

**UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)
AND THE DEUTSCHE GESELLSCHAFT FÜR TECHNISCHE
ZUSAMMENARBEIT (GTZ)- WHAT DO THEY CONTRIBUTE TO
DEVELOPMENT COOPERATION?**

**An independent comparative evaluation of both organisations based on
research in the Headquarters and case studies in Peru (UNOPS) and Bolivia
(GTZ)**

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1 Introduction

1.1 Topicality

The expectations concerning the effectiveness of development cooperation¹ are nowadays to a large extent *disillusioned* and the *optimism* regarding its success belongs to the past (BELLERS 2000: 209). Some scientists even question the benefit of development cooperation altogether (BAUER 1986, BAUER 1998, BIERMANN 1998). BIERMANN qualifies development aid as ‘international income support/supplementary benefit’. Others, such as J.H. WOLFF (2005), acknowledge the success of some *individual* projects and programmes of development cooperation but doubt that these achievements would result in the *overall* development of the developing countries.²

When the usefulness of development cooperation is questioned, one is often referred to *global indicators*³ such as the share of the gross global product from the developing countries, which has strongly decreased since the 1950s or their growing indebtedness. STOCKMANN correctly stresses that there are also positive results such as the rise of the average life expectancy and declining infant mortality (1992a: 10). However, these positive changes in the Third World are spread across the developing countries very *unevenly*.

Since the existence of development aid policy which is nowadays called development cooperation, *different* approaches have been utilised to support the Third World countries in their development. In the early stages, the late 1940s, the opinion prevailed that only a few years of development aid would be necessary and that the Third World countries would need no more than an *encouragement* and some *initial help* to then continue their development by themselves (BAUER 1998: 5).

¹ The terms *development cooperation* and development aid (or *assistance*) are used synonymously in this study. However, most often the term development cooperation is used.

² In his study, J.H. WOLFF points out the following arguments:

1. The situation in the developing countries is not as bad as often described. The urgency of certain problems have decreased though they are not solved yet (2005:5ff). WOLFF explicitly states that one objective of his study is to show that hunger and poverty are *decreasing* not *increasing*. The paradigm of a *worsening* situation in the developing countries utilised by many scientists and practitioners is wrong in his view (2005: 6). Wolff summarises that the living conditions worldwide, with the exception of sub-Saharan Africa, have improved significantly over the last century. He refers to indicators such as life expectancy, education, health, and nutrition, amongst others (2005: 156).
2. WOLFF argues that development cooperation might be successful with (some) individual projects and programmes but that these achievements do not necessarily mean successful development as such (2005: 175ff; 219). In his view, development cooperation is not the reason why the situation of the developing countries has improved over the last decades (2005: 193).

WOLFF then analyses possible explanations for the failure of development cooperation on the *macro* level despite its results on the *micro* level with its projects and programmes (2005: 252ff). At the end of his study, he points out possible reforms such as an intensive discussion concerning the objectives of development cooperation, its denationalisation or its concentration on countries that accept changes and have the highest number of poor persons (WOLFF 2005: 266ff).

³ One of the critics of this approach is Brüne. See BRÜNE 1998: 9.

This belief in progress was expressed by the *modernisation theory* which dominated the debate. It was assumed that the Third World would develop into an industrial society similar to the Western world if only enough capital was transferred and invested (BELLERS 2000: 210; HARBORTH 1993: 233ff). Therefore, the concept of an industrialisation making up the gap to the more advanced countries seemed to be the cure-all in the 1950s and 1960s. The building up of big industries was drastically supported (ROSTOW 1961). The results, however, to a large extent, were disappointing: after the first decade of strong economic growth, the growth rates dropped to a modest level and, above all, the expected *trickle down effects* failed to appear.

The *dependence theory* which was developed following the neo-marxist theories was the *opposite* of the modernisation theory and supported the dissociation strategy. This theory did not succeed either (STOCKMANN 1996: 2).

Against this background, in the 1970s a new concept was invented, that of *micro-financing*. The poorest classes of society, especially the micro entrepreneurs and small/micro farmers, were to receive *financial* means in the form of *micro credits*. By overcoming the financial obstacles for development and making profitable investments, these entrepreneurs and farmers should have been able to lead their small and micro companies out of the *subsistence economy* (TERBERGER-STOY 2001: 51). Some of the flaws of the concept of micro financing were eradicated over time and with growing experience. But at the end of the 1980s, at the latest, it was obvious that this alternative strategy had not had the extensive success hoped for.

In the 1980s, theory and practice of development cooperation were confronted with a new problem: the *indebtedness crisis* of the Third World. Especially the international financial institutions, the World Bank and the IMF, were significantly involved in the measures and strategies subsequently developed. Both still stick to the basic consensus 'development through modernisation'. Following their guidelines, only developing countries that believe in their 'rescue' by modernisation and free market economy can count on credits. Since the late 1980s, Structural Adjustment Programmes (SAP) have been a fixed component of development cooperation (TETZLAFF 2001a). *Political conditionality* means that the granting of credits is nowadays often tied to political, legal, and economic reforms (TETZLAFF 1997). The efficiency of these SAPs is discussed in an argumentative manner; it seems to be impossible – as is often the case concerning the effectiveness of development concepts – to find a *single* correct answer that can be generalised.

In contrast to this observation, I would like to refer to two, by now, *generally* accepted insights that are very important for the future success of development cooperation. First, it is recognised that development cooperation can only be successful if an *appropriate adaptation* to the background conditions – especially the socio-cultural conditions – of the respective developing country takes place (HEMMER 1998: 24). Second, since the end of the 1990s the significance of *ownership* is emphasised again and again (MILLS / DARIN-ERICSON 2002). Both insights are connected with each other as the governments and the target groups in the developing countries can and will only identify themselves with the projects and programmes and with the development

cooperation in general if not only the economic but also the *social* and the *cultural needs* of their countries are taken into consideration.⁴

Another objective on which the various national and international donors and organisations agree is *sustainability*⁵. The sustainability of projects and programmes of development cooperation is nowadays a central success criterion which at least *implicitly* is an objective with prime validity (STOCKMANN 1992a: 11).

Besides these various concepts and approaches described above, which under the superordinate term ‘development aid’ were tested in practice and analysed, discussed, criticised and praised in theory, the roles of the *state* and the *market* varied over the decades. In the 1950s and 1960s, there was an enormous – some say over-sized – trust in the state. The drastic *change* towards a development strategy which saw the (free) market as the decisive factor took place in the 1980s and the early 1990s. The crisis in Asia, amongst other factors, made it clear very quickly that *liberalisation* by itself was not a solution either. In the last few years, even the World Bank, which had already strived in the 1970s to give priority to the market, suggested that state and market should now be seen as *complementary* (BETZ 2002: 16).⁶ A relatively recent tendency concerning the role of the state is its so-called political *decentralisation* which is supposed to result in a more efficient and development-oriented public administration. Some development politicians probably overestimate the value of this decentralisation as they perceive it as *the* solution for development cooperation.⁷

Despite the numerous new insights and learning processes from the experiences undergone in the policy field ‘development cooperation’ during the last decades, the problems of the Third World are *far* from being solved. *Fighting poverty* was declared - by the World Bank but also by the United Nations (UN) at their *World Summit for Social Development* in Copenhagen in 1995 - as *the* goal of development cooperation in the 1990s, but nonetheless the achievement of reducing poverty by half by 2015 – as defined in the UN Millennium Development Goals (MDGs)⁸ - is

⁴ MOSLEY/ HARRIGAN/ TOYE (1995) as well as STOCKMANN (1992a; 2000) and STOCKMANN/ CASPARI/ KEVENHÖRSTER (2000) strongly underline that the acceptance of the goals of the project on the different levels is very important if not imperative for the success of a project.

⁵ For definitions and origin of the terms *sustainability* and *sustainable development*, see for example STOCKMANN 1992a: 27, BRAUN 1993, HARBORTH 1993: 231ff, and MESSNER 2001:14.

⁶ For further information concerning the different roles of the market and the state see the study by Teresa Hayter *Aid as Imperialism* from 1971 in which especially the World Bank is criticised for its strong market orientation.

⁷ For a further illustration of this tendency, see TETZLAFF 2001a: 207.

⁸ The United Nations’ eight Millennium Development Goals base on the Millenium Declaration made by 147 Heads of State at the Millennium Summit in 2000. The MDGs are worldwide targets – with a 2015 deadline – that aim to:

- halve the number of people living in extreme poverty and hunger;
- ensure that all children receive primary education;
- promote sexual equality and give women a stronger voice;
- reduce child death rates;
- improve the health of mothers;
- combat HIV and AIDS, malaria and other diseases;
- make sure the environment is protected;

highly *doubtful*.⁹ In the past, several approaches have been tried in development cooperation but its main goals have been achieved only *partly*. For those working in the field of development policy, both theorists and practitioners, much remains to be done.

1.2 Relevance

Science has to further examine the policy field ‘development cooperation’ as it represents a topic that is of highest relevance for both the developing and the industrialised countries.¹⁰ For better success in the future, the *theoretical* investigation of the relevant concepts and the respective occurring problems and success stories is as necessary as a productive and stimulating *exchange of ideas and thoughts* between scientists and practitioners.¹¹

Above, I have presented some important concepts of development cooperation; behind this short survey, a *multitude* of scientific studies can be found. In the scientific debate, the most different aspects such as development finance policy, the question of ownership, the importance of the state and the market etc. are brought to the centre of attention, investigated and discussed. However, it must be stated that a strong *concentration* on certain sub-areas of the entire policy field ‘development cooperation’ is taking place.

Stockmann assumes that policy research deals with four components of the political process that build up logically on each other: (1) *problem area*, (2) *programme development*, (3) *implementation* and (4) *evaluation*. Of great importance is his assessment that the *problem area* Third World is treated many times. Policy research puts another emphasis on *programme development* which looks for effective and efficient concepts to solve identified problems. The last two components, *implementation* and *evaluation* of programmes are the components that are dealt with the *least* in scientific studies.

STOCKMANN therefore correctly diagnoses that the biggest *research deficit* in the policy field of development cooperation is to be found at the level of *effects*, achieved *results* and

- build a global partnership for those working in development.

Each of these goals has its own, measurable targets.

⁹ See, for example, the report from the UN in which the Secretary-General Kofi A. Annan points out that if “*the current trends persist, there is a risk that many of the poorest countries will not be able to meet many of them* [the MDGs – CS]” (UNITED NATIONS 2005: 3).

An overview of the MDG achievement and major arguments that try to explain the shortfall of the MDGs are offered by BARTSCH/ KOHLMORGEN (2005: 259ff). The two authors sum up that despite some progress in some regions, severe problems in meeting the MDGs have to be acknowledged in most parts of the developing world (BARTSCH/ KOHLMORGEN 2005: 261). As their analysis focuses on the role of political institutions, they conclude that without a better coordination of these both at national and at global level, success in achieving the MDGs will remain limited (BARTSCH/ KOHLMORGEN 2005: 274).

¹⁰ Messner/Scholz, amongst others, refer to the economic and political impact of the globalisation and the terror attacks since September 2001 which have changed the parameters for a successful foreign policy of the industrialised countries. The two authors state that development cooperation is one of the most important approaches in this entire process and that industrialised and developing countries work together in this field to face *global* challenges and the *national* problems of the developing countries (MESSNER/SCHOLZ 2005: 15). Moreover, seven main reasons are given why, in the epoch of globalisation, it is in the self-interest of the industrialised countries to continue with development cooperation (MESSNER/SCHOLZ 2005: 27ff).

¹¹ For a discussion of the difficult relationship of practitioners/politicians and scientists and their role for the improvement of German development cooperation see THIEL 2004: 12ff.

measurable *success* (1992b: 343ff). The proponents as well as the opponents of development cooperation have difficulties *substantiating* their positive or negative statements concerning its effectiveness and efficiency with *empirical studies*. This is due to a lack of acceptable empirical studies even though development cooperation started more than 50 years ago (STOCKMANN 1997: 17). STOCKMANN prefers the analysis of projects and programmes because (1997: 20; translation: CS)

“nationally based, comparative, sectoral, programme and project analyses appear to be better suited than comprehensive macroanalyses for judging the impacts and sustainability of development cooperation.”¹²

For these reasons, the lack of impact studies and sustainability analyses of development programmes and projects in scientific research is a deficit (STOCKMANN 1996: 9).

1.3 Objective and research questions

The objective of this study arises from the *insufficient success* of international development cooperation and the *lack of empirical studies* in this policy field. The study will contribute to *filling* this *gap* in the scientific research concerning the areas of implementation and evaluation. Moreover it is expected that its empirical findings, results and conclusions can – together with other empirical studies – give an *impetus* to discuss and consider *new* approaches for future development cooperation.

In this study, two organisations active in development cooperation are investigated: (1) the *United Nations Office for Project Services* (UNOPS) and (2) the *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ).

The UN, in general, but also specifically in their work in the field of development cooperation is reproached for a too high level of *bureaucracy* and a *lack of efficiency*. This criticism was one of the reasons why one of the UN agencies was chosen for this study. From the numerous UN agencies, UNOPS was chosen because it is supposedly the only *self-financing* UN agency and does not receive funds from the UN. UNOPS implements projects and programmes for other UN agencies and finances itself by *fees* it charges its clients for project management or any other of its services. UNOPS has to cover its costs from its own income. It promotes itself with its flexibility and ability to act and singles out the *self-financing principle* as an important reason for these qualities.

