of the project to the poor people (*Impact_Level*) bears by its definition potentially high influence on the analysis of poverty within the final evaluations, as projects with low distance to the poor can be argued to be easier to assess than those with a high distance. For determining the impact of both variables, a sufficient sample size for each combination of parameter values of the parameters *Success* and *Impact_Level* has been pre-specified\(^2\). For each of the 12 combinations five projects have been assessed, except for combinations with an impact level of three, where ten projects have been sampled due to the frequency of this level in the base population\(^3\). The overall sampling distribution is shown in table 2.

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\(^1\) Most times no clear definition of poverty was rather vague, based either implicitly or explicitly on a certain minimum level of income or assets.

\(^2\) It should be noted here that under- or oversampling of units based on exogenous variables does not give rise to sample selection bias. See for example Verbeek, M. (2000), p. 216-220. Therefore, if both *success* and *impact_level* are exogenous, this procedure does not raise problems of selection bias. For *impact_level*, strict exogeneity seems reasonable. For *success*, endogeneity could potentially be a problem. Since neither the results of the correspondence analysis, which shows little impact of either success on poverty focus or vice versa, nor the stepwise regression approach undertaken in appendix six point at the existence of endogeneity problems, success is treated as endogenous.

\(^3\) *Impact level 3* is with 100 projects in the base population about twice the size of level 1 (51) and level 2 (62). The projects on impact level four dominate the base population with 202 projects, yet their specification as being far removed from the base population made an evaluation of the situation of the poor unlikely, negating the benefit of a large sample from this group compared to the costs involved. For the parameter *success*, the base population the distribution has been fairly equal at success level one: 165 projects, success level two: 130
Table 2: Sampling Distribution

<table>
<thead>
<tr>
<th>Success</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Σ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level 1</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Level 2</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Level 3</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Level 4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Σ</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>75</td>
</tr>
</tbody>
</table>

These twelve individual random samples have been joined to allow the analysis of 75 projects.

4.5. Findings

4.5.1. Procedure

In its procedure, the analysis considers in a first step the quantitative data. For this purpose descriptive techniques have been deployed as well as more sophisticated statistical tools. The procedure of analysis had to be fit to the data requirements, which causes problems in the use of many statistical instruments because much of the data is not cardinal but ordinal. This inhibits e.g. the use of methods of factor analysis, which require cardinal data. The methods of multivariate correspondence analysis have been taken to avoid potential pitfalls. In some cases averages, regressions and analysis of variance have been deployed for more quantifiable results where their use seemed justifiable.¹

The analysis of the data only vaguely reflects the current evaluation praxis. This is especially attributable to the fact that the measures cannot portray the procedures that underlie the evaluations. Therefore, in a second part qualitative reasoning is deployed to assess the current evaluation praxis more comprehensively. Commonalities in the argumentation processes and in the methodic of measurement are used as baselines for this discussion.

In a third step, the results are discussed in their relevance to the new consensus and compared with results from other studies. Recommendations for further improvements are issued and finally the results are summarized.

¹ The reader should keep in mind that these are not invariant against changes in scale, which can be undertaken for any ordinary scale. The difference between ordinary values by unity seems justified in this study in the pursuit of the aim to quantify the effects of impact measurement.
4.5.2. Quantitative Analysis

In a first step of this analysis the characteristics of the sample shall be explored before the relationships between different parameters are assessed.

The most striking point directly assessable from the sample data is the low number of projects that have quantified the impact on poverty reduction. This is depicted in table 3 and figure 16.

Table 3: Poverty Focus

<table>
<thead>
<tr>
<th>Poverty Focus</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pov 0 (none)</td>
<td>20</td>
</tr>
<tr>
<td>Pov 1 (implicit)</td>
<td>22</td>
</tr>
<tr>
<td>Pov 2 (explicit)</td>
<td>23</td>
</tr>
<tr>
<td>Pov 3 (measured)</td>
<td>10</td>
</tr>
</tbody>
</table>

Figure 16: Projects by Poverty Category

Less than 15% of all final evaluations sampled thus used quantitative approaches to the impact on poverty. Considering the fact that the first two levels do not take clear reference to the reduction of poverty in their final evaluation, more than 50% of the sampled final evaluations do not use poverty reduction as a criterion for impact measurement.

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¹ For Pov 0 that is clear per definition. Pov 1 means that poverty has only implicitly been taken into account, which means that the report does not include a part where poverty reduction is assessed. The potential poverty impact had to be inferred by the reader by hints from the text.
Since the variables success and impact level had been pre-specified in the sampling procedure, their distribution is unspectacular. The distribution by sector resembles the overall distribution of projects by the KfW as presented in the background discussion, with the sector production and trade being somewhat over-represented and economic infrastructure somewhat underrepresented. The three dominant sectors economic infrastructure, social infrastructure and production and trade account for 88% of the analyzed projects and will receive most attention in the rest of the analysis. See figure 17 for the details. The distribution of the financial involvement per project is right-skewed. This points at a preference for smaller, less costly projects rather than large investments. Noteworthy are a couple of outliers. These are attributable to large economic infrastructure projects, whose average financing is 4.5 times that of social infrastructure projects in this sample. See figure 18 for the histogram.

