DAS DEVELOPPP.DE-PROGRAMM: EINE PORTFOLIOANALYSE

2016
Das Deutsche Evaluierungsinstitut der Entwicklungszusammenarbeit (DEval) ist vom Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) mandatiert, Maßnahmen der deutschen Entwicklungszusammenarbeit unabhängig und nachvollziehbar zu analysieren und zu bewerten.

Mit seinen Evaluierungen trägt das Institut dazu bei, die Entscheidungsgrundlage für eine wirksame Gestaltung des Politikfeldes zu verbessern und die Transparenz zu den Ergebnissen zu erhöhen.

Der vorliegende Bericht ist auch auf der DEval-Website als pdf-Download verfügbar unter:
www.deval.org/de/evaluierungsberichte.html

Anfragen nach einer gebundenen Ausgabe richten Sie bitte an:
info@DEval.org

---

**Bibliografische Angabe**
Lücking, K. und H. Roggemann (2016),
*Das developPPP.de-Programm. Eine Portfolioanalyse*,
Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit (DEval), Bonn.
Summary

Background, Objective and Overall Evaluation

Since the 1990s, the German Federal Ministry for Economic Cooperation and Development (BMZ) has held the objective of getting private enterprise and economic actors more heavily involved in the achievement of development policy objectives by implementing an incentive system for cooperation with the private sector. The most financially substantial and therefore the most important assistance programme of the EPW is the develoPPP.de programme, which technically and financially supports European enterprises that invest capital and human resources as well as know-how in developing and emerging countries.

This partnership with the private sector might imply a potential conflict of interest between the requests made on behalf of the BMZ, for whom the assisted projects are required to be relevant in terms of development policy, and the private business interests of the companies that are taking part in the programme. There is the question as to whether it is possible to combine these divergent interests with respect to the choice of the project country, as such potential project countries are very different in their socio-economic and political parameters; it is this question that is taken up in the current portfolio analysis.

Thus, this analysis contributes to the debate surrounding the allocation of (German) development aid. At the heart of this debate, which has been ongoing since the 1990s, is the question as to which political and socio-economic parameters in developing and emerging countries influence the efficiency of development cooperation and to what extent the resulting allocation offers of development aid can actually be observed in reality. The connection of private business interests through the develoPPP.de programme has sharpened the controversy in this debate. The question thus arises: how are the means of the develoPPP.de programme geographically allocated by the involved players of German development cooperation?

With this background in mind, the current portfolio analysis addresses the allocation patterns of the develoPPP.de programme and as such, makes an important contribution to the evaluation of the programme’s relevance in development policy. The portfolio analysis is in this respect an important building block in a comprehensive and methodologically triangulated evaluation by the German Institute for Development Evaluation (DEval), which generates evidenced-based statements about the structure and effectiveness of the develoPPP.de programme.

More concretely, the portfolio analysis concerns itself with the distribution of develoPPP.de projects across developing and emerging countries which differ in their neediness, political structures and market attractiveness. The starting point for this analysis is the assumption that the conflicting interests in allocation is reflected in the choice of project countries. Private sector companies can influence this choice through the demand-driven submission of a programme application, and German development cooperation can influence the choice through the approval and configuration of the application.

With the use of a programme database that was broadened to include country factors, an investigation was undertaken to analyse which country-specific factors given during the application process hindered or fostered the programme application and its approval alongside those which might have been a factor in an early end to a develoPPP.de project.

The most important results of this portfolio analysis can be summarised as follows:

1. Country-specific factors have a remarkable influence on the submission of an application and, to a lesser extent, also in the approval of an application, but do not necessarily influence an early end to a project. This suggests that the socio-economic and political context plays an important role in the application process as well as in the approval of the application, whereas project-specific factors are more likely to be responsible for the discontinuation of a project.

2. Factors at work that foster an application as well as the acceptance of a proposal are those that bring about a higher market attractiveness for companies, such as the size of a domestic market or the quality of infrastructure and political stability, as well as factors that are especially relevant to development policy such as a country’s determined economic neediness or its level of democracy, including political rights and civil freedoms.
An affirmative judgment regarding the compatibility of the interests of private enterprises and those of development cooperation in the develoPPP.de programme is not possible solely through a portfolio analysis. It gives relevant information as concerns how deeply socio-economic and political parameters are manifested in the allocation restraints during the application and approvals phases. An analysis about the project-specific context and the effectiveness of projects can only take place in the framework of a DEval evaluation of the programme.

Methodological Approach

The programme database that was investigated included the information given on develoPPP.de applications and was supplemented by country-specific indicators, including the political parameters4 (government leadership and the type of political regime) and the economic market attractiveness (income levels, the size of the domestic market, relative resource wealth and infrastructure requirements) of potential project countries as well as the meaning for Germany on the development policy level.

