

COUNTRY PORTFOLIO REVIEWS – A TOOL FOR STRATEGIC PORTFOLIO ANALYSIS IN GERMAN DEVELOPMENT COOPERATION

Summary

Following longstanding criticism of bilateral development cooperation's effectiveness, the 2030 Agenda is placing new demands on donors. They must position their bilateral portfolios appropriately in the context of these demands, while at the same time maintaining their coherence. This requires holistic approaches at country portfolio level as well as strengthening strategic planning and management. In the course of these developments comprehensive country strategies are once again gaining importance for many donors.

It is therefore to be welcomed that Germany's Federal Ministry for Economic Cooperation and Development (BMZ) also intends to pursue portfolio management increasingly within the framework of integrated country-level approaches. However, the BMZ faces challenges in strategically planning and realising coherent country portfolios.

Fundamentally important in this context is the effective use of country strategies as a tool to manage official bilateral development cooperation. So far, however, planners have not always succeeded in designing and using country strategies such that they meet the demands placed on them. Portfolio management often takes place at the level of individual priority areas, and it is not always evident that the bilateral portfolio as a whole has been strategically positioned in relation to the complex web of different demands.

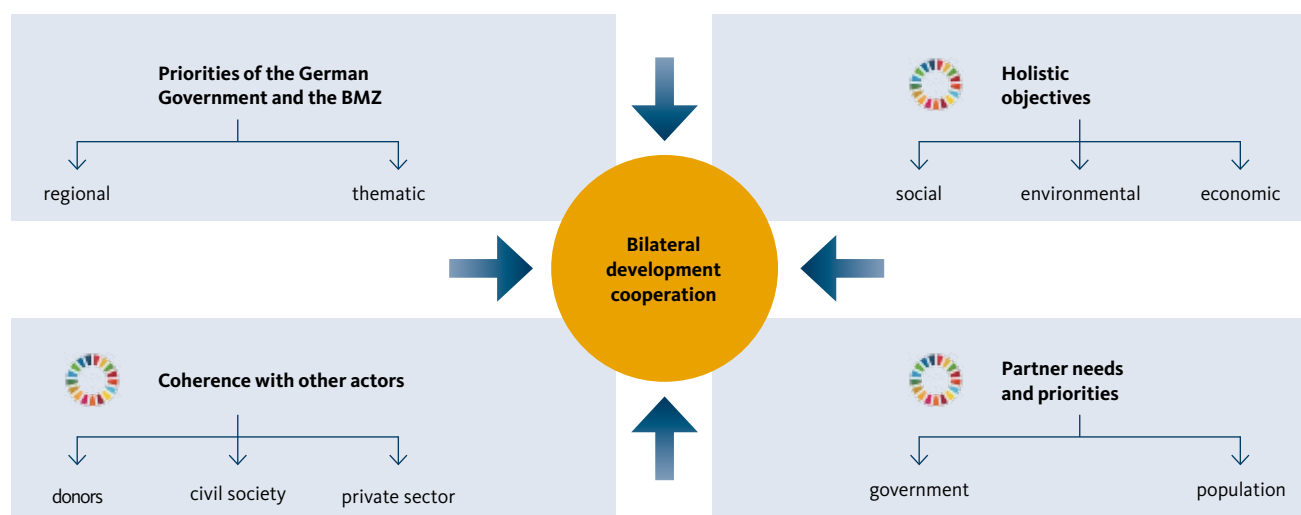
One reason for this is that the BMZ does not always possess the systematic information it needs in order to take evidence-based decisions at portfolio level. At the higher level in particular, evidence gaps exist regarding the relevance, coherence and

effectiveness of the portfolio that pose a challenge for strategic management by the BMZ's regional divisions.