Figure 17: Histogram by CRS Code

![Histogram by CRS Code](image)

Figure 18: Histogram by Financial Costs

![Histogram by Financial Costs](image)

1 The financial sector is in this evaluation integrated into economic infrastructure, as defined by the CRS codes used in this analysis.
The main task of this quantitative section is to investigate dependencies or correlations between the various variables or even the parameter values of the variables. Especially the connection of success (s), sector (crs), impact level (IL) and financial involvement (fqu)\(^1\) to the way poverty has been regarded (pov) is of interest. To get a first handle on this, bivariate and multivariate correspondence analysis was deployed. Despite the mathematical complexity this method provides easily interpretable data by reducing the dimensions of the parameter values to a manageable level that can be graphically displayed.\(^2\) For a thorough discussion of the background of this method, the reader is referred to the specialized literature\(^3\). In the present context I shall only attempt a short introduction to enable the interpretation of the results.

The method uses as inputs categorial variables with a limited number of parameter values, i.e. normally qualitative data. To include continuous variables like the level of financing in the analysis, they have to be brought into ordinal form via categorization. This has been done via the categorization into five groups of equal frequency.\(^4\) The resulting n-dimensional space, where n is the number of parameter values after categorization, is projected via matrix transformations into another n-dimensional space based on the eigenvectors of the original matrix. The new dimensions are strictly ordered on the basis of their explanatory value\(^5\) in regard to the observed parameter values. In this setting we use the first two dimensions to display the parameter values in two-dimensional form. The explanatory power of these two dimensions is the cumulative power of each dimension, which tends to be lower for increasing numbers of original parameter values. The method resembles that of the more commonly used factor analysis, but does not impose the requirement of cardinal data. This in turn prohibits the determination of the load of each resulting dimension and thus limits the ability to identify the meaning of each dimension. However, detecting

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\(^1\) The quintiles have been used in order to accommodate the needs of the statistical instruments.

\(^2\) In this analysis only the first so-called main plane (i.e. the first and second dimension of the resulting space) is analyzed. This procedure has been used because the additional information from an analysis of the second main axis (i.e. the first and third dimension of the resulting space) only delivers marginal additional insights while potentially contributing to confusion of the reader.


\(^4\) Normally the procedure is to divide the range of values for the continuous parameter into n classes of equal amplitude, ordered in magnitude from 1 to n. Each observation that falls into the i. class is given the value i. This simple procedure to construct ordinal parameters causes problems in highly skewed distributions. In these cases classes with equal frequency provide a solution. See Jambu, M. (1992), p. 214.

\(^5\) The explanatory power can be determined on the base of the eigenvalue.
patterns in the projection of the parameter values may help to interpret the axes and the dependencies between certain parameter values or variables.

The proximity of parameter values in the two-dimensional representation is an indication for high correspondence of these parameter values, i.e. high likelihood of simultaneous occurrence. This fact is used to determine clusters of values within the graphic representation. These clusters are then used to interpret the relationships of the various parameters to the degree to which poverty has been taken into account, i.e. the parameter pov.

For this analysis a top down approach has been chosen in which the highest possible number of variables have been included in the analysis (multiple correspondence analysis) and have been reduced when necessary to achieve further insights. This approach has the advantage of accounting for all interrelationships between the variables instead of only accounting for dual relationships (bivariate correspondence analysis). It also increases the comprehensiveness of this study.\(^1\) The highest level of analysis involving all five parameters does not yield interpretable results, as the reduction of 22 dimensions on two dimensions leads to too low values in explanatory power. Therefore a selection of four variables – poverty focus, success, crs and fin_quint, has been analyzed in a first step. The results are shown here:

**Figure 19:** Correspondence Analysis: poverty focus (pov), success (s), crs and fin_quint (Fqu)

\(^1\) Drawbacks to this approach are the lower explanatory power in correspondence analysis involving many parameter values.
IMPLICATIONS FOR PROJECT EVALUATION

Statistical Annotations:

