



COUNTRY PORTFOLIO REVIEWS

*A tool for strategic portfolio analysis in
German development cooperation*

Executive Summary

2019



DEval

GERMAN
INSTITUTE FOR
DEVELOPMENT
EVALUATION

Imprint

Published by

German Institute for Development
Evaluation (DEval)
Fritz-Schäffer-Straße 26
53113 Bonn, Germany
Tel: +49 (0)228 33 69 07-0
E-Mail: info@DEval.org
www.DEval.org

Authors

Christoph Hartmann
Miriam Amine
Sarah Klier
Kirsten Vorwerk

Responsible

Dr. Stefanie Krapp (until 31 March 2018)
Dr. Stefan Leiderer (since 1 April 2018)

Design

MedienMélange:Kommunikation!, Hamburg
www.medienmelange.de

Translation

Dr. John Cochrane

Photo credits

Cover: © German Institute for Development
Evaluation (DEval)

Bibliographical reference

Hartmann, C., M. Amine, S. Klier and K. Vorwerk
(2019), Country Portfolio Reviews. A tool for
strategic portfolio analysis in German
development cooperation, German Institute for
Development Evaluation (DEval), Bonn.

Printing

Bonifatius,
Paderborn

The German Institute for Development
Evaluation (DEval) is mandated by the German
Federal Ministry for Economic Cooperation and
Development (BMZ) to independently analyse
and assess German development interventions.

Evaluation reports contribute to the transparency
of development results and provide policy-
makers with evidence and lessons learned based
on which they can shape and improve their
development policies.

This report can be downloaded as a PDF-file from
the DEval website:

[https://www.deval.org/en/evaluation-
reports.html](https://www.deval.org/en/evaluation-reports.html)

Requests for printed copies of this report should
be sent to:

info@DEval.org

BMZ response to this evaluation is available at:
[http://www.bmz.de/en/ministry/evaluation/Eval-
uation/evaluierungsberichte-
stellungnahmen/index.html](http://www.bmz.de/en/ministry/evaluation/Evaluation/evaluierungsberichte-stellungnahmen/index.html)

© German Institute for Development
Evaluation (DEval), April 2019

ISBN 978-3-96126-085-0 (printed edition)
ISBN 978-3-96126-086-7 (PDF)

EXECUTIVE SUMMARY

Background and objectives

The 2030 Agenda is making new demands on international cooperation

International development cooperation is frequently criticised for being of limited effectiveness, and therefore doing little to actually promote sustainable development. It is undisputed that shortcomings in policy and institutional frameworks in partner countries, and inefficient structures and processes in international cooperation, prevent development cooperation from being more effective. In particular, partner country institutions face the challenges created by the growing fragmentation of development cooperation. More and more stakeholders are getting involved in development cooperation and playing an active role in more and more projects. In some partner countries many donors operate in the same sectors instead of complementing each other, which makes the task of coordination more complex for partner governments.

In many cases, donors' working structures also act as a constraint on more effective development cooperation. Existing projects and programmes are continued for political reasons or due to the self-interest of implementing organisations, rather than in response to changing contextual factors. This means that the decisions taken are not always evidence-based. These challenges often prevent development cooperation from responding coherently and effectively to current development needs in a partner country, and prevent governments in partner countries from assuming ownership of joint development projects.

Since 2015 the 2030 Agenda has provided a guiding framework for action by international cooperation. Through it the international community has agreed on a new understanding of development as well as 17 Sustainable Development Goals (SDGs). It emphasises the alignment of international cooperation with partner country priorities and needs. The Agenda aims to achieve a holistic perspective on development challenges, and to take greater account of the interactions between the social, economic and environmental dimensions of development than has so far been the case.

Against this background, ensuring the relevance and ultimately also the effectiveness of bilateral development cooperation will require strategic steps to be taken on various levels. This will involve focusing bilateral development cooperation as a whole (macro level), ensuring strategic alignment and coherence at country level (meso-level), and enhancing planning and management at programme and project level (micro level).

The BMZ has responded to these new demands on international development cooperation

With this very much in mind, over the last few years the German Federal Ministry for Economic Cooperation and Development (BMZ) has launched processes of structural change for the strategic planning and management of its bilateral development cooperation. Alongside efforts made by the BMZ at the macro level to focus bilateral development cooperation, an increasing number of changes are being implemented at the meso-level. As also emphasised by the strategy paper *Entwicklungspolitik 2030* ['Development Policy in 2030' – currently only available in German] published by the BMZ in 2018, rather than pursuing a compartmentalised focus on individual programmes and projects, it is envisaged that portfolio management will now focus on integrated and holistic country-level approaches.