A variety of statistical models and types of analyses were used in order to identify and quantify potential cause-effect links (for example, between the political frameworks and the probability of an application being submitted) and thereby should predict the influence of different country-specific factors on:

1. the probability and quantity of applications submitted by private enterprises,
2. the probability and quantity of applications accepted by the organisation charged with realisation and
3. the probability that a develoPPP.de project ended early.

The portfolio analysis identified statistical regularities that show average correlations across all projects. Individual, unique cases were not taken into consideration and can contradict the structural results presented. These identified regularities may not necessarily be based on a conscious decision-making process such as a criteria for approval but could have been generated via an implicit decision. The results therefore do not constitute a list of manifested criteria but rather show which country-specific factors on average influenced the application, the approval of the application and the discontinuation of develoPPP.de projects.

One of the biggest advantages to using this method is that the correlation of two factors, such as the political parameters and the probability of an application, can be identified and quantified. The strengths of this quantitative method, however, are countered by the fact that this method cannot identify reasons for the correlations. These generated results are therefore also examined with qualitative methods in the evaluation of the develoPPP.de programme.

Results: country-specific influences on the distribution of develoPPP.de undertakings

In order to calculate the risks of a direct investment, companies prefer in the application process democratic countries that are politically stable (those that have a higher rate of political rights and civil liberties), countries with a large domestic market and better infrastructure – countries which could be estimated to have potentially greater perspectives for economic success. As well, companies invest in those countries that are more needy and have a greater relevance as a partner country for German economic cooperation. The reason for this may be that the companies who apply for the develoPPP.de programme find an investment attractive in a country that is relevant to German development policy. Alternatively, in deciding which country to choose for their project, companies may have chosen the country which holds a better chance of being selected. In order to obtain more in-depth results about how the decision-making process of the develoPPP.de projects is shaped, the evaluation looks into if and how the decision-making processes at the companies have been externally influenced at the stage of sketching out the project for the application.

Evidence suggests that during the approvals process when the develoPPP.de submissions are reviewed, the BMZ’s development policy’s governance claims are met by the implementing organisation. This governance claim is manifested in the guidelines of the develoPPP.de programme and includes among others also country-specific selection and test criteria. The analysis shows that these criteria do have an effect. The

---

4 The political parameters were determined with the assistance of the governance indicators listed in the World Bank’s publication Governance Matters Index. In order to simplify the values and to avoid negative values, the indicators were rescaled, using a new scale reaching from 0 to 1.
implementing organisation selects on average rather those submissions that benefit poor countries. As such, the country selections seem to match the development policy goals of the develoPPP.de programme to rather support projects that advance the least developed countries (LDCs).

As with the submissions, the approvals tend to be focused on project submissions in those countries which are democratic and politically stable. This is in line with the development policy principles of the Federal German Government that should be taken into account for the develoPPP.de programme. The level of rule of law in potential project lands, however, does not on average play a part either in the configuration of a company’s develoPPP.de project ideas nor in the project’s selection by the implementing organization. Furthermore, project applications for countries with larger domestic markets and good infrastructure are advanced. Thus the tendency that is first seen in the application process is strengthened during the approvals process. The implementing organisation takes into consideration during the approval process the interests of development policy such as the promotion of countries of higher economic need or BMZ-partner countries and – in line with the nature of the develoPPP.de programme – the project’s economic capabilities.

If and in what respect country factors that are incorporated in the principles of development policy as well as in private business interests are taken into consideration and explicitly taken up in the project approval and configuration phases – perhaps in the negotiation phase – is something that could not be further looked into in the portfolio analysis. The extent to which project-specific factors as well as country-specific factors are considered by the implementing organization during the decision-making processes is investigated under the consideration of the BMZ guidelines in the scope of the evaluation of the develoPPP.de programme.

Regarding the country-specific influences on the probability of a develoPPP.de project being cancelled, there were no statistical correlations either from political nor economic factors. That appears to confirm the notion that country-specific factors do have a systematic influence on the application for a develoPPP.de project and its approval but that putting an early end to a project results more from company and project-specific factors. With this background in mind, it is recommended that the project database be used more thoroughly, by including information on participating enterprises, such as the size, the turnover, previous develoPPP.de applications and subsidiaries in the project country as well on projects – even those that have been declined (such as the project’s goals and their accomplishment and reasons for the cancellation). With this information, a basis for further analysis can be formed. Beyond that, it is recommended that the database with this expanded country-specific information be used continuously in order to watch for changes in the develoPPP.de programme.

5 The level of rule of law is measured by the governance indicators of the World Bank’s Governance Matters Index publication and clarifies if and how the normative legal rights are lived and carried out. The index employed uses a scale of 0 to 1 to measure the legal security of a country.

6 With the use of the Heckman-Selection-Model, it can be ruled out that the results for the approval of an application are elicited by the country selected for the undertaking. This is taken into consideration in the final accounting (see attachment 2 for methodology).