



# HUMAN RIGHTS IN GERMAN DEVELOPMENT POLICY

*Part 2: Implementation and effectiveness of the  
human rights-based approach in the area of intervention  
'Private sector and financial system development'*

*Executive Summary*

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## Authors

Dr Jan Tobias Polak  
Dr Angela Heucher  
Lea Smidt  
Lena Taube

## Responsible

Dr Martin Bruder

## Design

Katharina Mayer, DEval

## Editing

Dr Susanne Reiff, to the point communication,  
Königswinter, [www.tothepoint.de](http://www.tothepoint.de)

## Translation

Deborah Shannon, Berlin

## Photo credits

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Fritz-Schäffer-Straße 26  
53113 Bonn, Germany

Phone: +49 (0)228 33 69 07-0

E-mail: [info@DEval.org](mailto:info@DEval.org)

[www.DEval.org](http://www.DEval.org)

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# EXECUTIVE SUMMARY

## Rationale, evaluation object and evaluation questions

The Federal Ministry for Economic Cooperation and Development (BMZ) affirms human rights as a ‘guiding principle’ and a ‘quality criterion’<sup>1</sup> (BMZ, 2011, 2020a), and pursues a comprehensive human rights-based approach (HRBA) as a basis for mainstreaming human rights in German development policy and development cooperation (BMZ, 2011, 2013a). The BMZ’s overall objective in adopting this approach is to contribute to strengthening human rights in its partner countries.

The HRBA is put into practice against the backdrop of changing contextual conditions in Germany’s partner countries. The human rights situation has been improving worldwide since the 1970s, but counter to this long-term trend, recent years have seen growing pressure on human rights in many parts of the world – in the form of restrictions on civil society spaces, for instance (Clark and Sikkink, 2013; Fariss, 2014; Aghekyan et al., 2018; Amnesty International, 2018; Auswärtiges Amt, 2016a; Donner, 2020; Würth, 2017). In addition, the Covid-19 pandemic has exacerbated pressure on civil and political rights and on economic, social and cultural rights in many places (Amnesty International, 2020; Maerz et al., 2020; World Bank Group, 2020; UNICEF, 2020).

This is the backdrop to the present, second part of the evaluation ‘Human Rights in German Development Policy’, in which the German Institute for Development Evaluation (DEval) examines the implementation of the HRBA and its effectiveness in the partner countries of German development cooperation as well as the coherence of BMZ-financed or co-financed projects in relation to human rights. The evaluation presents empirical findings to support improvement of the implementation of the HRBA, and contributes to accountability regarding the implementation and effectiveness of the approach.

The second part of the evaluation focuses on BMZ-financed projects from the intervention area ‘Private sector and financial system development’ as its object of evaluation.<sup>2</sup> The analysis therefore takes in aspects of the thematic area of ‘Business and human rights’, which has been one of the most important work remits of German development policy in recent years, both practically and strategically.<sup>3</sup> At the same time, it is a field that offers particular learning potential in relation to human rights work: The first part of the evaluation came to the conclusion that the mainstreaming of human rights principles was weaker in the priority area of sustainable economic development, in which projects from the intervention area ‘Private sector and financial system development’ belonged, than in other priority areas of German development policy (Polak et al., 2021).

These five questions guide the second part of the evaluation:

1. To what extent do German bilateral development cooperation projects in the intervention area ‘Private sector and financial system development’ implement the requirements of the HRBA throughout the entire project cycle?
2. To what extent do German bilateral development cooperation projects in the intervention area ‘Private sector and financial system development’ contribute to the realisation of human rights in the partner countries?
3. What factors influence whether German development cooperation achieves its human rights-related objectives?

<sup>1</sup> In the course of the ‘BMZ 2030’ reform process, the thematic complex of human rights was assigned to the quality criterion ‘Human rights, gender equality and disability inclusion’ (BMZ, 2020b).

<sup>2</sup> As systematic mapping of ongoing projects and programmes to ‘BMZ 2030’ intervention areas was not yet in place at the time of the evaluation, information from the Creditor Reporting System (CRS) along with information supplied by the implementing organisations about relevant projects was used to narrow down the subject matter. Further information on the definition of the object of evaluation can be found in Chapter 2.

<sup>3</sup> The importance of this thematic area is also reflected in the present Federal Government’s coalition agreement, which emphasises advocacy for ‘fair and formal working conditions and living wages worldwide’ (SPD, Bündnis 90/Die Grünen, FDP, 2021, p. 120).