Inertia and Chi-Square Decomposition

<table>
<thead>
<tr>
<th>Singular Principal Value</th>
<th>Chi-Square</th>
<th>Inertia</th>
<th>Square Percent</th>
<th>Percent 3 6 9 12 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.70014</td>
<td>0.49020</td>
<td>172.46</td>
<td>14.01</td>
<td>14.01 ***************</td>
</tr>
<tr>
<td>0.59375</td>
<td>0.35254</td>
<td>124.03</td>
<td>10.07</td>
<td>24.08 ***************</td>
</tr>
<tr>
<td>0.59079</td>
<td>0.34903</td>
<td>122.80</td>
<td>9.97</td>
<td>34.05 ***************</td>
</tr>
<tr>
<td>0.55891</td>
<td>0.31238</td>
<td>109.90</td>
<td>8.93</td>
<td>42.98 ***************</td>
</tr>
<tr>
<td>0.54692</td>
<td>0.29912</td>
<td>105.24</td>
<td>8.55</td>
<td>51.52 ***************</td>
</tr>
<tr>
<td>0.53518</td>
<td>0.28642</td>
<td>100.77</td>
<td>8.18</td>
<td>59.71 ***************</td>
</tr>
<tr>
<td>0.51051</td>
<td>0.26062</td>
<td>91.69</td>
<td>7.45</td>
<td>67.15 ***************</td>
</tr>
<tr>
<td>0.47719</td>
<td>0.22771</td>
<td>80.11</td>
<td>6.51</td>
<td>73.66 ***************</td>
</tr>
<tr>
<td>0.45147</td>
<td>0.20382</td>
<td>71.71</td>
<td>5.82</td>
<td>79.48 ***************</td>
</tr>
<tr>
<td>0.42887</td>
<td>0.18393</td>
<td>64.71</td>
<td>5.26</td>
<td>84.74 ***************</td>
</tr>
<tr>
<td>0.42021</td>
<td>0.17658</td>
<td>62.12</td>
<td>5.05</td>
<td>89.78 ***************</td>
</tr>
<tr>
<td>0.38106</td>
<td>0.14520</td>
<td>51.09</td>
<td>4.15</td>
<td>93.93 ***************</td>
</tr>
<tr>
<td>0.35280</td>
<td>0.12447</td>
<td>43.79</td>
<td>3.56</td>
<td>97.49 ***************</td>
</tr>
<tr>
<td>0.29660</td>
<td>0.08797</td>
<td>30.95</td>
<td>2.51</td>
<td>100.00 ****</td>
</tr>
</tbody>
</table>

Total 3.50000 1231.37 100.00

The first two dimensions only contribute a cumulative explanatory power of 24.08%, but that is sufficient to draw some first conclusions. When taking a closer look at the graphic, one can see economic infrastructure projects, extreme high financial involvement and absence of regard for poverty to the far left. To the right lower cost projects, social infrastructure and production and trade as sectors and higher levels of poverty focus are gathered. While this will be discussed in more detail later, the most important finding is that the poverty focus (pov) of a project does not have a significant influence on its success (s) or vice versa, and that success does not interrelate with either impact level or sector. The parameter values of success are clustered at the center of the graphic close to the y-axis, not closely related to any other parameter values. This fact shows up in a series of other graphs at lower levels of aggregation and is supported by regression analysis.

1 Aside from a potential correspondence between crs 3 and s 1.
2 Except for the financing level 4, which might indicate a high frequency of sufficiently successful projects at this level. Yet this is not of great concern here.
3 Regression analyses could have potentially become difficult because success and poverty focus could be suspected to be mutually dependent. Poverty might have impact on success, since a stronger inclusion of the impact of the project on the poor might change the assessment of the success of the project. In turn, success is dependent on many variables, and if a project fails due to e.g. technical reasons there is little reason to believe that the situation...
In the interpretation of this finding the lack of a causal relationship from poverty focus to success is of interest. If the level of focus for poverty, which ranges from absence of any focus to inclusion of measurable results, does not have any significant impact on the level of success, this can be explained by two factors. A greater concern for poverty could have increased the success of projects in the same number of cases as it decreased it, leaving on average no detectable impact. A second possibility is that a greater focus on poverty did not translate into the evaluation of the project, thus leaving the final evaluation of the success to other determinants. From the qualitative discussion the second point receives some support.

Due to the insignificance of the factor success in the analysis, it was replaced for the further discussion by the factor impact level. All four variables - poverty focus, impact level, fin_quint, CRS - have been analyzed at once, and partial samples on the immediately lower level have also been conducted because they illuminate some aspects more clearly. The three resulting graphs are presented here in summary; the corresponding statistics have for clarity reasons been banned to annex 8.

of the poor will have improved, thus there might not be a concern for the poverty situation in the final analysis. Since both directions are possible, as simultaneous equation model was tempting - especially as instruments for the success variable are not available in the data set. Yet the low explanatory value of the sampled variables on the equation including success as dependent variable leads to residuals of a magnitude that does not allow for reasonable calculations in the second step of the simultaneous approach. The results of the correspondence analysis (little relation between poverty focus and success in either direction) and the implications of a stepwise regression analysis performed in appendix six on the depend variable success lead the author to conclude that if present, endogeneity is only of minor magnitude and will not offset the supportive results of the simple ordinary least squared regression.

1 Both directions of causal effects, from success to poverty focus and vice versa, are possible since the correspondence analysis does not allow any automatic reasoning on the chain of effect. Here, causal effects in both directions could have been suspected. Poverty might have impact on success, since a stronger inclusion of the impact of the project on the poor might change the assessment of the success of the project. In turn, success is dependent on many variables, and if a project fails due to e.g. technical reasons there is little reason to believe that the situation of the poor will have improved, thus there might not be a concern for the poverty situation in the final analysis.