These changes at the meso-level reflect the understanding of development inherent in the 2030 Agenda. Be it the coherent design of country portfolios, focusing on macro-level development needs and trends in the partner country, responding to current reform momentum and government priorities, or including interactions between the social, environmental and economic dimensions of development – needed management decisions cannot be taken at the level of individual projects. They can only be made at the portfolio level. Accordingly, the BMZ has been seeking to strengthen the coherence of country portfolios through country strategies ever since 2012.

Since the BMZ's Joint Procedural Reform in 2018, to promote sustainable development in partner countries as envisaged by the 2030 Agenda German development cooperation has been promoting an approach comprising a country strategy in conjunction with country programmes and modules. Here, country strategies are the key instrument for the strategic planning and management of bilateral development cooperation at country level. They provide binding and strategic directives, and explain why German development cooperation is committed in the long term to specific priority areas and fields of action (internal BMZ guidelines).

Challenges remain at the level of country portfolios

The changes described above have strengthened the BMZ's management structures. Nonetheless, as already noted in the peer review of Germany published by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) in 2015, results-based management continues to face challenges. The above report places particular emphasis on the fact that German bilateral development cooperation lacks the evidence necessary to evaluate its general relevance and effectiveness in a partner country. Hence there is a risk that, rather than evidence, other considerations such as whether ongoing programmes will be continued may be unduly influencing strategic decision-making on portfolios (OECD, 2015).

The BMZ has responded to these challenges and taken steps to strengthen the evidence-based strategic portfolio management of bilateral development cooperation. In 2016, for instance, work to analyse the prevailing evidence gaps and to initiate the development of corresponding analytical tools was commenced.

DEval supports the BMZ's strategic portfolio management

The German Institute for Development Evaluation (DEval) aims to help make German development cooperation more effective. This is why it has supported the BMZ in strengthening its results-based management. Building on the work already performed by the BMZ, DEval set out to identify the evidence gaps adversely affecting strategic portfolio management. In a second step, it aimed to develop an appropriate analytical tool that can help close the existing evidence gap at portfolio level within the BMZ on a long-term basis and for all partner countries.

Conclusions and strategic recommendations for the BMZ

In light of the changing demands on bilateral development cooperation the BMZ has strengthened its processes for strategic planning and management at portfolio level. Nonetheless, there remains an evidence gap that poses a challenge for strategic management of the country portfolios. At the portfolio level there is only little evidence available on whether the portfolio as a whole is oriented appropriately, whether the agreed priority areas are still the right ones, how the individual modules and programmes are interlinked, and whether the portfolio as a whole and the priority areas have succeeded in facilitating systemic and sustainable change.

As demonstrated in the following report, a tool for strategic portfolio analysis can meaningfully support the BMZ's strategy building process and strategic management at country level. First of all, a tool of this kind will support the regional divisions in drawing up the country strategies that are key to management by providing an independent analysis of the country portfolio in light of future needs in the partner country. It can therefore help the BMZ to meet more effectively its international obligations in conjunction with the 2030 Agenda. Secondly, strategic portfolio analyses can supply the BMZ with key information on overarching strategic issues by identifying and analysing structural challenges faced by German bilateral development cooperation.

Strategic recommendation 1: The BMZ's efforts to introduce a tool for strategic analysis at the portfolio level are to be welcomed. The tool should be firmly institutionalised within the management system for bilateral development cooperation, and perform two roles. It should A) help close the information gap at portfolio level, and by doing so strengthen the strategic management of bilateral development cooperation at the level of the regional divisions; and B) generate findings that will help improve the overarching directives and processes of bilateral development cooperation.

To perform the roles described, the analyses should be conducted as comprehensively and regularly as possible in all partner countries, and the information should be fed into the strategic management of official bilateral development cooperation in good time so that it can be used when developing the country strategy. This will require a detailed assessment of the relevance of German bilateral development cooperation in light of Germany's global obligations such as the 2030 Agenda, and the elaboration of evidence-based options for strategic orientation of the portfolio.

Comparison with various types of instrument for such a strategic portfolio analysis, such as country programme evaluations, has clearly shown that country portfolio reviews are the appropriate analytical tool. Given their lean and future-oriented nature, and their focus on updating or reorienting country strategies, plus their focus on overarching relevance and management aspects, country portfolio reviews (CPRs) meet many of the described requirements.

Strategic recommendation 2: To support portfolio management and country strategy development, the BMZ should introduce country portfolio reviews as a tool for strategic analysis.

DEval has developed a corresponding CPR tool. This involved an intensive process of development and trialling. The tool has been designed to match precisely the needs of German bilateral development cooperation, and to ensure compliance with basic evaluation standards and lessons learned by other donors when implementing CPRs. At the same time, when developing the tool it became clear that areas remain where the tool should be further refined. Particularly bearing in mind future changes in the system of bilateral development cooperation, refining the tool should in the future also be an integral part of implementing CPRs.