¹² STOCKMANN states that the impact potential of development cooperation is relatively small so that it is difficult to measure positive and negative effects on the *overall*, societal level. Some of the reasons he mentions are (1997: 33f):

- Exogenous factors, such as worsening terms of trade and other influences from the world economy may overshadow or impede the impact of development cooperation just as much as the existence of indigenous, development-impending, economic and social structures.
- Development cooperation is not always implemented where it would be most needed because in the industrialised and the developing countries development policy is only one dimension of an overall policy that has to prevail against powerful foreign- and economic-policy interests.
- The most serious argument for Stockmann is that development aid is, in terms of its economic size, relatively marginal for most developing countries.

Until now it remains *unknown* or at least *not accessible* to the scientific community how *successful* UNOPS is in implementing its projects and programmes and whether it has a *comparative advantage* towards other organisations in development cooperation. A comparison of UNOPS with another organisation is expected to *reveal* common grounds and differences but also advantages and disadvantages concerning the implementation of projects and programmes. Therefore, an organisation suitable for a comparison with UNOPS was needed. The German GTZ was chosen as this organisation. The World Bank or another UN agency were also considered to compare UNOPS with, but the comparison of a bilateral with a multinational organisation was expected to result in even more interesting findings. Moreover, the World Bank, for example, has been investigated many times already while there are only few published studies on the GTZ.

The GTZ is a *federal* enterprise and was founded as a company under *civil law*. The German Ministry for Economic Cooperation and Development (BMZ) is its major client.

An important *difference* is that UNOPS as a UN agency represents an *international* organisation and therefore *international* development cooperation while the GTZ, to a large extent, implements projects and programmes for the BMZ and, therefore, is mostly perceived as representing *bilateral* German development cooperation. This difference might be relevant for the perception of the two by the target groups and the partner governments in the developing countries.

On the other hand, both organisations have something important in *common*: both UNOPS and the GTZ are part of big *public* institutions – the UN system and the government of the Federal Republic of Germany - but both function like companies in the *private* sector. Therefore, they both have to follow certain rules and regulations but are still run like a private company. It might be expected that the two might have the same problems in certain areas. Moreover, both organisations have to face changes in international development cooperation which – amongst other effects – have resulted in the redistribution of financial means.

Because of the common grounds *and* the differences between UNOPS and the GTZ, which are obvious even *without* an appropriate analysis of their organisational structure etc., an extensive investigation and a comparison of the two organisations promises to result in *interesting insights* and *results*.

This study aims to get a *full* picture of the two organisations. Therefore, the comparison of UNOPS and the GTZ is done (1) by *investigating* and *evaluating* their origin, structure, problems and possibilities at the Headquarters (HQs) level and (2) by *evaluating* how the two organisations work in the field. The field research is done by *case studies* in Peru for UNOPS and in Bolivia for the GTZ on the basis of selected projects and programmes from both organisations.¹³

¹³ Initially, it was planned to empirically study and to compare the work of both organisations in Afghanistan. In late 2004, the GTZ changed its opinion about the research in Afghanistan. Because of the presidential and parliamentary elections in Afghanistan in 2004/2005, the GTZ thought the situation in Afghanistan and in Kabul to be too dangerous to undertake such a study. Fortunately, I succeeded in obtaining promises from both organisations to carry out my field research in Peru instead. The decisive factors for Peru were the following: (1) In Peru, both organisations have

The more concrete objective of this study is to *systematically* investigate the functioning, effectiveness and flexibility of UNOPS and the GTZ and to compare the findings.

Four *central questions* can be formulated as follows:

1. What common grounds and differences do the HQs of UNOPS and the GTZ - concerning their organisational structure, clients, and basic rules and regulations - have?
2. How and with what success do the two organisations implement projects and programmes in the field in Peru (UNOPS) and in Bolivia (GTZ)?

The answers to the first two questions are expected to be the basis to answer the third question.

3. Which common grounds and which differences were identified concerning the implementation of projects and programmes in the field? Which connection exists, if any, between the implementation in the field and the structure of the organisation?
4. What are the lessons learnt from the problems and the success of UNOPS and the GTZ for the future of the organisations but also for the future development cooperation?

By answering the above questions, the present study is expected to contribute to the *scientific* discussion about possibilities and limitations of development cooperation, but also to be utilised by the *practitioners*, by the investigated organisations and by other institutions involved in development cooperation.

1.4 Level of research

On which level of research can this study be based? First of all it is necessary to point out that the level of research needs to be described for *two* different categories:

- (1) the organisational level: what has been published on UNOPS and the GTZ?
- (2) evaluation research in the field of development cooperation.

1.4.1 Level of research concerning UNOPS and the GTZ

UNOPS is rarely *mentioned* in research let alone *investigated*. Studies on UNOPS available to the scientific community¹⁴ are nonexistent *apart* from one study carried out by DIJKZEUL. He published his study titled *Reforming for Results in the UN System. A Study of UNOPS* in 2000. Dijkzeul concentrates on the origin and early development of UNOPS. The evaluation of projects and programmes implemented by UNOPS does not play a significant role in his study. Reference is

projects/programmes in one sector – which is rural development – that are comparable. (2) The knowledge of the national language is an advantage in evaluating the projects/programmes. I do speak Spanish. However, later – when I was already in Peru – the responsible GTZ staff in Peru decided to only offer me research in their programme in the educational sector. As I was already investigating UNOPS' projects in alternative development – which is a specific field of rural development – this was not an acceptable solution. To compare projects/programmes these must be comparable and therefore from the same sector, in this case rural development. It seemed more appropriate to choose projects/programmes of both organisations in two *different* but at least neighbouring and similar countries. The idea was developed to compare UNOPS alternative development projects in Peru with GTZ rural development projects in Bolivia. The GTZ staff in Bolivia agreed to let me undertake my research in its programme in the field of rural development.

¹⁴ Quite a few studies were carried out on behalf of UNOPS – either internally or by external consultants – but these are for *internal* use only.

only made to one questioning of clients¹⁵ in which they had to indicate their satisfaction with UNOPS, but Dijkzeul did not undertake an evaluation of UNOPS' performance in the field.

Compared to UNOPS, the GTZ plays a more important role in research. As it is one of the two most important German development cooperation organisations¹⁶, especially studies done by German researchers refer to the GTZ. However, as the GTZ is quite cautious in allowing researchers to investigate the GTZ from *inside* – i.e. with access to the HQs and the work in the field –, only a few studies exist that comprise findings that result from, for example, *participating observation* and not from using *data* etc. published by the GTZ itself.¹⁷

KÖHLER's study *Mittler zwischen den Welten: GTZ – ein Unternehmen in Entwicklung* of 1994 which reflects the origin and development of the GTZ is one of the few works based on an *extensive* investigation of the GTZ. It includes data generated by observation, document analysis – including internal documents – and interviewing GTZ staff. With the approval of the organisation, Köhler had *free access* to the important documents and people.

Another researcher the GTZ and the BMZ were/are cooperating with is Stockmann who evaluated quite a few projects and programmes on behalf of both. He was allowed to publish several studies that are based on field research. Stockmann is one of the most well-known German evaluation researchers¹⁸ and has a *strong focus* on evaluation in development cooperation.

For both organisations, UNOPS and the GTZ, there is a lack of studies that *link* the structure of the HQs with the organisations' work in the field.

1.4.2 Level of evaluation research in development cooperation

Evaluation research is well established worldwide and in different subject areas.¹⁹ Anything can be the subject of an evaluation but, in most cases, projects and programmes are evaluated. Compared to other subject areas, the utilisation of evaluation research in the field of development cooperation is *not* as advanced.

The implementation and evaluation of projects and programmes have – as already indicated above – been neglected so far by researchers in development cooperation. The concentration of studies on the problem area Third World and the developing of programmes is still considerable so that a *deficit* exists concerning implementation and evaluation.

For the evaluations that are carried out in this field, STOCKMANN identifies a *high deficit* concerning *theories* and *methods* (2000: 375). The various national and international organisations

¹⁵ This questioning was done by UNOPS itself not by Dijkzeul.

¹⁶ The other organisation is the Kreditanstalt für Wiederaufbau (KfW). See section 3.2.3.2 pages 97f for further information.

¹⁷ Of course, the GTZ also has many internal studies that investigate procedures, problems, possibilities and strategies of and for the organisation but, once again, these are *not available* to the scientific community.

¹⁸ He also initiated the foundation of the *Deutsche Gesellschaft für Evaluation e.V.* (DeGEval).

¹⁹ The most important subject areas are educational studies, psychology, social sciences and marketing.

evaluate their respective projects and programmes²⁰ but these evaluation processes are *not coordinated* and common standards are *lacking*.

STOCKMANN, moreover, underlines that in Germany, for example, until 1999, a *lack of transparency* had to be acknowledged as the public organisations did not *publish* their evaluation studies (2000). The problem of transparency and accessibility of evaluation studies in the development cooperation is still an important issue. Even though scientists participate in the evaluations carried out in this field, their results are often not available to the scientific community. The organisations active in development cooperation not only *hesitate* to *publish* their evaluations but also to *share* them with other organisations in the same field. Evaluation studies only for *academic* purposes are rare; this study, therefore, contributes to *enlarging* the number of evaluations accessible for further research but also for the public in general.²¹

1.5 Course of action

After having pointed out the scientific context and the relevance of this study, this section will provide an overview of its structure and the logic behind it.

Chapter 2 deals with *evaluation research* and is meant as *preliminary/preparatory work* for the following chapters in which both organisations' HQs and selected projects/programmes implemented in Peru and Bolivia are *evaluated*. The chapter consists of *three* sections: (1) origin of evaluation research and its theories, (2) methods and standards, and (3) evaluation in development cooperation.

It *starts* with a brief *categorisation* of the most important theories developed in evaluation research in the last few decades. As the *controversies* between supporters of qualitative and quantitative methods are part of the debates on the various theoretical approaches, the different methods are partly mentioned in the first section. In the *second* section, however, the methods, instruments and standards utilised in evaluation research are explained in detail. While the first two sections deal with evaluation research, its methods and the problems it faces in *general*, the *third* section focuses *specifically* on evaluation in development cooperation because in chapters 3, 4, and 5 organisations, projects and programmes of this field will be evaluated.

Chapter 2 raises the *awareness* of the possibilities and constraints evaluation theory offers and faces with its various theories and – quantitative and qualitative - methods. The advantages and disadvantages, the possibilities and problems of the different instruments to gather data are pointed out. The *methods* actually used for the evaluation of the HQs and UNOPS and GTZ projects and programmes in Peru and Bolivia respectively are indicated only in chapters 3, 4 and 5.

Chapter 3 is dedicated to the origin, structure and functioning of both organisations. It comprises *three* sections: the *first* deals with UNOPS, the *second* with the GTZ, and in the *third* the

²⁰ For information how the GTZ evaluates its projects and programmes, see section 3.2.10 pages 122ff.

²¹ For more detailed information concerning evaluation research see Chapter 2 in this study which is dedicated to this research field only.

two are compared with each other. At the beginning of the sections on UNOPS and the GTZ, the methods used are briefly presented.

Several components are covered in the *first* section. UNOPS' development from the very beginning until 2004/2005 is summarised before an overview on its services is given and its structure explained. A significant part of the section on UNOPS deals with the problems UNOPS had or has to face at the level of the HQs.

The section on the GTZ, the *second* section, is structured *similarly* to the one on UNOPS as the third section of Chapter 3 is meant to summarise and compare the findings of the investigation of both organisations. The history of the GTZ is covered as well as changes in the organisational structure and new strategies that were developed to face new challenges and/or problems.

The two sections on UNOPS and the GTZ are detailed and to a large extent descriptive. This in-depth investigation and presentation is *useful* for two reasons:

1. *General purpose*: Much *primary data* and *information* was obtained on both organisations that is now made available to the *scientific community*.²² This might serve as a basis for further research.
2. *Specific purpose*: The *comparison* of both organisations at the end of Chapter 3 needs to be *based* on a solid and detailed investigation. Thereby it will be possible to find the common grounds and differences which the UNOPS and the GTZ have, concerning their origin, their structure, their functioning, and their problems.

The *first* central question - what common grounds and differences the two HQs have – is answered in the *third* section in which the two organisations are compared. Chapter 3 on the whole serves the study as the basis for the subsequent research. The investigation of both HQs is the first precondition to answer the *third* central question - whether and what connection exists between the *structure* of the organisations and their respective achievements in the field.

Chapter 4 comprises the findings of the *empirical study* of about two months in Peru. It consists of *three* sections: (1) applied methods, (2) introduction to Peru as a developing country, (3) presentation of the selected UNOPS Peru programme and projects as well as an analysis of results achieved and of UNOPS Peru's relationship with various institutions and groups.

The *first* section concentrates on the *methods* actually used in the empirical study. Based on Chapter 2, it is summarised *which* methods were applied and *how* the evaluation of the selected projects of UNOPS and the GTZ in Peru was carried out.

The *second* section analyses the general situation of Peru and what important challenges the development cooperation has to face there. Therefore, important economic, social and cultural data are provided, the main branches of industry are presented and the political context in Peru is briefly investigated.