2 The focus on poverty only takes a small portion of the entire report and is often not strongly referred to in the discussion of the overall success grade.
Figure 20: Correspondence Analysis: poverty focus (pov), impact level (IL), crs and fin_quad (Fqu)

Figure 21: Correspondence Analysis: poverty focus (pov), crs and fin_quad (Fqu)
These three graphs point at three detectable clusters within the data. The explanatory value of the graphs at between 26% and 32% was to be expected given the still large number of dimensions. The results have been found to be very robust in different combinations of the parameter values.

The first broad cluster (cluster one) is visible to the far right of all three graphs. It points at high correspondence between the parameter values of very high financing, high distance to the target group, economic infrastructure and absent analysis of poverty. In the interpretation this cluster consists of economic infrastructure projects of the category EPA with very high financial costs. For EPA projects no regard for the poverty impact is required by the BMZ. Yet it is noteworthy that despite the high financial costs involved a concern for the impact on the poor people was not visible.

The second broad cluster (cluster two) is visible at to the right in the graphics. It includes parameter values of very low or low financing, argumentative or qualitative concern for poverty, low or very low distance to the target group and social infrastructure. In the interpretation this cluster includes social infrastructure projects with low or very low investment costs. These are conducted mainly in close cooperation with the poor, resulting in SHA or SUA as classifications. The poverty focus is of high concern in the final evaluations. This can be attributed to the proximity to the target group and to the limited scope of most of these rather low costs projects, which makes the assessment of poverty impact easier.
A third cluster (cluster three) can be detected near the y-axis, consisting of parameter values of implicit poverty reduction and the sector production and trade. This sector, thus, takes poverty reduction mainly implicitly into account, while not being linked to a particular level of financing or proximity to the target group.

These results are also partially visible when running a step-wise regression with poverty focus\(^1\) as the dependent variable and financing, success, impact level and sector as independent variables. Success (s)\(^2\), impact level (IL) and sector (crs) are constructed as dummy variables, taking success level one, impact level four and a joint dummy variable for all crs values above three as baselines. Step-wise regression takes all factors and eliminates in each regression step the factor with the lowest significance until all remaining factors are significant at 10% level\(^3\). The results for the final equation are shown below, the full step-wise regression analysis can be found in annex 9.

**Table 4: Results from Step-wise Regression**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>Beta-Coefficient</th>
<th>T-Statistic</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(constant)</td>
<td>.949</td>
<td>.279</td>
<td></td>
<td>3.405</td>
<td>.001</td>
</tr>
<tr>
<td>crs2</td>
<td>-1.069</td>
<td>.261</td>
<td>-.499</td>
<td>-4.091</td>
<td>.000</td>
</tr>
<tr>
<td>crs3</td>
<td>-.498</td>
<td>.260</td>
<td>-.211</td>
<td>-1.915</td>
<td>.060</td>
</tr>
<tr>
<td>dummy s 1</td>
<td>.338</td>
<td>.199</td>
<td>.156</td>
<td>1.694</td>
<td>.095</td>
</tr>
<tr>
<td>dummy IL 1</td>
<td>1.142</td>
<td>.312</td>
<td>.454</td>
<td>3.656</td>
<td>.001</td>
</tr>
<tr>
<td>dummy IL 2</td>
<td>.843</td>
<td>.326</td>
<td>.335</td>
<td>2.581</td>
<td>.012</td>
</tr>
<tr>
<td>dummy IL 3</td>
<td>.811</td>
<td>.261</td>
<td>.391</td>
<td>3.107</td>
<td>.003</td>
</tr>
<tr>
<td>R(^2)=0.44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These results support the findings of the correspondence analysis. Both impact level and sector are highly significant for the poverty focus. Taking the

\(^1\) The problem of reverse causality between poverty reduction and success is only hinted at here. Since simultaneous equation models did not yield improvements over the current model, this simple regression was used here.

\(^2\) Regression analyses could have potentially cause problems because success and poverty focus could be suspected to be mutually dependent. In that case either instrumental variables or simultaneous regression models would need to be deployed. The results of the correspondence analysis (little relation between poverty focus and success in either direction) and the implications of a stepwise regression analysis performed in appendix six on the depend variable success lead the author to conclude that if present, endogeneity is only of minor magnitude and will not offset the supportive results of the simple ordinary least squared regression performed here.

first cluster with projects from the economic infrastructure sector with low proximity to the target group, i.e. crs2 and no dummy impact variable, the regression yields a value close to zero in terms of poverty focus, as has been the case in this cluster. Concerning the second cluster, projects of social infrastructure, low proximity to the target group and low costs range in the regression between 1.8 and 2.5 at the high end, which resembles the findings in the cluster analysis. For the third cluster with sector crs3, the focus on poverty ranges from 0.5 to nearly 2, depending on the success of the project and the impact level, which have not been constrained for this sector. A high frequency of observation of implicit poverty focus, i.e. poverty focus 1, is not refuted by these results.