4. To what extent are rights-holders, particularly structurally marginalised groups, affected (socially, economically, environmentally, politically) by unintended positive or negative direct effects?
5. To what extent do BMZ-financed or co-financed projects delivered by state implementing organisations and by private sector and civil society actors in the intervention area 'Private sector and financial system development' constructively interact with each other in relation to human rights in the partner countries?

This part thus examines the evaluation criteria of relevance, effectiveness and coherence as well as aspects of the criteria of overarching development impact and sustainability.

### Methodological approach

The methodology of the present part of the evaluation is based on two principles: First, like Part 1 of the evaluation, it follows a human rights-based evaluation (HRBE) approach, which ensures the integration of human rights standards and principles with regard to the object of the evaluation, the evaluation process and the methodology. Secondly, this part of the evaluation pursues a theory-based approach whereby assumptions formulated in a programme theory are empirically examined.

Methodologically, this part of the evaluation builds on two pillars: The first pillar is a comparative case study design that comprises in-depth case studies (in India and Nigeria) and desk-based case studies (in Egypt, Ghana and Uzbekistan). In the case studies, interviews and focus group discussions were conducted with rights-holders addressed by projects, with partners, and with project staff and project managers from implementing organisations. Data was also obtained by carrying out document analysis. The desk-based case studies are based on document analyses and interviews with project managers from implementing organisations. The second pillar of the methodology is a synthesis of findings from project evaluation reports. It is based on content analysis of a sample consisting of 44 randomly selected project evaluations carried out by implementing organisations.

### Findings and conclusions

#### *Implementation of the human rights-based approach*

To address evaluation question 1, the evaluation examined the implementation of human rights directives set out in the HRBA. The corresponding findings thus relate to the evaluation criterion of relevance, in terms of the appropriate conception of bilateral projects. In projects in the intervention area 'Private sector and financial system development', the mainstreaming of the HRBA is **partially fulfilled**.<sup>4</sup> As Table 1 shows, however, the degree to which individual human rights standards and principles are mainstreamed varies greatly.

**Table 1 Assessments and findings: Implementation of the HRBA**

Assessment criterion	Empirical findings
Non-discrimination of marginalised groups (Chapter 4.1): Partially fulfilled	<ul style="list-style-type: none"> <li>• Many of the projects examined facilitate equal access to their activities and outputs for marginalised groups.</li> <li>• In about half of the projects, disaggregated information on marginalised groups is used and no indirect discrimination caused by barriers to access is found.</li> <li>• Projects rarely implement measures geared towards the targeted and active promotion of marginalised groups.</li> </ul>

<sup>4</sup> The criteria for assessing the implementation of the HRBA are derived from the BMZ human rights strategy paper and the corresponding human rights guidelines (BMZ, 2011; 2013a). These state that the HRBA is to be implemented by ensuring, among other things, that projects 'systematically refer to' the human rights principles of non-discrimination and equal opportunities, participation and empowerment, and transparency and accountability (BMZ 2013a, p. 2).

Participation and empowerment (Chapter 4.2): Barely fulfilled	<ul style="list-style-type: none"> <li>• Only in isolated cases do rights-holders addressed by projects receive information about how they can participate in the elaboration of projects (information).</li> <li>• In roughly half of the projects examined, the addressed rights-holders are occasionally consulted about their interests (consultation).</li> <li>• Addressed rights-holders can rarely feed their interests and views into the decision-making processes of projects (co-determination).</li> <li>• Projects barely promote the participation of structurally marginalised groups.</li> </ul>
Transparency: Information (Chapter 4.3): Fulfilled	<ul style="list-style-type: none"> <li>• Almost all of the projects examined make information about their activities and objectives available throughout the entire project cycle.</li> <li>• In many projects, the groups directly addressed are aware of this information and able to use it.</li> </ul>
Accountability: Grievance mechanisms (Chapter 4.3): Barely fulfilled	<ul style="list-style-type: none"> <li>• Many of the projects examined have formal and/or informal channels that enable rights-holders to communicate complaints.</li> <li>• In a few projects, grievance mechanisms are known and accessible to the addressed rights-holders and predictable and safe for them to use.</li> <li>• In none of the projects is information available on how the grievance mechanisms fulfil the requirement for independence and objectivity.</li> </ul>
Human rights risks: Planning (Chapter 4.4): Fulfilled	<ul style="list-style-type: none"> <li>• Almost all of the projects examined assess human rights risks at the beginning of their planning phase.</li> <li>• Many projects develop risk-mitigating measures for any risks that are identified.</li> </ul>
Human rights risks: Implementation (Chapter 4.4): Partially fulfilled	<ul style="list-style-type: none"> <li>• Few of the projects examined systematically assess new human rights risks during the implementation phase and identify corresponding risk-mitigating measures.</li> </ul>