²² Some of the information presented in these two sections was, of course, already accessible before. This is, for example, true for parts of the section on UNOPS that were covered by the study from Dijkzeul. However, his study only includes UNOPS' development until 1999.

Once the methods applied and the larger context of the development cooperation in Peru have been clarified, the *third* section deals with the programmes and projects UNOPS Peru is implementing. The whole range of its programmes and projects are only *briefly* summarised. Afterwards, the section concentrates on the programme and the few projects selected for this study. These are presented in greater detail. The important criteria *why* they were selected are given. Moreover, basic information concerning their development and their objectives is provided.

In the following sub-section, the *findings* of the evaluation undertaken are *presented*, *categorised*, and *analysed*. The weaknesses and strengths of UNOPS Peru in the implementation of the selected projects become evident.

By pointing out how and with what success UNOPS implements its projects in Peru, the *second* central question is answered for one of the organisations, for UNOPS. At this point of the study, the connection *between* the implementation in the field *and* the organisational structure of UNOPS is first analysed as the relationship between UNOPS Peru and its HQs in New York is investigated. The relations of UNOPS Peru with other important groups such as the partner and the target group are analysed as well.

Chapter 5 comprises the course of action and the findings of the *empirical study* of about two months in Bolivia. It is structured like Chapter 4 to facilitate the comparison of the two organisations in Chapter 6. Chapter 5, therefore, also consists of *three* sections: (1) applied methods, (2) introduction to Bolivia as a developing country, (3) presentation of the selected GTZ programme and projects as well as an analysis of results achieved and of GTZ Bolivia's relationship with various institutions and groups. In Chapter 5, the second central question is answered for the second organisation, for the GTZ. Because of the similarity with the structure of Chapter 4 and to avoid any duplications, the structure of Chapter 5 is not presented in greater detail.

In **Chapter 6**, based on the results of the field research in Peru and Bolivia, the field work of both organisations is compared: where do they have common ground and where differences? Chapters 4 and 5 together are the second precondition for answering the third central question as they describe the work of UNOPS in Peru and of the GTZ in Bolivia. Therefore, in Chapter 6, an answer is given to the *third* central question - whether a connection between the work in the field and the respective structure of the two organisations etc. actually exists.

Chapter 7 is the final chapter and gives an answer to the fourth central question. Therefore, it is not only (1) a *resume* of the entire study by referring to the *lessons learnt* but also (2) gives – based on the findings of the study – an *outlook* concerning the *future* possibilities for development cooperation.

The *first* section of Chapter 5 refers to evaluations in development cooperation. The theoretical findings of Chapter 2 and the findings of the research at UNOPS and the GTZ are combined to provide recommendations for an improvement of evaluation research in this policy field.

The *second* section puts together the lessons learnt in the *preceding* chapters by formulating recommendations: it is explained what UNOPS and the GTZ should do to improve their work and to be prepared for the challenges of the future. Moreover, it is pointed out what the UN system and the BMZ should do to support these changes. Based on the lessons learnt through the empirical research, recommendations are also given for future projects and programmes in development cooperation *in general*.

In the *third* section, the findings of this study are *combined* with the ongoing scientific discussion about the problems and possibilities of development cooperation. This thesis, thereby, contributes to this discussion which has not lost its importance over the last few decades.

2 Evaluation research

2.1 Development of evaluation research and its theories

2.1.1 First steps towards evaluation research

Anything can be subject of an evaluation: organisations, programmes, projects, laws, reforms, or even evaluations themselves (STOCKMANN 2004: 15). While some authors do not specify what the focus of their work in evaluation research is, others such as ROSSI and FREEMAN stress that they focus on the evaluation of, in their case, *programmes*. Looking at their reasons for undertaking evaluations, one easily finds out about the importance of programmes in the work of ROSSI and FREEMAN (1993:5). They point out that evaluations can serve

- to judge the *worth* of ongoing programmes and to estimate the usefulness of attempts to improve them;
- to assess the *utility* of new programmes and initiatives;
- to increase the *effectiveness* of programme management and administration;
- to satisfy the *accountability requirements* of programme sponsors.

By always connecting the term *programmes* with the reasons why evaluations can be undertaken and what their intended outcome should be, it becomes quite obvious that Rossi/Freeman are specialised on the evaluation of programmes.

WITTMANN is one of the authors who is not specific about the subject of evaluation (1990: 8). He even points out that evaluation takes part in our everyday life and does not necessarily rely on systematic procedures. But WITTMANN underlines the difference between *evaluation* and *evaluation research* by stressing that *evaluation research* has to be based on the explicit utilisation of *scientific research methods*. He stresses the importance of *systematic* data collection and analysis (1990: 8). ROSSI/FREEMAN offer a quite similar definition of evaluation research (1993: 5):

“Evaluation research is the systematic application of social research procedures for assessing the conceptualisation, design, implementation, and utility of social intervention programmes.”

Another well-known definition of evaluation (research) comes from MERTENS (1998: 219):

“Evaluation is the systematic investigation of the merit or worth of an object (programme) for the purpose of reducing uncertainty in decision making.”

The above offers a little insight into differences between the various authors in the field of evaluation research but also shows that in some (important) issues the researchers agree on *basic definitions*: While there may be different subjects to evaluation research, one of the important features is that *research methods* known from the social sciences are *systematically* used.

Evaluation research belongs to the social sciences. Often, it is qualified as *applied* social research and thereby differentiated from *basic* research (DIEKMANN 1997: 33; ROSSI/FREEMAN

1993: 454). PATTON goes even further and does not talk about evaluation *research* but about *evaluation*. By not using the term *evaluation research* but only *evaluation*, he already indicates what he then explains – that in his view evaluation is *not* research. PATTON mentions that *basic scientific research* is undertaken to discover new knowledge, to test theories, to establish truth, and to generalise across time and space. The goal of (programme) evaluation is a different one. PATTON points out that evaluation serves to inform decisions, clarify options, reduce uncertainties, and provide information about programmes and policies within contextual boundaries of time, place, values, and politics (1986: 14). He summarises the difference between research and evaluation as follows: PATTON sees it as a difference between *conclusion-oriented* and *decision-oriented*, research is aimed at *truth*, evaluation is aimed at *action* (1986: 14).

Most authors do not go as far as PATTON does but the difference between basic research and evaluation research is underlined by many. STOCKMANN classifies evaluation research as part of the applied social research that wants to contribute to the solution of *practical societal problems* (2004a: 14). He differentiates between *fundamental* and *evaluation research* by pointing out that the former aims to gain *knowledge* without any other specific aim while the latter is intended for *use*. ROSSI/FREEMAN also underline that evaluations are implemented to be utilised in practice (1993: 454):

“Evaluation is purposeful, applied social research. In contrast to basic research, evaluation is undertaken to solve practical problems... Further, the criteria for judging the work include its utilization and hence its impact on programmes and the human condition”

Evaluation research is in most cases initiated by a client who pursues certain goals with the evaluation. In STOCKMANN’s experience, evaluation research as *academic* research is more or less an exception (2004a: 14). STOCKMANN not only underlines the differences between fundamental and evaluation research but also indicates that there is *no* principal difference between them concerning the *selection* of the object to examine or the *application* of the data collection and analysis methods (2004a: 15).

WEISS mentions a distinction between basic research and evaluation that is different from the above. She points out that basic research is *published* while a big part of evaluation reports remains *unpublished*. One reason for this, in her view, is that the programme managers and the programme personnel generally do not want difficulties in implementing the programme to be made public. The problem WEISS identifies is that *only* by the *publication* of experiences undergone, both positive and negative, can these experiences become *usable* and have an *impact* on the *planning and implementation of other programmes* (WEISS 1974: 27).²³

To summarise the main points of the above I would like to point out that though, in general, the goals of evaluation research (intended for use) are different from the ones of basic or fundamental research (‘knowledge’, ‘truth’) it is important to be aware that evaluation is research

²³ See section 2.2.3 pages 37ff for a further explanation concerning the problem of making evaluation results usable.

in so far as methods from social sciences are *systematically* used. The evaluation research undertaken in Peru and Bolivia for this dissertation is one of the academic evaluation studies that STOCKMANN explicitly identifies as being so rare (2004a: 14). The results of the research in Peru and Bolivia may and hopefully will be *used* by the UNOPS and the GTZ *but*, being the heart and soul of this thesis, they also represent *academic* results and therefore *knowledge* gained concerning the functioning and efficiency of the two organisations.

2.1.2 Growing importance of evaluation research

Evaluation research has, *methodologically*, a long *tradition* and lots of *experience* thanks to the fields of psychology, educational studies, and industrial sociology. In these academic fields, evaluation research has been undertaken since the beginning of the 20th century.

A commitment to *systematic evaluation* in the fields of education and public health was first seen in the United States of America (USA). Some early efforts took place prior to World War I by assessing educational programmes and public health initiatives (ROSSI/FREEMAN 1993: 9). The application of rigorous social research methods to the assessment of community action programmes was demanded by social scientists in the 1930s; evaluations were implemented more frequently (ROSSI/FREEMAN 1993: 10).

After World War II, *large-scale* programmes were designed to meet the needs for urban development and housing, technological and cultural education, preventive health activities etc. ROSSI/FREEMAN state that at the end of the 1950s, large-scale evaluation programmes were commonplace as the expenditures were quite large and the demands for knowledge of results was therefore growing (1993:10).²⁴

In the 1960s, the *purposeful use* of evaluation research for government programmes carried out became even more important with the *explosive rise* of public reforms, tasks and expenditures. This process was accompanied by more and more papers and books on the practice of evaluation research in the 1960s (ROSSI/FREEMAN 1993: 11). At the end of the 1960s and the early 1970s, economic growth and growing budgets *enabled* governments to start expensive social programmes as well as undertake reforms in the educational and health sector (DERLIEN 1997: 6). The initiators of reform programmes were using evaluation research to prove the efficiency of their measures to be able to better justify them to the parliament and the public *and* to increase the possibility of implementing their innovative reform measures (HELLSTERN/WOLLMANN 1984: 19ff).

DERLIEN states that today different countries have a different level of development and maturity concerning the practical experience *with* as well as the frequency and the methodological level *of* evaluations. He further explains that the United States have by far the best developed evaluation system and especially stresses its strong institutional incorporation (DERLIEN 1997: 4).

²⁴ Evaluations became more important not only in the USA, Europe and other industrialised countries but also in less developed nations.

In the United States, the great rise of evaluation research was initiated by the *War against Poverty* declared by President Kennedy and his successor President Johnson in the mid-1960s (BUSSMANN/KLÖTI/KNOEPFEL 1997: 2; HELLSTERN/WOLLMANN 1984: 28). The goal to reduce poverty and to establish equal economic opportunities was to be achieved by enormous investments in educational institutions and in communities. Evaluation was to become a *learning instrument* in a reform programme that was understood as a system that, on the whole, was still learning. In the course of the *War against Poverty*, evaluations were carried out more and more often (HELLSTERN/WOLLMANN 1984: 28; PATTON 1986: 19). Extensive efforts were undertaken to carry out the evaluation of the effects of the public programmes and to make *recommendations* for their improvement based on a solid methodology (BUSSMANN/KLÖTI/KNOEPFEL 1997: 2).

At the end of the 1970s, evaluation research was not seen as a *learning instrument* (HELLSTERN/WOLLMANN 1984: 28) or as a means to better plan and develop programmes anymore (DERLIEN 1997: 6). The *economic situation* had changed completely. Many governments became aware of the necessity to distribute the *tight resources* very well (DERLIEN 1997: 7). Because of the budgetary restraints, evaluations became a means of *cost reduction*, in the United States as well as in the Federal Republic of Germany and in other countries. Evaluations were discovered to be useful to deal with the situation of having less financial resources as they contributed to the process of finding out which measures were functioning well and should be continued and which programmes should be ended (HELLSTERN/WOLLMANN 1984: 48ff).

For the first time, evaluations had the purpose of *rationalising the allocation of resources*. Evaluation in the 1970s was an outcome of political efforts to investigate the right to exist of *ongoing* reform programmes. Instead of expecting them to improve the planning and implementation of programmes more effectively, evaluations were now hoped to identify *ineffective* programmes to then cut their budgets. Fiscal conditions, i.e. budgetary restraints, were the main reason for the *change* of the purpose of evaluating public programmes (DERLIEN 1997:6f).²⁵

Today, as in most countries in the Western world which are evaluating government programmes budgetary restraints are the rule, evaluations are still used to identify which programmes are effective and should be continued (or implemented) and which are not. This is true for *all* sectors, be it the educational or the health sector or development cooperation etc. Evaluations nowadays are *part* of the political process.

While it may well be that evaluations do help politicians to *justify* why they, for example, cut some programmes and contribute more resources to others, one must be aware of the facts (1) that evaluations can be manipulated or not carried out well and (2) that in many cases the findings

²⁵ In one of his first works, DERLIEN underlines how important evaluations became in the 1970s to justify and politically *legitimate* the reallocation of resources from ineffective to effective public programmes (1976: 31).

of evaluations are *interpreted* and sometimes *misinterpreted* by their users to support their *own* view.

2.1.3 Overview of (programme) evaluation theories

2.1.3.1 Categorisation of theories

COOK and MATT offer a very useful *categorisation* of the various important evaluation theories into three parts that *coincide* with three epochs²⁶ in the history of programme evaluation (1990: 16). This section will be based on this categorisation of theories but will be enriched by the thoughts and works of others.