In contrast to the observations of the cluster analysis financing does not play a significant role in the regression. Thus, while financing plays a role in the examined clusters, it seems to be driven stronger by the other factors, possibly the sector in which the project takes place, and has on its own no strong effect on the focus that is placed on poverty. This analysis also shows an impact of high success (dummy s1) compared to failure (parameter value s 3) on the level of regard for poverty. The effect is the smallest of all the dummy variables and the least significant, yet it does lend some credibility to the reasoning that failed projects take lower account for poverty reduction. This reasoning is based on the assumption that projects that fail for other reasons than low impact on the situation of the poor, e.g. because of technical failures, have little scope for improvements in terms of reductions of poverty and therefore poverty reduction might not be regarded.\(^1\)

For the impact level it is interesting that the differences in impact for SUA and MSA projects (second and third level) are nearly equal, while SHA projects (first impact level) have markedly stronger regard for poverty. This is noteworthy as SUA projects resemble SHA projects in their conception concerning the requirements for the target group and the rather direct provision of aid on the local level, while MSA projects are specifically attributed to macro- or sector level, thus they are far more remote from the target group. Since participation is the main differentiating factor between SHA projects, which demand participation, and SUA projects, which do not, this is likely to be the driving factor for the stronger regard for poverty visible in SHA projects.

For the sectoral level, projects in the economic infrastructure sector have markedly lower regard for poverty than those in the social infrastructure sector, resulting in a decline of a full level on the scale for the regard for poverty. This finding is significant at the 1% level. Most of this can be attributed to the energy sub-sector, for which there are no projects that take account for poverty more than implicitly, and even implicit hints occur in only 25% of the cases. These are

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\(^1\) This significance could also support the fact that poverty is not without influence on success, as both are potentially mutually dependent. This assumption does not receive support form the regression results presented in annex 7.
also the projects with the highest demands on financing and constitute most of the outliers in the histogram on financial costs.

Further variables have not been found to have explanatory value in this context. The continent on which the project was conducted and the duration of the project have been analyzed to this regard without any noteworthy results, pointing at the fact that the analysis of the projects was similar along these variables.

**Overall,** the concern for the effects on poverty reduction has been very limited in this sample, with more than half of the project not taking it into account. Evidence to conclude that the regard for the reduction of poverty has made a significant impact on the grade of this project for its success is lacking. Least regard of poverty is taken in infrastructure projects with high levels of financial involvement and high distance to the target group. Implicit concern for poverty is mostly expressed in projects of the sector production and trade. Highest regard for poverty has been placed in the evaluation of low cost projects in the social infrastructure sector that are conducted in close proximity to the poor. Here the participatory concept can be seen as associated with higher concerns for the effects in terms of poverty reduction in the final evaluation.

### 4.5.3. Qualitative Analysis

For a comprehensive picture of the evaluation praxis, the quantitative analysis is not sufficient and shall be complemented here by a qualitative reflection of evident commonalities within the sampled reports. This analysis progresses by the level on which poverty was regarded.

From the analysis of the final evaluations and from the quantitative analysis it becomes obvious that projects that **omit comments on the effect of the project in terms of poverty reduction** (first cluster) generally are categorized as impact level 4 (EPA). In some of these projects positive consequences for the poor were likely, since non-realization would have placed the poor most at disadvantage, such as in projects to sustain energy supply during the Mongolian winter. In these cases the explication of the chains of effects that lead to benefits for the poor would be feasible and would be in line with the consensus of putting poverty reduction at the center of the development efforts. Still, in a sizeable number of other EPA projects where comments on poverty reduction effects were omitted a clear argumentative connection is not feasible.

In many projects there seem to exist positive effects for the poor, yet their consideration within the report remains **implicit.** In basic needs oriented projects this accrues sometimes in cases where the actual users were not observed. A
contribution to poverty reduction is to be expected but cannot be confirmed due to the unsureness about the beneficiaries. Many projects in support of private business (third cluster) pursue an indirect argumentation that a better economy creates jobs that in turn benefit the poor. Whether jobs for high qualified personnel or low qualified personnel are generated, and whether rationalization effects might have actually eliminated jobs is not investigated in most evaluations, thus weakening the chain of reasoning.

A number of final evaluations take account of the project’s impact in terms of poverty reduction by presenting argumentative reference. This argumentative reasoning follows in most cases a similar line of thought: In a first step, the occurrence of poverty within the target group is established. This is sometimes conducted for the immediate area in which the project takes place, yet in other cases this is established on the regional or sometimes on the country level only. Data is usually taken from national or World Bank statistics. In a second step, the contribution of the project of improving the possibility for the people to secure their basic needs is shown. In a last step, it is analyzed whether the costs of the service is bearable by the poor, normally by assessing the percentage of costs for the service in terms of daily income of the poor\(^1\). If this has been established, it is reasoned that the project benefited the poor.

In this procedure, the goal to reduce poverty is assessed mainly via the provision of the possibility to use the service, for example the installation of water supply in a certain spot. This input oriented approach is sometimes accompanied by a registration of the actual use of the service, yet rarely with further disaggregation into poor users and those who were able to obtain a similar service already prior to the project. This might overlook some problems facing the poor such as the physical distance to the location of the service\(^2\), which might limit their usage despite monetary affordability.