In order to permanently and comprehensively close key evidence gaps for portfolio management, in cooperation with the BMZ DEval has developed a tool for strategic portfolio analysis of German bilateral development cooperation – country portfolio reviews (CPRs). By providing evidence on relevance and aspects of strategic management at portfolio level, CPRs address many of the BMZs most pressing current demands. They create the database needed for strategy building in line with the 2030 Agenda, for instance, and in so doing complement existing processes and tools. In the medium term it will also be possible to generate cross-country findings from the meta-analysis of several CPRs. This will help improve the general directives and processes of bilateral development cooperation as a whole.

The 2030 Agenda is making new demands on international cooperation

Bilateral development cooperation is frequently criticised for its limited effectiveness. Consequently, international agendas such as the 2030 Agenda or the Busan Partnership for Effective Development Co-operation call for far-reaching changes in the strategy and implementation of development cooperation. Be it the orientation of bilateral cooperation toward partner country priorities and needs, taking into account the interactions between the social, environmental and economic dimensions of development, or greater coherence in cooperation. The coherent orientation of bilateral development cooperation based on these guiding principles is considered fundamental for more effective development cooperation.

Figure 1: Competing demands on German bilateral development cooperation

Source: authors' own graphic

Donors must position their country portfolios strategically in relation to various demands that are not always fully compatible

The DEval report *Country Portfolio Reviews – A tool for strategic portfolio analysis in German development cooperation* (Hartmann et al., 2019) clearly shows how challenging it is to position bilateral country portfolios strategically in relation to this complex set of demands, yet make them sufficiently coherent. For example, how can a portfolio be oriented toward promoting economic development in a country while preventing negative consequences of this for the social or environmental dimensions of development? How can donors at the same time ensure that sufficient attention is paid to both partner government priorities and key development needs of particularly disadvantaged groups of the population? In addition, when designing the country strategy how can donors take sufficient account of their own priorities while aligning with the activities of other development actors? (see Figure 1)

For development cooperation to be effective, country portfolios need to incorporate these competing demands appropriately, and strike the best possible balance when they are not fully compatible. This calls for strategic country-level approaches.

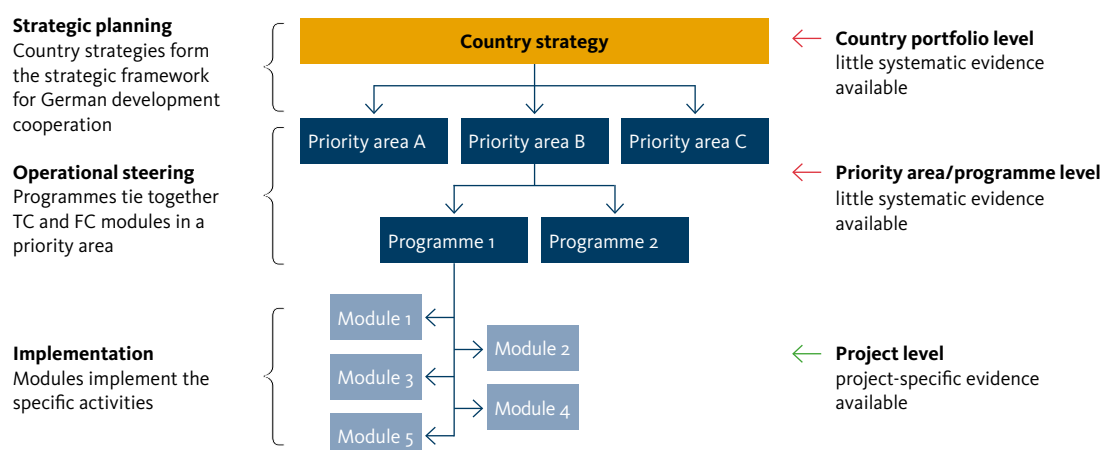
Many donors are therefore abandoning a narrow focus on projects and/or programmes, and attaching increasing importance to integrated country strategies that allow coherent and strategic bilateral portfolio management.