2.1.3.1.1 *First epoch: dominance of objective evaluation models (1965-1975)*

The first epoch is dominated by Michael Scriven and Donald Campbell and is the epoch of *objective* evaluation theories. The discovery of programme effects and the *scientific*, i.e. experimental, *methodology* and *logic* are of special importance (COOK/MATT 1990: 16). LEE characterises this epoch as follows (2004: 145):

“Early in the history of evaluation, it was generally assumed that ‘truth’ had an objective existence, and was there waiting to be discovered...All the activities in the early years of evaluation were conceptualised with a strong focus on measurement and objectivity.”

Michael Scriven and Donald Campbell are the main theorists of this epoch. They follow one of the first evaluation theorists, Ralph W. Tyler²⁷, regarding the importance all three theorists attach to *objectivity*, *reliability*²⁸ and *validity*²⁹ of the instruments used. Experimental and then quasi-experimental designs were used to a great extent.

Michael Scriven³⁰

Scriven very much focuses on the objectivity of evaluations. He wants them to be as free from distortions as possible. One of his fears is that evaluators, who are part of the entity to be evaluated, have difficulties *distinguishing* between their own interests and the interests of their evaluation work. Concerning independent evaluators, Scriven is aware of the danger that they might get too close to the clients of the evaluation and therefore unintentionally take on the ideas of the clients and overlook side effects of the programme etc. (COOK/MATT 1990: 18).

Scriven developed what he named *goal-free* evaluation. In goal-free evaluations, the evaluator is not informed about the official goals of the programme before he undertakes the

²⁶ The authors admit that the frontiers are more or less vague and that therefore the three parts do not completely coincide with the epochs. However, the epochs can be roughly assigned to the ideas and persons whose perspectives dominated the epochs (COOK/MATT 1990: 16).

²⁷ Tyler started theorising about evaluation in the 1940s.

²⁸ Reliability here means the reliability of the measuring as a criteria of quality. The measuring must be repeatable and repeated measuring by different researchers must produce the same results (KROMREY 2000: 240ff).

²⁹ The validity of an instrument is given if it measures what it is supposed to measure (KROMREY 2000: 240ff).

³⁰ For a good summary of SCRIVEN's thoughts see his study from 1980.

evaluation. Scriven thinks that without focussing on the official goals, the evaluator will be able to better investigate what effects the programme *actually* had (COOK/MATT 1990: 18f). The goal-free evaluator is not watching out for the few hypotheses or programme goals but for *all* effects ('outcomes') of a programme. These include not only the *intended* effects ('objectives') but also the *unintended* side effects and even the *undesired* effects. Scriven is convinced of the necessity to be aware of all or as many as possible effects in order to determine the real value of a programme (BEYWL 1988: 72).

Scriven's approach used both, observation and experiment, and his approach was strongly based on the scientific/measurement paradigm, emphasising the importance of objectivity (LEE 2004: 146).

Goal-free evaluation in Scriven's sense is not perceived as a practicable evaluation design³¹ but many evaluation researcher refer to one legacy of Scriven's approach, the recognition that an evaluator has to be alert to the *presence* of *unintended* effects of programmes, both positive and negative, *as well* as those that are *intended* (LEE 2004: 146).

Probably the most important *terminology* Scriven invented was the distinction between *formative* and *summative* evaluations. Scriven introduced these terms into evaluation research. Summative evaluations are planned to investigate the entire scale of impacts³² caused by the object of the evaluation³³ at a certain point of time in the *past*. Formative evaluations have a perspective targeted towards the *future* and aim to identify the parts of a programme that should be improved.

While summative evaluations are supposed to serve the decision makers, Scriven sees the formative evaluations as being of value to the programme managers. Scriven strongly favours summative evaluation, as he categorises formative evaluations as *non evaluative* since they do not demand *judgments* whether the evaluand was good or bad but only investigate where improvements would be useful (COOK/MATT 1990: 17).

Nowadays, the terms summative and formative evaluation are more distinguished by the *point of time* when they take place in the policy cycle than by possibly different users. The formative evaluation is also called ex-ante evaluation as it usually takes place *before* a programme is implemented. The summative evaluation equals an ex-post evaluation which usually follows the *termination* of a programme. Mostly, nowadays, evaluation researchers would agree with Scriven that the two serve a different purpose, but they would not generally favour summative evaluations.³⁴

Donald Campbell

Campbell was working on quasi-experimental designs as a useful model for evaluation but he then became doubtful concerning their usefulness. He argued that nearly all quasi-experiments would produce *questionable* statements concerning causal relationships. Results from quasi-experiments

³¹ See, for example, how Weiss criticises Scriven's approach, footnote 39 and the paragraph it refers to.

³² The negative and unpredicted effects are included.

³³ Scriven calls this object 'evaluand'.

³⁴ For summative and formative evaluation see also BEYWL 1988: 26f.

would always be *unsatisfactory* if compared with randomised experiments which Campbell clearly favours. But he *acknowledged* that randomised experiments often have to face numerous political, ethical, and logistical problems and therefore worked on solutions to overcome these problems (COOK/MATT 1990: 19).³⁵

Campbell was convinced that the effective solution of social problems needs the testing of *alternatives* on a broad and heterogeneous spectrum before a satisfying option can be found (COOK/MATT 1990: 20). For him, despite some problems as mentioned above, the experimental model remained the most important if not the only method for doing evaluations (ROSSI/FREEMAN 1993: 29).³⁶

COOK/MATT point out that both Scriven and Campbell were leading evaluation in a direction where the intensive search for the *programme effects* was of great importance. Both authors highly valued *objectivity* and aimed to identify and control any possible distortions or bias by, amongst other means, using (*quasi*-)experimental designs (COOK/MATT 1990: 21).

2.1.3.1.2 Second epoch: critical reaction (1975-1982)

The *reaction* to the priorities of the first epoch dominated the second epoch. Critics emphasised that, in their view, evaluations would be more useful if qualitative *replaced* quantitative methods, if *processes* were *investigated* and if the specific needs for information of the groups involved in the programme were *taken into account*. The usefulness of a theory of evaluation which is *not* based on a valid and comprehensive description of the way social programmes operate and how results from social sciences can or cannot be used for the change of programmes was doubted (COOK/MATT 1990: 16).

Michael Patton, Robert Stake, Egon Guba

Patton, Stake and Guba wanted evaluations to concentrate on *local programme managers* and other groups on the *local level* that contribute to the services of a programme. They thought that the influence on important changes would best be brought to bear at the level where the programme is actually implemented and not at the level of programme planning or decision-making based on budgets and policies (COOK/MATT 1990: 26).

Stake was one of the early critics who pointed out the *limitation* of the objectives-based evaluation that was often followed in the first epoch.³⁷ Moreover, for Stake the judgement component in evaluation was as important as science and the methods did not only rely on measurement. He recommended *cases studies* using naturalistic methods of *observation*.³⁸ However, standards such as objectivity, reliability and validity were expected to be met nonetheless (LEE 2004: 146f).

³⁵ For further information see BEYWL 1988: 23f.

³⁶ For further information see CAMPBELL 1969.

³⁷ With the exception of Scriven's goal-free approach, of course.

³⁸ His methods were adapted from those in anthropology and other disciplines.

Guba and others, like Stake, used *ethnographical* methods. It was important to them to *describe* the *context* and the *observations* made on the spot in great detail to then deduce theories why some effects occur or do not occur.

Besides the identification of the persons affected on the spot and the preference of the local level, another difference to theorists such as Scriven or Campbell was the opinion Patton and the other authors shared of *how evaluation data* should be collected: by intensive interviews, observations – as mentioned above - and questionnaires. *Qualitative data* to them were the *right* instrument to describe what experiences the programme participants, the programme managers etc. underwent with the programme, to find out what was positive and how the negative effects could be avoided or reduced (COOK/MATT 1990: 27).

Carol Weiss

Weiss made two important contributions that still affect the thinking about evaluation nowadays:

1. She has a strong interest in seeing evaluation in a *context* that is determined by the way in which policies and social programmes operate. Weiss identifies that the behaviour of political institutions seems to be entirely *rational* if one acknowledges survival as their main goal. Moreover, she underlines that politicians and bureaucrats do have to *overemphasise* the value of their favourite programmes to be able to finance these programmes. Therefore, Weiss qualifies Scriven's idea of goal-free evaluations as a naïve one.³⁹ Furthermore, she states that policies and programmes are much more complex and variable than they appear to be in Scriven's and Campbell's works. One conclusion can be that evaluation theories have to reflect this *complexity* and *heterogeneity* while at the same time *respecting* the items on the political agenda (COOK/MATT 1990: 21ff).
2. Her second important contribution concerns the *utilisation* or *non-utilisation* of information from the social sciences in political reality. Weiss observed that evaluation results were seldom the *decisive* or the *only* influence on policies' or programme changes so that the utilisation of social scientific results was in doubt. In fact, because of sometimes lacking relevance or because of doubtful results, evaluation results were (and are) often *controversial* arguments in the political debate. However, Weiss was not pessimistic, in general, concerning the utilisation of evaluations; in her own empirical studies, she describes that often social scientific results *indirectly* and more or less *unintentionally* contribute to the political decision-making processes (COOK/MATT 1990: 23). Her contribution consists in raising the *awareness* that evaluation results are seldom being utilised in the way evaluation researchers would like them to, but that they are usually only *one* argument amongst others in the political debate and decision-making process.

³⁹ WEISS identifies the goal of evaluation research as follows: evaluation research has to measure the *output* of the programmes against the *objectives* that the programme *wanted* to achieve (1974: 22f). She explains that one of the most important tasks of the evaluator at the beginning of his research is to specify the objectives of the programme in terms that are clear, specific, and measurable (WEISS 1974: 49). The above clearly shows the contrast between Weiss' and Scriven's attitude concerning goals/objectives in evaluation research.

WEISS trusts the methods known to the social sciences with an emphasis on the *quantitative* methods but she demands that the methods from handbooks for empirical research have to be *adapted* to the world in which the evaluation researcher lives (1974: 8). This is necessary, in her view, because the research methods have to be applied in a context of concrete actions which complicates the application of methods and instruments of the empirical research (WEISS 1974: 7). If the evaluators just *insist* on the instructions from the handbook, they take the risk (1) to carrying out an evaluation that does not reflect the needs of the client and therefore is irrelevant and/or (2) to annoying the programme personnel with which they have to cooperate. This might result in the *non-utilisation* of their results of their study (WEISS 1974: 29f).

2.1.3.1.3 *Third epoch: attempts at a synthesis of theories (after 1980)*

The third and last epoch in the categorisation by COOK/MATT is dominated by the efforts of several theorists to *consolidate* the lessons learnt in the past. Mainly, these theorists try to work out theories that are *less restrictive* than previous theories concerning the *selection* of questions and methods and the *role* of the evaluation researcher (COOK/MATT 1990:16f).

Peter Rossi

Rossi demands that an evaluation serves various goals⁴⁰ and interests, that in the planning different questions are taken into consideration, and that the diversity of interests of the various affected groups are taken into account. He points out that the art of evaluation planning does not mean the choice of either an experimental *or* an ethnographical method but to work out the *best possible design* in which *several* methods are embedded so that various questions⁴¹ can be examined (COOK/MATT 1990: 29).

Rossi favours a paradigm that accepts *experiments* and *quasi-experiments* as the *dominant* research design but underlines that these designs have to be used in connection with the *a-priori knowledge of social scientific theories*.⁴² Rossi suggests starting an evaluation with some pre-evaluative studies to understand the programme as well as possible and to identify the interests of all groups affected. This allows the evaluation to be built around the various interests, goals and intentions of the affected persons and groups. Moreover, Rossi sees the *verification* of the social scientific theories with regard to the content on which the programme is based as one of the goals that should be followed by an evaluation.

Like Weiss, Rossi trusts the conventional, i.e. *traditional*, social scientific methods for collecting and analysing evaluation data. Therefore his theory leads to an evaluation practice that is

⁴⁰ This is known as Rossi's *multi-goal* concept.

⁴¹ Rossi, however, underlines the importance of not working on *too many* questions in one evaluation. Otherwise, the quality of the answers would most probably decline. Therefore, after having prioritised them, some questions have to be discarded.

⁴² Rossi's so called *theory-driven* concept resulted from the researcher's critics concerning the dominance of the *experimental* paradigm in the programme evaluation literature. In Rossi's view, the experimental paradigm contributed to the situation that *theoretical models of social interventions* were not developed. With his theory-driven concept, Rossi wanted to improve the experimental paradigm he generally accepted.

close to the utilisation of causal-explaining constructs. These causal questions are best embedded in experimental designs (COOK/MATT 1990: 29f).

Lee Cronbach

COOK/MATT state that Cronbach's work from the early 1980s shows a deep understanding of the previous evaluation theories (1990: 30). The studies by Weiss seem to have influenced Cronbach positively while he likes to take Campbell's work as a critical background for the formulation of his own ideas.⁴³ One important impression Cronbach shared with quite a few of his evaluation colleagues in the educational sector was that, until then, many evaluations were *irrelevant* to the needs of the teachers and educators that should profit from the evaluations results.