These findings give rise to the following conclusions regarding the implementation of the HRBA in bilateral development projects (see Chapter 7):

- **Conclusion 1:** The principle of non-discrimination and the management of human rights risks are implemented well during the planning of projects. Challenges exist, however, when it comes to putting measures in place to fulfil these principles during the implementation phase. One of the reasons for this is that information from preparatory appraisals is not systematically taken into account when elaborating the content and implementation of projects. In two thirds of the examined projects that carried out in-depth assessments, the assessment results are not reflected in the elaboration of project content or in project reporting. Beyond this, the implementation of the HRBA is hampered by factors at the level of staff and project managers, such as limited knowledge about the HRBA and a perception that the HRBA is at odds with the project's other objectives and therefore not relevant to the project context. Against this backdrop, conceptual uncertainties in the HRBA hinder project managers and staff from mainstreaming the approach.
- **Conclusion 2:** Systematic mainstreaming of participation is barely found in projects in the intervention area 'Private sector and financial system development'. Only in rare cases are the views of the addressed rights-holders or their representation structures actively sought – and if so, then usually by means of dialogue forums or feedback on specific measures. Rights-holder participation in the monitoring of projects and in decisions on the elaboration of projects, as envisaged by the HRBA, hardly ever happens.
- **Conclusion 3:** At the level of projects, informal grievance mechanisms frequently exist, and participants find them accessible and useful. Where formal grievance mechanisms exist – whether at project level or institutional level – the rights-holders addressed by the projects only know about them in a few cases. Moreover, no information is available at the project level on how the grievance mechanisms fulfil the requirements of independence and objectivity.
- **Conclusion 4:** The implementation of the HRBA reveals some comparative strengths and weaknesses of the implementing organisations. In projects commissioned by the Development Bank of the Kreditanstalt für Wiederaufbau (KfW), the implementation of grievance mechanisms is comparatively better and the

mainstreaming of human rights risk management is more comprehensive. This is partly due to the fact that it can contractually oblige its implementing partners to put such measures into practice. In projects of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the implementation of the principle of non-discrimination is better because the projects work more closely with the target groups. In contrast, KfW Development Bank projects usually involve cooperation with financial intermediaries, meaning that effects on rights-holders are often indirect. Another issue is that financial intermediaries have to meet profitability and solvency requirements, which is perceived to hamper the inclusion of marginalised groups as the principle of non-discrimination requires.

### Effectiveness on human rights

Evaluation questions 2 to 4 were addressed by examining contributions to human rights-related effects. The corresponding findings thus relate to the evaluation criteria of effectiveness, development impact and sustainability. The human rights-related effectiveness of projects in the intervention area ‘Private sector and financial system development’ is **partially fulfilled**.<sup>5</sup> Table 2 shows that the degree of effectiveness varies depending on the assessment criterion. Very often, limited effectiveness can be traced back to limitations in the projects’ potential to achieve results, which are a consequence of not having incorporated appropriate activities and outputs into projects.

**Table 2 Assessments and findings: Effectiveness of the HRBA**

Assessment criterion	Empirical findings
Contributions to creating and safeguarding jobs (Chapter 5.1): Fulfilled	<ul style="list-style-type: none"> <li>• Many of the projects examined intend to contribute to the creation or safeguarding of jobs. In most cases, they do achieve these effects. On the basis of the findings, however, nothing can be said about the volume and quality of the jobs created.</li> <li>• Almost all projects contribute to achieving intermediate effects that may subsequently create or safeguard jobs.</li> </ul>
Contributions to just and favourable working conditions (Chapter 5.1): Barely fulfilled	<ul style="list-style-type: none"> <li>• Few of the projects examined specify any intended effects with regard to just and favourable working conditions.</li> <li>• About half of the projects contribute to achieving intermediate effects that are intended to lead to improved working conditions.</li> </ul>
Contributions to strengthening marginalised groups (Chapter 5.2): Partially fulfilled	<ul style="list-style-type: none"> <li>• Approximately half of the projects intend to have effects on marginalised groups. In somewhat more than half of these projects, there is evidence of such effects.</li> <li>• Projects very often focus on an individual group, women in particular. Occasionally, projects also target other groups; they rarely address groups affected by multiple discrimination.</li> </ul>
Contributions to strengthening addressed rights-holders in human rights terms (Chapter 5.2): Missed	<ul style="list-style-type: none"> <li>• Only very few projects intend and/or achieve effects to strengthen addressed rights-holders by empowering them to know and assert their rights.</li> </ul>