The BMZ intends to strengthen the importance of integrated, holistic approaches to portfolio management

With this in mind, over the last few years the BMZ too has launched processes of structural change for the strategic planning and management of its bilateral development cooperation. It now intends to give integrated country-level approaches a more pivotal role in portfolio management, and in doing so sharpen the focus on strategic objectives and the coherence of the bilateral development cooperation portfolio.

Country strategies define the strategic framework of objectives on which priority areas, programmes and modules (individual projects) are to be based. Programmes will tie together the modules of Technical and Financial Cooperation (TC and FC) in a priority area, making them a key instrument for the operational steering of development cooperation. Finally, activities on the ground will be implemented through modules (see Figure 2).

Figure 2: Evidence gaps within the structure of German bilateral development cooperation



Source: authors' own graphic

Strategic positioning and coherence of the German development cooperation portfolio

At present, using country strategies as a strategic management tool often involves challenges. For instance, it is not always evident to what extent country strategies have helped to strategically position development cooperation portfolios in the complex setting of the various demands placed on them. Rather, strategic positioning and portfolio management often take place at the level of the individual priority areas. This can weaken the coherence of the portfolio as a whole, as priority areas are planned and implemented independently of each other and interactions are not discussed systematically.

In addition, programmes are not always built on a robust, well-founded theory of change; in these cases the coherence of the projects within the programmes remains limited, as the projects then tend to be linked somewhat loosely. The current BMZ strategy paper 'Development Policy 2030' therefore quite rightly addresses these challenges, and seeks to shift emphasis in the future onto more integrated, holistic approaches (BMZ, 2018).

The strategic positioning and coherent development of bilateral portfolios require systematic evidence

Positioning country portfolios against the backdrop of the described multidimensional demands, and designing coherent development cooperation portfolios require a sound information base. However, analysis of the existing information systems of the BMZ and its implementing organisations clearly shows that evidence gaps exist at the country portfolio level. These gaps pose a challenge for the BMZ's regional divisions when performing strategic country portfolio management (see Figure 2).

So far planners have often lacked the data (and the systematic analysis of existing data) that would inform them on relevance and effectiveness at portfolio and priority area level. There is often only little evidence available on: whether the described demands are met overall; whether an appropriate balance has been struck between those demands that are not fully compatible; whether the agreed priority areas are (still) the right ones; whether the programmes or corresponding modules are effectively interlinked, and whether the portfolio as a whole has ultimately succeeded in prompting systemic and sustainable change.

Country portfolio reviews can provide needed evidence for portfolio management

As part of its ,developing and innovating methods and standards‘ area of activity, DEval has been supporting the BMZ in its efforts to strengthen the evidence base for strategic management of the bilateral development cooperation portfolio. Specifically, with the CPRs DEval has developed an analytical tool designed to help close the existing evidence gaps at portfolio level (see Figure 2). Based on specific criteria, CPRs ask the question ,Is German development cooperation (still) doing the right thing in the partner country?‘ By doing so they support the ongoing, forward-looking development of country strategies. Furthermore, in the medium term meta-analysis of several CPRs will be able to generate cross-country findings. On that basis it will then be possible to improve general directives and processes of bilateral development cooperation. To support users of CPR, procedural guidelines were also developed that set out in detail how the tool

can be applied within the BMZ’s country strategy cycle (Hartmann et al. 2019).

The CPR tool is an important component of the toolbox for evidence-based strategic management of development cooperation. CPRs address strategic issues at the level of the portfolio as a whole, thus creating the information base needed for strategy building.

This new tool now needs to be firmly institutionalised within the system for strategically managing bilateral development cooperation. The toolbox should also be further developed. In particular, analytical tools with a stronger focus on impact and sustainability, such as evaluations at programme level, can meaningfully complement CPRs in the future. They can also be a further step toward strengthening portfolio management as envisaged in the BMZ strategy paper ,Development Policy 2030‘:

References

BMZ (2018), *Development policy 2030. New challenges – new solutions*, Strategy Paper, German Federal Ministry for Economic Cooperation and Development, Bonn.

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.



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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.