COOK/MATT list several of Cronbach's concepts on which his theory is based (1990: 31):

- evaluation is more a political than a scientific act;
- because of reasons of ethics and political utility, evaluations should reflect the interests of as many affected groups as possible;
- summative evaluations seldom lead to the termination or the extension of a programme;
- evaluations are used mostly in a way not planned;
- evaluations should concentrate more on the identification of effective and transferable⁴⁴ programme elements so that their results can be better passed on to the practitioners;
- evaluators should take the role of teachers who act in an advisory capacity to all groups involved at every stage of the evaluation.

Concerning methodology, Cronbach and Rossi have differences. Cronbach mentions quite a few *qualitative* and *simple quantitative methods* that can lead to explaining insights; these are methods Rossi accepts but would not attribute so much importance to (COOK/MATT 1990: 32).

Cronbach even classifies evaluation as an *art* and points out that every evaluation represents or should represent an idiosyncratic effort to meet the needs of programme sponsors and stakeholders. In his view, therefore, evaluations may *differ* from *scientifically ideal designs* for *pragmatic needs* (ROSSI/FREEMAN 1993: 30). In contrast to Cronbach, ROSSI/FREEMAN strongly emphasise that it is possible to *combine* both, to meet the requirements of *scientific investigation* while the evaluations can be maximally *useful to decision makers* at the same time (1993: 32).

COOK/MATT state that Cronbach's theory is very complex and difficult to use for the solution of practical problems as clear instructions on how to carry out an evaluation are missing (1990: 32f). His theory points out such a *variety* of relevant affected groups, of relevant questions,

⁴³ Campbell attributes a great value to *internal validity*, i.e. the certainty that the connection between two variables reflect causal relationship between a prior variable (cause) and its consequence (effect) (STOCKMANN 2004a: 20). Cronbach changes Campbell's validity priorities so that the *external validity* takes precedence over the *internal validity*. With external validity he refers to the knowledge to what extent causal relationships are *transferable* to other programmes. Cronbach values a study whose causal relationships can be transferred while the causality of the relationship between the suspected cause and the effect are in doubt more highly than a study for which the transfer is doubtful while the causality seems to be certain (COOK/MATT 1990: 31).

⁴⁴ For Rossi, it is very important that evaluations are designed in a way that allows their results to be generalised and therefore transferred to other programmes.

of valid methods to answer each of these questions etc. that for evaluators it is difficult to decide, for example, which instrument to use or even which one Cronbach would prefer himself.

2.1.3.2 Summary and conclusions

Despite the heterogeneity of the different theories, COOK/MATT believe that important *conclusions* can be drawn from them (1990: 33f). Nowadays, no evaluation theory would be developed that does not include at least *three* main components⁴⁵; any new evaluation theory would have to be a

1. theory of *social* programmes that deals with the relationship between social programmes, policies, projects and elements of practice;
2. theory for *use/application* that describes how social scientific knowledge in all probability will or will not be used in practice and in the political world;
3. theory for *construction of knowledge* that describes how insights can be gained and identifies the strengths and weaknesses of the methods that can be chosen from.⁴⁶

2.1.3.3 The ‘Cold War’ in evaluation research is over

LEE points out that within the field of evaluation research a strong *competition* between different paradigms existed (2004: 150):

“Over the three decades from the late 1960s to the late 1990s, the relative merit and usefulness of measurement and quantitative analysis in the scientific paradigm, versus naturalistic methods and qualitative reporting was debated, often with an adversarial flavour.”

Referring to Donna M. Mertens⁴⁷, LEE describes the different competing *paradigms*⁴⁸ (2004: 151):

1. Positivism/postpositivism: this paradigm is associated with *science* and assumes that
 - only *one reality* exists, and is discovered by eliminating alternative explanations;
 - *objectivity* and *neutrality* are the only appropriate standard for researchers;
 - methods should be drawn primarily from *science* and the study of the *natural* world, and they should emphasise detecting cause-effect relationships and generalisability. Random assignment or other experimental or quasi-experimental designs are used.
2. Interpretive/constructivism: this paradigm looks for meaning only within a particular *context*. It assumes that

⁴⁵ For these main components COOK/MATT refer to a study from COOK/SHADISH, 1986: Programme evaluation. The worldly science, in: Ann Rev Psychol 37, 193-232.

⁴⁶ This third component reflects the fact that evaluators have to face questions of the *selection* of methods for all kinds of evaluation tasks, be it explorative, descriptive or explaining. Therefore, any evaluation theory should take into consideration the different methods and categorise them.

⁴⁷ Mertens, D.M., 1998: Research Methods in Education and Psychology: Integrating Diversity paradigms with Quantitative and Qualitative Approaches, Thousand Oaks, 6-21.

⁴⁸ Mertens and Lee list three different paradigms but as the *third* paradigm shares the main characteristics with the *second* paradigm, with constructivism, I do not include it. See LEE 2004: 151 for the third paradigm.

- reality is *socially constructed* from multiple perspectives that may conflict with each other;
- an ‘*objective*’ reality does *not* exist, and the observer both influences and is influenced by those who are being observed. The researchers must be conscious of each source of bias, especially their own;
- methods are mostly *naturalistic*, *qualitative* or *narrative*, and are directed at the explanation of meaning, *specific* to the particular context; generalisation is assumed to be limited.

The theorists of today mainly *accept* the existence of different paradigms as mentioned above and tough arguments between them are not to be found anymore. A consensus exists that there is no *single* way or solution how to carry out evaluations that is valid for all possible situations but that, in practice, the evaluator has to create a design that is *appropriate* for the evaluation he is undertaking. ROSSI/FREEMAN put it in the following words (1993: 55):

“The design and implementation of evaluation depend upon the specific purposes they are to serve. Evaluations differ according to the type of question being asked, the stage a programme is in, whether it is a new or established programme, and the type of decision the evaluation is intended to inform.”

Of course s/he should base her/his evaluation on theoretical knowledge and whilst different researchers favour different paradigms the evaluator has the possibility to, for example, *combine* quantitative and qualitative methods (STOCKMANN 2004a: 21). Today, the combination of different methods and instruments, so-called *triangulation*⁴⁹, is valued very much in theory and in practice. ROSSI/FREEMAN underline how important it is that evaluators are knowledgeable about methods from several disciplines and able to apply them to many types of problems (1993: 454). LEE also stresses the fact that today a combination of instruments and methods is not only *allowed* but even *wanted* (2004: 153):

“Many writers have pointed out that good evaluation practice generally involves both quantitative and qualitative inquiry and that even science cannot be regarded as being value-free. Many different kinds of data, gathered by many different methods, can be relevant for the purpose of evaluation.”

Researchers who have different paradigms as their background agree that evaluation *always* involves *systematic* inquiry and reporting, *whether* the paradigm is *scientific-objective* or *relative-subjective*. Regardless of the paradigm, evaluation *always* involves some form of data collection with methods and instruments that will have credibility specific to the subject matter and the people who are affected by the programme and therefore the evaluation, and to the cultural, political, or other context. LEE underlines moreover that *all* approaches value standards such as reliability, validity, and accuracy (2004: 153). A positive outcome of the differences in paradigms in evaluation theory is the richness of perspective in evaluation that these differences have provided (LEE 2004: 154).

⁴⁹ For a further explanation of triangulation see section 2.2.2.3 page 36.

2.2 Methods, instruments and standards

In section 2.1 above, methodology in evaluation research has already been mentioned several times as it was, of course, already relevant when I briefly described and analysed the different paradigms and theories. In this section, however, the *methods* themselves now will be the focus.

- First, *quantitative* and *qualitative methods* will be explained in detail: what are the respective advantages and disadvantages? Which instruments are the qualitative and which are quantitative?
- Second, the *different instruments* to gather data in quantitative and qualitative research will be introduced.
- Third, *problems* will be investigated that occur during the implementation of evaluations.
- Fourth, the *evaluation standards* of several institutions will be explained as they are a guide to evaluation practitioners on how to carry out evaluation. Moreover, the standards serve as criteria an evaluation has to fulfil to be classified as a good evaluation.

2.2.1 Quantitative versus qualitative methods

As mentioned in the section above concerning different evaluation theories, there are two paradigms that dominate the field of evaluation research which may be identified as the *scientific-objective* and the *relative-subjective* paradigm. The supporters of the first believe in the merits of quantitative methodologies while the supporters of the latter strongly favour qualitative methodologies.⁵⁰ In the following paragraphs the *differences* between these two methodologies will be pointed out in detail before the next section investigates which *instruments* are used by the supporters of each methodology.

BEYWL follows the definitions of the Joint Committee on Standards for Educational Evaluation (1988: 171)⁵¹:

- *Quantitative* information consists in facts and details that are represented by *numbers*. Quantitative analysis is the process of collecting, organising, manipulating, and validating such information so that certain questions about an object can be answered.
- *Qualitative* information comprises facts and interpretations in a more *descriptive* than *numerical* way. This information comes from several sources: structured and unstructured interviews, participant and non-participant observations, hearings, documents and notes as well as other non-obtrusive data gathering procedures. The data may be gathered *intentionally* or the researcher can also *unexpectedly* become aware of them.

The differences between quantitative and qualitative methodologies are clearly stressed by FRAENKEL/WILLEM who list them in a very useful table (1993: 380):

⁵⁰ The debate on the relative merits of quantitative and qualitative methods has its origins in the competing traditions within the *social sciences*. As evaluation research is a *special application* of social science methods, the debate *transferred* to evaluation (PATTON 1986: 181).

⁵¹ For a similar definition of quantitative and qualitative methods and the differentiation between the two, see CASLEY/KUMAR 1988: 3ff.

Table 2-1: Quantitative and Qualitative Methodologies

<u>Quantitative Methodologies</u>	<u>Qualitative Methodologies⁵²</u>
Preference for precise hypotheses stated at the outset	Preference for hypotheses that emerge as study develops
Preference for precise definitions stated at the outset	Preference for definitions in context or as study progresses
Data reduced to numerical scores	Preference for narrative description
Much attention to assessing and improving reliability of scores obtained from instruments	Preference for assuming that reliability of inferences is adequate
Assessment of validity through a variety of procedures with reliance on statistical indices	Assessment of validity through cross-checking sources of information (triangulation)
Preference for random techniques for obtaining meaningful samples	Preference for expert informant (Purposive) samples
Preference for precise descriptions of procedures	Preference for narrative/literary descriptions of procedures
Preference for design or statistical control of extraneous variables	Preference for logical analysis in controlling or accounting for extraneous variables
Preference for specific design control for procedural bias	Primary reliance on researcher to deal with procedural bias
Preference for statistical summary of results	Preference for narrative summary of results
Preference for breaking down of complex phenomena into specific parts for analysis	Preference for holistic descriptions of complex phenomena
Willingness to manipulate aspects, situations, or conditions in studying complex phenomena	Unwillingness to tamper with naturally occurring phenomena

Source: table 17.1 in FRAENKEL/ WALLEIN 1993: 380

This table shows the main preferences of both methodologies used in evaluation and therefore illustrates the often conflicting approaches. The differences between quantitative and qualitative methods have been explained above quite intensively.⁵³ The question remains in which case one method should be *favoured* over the other.

Though BEYWL refers to the differences between qualitative and quantitative data gathering, he takes the same view as many evaluation researchers of today by underlining that in a *single* evaluation study *both* methods quantitative *and* qualitative can be used at the same time or

⁵² For further information concerning qualitative methodologies see WIDMER/BINDER 1997: 217ff.

⁵³ For more distinctions between the two approaches see, for example, DIEKMANN 1997: 443ff.

alternately (1988: 171).⁵⁴ CASLEY and KUMAR in their World Bank publication conclude as follows (1988: 5):

“Most information systems within projects require the collection of both quantitative and qualitative data. Choosing the right method for each particular need is a principal responsibility of the monitoring and evaluation staff; both kinds of data have their strengths and weaknesses. Quantitative data are obviously needed when a number, rate, or proportion related to the target population must be estimated or a variable such as crop production must be measured. Qualitative data are needed when the attitudes, beliefs, and perceptions of the target population must be known in order to understand its reaction to project services.”

By listing the advantages of both methods, PATTON also suggests when to use which approach (1990: 13):

- The *quantitative* approach enables the researcher to measure the reactions of a great *many* people to a *limited* set of questions which facilitates the comparison and statistical aggregation of the data and makes generalisations possible.
- The *qualitative* approach studies a *smaller* number of people and cases in *depth* and *detail*. The *understanding* of the people and cases is *increased* but the *generalisability* is *reduced* because of the small number investigated.

In Patton's view, quantitative methods therefore should be used for studying a large number of people and/or cases while the qualitative methods promise better results to understand in detail the attitudes etc. of a smaller number of people and/or cases.

KLEINING whose work concentrates on qualitative social research⁵⁵ refers to a possible *order* of qualitative and quantitative methods (1982: 226). He suggests that the scientific treatment of a topic *starts* with techniques with a *low level of abstraction* that are close to everyday techniques and *not* those with a *high level of abstraction*. KLEINING draws the conclusion that, therefore, qualitative research has to be used *earlier* in the research practice than quantitative (1982: 226):

“It [qualitative research, CS] has to precede quantitative research in any case but does not necessarily need to be followed by it.”