In some cases the argumentation is stringent in a way that further empirical analysis of the actual use disaggregated by user group are not likely to deliver further insights. This is the case especially for projects that eliminate obvious grievances in very poor areas. Yet for many projects an empirical analysis of the actual benefits for the situation of the poor would bring more objectivity and clarity to the assessment of the impact on the poor and allow for greater learning of lessons about the optimal site, the costs and other details of providing the service. The current procedure also bears the risk of becoming a mechanical process. In a few cases the entire analysis was treated in only two

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1 While in view of the new strategies failure of the price structure to accommodate the needs of the poor should be regarded as a knockout criteria leading to failure of the investment, the only project that failed to deliver services at affordable price still received a sufficient success grade. This was a single occurrence, and the power to set prices lay with the implementing agency of the partner country, yet if poverty reduction were taken as the primary goal of development cooperation this assessment would need to be changed.

2 Costs and distance are both mentioned as impediments to the use of poor people of services provided through development cooperation in BMZ (1999c).
sentences, providing such an impression. An ex-post analysis would in some cases necessitate a more in-depth discussion of the effects on the very poor individuals.

Only few projects assess the impact on the situation of the poor people quantitatively. For projects that provide quantitative data and are targeted to a limited target group (second cluster), the majority relies on selection of poor beneficiaries prior to the start of the project. This is done via self-selection - by providing services which only poor people will find attractive\(^1\) - or by pre-selection on the basis of income. The second approach is more problematic in areas with large informal sectors, where real income is hard to identify. Once it is established that the beneficiaries of a project are altogether poor\(^2\) and the number of beneficiaries is known, it becomes easy to quantify the benefits per user. The benefits are measured usually in units provided, such as square meters of habitation, rather than satisfaction defined by the beneficiaries. Ex-post evaluations are rare. Only one project mentions an ex-post survey; in this the satisfaction of the poor target group was assessed. Statistical tools were not deployed.

On the other end, projects with a large area of reach (mostly MSA projects which do not correspond to any broader cluster of variables) sometimes present quantitative data on the entire area, in one case of the entire country. Quantities such as health statistics, literacy levels, number of schools or rise in income were used and linked to poverty reduction by considering the level of poor people in the area. In most cases the overall level of poverty is quantified, in some cases it is only assumed. Statistical tools were omitted in these studies.

Overall, the assessment of the impact of the projects on the reduction of poverty does not receive a high priority within the final evaluations. Even in argumentative analysis it only covers a fraction of the total report.

Positive to mention are the exemplary analysis of the local implementing agency, whose management capabilities and implementation skills are thoroughly assessed. This corresponds to the high emphasis of the new strategies on good governance in terms of administrative capabilities and efficient delivery of services to the poor. Also the ability of the project to deliver benefits over a longer time frame is evaluated in nearly all circumstances. Generally only projects that deliver sustainable benefits are considered a success. Economic cost-benefit analysis are also common to the reports, yet their focus is usually narrowly limited to the economic achievements of the implementing agencies in

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\(^1\) For example housing of a quality that only the poor will find attractive.

\(^2\) The poverty of the target group is in most cases not checked again in the ex-post evaluation, but reliance is placed on a functioning selection process.
terms of earnings and do not quantify wider socio-economic benefits for the population\(^1\).

Problems\(^2\) might arise out of the limitation of the analysis to input factors rather than to output that benefits the poor. The view of the poor is seldom incorporated in the assessment of the projects. The goals for most projects are expressed in technical or economic specifications, but only rarely in terms of effects on poverty reduction. Therefore, also in the determination of the grade for the success of the projects technical and economic criteria dominate the discussion strongly, while poverty reduction only receives very limited attention in this determination.

4.6. Discussion of the Findings

The results of the preceding analysis point at areas where the evaluation procedures could be brought more in line with the focal points of the new strategic consensus. The consensus places great value on the goal of poverty reduction. This is currently not reflected in the evaluation praxis, as the majority of projects evaluations do not focus on this point.

This might be partly due to the rare inclusion of poverty reduction as explicit goals\(^2\) for the project. This has been assessed by Franz-Plote and Micha\(^3\) and is confirmed in this sample. Since the goals for each project were thoroughly discussed in the final evaluations, an integration of explicit requirements for the effects on the poor in the hierarchy of goals is likely to increase the concern devoted to this topic.

Projects that do not take account of poverty reduction have been found in clusters one and three, i.e. projects of impact level four (EPA) from the economic infrastructure sector (crs 2) and projects from the production and trade sector (crs 3). As an assessment of poverty reduction for EPA projects is not required by the BMZ, these results for cluster one are not surprising. In the light of the action program of the German government in support of the IDTs, an assessment of the effects of these projects to contribute to the IDTs might receive more relevance. Since the projects of cluster one are associated with the highest quintile of financing, an assessment of their impact on the situation of the poor people has potentially high payoffs. Projects within the third cluster already point at potential benefits for the poor through increased generation of jobs. An analysis of this point by data that establishes the impact on the poor rather than on the entire population would lead to more precise assessments.