<sup>5</sup> The analysed human-rights-related effects were derived from sector-specific BMZ guidance documents for ‘Private sector and financial system development’ and for the HRBA, and were compared with effects mentioned in project documents (BMZ, 2011; 2013a; 2013b; 2016). They form the basis for the programme theory underlying the analysis (see Chapter 4.3.). Relevant human rights-related effects include contributions to the creation of decent work (comprising both job creation and the promotion of just and favourable working conditions, including social dialogue) as well as the empowerment of rights-holders, especially structurally disadvantaged groups, and duty-bearers. Firstly, creating and/or safeguarding jobs contributes to realising the right to work, this being a definitional element and a precondition for decent work (see Chapter 2.2.1). Secondly, new or safeguarded jobs pave the way for improving working conditions, in keeping with the principle of progressive realisation.

Contributions to strengthening addressed duty-bearers in human rights terms (Chapter 5.2):  
Partially fulfilled

- Approximately half of the projects intend to strengthen duty-bearers by empowering them to meet their human rights obligations.
- The projects especially strengthen companies as secondary duty-bearers by enabling them to fulfil their human rights due diligence obligations.

These findings give rise to the following conclusions (see Chapter 7):

- **Conclusion 5:** Projects in the intervention area ‘Private sector and financial system development’ contribute – often indirectly – to creating and safeguarding jobs. However, it is not possible to assess the volume and quality of these jobs due to the unavailability of data. Effects pertaining to the improvement of working conditions or the strengthening of addressed rights-holders and duty-bearers in human rights terms are barely pursued. This does not mean that every single project should contribute to just and favourable working conditions with the same intensity. However, examples of systematic approaches to these strategic directives were barely found. No systematic mainstreaming of corresponding effects in the intervention area nor any exploration of possible thematic linkages to such effects were in evidence.<sup>6</sup>
- **Conclusion 6:** Unclear sector-specific requirements of the HRBA for projects in the intervention area ‘Private sector and financial system development’ impede the mainstreaming of human rights-related effects. Other contributing factors are the lack of knowledge among project staff and project managers about the HRBA as well as their subjective perception that the HRBA is not relevant in the context of projects in the intervention area. Often this means that opportunities to make thematic linkages between projects in the intervention area and the HRBA go unused – even though examples exist, both within and beyond German development cooperation, which demonstrate how the HRBA can be mainstreamed in similar projects.

### *Coherence of BMZ-financed or co-financed projects*

The projects examined in the case studies are delivered by state implementing organisations, civil society organisations and private sector companies and can be assigned to the field of ‘Private sector and financial system development’. In practice they pursue similar overarching objectives in the given partner country but are active in different locations and cooperate with different types of partner organisations. Usually the projects do not make reference to each other, however. As a consequence, they hardly interact with one another for the purpose of achieving their common objectives:

- **Conclusion 7:** BMZ-financed or co-financed projects delivered by state, civil society and private sector actors are complementary to each other on some factors. However, no intentional reference is made to projects delivered by actors outside their own actor group, with the result that potential synergies due to the heterogeneity of the projects cannot be exploited. Thus, with the exception of projects planned jointly under a programme, the projects of state, civil society and private sector actors characteristically operate in parallel rather than in collaboration. At the same time, the BMZ’s directives on coordination between actor groups are ambivalent, which leaves some uncertainty about the desired degree of coordination, bearing in mind the high transaction costs involved.

<sup>6</sup> A principal focus on intended human rights effects is found in projects on textile supply chains. During the period under review, however, these only account for a very small share of the portfolio analysed. Moreover, many such projects are not assigned to the ‘Private sector and financial system development’ area of intervention but to other core areas or areas of intervention.

## Recommendations

The recommendations of the second part of the evaluation relate to improving the mainstreaming of the HRBA in general (Recommendations 1 to 4) and strengthening the effects of bilateral projects on human rights (Recommendation 5). Furthermore, they address the coherence of different BMZ-financed or co-financed projects with reference to the strengthening of human rights (Recommendation 6).