Kleining's suggested order is supported – amongst others – by BEYWL (1988: 172). The latter points out that the evaluand should be *first* approximated by qualitative methods⁵⁶ which *then* can be followed by quantitative methods. The arguments of both Kleining and Beywl are convincing and – as will become obvious later – are quite important for evaluation in development cooperation.⁵⁷

The above shows that different evaluation researchers stress various criteria to answer the question when each method should be used but the most important conclusion of this sub-section is

⁵⁴ This attitude of today's evaluation researchers was already mentioned in the section on theory above. See section 2.1.3.3 pages 23ff.

⁵⁵ For further information see KLEINING 1982 and KLEINING 1995.

⁵⁶ BEYWL mentions unstructured or semi-structured observations, qualitative interviews and the gathering and analysis of documents of different nature (1988: 172).

⁵⁷ See section 2.3.2.1 page 46.

that most of today's researcher agree that *both* methods are useful and valuable for evaluation studies. PATTON already stated in 1986 that there was an emergent *consensus* in evaluation that both kinds of data are valued and recognised as legitimate and that it was recognised that evaluators must be able to use a *variety* of methods in evaluation programmes (191f). Therefore the title of this sub-section could also be 'Quantitative *and* qualitative instruments' instead of 'Quantitative *versus* qualitative methods'.

2.2.2 Different instruments to gather data

2.2.2.1 Quantitative instruments

Initially, evaluation research was *dominated* by the natural science paradigm of hypothetico-deductive methodology and quantitative measurement, experimental design, and multivariate, parametric statistical analysis were strongly emphasised. This came from the tradition of *experimentation* in agriculture, which is the origin of many of the basic statistical and experimental instruments most widely used in evaluation research (PATTON 1986:182).

The most common instruments used in quantitative evaluation research are experiments, quasi-experiments and structured surveys using standardised questionnaires.⁵⁸

2.2.2.1.1 Experiments and quasi-experiments

Experiments are a classical design for evaluation studies. Experimental designs are based on the consideration that by the *manipulation* of the *independent* variables a proof of impact can be produced and causal relationships isolated. One can *differentiate* between experiments in the laboratory and in the field; the former takes place in an artificial, the latter in a natural environment (KLÖTI/WIDMER 1997:194f).

A 'real' experiment means that a *random* process is used to assign participants to the treatment to assure that every participant has an equally likely chance of receiving the intervention. The so-called *randomised* experiment therefore is proof against criticisms that something other than the actual intervention caused the effects observed (CARACELLI 2004: 185). The *test group* participates in the programme but the *control group* does not. At the beginning and at the end of the programme, one or several relevant criteria is/are measured. The differences are calculated and a programme is evaluated as successful if compared to the control group the test group *significantly* improved concerning the relevant criteria (WEISS 1974: 88f). The internal validity is achieved by the elimination of nearly all external effects.⁵⁹

In cases, where it is impossible to conduct a randomised experiment, *quasi-experiments* are used. As the central problem, DIEKMANN points out that without randomisation there is no guarantee that third variable effects can be neutralised (1997: 309). Quasi-experiments do not meet

⁵⁸ For more details on these instruments see also WIDMER/BINDER 1997: 236ff.

⁵⁹ For more information concerning experiments see KARY 1992: 77ff.

the strict conditions of the experiment as some of the external effects remain *uncontrolled*. However, quasi-experiments follow the same experimental logic and demand the same meticulous *precision* as experimental methods. Quasi-experimental designs try to get as close as possible to the experimental design (KLÖTI/WIDMER 1997: 195). Possible quasi-experiments are before-after designs, interrupted time-series, regression discontinuity, and nonequivalent group designs.⁶⁰ WEISS states that (1974: 102; translation: CS)

“while the experimental design has a high scientific prestige, the quasi-experimental design has the advantage of practicability which is not to be underestimated.”

Both randomised experiments and quasi-experiments are used to *assess* treatment intervention effects. They are utilised when *external* factors are known to influence the programme’s or project’s outcomes. CARACELLI states that evaluators are interested in assessing the effects of interventions and in attributing outcomes of the intervention if this is possible (2004: 185). For both experiments and quasi-experiments *comparisons* are drawn between participants who experience the treatment and those who do not. Thereby, the programme’s contributions to achieving its objectives should be isolated and the influence of external factors revealed. CARACELLI also stresses that both designs are *vulnerable* to certain sources of *bias* that can negatively affect the confidence to be placed in the results of the study (2004: 185).

2.2.2.1.2 *Structured surveys and standardised questionnaires*

Structured surveys are designed to generate quantitative data. A *standardised questionnaire* is the most important element of a structured survey. CASLEY/KUMAR stress how important it is that the questionnaire is *well tested* and list *all* the questions which are to be put to the respondent in a *systematic* manner (1988: 64). In most cases it does not allow the respondent to answer in her/his own words but s/he can only choose between answers prepared by the evaluation researcher. The advantages and disadvantages of these so-called *closed-ended* questions compared to *open-ended* questions⁶¹ are listed by FRAENKEL/WALLEN (1993: 351):⁶²

⁶⁰ For information concerning these different quasi-experimental methods see KARY 1992: 83ff and WEISS 1974: 96ff.

⁶¹ Open-ended questions are in general used in qualitative approaches.

⁶² See also CASLEY/KUMAR 1988: 64f for the advantages and disadvantages of open-ended and closed-ended questions.

Table 2-2: Closed- and open-ended questions

Closed-ended questions	Open-ended questions
<u>Advantages:</u>	
<ul style="list-style-type: none"> • enhances consistency of response across respondents • easier and faster to tabulate • more popular with respondents 	<ul style="list-style-type: none"> • allows more freedom of response • easier to construct • permits follow-up by interviewer
<u>Disadvantages:</u>	
<ul style="list-style-type: none"> • may limit breadth of responses • takes more time to construct • requires more questions to cover the research topic 	<ul style="list-style-type: none"> • responses tend to be inconsistent in length and content across respondents • both questions and responses subject to misinterpretation • harder to tabulate and synthesise

Source: table 17.1 in FRAENKEL/ WALLEN 1993: 351

If open-ended questions are used, the information supplied by the answers is converted into one of a limited set of coded options for the purpose of statistical analysis and presentation.

Open-ended questions are needed if the researcher wants to understand why something happens. In this case it is recommended to *start* with a *pilot set* of interviews with open-ended questions. Once the type of responses obtained is thereby determined, the researcher goes ahead with closed-ended questions which include the responses identified with the open-ended questions (CASLEY/KUMAR 1988: 65).

If the standardised questionnaire takes place as an interview, the *sequence* of the questions is *pre-determined* and *has* to be followed. The coverage of the interview is decided upon and standardised *before* the survey begins; the interviewer cannot change the *sequence* or even the *wording* of the questions. Often, the interviews for a structured survey are conducted with a sample of respondents selected according to randomisation procedures, although this is not always the case (CASLEY/KUMAR 1988: 54).⁶³

Questionnaires or surveys may be done with an entire population or, if not practical, with a random sample of participants to help ensure *generalisability*. They can be conducted by e-mail, mail, telephone, or fax (CARACELLI 2004: 197).⁶⁴

⁶³ For more information on the instrument interviewing see section 2.2.2.2.2 pages 33ff. In that section, not only is information on interviewing within a qualitative approach provided but also more general information on interviewing.

⁶⁴ See CASLEY/KUMAR 1988 67ff for practical advices concerning the wording of the questions, pre-testing of a questionnaire etc.

2.2.2.2 Qualitative instruments

An alternative to the dominant quantitative/experimental paradigm was derived from the tradition of *anthropological field studies*.⁶⁵ Using techniques of in-depth, open-ended interviewing and personal observation, the alternative paradigm relies on qualitative data, naturalistic inquiry, and detailed description derived from close contact with the targets of the study (PATTON 1986: 182).

Usually, three *qualitative* instruments for data collection are mentioned by evaluation researchers: (direct) observation, (in-depth, open-ended) interviews⁶⁶, written documents (FRAENKEL/WALLEN 1993: 384ff; KROMREY 2000: 298ff; PATTON 1990: 10). Data for qualitative analysis are typically gathered through fieldwork. The researcher spends a certain time⁶⁷ in the setting he studies – a project, a programme, an organisation, a community etc. - to observe and to interview people. PATTON states that extensive *field notes* are collected through observations, interviews, and document reviews (1990: 10).

2.2.2.2.1 Observation

Certain kinds of research are best done by *observing* how things look and how people act, as there are limitations to how much can be learnt from what people *say* (PATTON 1990: 25). Observation comprises understanding and recording the course and meaning of single actions and the links between them. It is directed towards *social processes* and *behavioural patterns* that can change during the observation.⁶⁸ KROMREY underlines that it is important to develop a scheme of categories *beforehand* and to not observe *too many* categories at the same time as otherwise the observer easily might be overtaxed (2000: 325).

The researcher can take four different roles ranging from complete participant to complete observer (FRAENKEL/WALLEN 1993: 384):

1. *complete participant* in a group: her/his identity is not known to any of the individuals being observed;
2. *participant-as-observer*: s/he fully participates in activities in the group being studied but also makes clear that s/he is doing research;
3. *observer-as-participant*: s/he identifies herself/himself straight off as a researcher, does not attempt to participate in the activities of the group. S/he interviews group members, observes discussions/meetings, talks to other people dealing with the group etc.

⁶⁵ See also footnote 91 for a short explanation why qualitative methods are needed in evaluation research. Moreover, refer to section 2.1.3 pages 17ff for the background of quantitative and qualitative methods.

⁶⁶ Some authors use the more general term *questioning* and then distinguish between the personal face-to-face interview, the interview on the phone and questioning in writing (questionnaire) (DIEKMANN 1997: 373; KROMREY 2000: 335).

⁶⁷ The duration of observation is to be chosen by the evaluator; it can be anything between a single observation with limited duration (e.g., one hour) and long-term, multiple observations (e.g., months, years) (PATTON 1990: 217).

⁶⁸ This is different from the analysis of documents which allows the repetition of data collection with the same material.

4. *complete observer*: s/he observes the activities without in any way becoming a participant in those activities. The subject of the researcher's observations may or may not realise they are being observed.

The researcher has to decide which combination of observational approaches is *appropriate* for her/his evaluation.⁶⁹

Observational data have to describe the setting that was observed, the activities that took place in that setting, the people who participated in those activities, and the meanings of what was observed from the perspective of those observed. PATTON especially stresses the importance of the descriptions (1990: 202):

"The descriptions must be factual, accurate, and thorough without being cluttered by irrelevant minutiae and trivia. The basic criterion to apply in judging a recorded observation is whether that observation permits the reader to enter into and understand the situation described."

As it is highly labour-intensive, observation is a relatively expensive research strategy.⁷⁰ One must be aware of that and decide whether the advantages an observation offers are *worth* its costs. Some of the advantages can be enumerated referring to PATTON (1990: 203ff):

- evaluator is better able to understand the *context* within which the programme operates;
- *firsthand* experience with a programme allows evaluator to be open, discovery-oriented and inductive in approach as being on-site means less need to rely on prior conceptualisations of the programme;
- opportunity to see things that may routinely *escape* conscious awareness among participants and staff;
- evaluator can learn about things programme participants or staff may be *unwilling* to talk about in an interview (sensitive topics).

The advantages above are closely connected with *biases* that can easily occur using the technique of observation. Therefore, the observer has to be careful about two major sources of bias: (1) the effects of the investigator on the observed situation, and (2) the effects of the observed situation on the investigator (CASLEY/ KUMAR 1988: 51f):

1. The presence of an outside observer may disturb the situation in a community or organisation. Changes in behaviour may occur which are known as *reactive effects*.
2. The observed situation also affects the observer who may, for example, identify so strongly with the group or the community that her/his objectivity is lost.

PATTON underlines the importance of combining the different instruments and the important role people play in qualitative research (1990: 32):

⁶⁹ Patton identifies five *dimensions* of variations in approaches to observations. For further information see PATTON 1990: 217.

⁷⁰ Casley/Kumar estimate that typically it takes an observer four to five weeks in the field before s/he is able to settle down and to start systematic data collection. Another eight to twelve weeks they think may be necessary to obtain the full insight required and draw the appropriate *conclusions* (CASLEY/KUMAR 1988: 53).

“Participant observers gather a great deal of information through informal, naturally occurring conversations. Understanding that interviewing and observations are mutually reinforcing qualitative techniques is a bridge to understanding the fundamentally people-oriented nature of qualitative inquiry.”

CASLEY/KUMAR also stress that the *three* different techniques commonly used in qualitative research should be *combined* and that observation should be *supplemented* by information gathered through qualitative interviews with key informants and by data from analysis of documents, records, and other sources (1988: 41).

2.2.2.2 Interviewing

FRAENKEL/WALLEN simply define interviewing as the *careful* asking of *relevant* questions and they categorise it as an important method for a researcher to *check* the accuracy of the *impressions* s/he has gained through observations, and then verify or refute them (1993: 385). While, as mentioned above, not everything can be learnt by what people *say*, it is also true that not everything can be learnt by direct *observation*. Feelings, thoughts, intentions, and behaviours that took place at some previous point in time, for example, cannot be observed. Therefore, interviews are needed to ask people questions about those things (PATTON 1990: 278).