Strategic recommendation 3: CPRs should be implemented in accordance with the procedural guidelines elaborated. To further enhance the quality of CPRs and take account of changes in the German development cooperation system, the tool should be continuously reviewed with regard to its utility, and refined.

The evidence gaps at portfolio level are not a country-specific phenomenon. They occur in most partner countries of German bilateral development cooperation. Furthermore, there are major differences between the regional divisions in terms of the nature of the reflection process when drawing up or revising the country strategies. This means there are also differences in the quality of the evidence on which the process is based. To ensure that all country strategies are developed on the basis of an independent and robust body of information, country portfolio reviews should be institutionalised as a binding element of the reflection process in the long term. Furthermore, this is the only possible way to obtain a representative picture of the strengths and challenges of German bilateral development cooperation that will support organisational learning.

Strategic recommendation 4: To ensure that CPRs deliver added value for the strategic management of bilateral development cooperation in all partner countries, the BMZ should make CPRs in the long term a binding element in the reflection phase when drawing up country strategies. By clearly assigning responsibilities within the Ministry, the BMZ should ensure that the findings are used both at the country level for portfolio management, and at the overarching level for answering strategic questions.

Appropriate institutionalisation of the CPR tool is a key prerequisite for implementing it to a high standard of quality. As well as the long-term institutionalisation of CPRs in the process of preparing country strategies, this will also require the establishment of a unit that will be continuously responsible for the

CPRs. National and international lessons learned to date with the implementation of CPR-like formats have clearly shown that CPRs must be capable of producing independent findings and reporting on them transparently. One particular way of ensuring this is to make the CPR unit organisationally independent, and separate from operational business.

Creating an independent CPR unit at the BMZ would be possible in principle. However, this would entail significant administrative challenges and involve a greater use of BMZ's internal resources than would be the case with an external unit. Further arguments in favour of an external unit are that this would make it easier to develop CPR expertise in the long term, and would guarantee independence.

Strategic recommendation 5: The BMZ should institutionalise implementation of the CPR tool in a way that safeguards the independence and ensures the quality of CPRs. An independent external organisation should be mandated to conduct the CPRs for a test phase. Should the test phase prove successful, long-term institutionalisation in an external organisation should be pursued.

CPRs address key issues of strategy building. They focus on aspects of assessing relevance and coherence. CPRs thus supply valuable independent information on strategic portfolio management.

Considerable though the additional benefits of CPRs for the German development cooperation system may be, the limitations of this tool are also evident. During the development process it emerged that as a strategic analytical tool at country portfolio level, CPRs can cover only part of the information that the BMZ requires for modern and results-based portfolio management.

It is true that CPRs discuss the country portfolio's potential effectiveness, i.e. the extent to which the generation of systemic, sustainable results is considered plausible. However, CPRs cannot supply any evidence-based findings on effectiveness or sustainability at programme or project level. This is due largely to the unavailability of corresponding secondary data. CPRs are not able to themselves collect data in order to measure results. Question concerning the effectiveness, impact, sustainability and efficiency of individual programmes or even modules/projects can only be answered when high-quality evaluations have been conducted at the programme/project level. The BMZ, implementing organisations and DEval have already gained some sporadic experience with review- and evaluation-based approaches at the level of priority areas and programmes. No standardised procedure exists as yet, however.

Strategic recommendation 6: The BMZ should continue to explore the systematic introduction of evaluations at programme/priority area level. Here it will be able to build on existing observations and lessons learned by the BMZ, implementing organisations and DEval. Where possible the evaluations should assess the effectiveness, impact, sustainability and efficiency of programmes. Ideally, these evaluations will be timed such that they can be used as a source of information for CPRs, and thus for developing country strategies. It would appear to make sense to develop a tool for programme/priority area evaluations for this purpose, analogous to the CPR tool.

Country portfolio reviews at a glance

By institutionalising a tool for conducting country portfolio reviews the BMZ would be introducing a further instrument for more efficient and modern strategic portfolio management. The graphic below shows the key aspects of the tool developed for country portfolio reviews.

Country Portfolio Reviews

At a glance



Objectives and purpose of CPRs

CPRs support the regional divisions of the BMZ in elaborating country strategies



and systematically and independently analyse official bilateral DC.



CPRs answer the question

Is German DC (still) doing the right thing in the partner country?



... and are based on the following criteria:

- 1 Development needs in the partner country
- 2 Reform dynamics and government priorities
- 3 Coordination and cooperation with other stakeholders
- 4 Priorities and strengths of German DC in the partner country
- 5 Risks and challenges

Phases of implementation

1 Initiation and design



2 Data collection in Germany



3 Field phase



and other methods.

4 Reporting



Outputs

CPRs support the regional divisions

CPRs generate



for the country portfolio.

CPRs support organizational learning



to improve bilateral DC.