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1 I.e. welfare increases, greater ability of poor people to work productively because of better health, improved productivity due to reduced water-related diseases or education and the like.

2 The technical and economic goals for the projects are in many cases likely to have positive impact on the reduction on poverty reduction. Yet this impact remains implicit and does not become the concern in the final evaluations.

The lack of an empirical data base is a main concern also in those projects that focus on poverty reduction. This has also been assessed in earlier studies⁰, in which the following three conclusions are drawn. Most evaluations do not examine the actually reached beneficiaries and the extent to which they have been poor.² Meaningful and verifiable data on this is usually not presented.³ A clear definition of the term ‘poverty’ is usually missing⁴, which aggravates the problems of ex-ante and ex-post assessment of the poverty situation. These prior findings correspond to a large extent to the findings in the qualitative part of this study. As poverty reduction is the main baseline against which to judge the success of development cooperation according to the new strategic documents, greater clarity about the operationalization of the term ‘poverty’ and the ways to measure the effects against them will increase in importance.

Quantitative data analyses have to weigh their benefits against the costs of the survey or other data-retrieval method. Currently this seems to be viewed favorable mainly for cluster one projects, which bring direct benefits to the poor and where the data selection is facilitated due to pre-selection of poor individuals, or for impact level three (MSA) projects in cases where readily available macro data can be used. These approaches have the limitation that they still do not account for the viewpoint of the poor in the assessment of the value of the project. This “lack of diversity of perspectives”⁵ is a critical point that can be avoided by ex-post surveys.

Since the cost-benefits ratio of quantitative analysis determines the use of this instrument, the components of this ratio shall be discussed shortly. The initial costs of implementing quantitative surveys on a larger scale will likely be high for any development organization, as the internal skills and procedures needed for such an approach need to be build up. These costs are likely to decline substantially due to learning-curve effects in the organization, thus improving initially insufficient cost-benefit ratio over time. Standardizations in the statistical procedures can, where possible, reduce the costs even further. Many projects in the large sector of water access and sanitation (partially also in house building, irrigation and electricity generation and supply) seem to show similarities in the implementation process and the underlying goals, which could serve as the basis to build standardized survey procedures.

The benefits that are attainable accrue mainly from improved design and implementation for further projects, because the perceptions of the target group and their suggestions can be fed back into the planning of other projects. Benefits also arise indirectly as results from the analysis can be shared with

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1 See Kranz-Plote, J. / Micha, J. (1996), p. 8 and the review in BMZ (1999c), p. 7,8, which covers the entire German development cooperation, not the financial cooperation in specific.
5 BMZ (1999c), p. 7 (translation by the author). Next to this critique in BMZ (1999c) the lack of subjective appraisals by the target group has also been pointed out in Kranz-Plote, J. / Micha, J. (1996), p. 3.
other organizations to increase the overall effectiveness of aid provision. Therefore the benefits extend wider than only to the organization undertaking the survey.

For both reasons, the potential to lower the costs of quantitative assessments of poverty and to increase the range of benefits, an increase in the scope of quantitative analysis seems a feasible option. This might even be the case for structural oriented projects with low proximity to the target group, where the costs of data gathering are high. Since the financial involvements in these projects are also mostly high, the potential benefits might still outweigh the costs.

Not in all cases empirical data evaluations are beneficial. As pointed out in the qualitative section of the preceding analysis, some argumentative reasoning is conclusive to a level where further analysis is not likely to add additional valuable information. In these cases the retrieval of information is counterproductive to development efforts, since unnecessary costs are incurred. An assessment of the benefits and costs thus has to be undertaken for each individual case, yet the limitations of argumentative reasoning points in many cases at the potential for quantitative analysis as presented in the preceding paragraph.

Even in those cases where valuable information might be available, the costs might be prohibitive. In these cases qualitative analysis builds the only means of assessing the benefits for the poor. In line with the new consensus and the importance that is placed on poverty reduction within it, projects where an argumentative connection cannot be conclusively drawn should receive special scrutiny in regard to the value that they deliver.

The new consensus on poverty not only considers the direct situation of the poor, but also the administrative framework that allows benefits to spread to them and the sustainability and efficiency of efforts. These aspects are diligently and thoroughly inspected in the final evaluations sampled for this treatise. Cost benefit analyses have also been deployed in most cases. Concerns raised in BMZ (1999c) about insufficient cost-benefit analysis and desiderative analysis of the abilities of the local implementing agency in the evaluations of

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1 These limitations occur in most cases, since the beneficiaries, their level of poverty and the actual effects of the projects on their situation are often not conclusively inferable.
2 Despite learning-curve effects, cost reductions are limited by the quantity of labor that necessarily has to be expanded for the gathering of data in the location of the project.
3 Sustainability is used in this context to describe the ability of projects to provide benefits for a long time frame after the initial investment has been made. In this context it does refer to environmental concerns.
5 See BMZ (1999c), p. 4. The a priori analysis of the implementing agency as demanded here is difficult to assess from the final reports. Yet the ex-post concern for this topic as part of the
within the German development cooperation thus do not receive support in this sample of evaluations from the financial cooperation.