Though often the different types merge into each other as FRAENKEL/WALLEN point out, *four* types of interview can be identified: structured, semi-structured, informal and retrospective (1993: 385f):

- Structured and semi-structured interviews are rather *formal* and are usually verbal questionnaires. They are often used to obtain information that can later be compared and contrasted. Structured and semi-structured interviews are best conducted toward the end of the research as they can shape responses to the researcher’s perceptions of how things are. These types of interviews are most useful for obtaining information to test a specific hypothesis the researcher has in mind.⁷¹
- Informal interviews are much *less* formal than the structured and semi-structured type. They may resemble casual conversations. Informal interviews do not involve any specific type or sequence of questions or any particular form of questioning. FRAENKEL/WALLEN classify it as the most common type in *qualitative* research.⁷²
- Retrospective interviews can be structured, semi-structured or informal. The respondent has to *recall* and then *reconstruct* from her/his memory something that has happened in the past. FRAENKEL/WALLEN consider the retrospective interview to be the least likely of the four types to provide accurate, reliable data for the researcher because the respondents have to go back to the past to give the answers.

⁷¹ Structured interviews are often qualified as belonging to *quantitative* instruments if they comprise closed-ended instead of open-ended questions. See section 2.2.2.1.1 pages 28f for further explanation.

CARACELLI also states that a structured interview may be very similar to a quantitative questionnaire (2004: 190).

⁷² For strengths and weaknesses of each of the first three types (structured, semi-structured, informal) see CASLEY/KUMAR 1988: 11ff.

Patton categorises only *three* approaches to collecting qualitative data through open-ended interviews. He does *not* include the *retrospective* interview but his other three very much resemble the first three types from FRAENKEL/WALLEN.⁷³ Patton's approaches also differ in the *extent* to which the interview questions are *determined* and *standardised* before the interview takes place.⁷⁴ CASLEY/KUMAR who also classify qualitative interviews according to three broad types⁷⁶ point out that qualitative interviews can be used to generate hypotheses and propositions which can then be tested on a wider population using a structured questionnaire (1988: 10) and that the different types of qualitative interviews can be *combined* in a *single* investigation (1988: 14).

KROMREY states that interviewing is still the *most common method* of collecting data. As he is one of the authors who differentiates between three types of questioning⁷⁷, he adds that among these three, the personal interview practice still dominates but that questionnaires and interviews on the phone gain more and more importance (KROMREY 2000: 335).

An interview with *high quality standards* should include questions that

- are formulated as simple as the subject allows it;
- are so clear/unambiguous that for all interviewees the question creates the same framework;
- do not overtax the interviewees;
- are not suggestive but asked as neutrally as possible (KROMREY 2000: 350).

DIEKMANN demands that the interviewer be aware of several sources of error (1997: 382ff). He mentions the so-called *social desirability* effect⁷⁸ which means that interviewees may tend to answer the questions in a way they think the interviewer or their environment would like them to answer. Other sources of error may be the *interview situation*, the *presence of others*⁷⁹, or the *characteristics* of the interviewer.

All qualitative interviews share some *limitations* the evaluator has to take into consideration (CASLEY/KUMAR 1988: 24f). They do not generate *quantitative* data that can be summarised to provide *valid general* estimates. The responses are so *varied* in content and context

⁷³ PATTON uses different terms for the three approaches: (1) the *standardised open-ended* (instead of structured) interview, (2) the *general interview guide* approach (instead of semi-structured interview), and (3) the *informal conversational* interview (very close to the informal interview) (1990: 280).

One must be aware that in many cases evaluation researchers have not agreed on using the same terms. Therefore, there are more terms for the different types of qualitative interviews than the ones mentioned above from FRAENKEL/WALLEN and PATTON. One also finds the terms *narrative* (instead of informal) interview or *focused* (instead of semi-structured) interview.

⁷⁴ For advantages and weaknesses of all three approaches see PATTON 1990: 281 ff.

⁷⁵ PATTON does not limit himself to definitions and theory but also gives useful advice concerning the wording of questions, the content of interviews etc. (1990: 290ff). Another resource for practical guidelines concerning qualitative interviews (especially for the rural sector of development cooperation) is the study by CASLEY/KUMAR 1988: 15ff.

⁷⁶ In their case, the terms used are (1) informal, conversational, (2) topic-focused, and (3) semi-structured, open-ended (CASLEY/KUMAR 1988: 11).

⁷⁷ See footnote 66 page 31.

⁷⁸ Another expression for this phenomenon is the so-called *desire to please* (CASLEY/KUMAR 1988: 23).

⁷⁹ CASLEY/KUMAR mention a *bar* to spontaneity: if someone is interviewed in the presence of government officials, for example, he might not reveal the truth because he is afraid to antagonise them (1988: 23).

– which at the same time is the strength of the method - that it is difficult to *summarise* the results in order to make *quantitative* statements. Additionally, it is rare for in-depth qualitative interviews to be used with probability samples. *Key* informants are, by definition, a *biased selection* from the *general* population. One common source of error is that the investigator tends to have an *elitist orientation* and selects informants on the basis of their social and economic status rather than knowledge and experience. The evaluator also has to be aware of the fact that findings are susceptible to *biases* which arise out of the *inaccurate* or *distorted judgments* of the interviewers. These might result from their shortcomings in cognitive processing, e.g. the interviewer tends to pick up the information and the ideas that confirm his assumptions (CASLEY/KUMAR 1988: 24f). Another problem for the *reliability* of an interview is that the interviewees may have *ulterior motives* for providing *inaccurate information*. Project staff, for example, have a professional stake in *promoting* their activities and *covering* their shortcomings. This bias is, as CASLEY/KUMAR explain, often more *subconscious* than a *deliberate attempt* to mislead (1988: 23).

PATTON explains the main difference between qualitative and quantitative approaches for interviews as follows (1990: 290):

“The purpose of qualitative interviewing in evaluation is to understand how programme staff and participants view the programme, to learn their terminology and judgments, and to capture the complexities of their individual perceptions and experiences. This is what distinguishes qualitative interviewing from the closed interview, questionnaire, or test typically used in quantitative evaluations. Such closed instruments force programme participants to fit their knowledge, experiences, and feelings into the evaluator’s categories.”^{80 81}

2.2.2.2.3 Document review/analysis

Many different sources exist for a document review or analysis: textbooks, essays, newspapers, novels, e-mails, organisational charts, magazine articles, political speeches etc.⁸² On the basis of the purpose of the evaluation, the researcher has to decide *which* sources he wants to use for the document analysis.

As the documents are not qualitative data that need to be *generated* by the evaluator, most handbooks, etc. do not treat documentation analysis as *extensively* as they do in the cases of observation and interviewing. For observation and interviewing, the authors in evaluation research explain in great detail the different possibilities of how to actually collect the data, which problems may occur, etc. Data from documents are already *existent* and ready to be analysed. Document analysis may be qualified as *secondary* and not as *primary* research. The evaluator can proceed with the *analysis* of the data right away. The basic question concerning document analyses evaluation researchers try to answer in their studies, therefore, is *how* it can be best carried out.

⁸⁰ Emphasis on some words taken from Patton himself.

⁸¹ For a similar distinction see CASLEY/KUMAR 1988: 10f.

⁸² KROMREY more generally talks about *content* instead of *document analysis* and adds that also paintings, ceramics and silent movies can be analysed (2000: 299). He admits, however, that in general *written texts* are the source for a content analysis in the field of empirical social research.

Qualitative analysis of documents can be subdivided into *three* different variations⁸³ (DIEKMANN 1997: 510ff):

- *Summary*: the material of the document is reduced to a manageable size. Open-ended interviews for example may be reduced to the main statements and be categorised.
- *Explication*: Problematic parts of the text (sentences, words, etc.) are explained by using additional material. While a summary reduces the material, an explication means the opposite.
- *Structuring*: probably the most important of the three qualitative techniques to analyse documents. Its objective is to identify the structural characteristics of a text by using a system of categories.⁸⁴

Document analysis is a very useful instrument to supplement the instruments mentioned above, observation and interviewing. The next section discusses the values of *triangulation*.

2.2.2.3 Triangulation

Triangulation means the combination of methodologies and it is perceived as an important way to strengthen a study's design (PATTON 1990: 187f):

“Studies that use only one method are more vulnerable to errors linked to that particular method (e.g., loaded interview questions, biased or untrue responses) than studies that use multiple methods in which different types of data provide cross-data validity checks.”

It is possible to achieve triangulation *within* a qualitative inquiry strategy by combining different kinds of qualitative methods or instruments and including multiple perspectives. Therefore, observation, interviewing and document analysis supplement each other in fieldwork. Another way to achieve triangulation is to *combine* qualitative and quantitative approaches.⁸⁵ PATTON points out that (1990: 245)

“by using a variety of sources and resources, the evaluator-observer can build on the strengths of each type of data collection while minimizing the weaknesses of any single approach. A multimethod, triangulation approach to fieldwork increases both the validity and the reliability of evaluation data.”

⁸³ Mixtures of the three variations also can be used.

⁸⁴ Some authors point out that there is only a slight difference between the *structuring* as a qualitative content analysis and the quantitative content analysis which is known for its *system of categories* and the *coding*. Therefore, these authors prefer to classify only *summary* and *explication* as qualitative content analyses.

⁸⁵ CARACELLI raises awareness that sometimes the term triangulation is misused and offers the following definition of triangulation to avoid any misunderstanding (2004: 194):

“Triangulation designs require that two or more methods be intentionally used to assess the same conceptual phenomenon, be implemented simultaneously, and, to preserve their counteracting biases should be implemented independently.”

Caracelli argues that *five* different purposes of mixing methods can be identified and that triangulation is only *one* of these *various* purposes and should not be mixed up with the remaining four purposes *complementarity, development, initiation, and expansion*. See CARACELLI 2004: 194 for further explanation.

Using different data collection techniques and different evaluation research strategies makes any inquiry more credible and valid.⁸⁶ Four types of triangulation that contribute to the verification and validation of qualitative analysis can be distinguished (PATTON 1990: 464):

- *Methods* triangulation which means checking out the consistency of findings generated by *different* data collection *methods*, i.e. by using qualitative *and* quantitative methods.
- Triangulation of *sources* which means checking out the consistency of *different* data *sources* within the *same* method, i.e. comparing observational with interview data, comparing what people say in public with what they say in private, checking for consistency of what people say about the same thing over time etc.
- *Analyst* triangulation which means that *multiple analysts* are used to, for example, review findings.
- *Theory/perspective* triangulation which means using *multiple perspectives* or *theories* to interpret data.

Using triangulation does not only offer *advantages* such as a better credibility of the study. The researcher has to be aware of the fact that any triangulation will seldom lead to a *single*, totally *consistent* picture. S/he has to be prepared for the possibility that triangulation may lead to results whose meaning are not obvious. It is necessary that the researcher studies and understands *when* and *why* there are *differences* between the results from methods triangulation for example.

2.2.3 Problems of evaluation

Weiss was one of the first evaluation researchers to clearly point out the *problems* one may have to face while evaluating a programme. Taking a look at her work, one has to keep in mind that evaluation for Weiss consisted of analysing whether the *goals* of the programme were achieved or not. She did not consider unwanted effects or effects not planned. Also one has to be aware that she favours the *experimental* design and therefore *quantitative* methods.

However, the problems of evaluation Weiss mentions are *still* relevant today and can also be applied to qualitative research. Arguments from other evaluation researchers are, of course, added.

Weiss starts with the statement that evaluation *seems* to be easy for the researcher as s/he would only have to find out the goals of the programme, translate them into measurable indicators, and collect data for the indicators for those who participated in the programme and for the equivalent control group. The final step would be to *compare* the data of the test and the control group with the goal criteria (WEISS 1974: 47).

She then continues that *in practice* evaluation is *much more demanding* than this: Programmes are never as neat/decent and accommodating as the researcher hopes for. The external

⁸⁶ For this logic behind triangulation see CARACELLI 2004: 193.

environment also is not as passive and trivial as s/he would like it to be. From a set of *unexpected problems*, WEISS explicitly lists four (1974: 48):

1. The goals of a programme are often *ambiguous* and *vague*. Sometimes the official goals are only long lists of even contradictory pipe dreams. The evaluator therefore often has difficulties in clearly identifying the *actual* goals of a programme.

DERLIEN stresses that in many cases the goals of the programmes are not *quantified* in the official programme documents (1976: 103). He adds that sometimes the formulation of the goals was politically too ambitious to allow the evaluation of the efficiency of the programme in question (1976: 104).

2. The programmes do not always or not only move in the direction of the official goals. Other goals are *added* or even *replace* the official goals.

In DERLIEN's view programmes often produce(d) effects that are not foreseen (1976: 107). Already in the 1970s, he demanded the inclusion of these side-effects in the evaluation. Derlien thereby identifies the problem that the side-effects are often neglected in evaluations which only investigate if the *intended* goals were achieved.

LEE underlines that the evaluator should also pay attention to what is *not* being done, what is *not* being evaluated, and whose perspective is being *left out* (2004: 160). Moreover, a good evaluator would consider the possible consequences of these omissions and make them explicit.

3. The programme is a *mixture* of *actions*, *people* and *structures*. Some elements are *important* for the impact of the programme, others are *not*. The decision makers want to know which are the *essential characteristics* of a programme so that they can *reproduce* them if it is successful or *avoid* them if it is a failure. Weiss states that it is difficult for the evaluator to identify, among the numerous elements, those that are important.
4. The question of the evaluation may not be interested in *why* a programme was successful or unsuccessful. But Weiss stresses that the question *why* a programme works is often as important as the mere knowledge *that* it works. Only if one knows the *reasons* why a programme works or does not work are the results of the evaluation useful for the continuation of that same programme or for other or future programmes.