### **Recommendation 1: Further develop quality assurance in relation to the mainstreaming of the HRBA**

The implementing organisations should further develop their quality assurance systems to support the mainstreaming of the HRBA across all projects. Quality assurance should ensure that appraisal findings on human rights risks and impacts are consistently and formally embedded in the conception of projects and included in their monitoring. Furthermore, quality assurance should review whether provision is made for appropriate implementation of human rights principles in projects throughout their project cycles. Quality assurance findings should be documented for each project. The aim is to ensure that human rights standards and principles are implemented in projects throughout all phases of the project cycle.

### **Recommendation 2: Strengthen incentives to implement the HRBA in projects**

The implementing organisations should develop incentive systems to encourage the managers of state-implemented projects to mainstream the HRBA in projects with due regard for the specific context. As one element of the incentive system, a public award ceremony similar to the GIZ Gender Award should be established, preferably on an inter-organisational basis, with a prize for the successful implementation of the quality criterion in projects. In addition, specific incentive systems adapted to the organisational context should be developed for project managers. The aim is to boost initiatives to bring about better implementation of the HRBA by strengthening positive incentives for the persons responsible.

### **Recommendation 3: Bring together existing grievance mechanisms in an independent, development cooperation-wide grievance redressal system.**

In order to bring together the existing grievance mechanisms of the implementing organisations in one grievance redressal system, the BMZ should develop a concept for an independent, development cooperation-wide grievance redressal system in a consultative process involving the implementing organisations and civil society. The concept should build on the review of quality recommended in the first part of the evaluation. It should conceptualise existing grievance mechanisms as part of an integrated, modular structure and define the requirements and responsibilities at the various levels (development cooperation-wide, institution-specific and project-specific).

The overarching objective of such a grievance redressal system is to prevent human rights violations and improve German development cooperation. Rights-holders and their representation structures should be able to use grievance mechanisms without fear of reprisals and obtain redress in the event of human rights violations. The BMZ and the implementing organisations should be able to fulfil their human rights due diligence obligations and obtain information relevant for strategic steering. This information should enable organisational learning, which should lead to the further development of both processes and procedures and the improvement of individual projects.

### **Recommendation 4: Systematic integration of the HRBA into strategies for core and initiative areas**

In all of its core and initiative area strategies, the BMZ should clearly articulate possible tensions between sectoral objectives and the objectives of the HRBA. Building on this, it should formulate practical approaches setting out how the HRBA is to be elaborated with due regard for specific sectors. To lay foundations for this, directives for addressing the issue of synergies and possible tensions with the quality criterion should be inserted in the supplementary guidelines for the preparation of core and initiative area strategies. Building on the said foundations and working within the framework of the existing procedural steps, the sectoral division responsible for the given core or initiative area and the Human Rights division should jointly develop practical approaches for the sector-specific elaboration of the HRBA, and document them in the respective strategy. The aim should be to formulate clear strategic directives so that possible tensions within projects are not resolved one-sidedly to the detriment of the HRBA. Both the development of core and initiative area



strategies and the elaboration of a feminist development policy provide opportunities to formulate strategic directives for a coherent, values-oriented and human rights-based development policy.

**Recommendation 5: Develop exemplar module components and exemplar accompanying measures for the HRBA**

The implementing organisations should develop exemplar human rights module components and exemplar accompanying measures geared towards the strengthening of rights-holders and duty-bearers and the empowerment of structurally marginalised groups. Over time, exemplar module components and exemplar accompanying measures should be developed for all core areas. However, building on the findings of the second part of the evaluation, they should first be developed for the intervention area 'Private sector and financial system development' as a priority. The aim is to provide practice-based templates for decision-makers that can be implemented in projects with adaptations for the concrete context.

**Recommendation 6: Strengthen coherence on human rights in partner countries**

Economic cooperation officers based in the partner countries should identify potential synergies of BMZ-financed or co-financed projects with regard to the collaborative realisation of human rights, and offer exchange formats for bilateral, civil society and private sector actors geared towards exploiting such synergies. The exchange formats should be designed to ensure that these three actor groups – bilateral, civil society and private sector actors – are represented in the meetings. These meetings should enable the actor groups involved to engage in a structured exchange of ideas on the exploitation of potential synergies and to identify and make use of opportunities for cooperation. Selected cooperations should be formally documented as part of German development cooperation's country-related strategy processes – for instance, during strategy meetings on programmes. The aim is to facilitate a more internally coherent, values-oriented and human rights-based development policy while preserving the autonomy of the actor groups involved.

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