While the background aspects of poverty reduction, the technical issues and the explicit goals of the project have been profoundly measured, the concrete definition of poverty and the conclusive analysis of the impact of the projects in terms of reduced poverty are only partially undertaken in the sampled project evaluations. In most cases where it has been undertaken, this assessment only receives a small portion of the overall discussion of the effectiveness of the project. Since this does not reflect the high importance that is placed on poverty reduction in the new strategic documents, ways to improve the poverty focus are presented in the following.

4.7 Recommendations

These recommendations for a greater integration of effects in terms of poverty reduction in the final evaluations of projects are not limited to the financial cooperation, but are applicable to many development organizations facing the same situation of realigning their existing procedures with the increased strategic emphasis on poverty reduction. Therefore these recommendations, while building on the prior analysis, are presented in general terms applicable to a broader range of development organizations, and to partner countries that undertake internal project reviews. The recommendations comprise four main points:

1. The specifications for all projects should include explicit objectives for the impact on poverty in their hierarchy of goals. Where possible these poverty-focused goals should be expressed in terms of quantifiable indicators.

2. A focus for poverty reduction should be included in the mandatory aspects that each final evaluation has to take into account. The depth of the analysis should not be lower than for the other aspects considered. Its result should be given adequate weight in the evaluation of the overall success of the project.

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footnote 1: The term ‘background aspects’ is used here to include the concern placed on sustainability of the project in terms of ability of the implementing agency and of lasting impact of the project, which in most cases are necessary preconditions for any lasting impact in terms of poverty reduction to be able to occur.

footnote 2: As for the KfW, it could be added as an eighth aspect to those already mention in the discussion of its background.
3. **Standardized questionnaires, survey methods and procedures for quantitative evaluation** should be developed for projects with similar characteristics and goals. Initial costs might be kept low by bundling the statistical know-how through a designated statistical specialist that can further the development of procedures, establish a workable definition of poverty and adapt the standardized models to the individual circumstances.

4. **Ex-ante evaluations** of the poverty situation should be conducted with the same depth of analysis as the ex-post evaluations to enable a comparison of the resulting situation after project implementation with the prior situation.¹

Implementation of these recommendations should serve to advance the concern for poverty reduction within the entire organization of the development agency, increase the knowledge about contributing factors to reduce poverty and improve the efficiency of projects through more knowledge and better control. Thus, it fosters the transformation of the strategic documents into the development praxis.

### 4.8. Synopsis of the Empirical Study

This empirical study has linked the new strategic proposals and their concern for reducing poverty to one aspect of practical work by development organizations. It has analyzed the current focus on poverty in the evaluation process that was undertaken by German financial cooperation, based on a sample of 75 projects and their respective final reports.

An explicit focus on poverty was only found in the minority of final evaluations; mainly in projects with close proximity to the target group and associated with low financial involvement. These projects mainly belong to the social infrastructure sector. Only 15% of all projects used quantifiable data. In the quantitative analysis, little influence of the degree to which an evaluation focused on the situation of the poor on the level of the success that was attributed to the project was detected, which corresponds also to the qualitative findings.

Projects that took least account of the reduction in poverty have been found to comprise economic infrastructure projects with a low proximity to the target group and high financial involvement. Projects in the production and trade sectors have mainly taken implicit account of the effects on poverty.

The assessment of poverty impact mainly relies on the evaluation of input factors. Utilization by poor people is assumed but the actual group of

¹ For this point recommendation 3 is also applicable to achieve a low cost approach towards this end.
Beneficiaries is rarely evaluated. Tailored quantitative ex-post analyses with statistical inference are rare, even in cases of quantitative reasoning. Quantitative comparisons to the ex-ante situation are infrequent due to lack of ex-ante data.

Concern for the fulfillment of explicit goals, sustainability factors, cost and benefits for the local agency and implementation abilities of local agencies is high. Yet reducing poverty is seldom explicitly mentioned as a goal. The data base for evaluations has scope for improvement, because benefits are potentially large and learning-curve and standardization effects can decrease the costs of data collection and analysis.

Recommendations for a greater focus on reducing poverty comprise an explicit formulation of (measurable) goals to improve the situation of poor people, requirements of focussing on poverty in the final evaluation, development of standardized methods for quantitative analyses and stronger concern for ex-ante evaluations.

The new strategies have profound implications for the work of development agencies, as the recommendations point out. Shifting the focus in the concrete evaluation of projects according to the central goal of the new strategies has implications for the entire project cycle. Donors will apply a greater concern for poverty reduction throughout their organization and in their project conception and implementation if this is the basis against which their efforts will be measured. To this extent, the focus on the final stage of the project cycle serves to create the right incentives for overall implementation of the strategic concepts, which are presented in the first part of this thesis.