One of the most important problems evaluation researchers have to deal with is the gathering of the data (DERLIEN 1976: 120ff). Often, data needed are *not* available or the available data is *not convincing*. The researcher also has to be aware of the methodological skills s/he needs to gather the relevant data.⁸⁷ Early planning⁸⁸ of an evaluation may help to enable the researcher to collect the necessary data but it cannot be neglected that sometimes the evaluation researcher has to work with data that are *insufficient*.

⁸⁷ See section 2.2 pages 25ff for the most important methods that are used in evaluation research.

⁸⁸ This means early planning by the evaluation researcher herself/himself but also - and more importantly - by the decision makers. In the first phase of a programme, the planning phase, future evaluation(s) should already be envisaged and planned.

The problem of collecting the relevant data is often connected with the constraints concerning the *budget* available and therefore the *time frame* for an evaluation. A triangulation of different methods sometimes cannot be carried out because the budget of the evaluation is so tight that the researcher has to *restrict* herself/himself to, for example, gathering data only by structured questionnaires. CASLEY/KUMAR stress that one must have the resources to collect the data on the *scale envisaged* and in the *time required* (1988: 6):

“One should not design a study for which neither the logistic resources to manage such an operation nor the skills to collect and observe accurate data are available.”

Qualitative methods are usually more time-consuming than quantitative methods so that due to budgetary restraints - and therefore less time to carry out an evaluation - qualitative methods are sometimes neglected or at least the number of interviews etc. has to be limited. CASLEY/KUMAR make a good suggestion on how to deal with these constraints by pointing out that the investigator has to be *pragmatic* and *flexible* and that *all* parties must be *aware* of the constraints that have been applied and the inferential limitations thus imposed (1988: 7).

Evaluation researchers may also have to deal with *interpersonal conflicts* with the practitioners, for example the programme staff. In many cases, the programme staff feel *disturbed* by the evaluator and prefer to concentrate on the implementation of the programme. It is difficult for the evaluator to convince the programme staff of the improvement the evaluation can contribute to the programme (WEISS 1974: 26). The evaluator is often perceived as an *unnecessary burden* who ‘steals the time of the programme staff’. Moreover, the evaluator has to take into consideration that the programme staff might be afraid of losing their jobs if the evaluation classifies the impact of the programme as insufficient. *Good cooperation* between the researcher and the programme staff is important as the evaluation can only be comprehensive if the staff contribute their *first-hand* experience and knowledge to it.⁸⁹

A problem similar to the above is that *various* persons and/or groups have a stake in the results of the evaluation. These interests may *differ* strongly from each other, depending on the role or the position within the programme⁹⁰. The evaluator cannot serve all purposes at the same time but has to be aware of these conflicts of interests and take them into consideration while carrying out the evaluation.

A problem that is not related to the actual process of evaluating is that many or even most evaluation results are not *used*, either for (political) decisions or for the programme development (BEYWL 1988: 34). Again, Weiss was among the first in the 1970s to point out that there was little evidence that political decision makers took notice of the research results. Since the 1970s, the *impact* of evaluation results has been investigated more intensively to avoid evaluation research

⁸⁹ WEISS gives useful advices on how a cooperative atmosphere between researcher and practitioner can be achieved (1974: 137ff).

⁹⁰ The following persons/groups can be listed: the decision makers, the donors, the programme manager, the programme staff, the target group etc.

producing knowledge that is not used by the practitioners, for example the politicians.⁹¹ But the issue of the *use* of evaluations is still relevant today.

For Patton, the central issue of evaluation remains *utilisation* as he points out in his major study that is even titled *Utilization-Focused Evaluation*. He states that non- or under-utilisation is a particular *characteristic* of evaluation studies (PATTON 1986: 23). In his study he makes suggestions on how evaluators should carry out evaluations that are useful and actually used. One major step towards increasing the evaluators' commitment to evaluation utilisation has been the *development of standards*⁹² for evaluation which clearly stress that evaluation ought to be useful. PATTON criticises the fact that before, many researchers thought that their responsibility was to design studies, collect data, and publish findings and that what decision makers *did* with those findings was not their problem (1986: 23).⁹³

In many cases, the evaluation process is too *slow*, i.e. it takes too long until the evaluation results are available and can be used. The programme might have developed so much further in between that the evaluation results are *useless*. This, of course, increases the problem mentioned above that evaluations are not used. Evaluation researchers therefore have to *ensure* that the data collection and analysis does not take too much time. BEYWL suggests the following (1988: 240; translation: CS):

“The ideal of a collection of information is that those data are gathered which sufficiently answer the questions asked, and that no more data are gathered than can be analysed later (minimising of unused data).”

He also admits that in practice this will *rarely* be possible as, due to changes in the context, some questions lose their priority in the course of the evaluation process so that it is unavoidable that some data already gathered become *useless* (BEYWL 1988: 240).

2.2.4 Evaluation standards

Already in the mid-1960s, the first attempts were made to outline quality guidelines for evaluation studies which should be similar to the *Standards for Educational and Psychological Tests and Manuals* which were published at the time and, therefore, should define the requirements for evaluations (BEYWL 1988: 113; WIDMER 1996: 10). However, a committee, established by the President of the *American Evaluation Research Association* (AERA)⁹⁴, decided that it was too early.

⁹¹ LEE identifies one of the reasons for the under-utilisation of evaluations at the time as follows (2004: 157): *“Also, there was a great deal of evaluation activity going on for which the scientific paradigm and experimental or quasi-experimental methods simply did not apply or were impossible to implement. As the limitations of experimental methods became more obvious, a variety of tools were brought in from anthropology, qualitative sociology, and phenomenology.”*

⁹² See section 2.2.4 pages 40ff for information regarding the development and content of these standards.

⁹³ As Patton's book addresses utilisation very directly, it is a useful guide for those wanting to *maximise* the use of evaluation (LEE 2004: 158).

⁹⁴ The President at the time was Lee Cronbach.

More *public pressure* on the evaluation research branch, an *intensification* of the methodological discussion and the *accumulation* of practical knowledge in the booming years of evaluation led to the publication of different catalogues of standards in the early 1980s (BEYWL 1988: 113):

- the report to the congress ‘*Programme Evaluation in Education: When? How? To What Ends?*’^{95 96};
- the ‘*Standards for Programme Evaluation*’⁹⁷ of the Evaluation Research Society (known as the ERS-Standards);⁹⁸
- the ‘*Standards for Evaluation of Educational Programmes, Projects, and Materials*’⁹⁹ of the Joint Committee for Educational Evaluation (known as the JC-Standards).¹⁰⁰

The JC-Standards were explicitly *restricted* to educational evaluations while the other two claimed validity for *all* fields. The ERS- and the JC-Standards are much more widespread than the report to the congress.

1. The ERS-Standards, published in 1982, comprise six sections with altogether 55 single standards. The sections are
 - formulation and negotiation of the project;
 - structure and design of the evaluation;
 - data collection and preparation;
 - data analysis and interpretation;
 - communication and disclosure of results;
 - use of results.

The ERS-Standards much prefer *quantitative* and *experimental* against all other approaches. They also identify a strong duty of the evaluator towards the client.

In the early 1980s, after their first publication, the ERS-Standards were discussed intensively but WIDMER points out that the interest in them has clearly diminished (1996: 11). Since 1985, the ERS together with a smaller evaluation network forms the American Evaluation Association (AEA).

2. The JC-Standards, first published in 1981, were originally developed exclusively for the evaluation research in the educational field but received attention far beyond. In 1994, the JC-Standards from 1981 were published again in a revised version. This version in 1996 was already supported by altogether 15 organisations

⁹⁵ Raizen, S.A./ P.H. Rossi, 1982: Summary of Programme Evaluation in Education: When? How? To What Ends?, in: ESRA, 31-51.

⁹⁶ For more details see BEYWL 1988: 114.

⁹⁷ ERS Standards Committee, 1982: Evaluation Research Society standards for programme evaluation, in: Rossi, P.H. (ed.): Standards of evaluation practice. New Directions for Programme Evaluation, No. 15, San Francisco.

⁹⁸ For more details see BEYWL 1988: 115f.

⁹⁹ Joint Committee on Standards for Educational Evaluation, 1981: Standards for Evaluation of Educational Programmes, Projects, and Materials, New York.

¹⁰⁰ For more details see BEYWL 1988: 116ff.

that did not have an educational background.¹⁰¹ The AEA which had published its own standards in 1982¹⁰² also supports the JC-Standards.

According to the JC-Standards, a good evaluation should have these four qualities: *utility*, *feasibility*, *propriety*, and *accuracy* (WIDMER 1996: 12; WIDMER 2004: 93ff).

- The *utility standards* underline that an evaluation should fulfil the information needs of the involved groups (decision makers, programme managers, programme personnel, programme participants, persons affected by the programme etc.).
- The *feasibility standards* should ensure practicable and politically acceptable evaluations. The evaluation is expected to be carried out realistically, in a well thought-out manner, diplomatically and cost-consciously.
- The *propriety standards* primarily underline the legal and ethical responsibility in evaluation research.
- The *accuracy standards* stress the importance of following certain rules of social scientific methodology.

To illustrate each quality or each standard, the Joint Committee has developed 30 single standards.¹⁰³ Sometimes, the standards consist of *competing* demands so that the evaluator in practice has to face the question which standard to *prioritise*. The authors explicitly do not weigh the standards so that the standards themselves do not offer an answer which standards are more important than others. WIDMER underlines that the JC-Standards are the *maximum* not the *minimum demands* (2004: 98). They formulate what a *good* evaluation should *aim* at. WIDMER concludes that, therefore, in practice, it will hardly be possible to fulfil the demands of all 30 single standards (2004: 98).

WIDMER states that evaluation standards are known as *widely acknowledged principles* to judge the *quality* of evaluations (1996: 10). He adds that the original objective was to give the evaluation

¹⁰¹ The *Deutsche Gesellschaft für Evaluation* (DeGEval), which was founded in 1997, for example, has developed its own standards from 2001 on the basis of the JC-Standards.

¹⁰² As pointed out above, the AEA consists of two former evaluation organisations. One of them, the ERS, had published its own standards in 1982.

The AEA itself published some evaluation principles in 1994. Their *Guiding Principles for Evaluators* are not as detailed as the JC-Standards. Both documents have a corresponding content but the AEA's principles are, as the title suggests, like guidelines of rules of conduct for the evaluators. They consist of five guidelines: respect for people, integrity/honesty, responsibility for General and Public Welfare, systematic inquiry and competence. For further information see Shadish, W.R./ D. Newman/M.A. Scheirer/ C. Wye (editors), 1995: *Guiding principles for evaluators*. New Directions for Programme Evaluation, No. 66 (Summer 1995), San Francisco.

¹⁰³ The version from 1994 is not very different from the first publication of the JC-Standards in 1981. The four groups of standards remained as the basic structure, only a few changes in the single criteria were made (WIDMER 1996: 41f).

practitioners an *orientation* for their work. Today, evaluation standards serve *both* purposes, they are guidelines for the practitioners but they are also used to assess evaluations.¹⁰⁴

For the purpose of this study, it is useful to take a closer look at the *accuracy standards* that are part of the JC-Standards. Even though it is probably impossible to fulfil each and every one of them, they offer a good *orientation* for any evaluator on how to ensure that an evaluation offers information about the quality of the evaluated programme that is appropriate to the field of social sciences (WIDMER 2004: 96). Twelve single standards belong to the group of *accuracy standards*. Some of the most important *accuracy standards* are:

- clear and detailed description and documentation of the programme to be evaluated;
- context analysis;
- analysis of quantitative *and* qualitative information;
- systematic (cross) checking of information;
- justified conclusions;
- impartial reporting.¹⁰⁵

This study aims to fulfil the demands of *all* standards listed by the Joint Committee but *especially* the accuracy standards enumerated above.

2.3 Evaluation research in development cooperation

2.3.1 Origins and background

“Questions concerning the efficiency, the outcome or the success of development policy are a starting point for evaluations.” (HELLSTERN/WOLLMANN, 1984: 19; translation: CS)

The public area of responsibility development cooperation was increasingly confronted with the same requests as other public sectors¹⁰⁶, the requests of the parliament for *systematic* and *continuous* programme evaluations.

The interest in controlling and evaluating the development cooperation sector developed, however, relatively *late*. One of the main reasons for this was that at the beginning *development* was equated with *economic growth* and the granting of financial assistance/credits was perceived as the only useful and necessary criterion for success. Following the theory of the time, the application of further criteria was unnecessary (BODEMER 1983: 179).

The interest in the evaluation of development cooperation only grew after the first decade of development. Some of the main reasons for the growing importance of evaluation in development cooperation since the 1970s are listed below (BODEMER 1983: 179ff):

- The *failure* of the development policy in the first decade.¹⁰⁷

¹⁰⁴ WIDMER himself, for example, uses evaluation standards as criteria for meta-evaluations (1996).

¹⁰⁵ For the other standards see JOINT COMMITTEE ON STANDARDS FOR EDUCATIONAL EVALUATION 2000.

¹⁰⁶ These other sectors are mentioned in section 2.1.2 page 15.

¹⁰⁷ This reason is probably the most important reason.

- The *change of paradigms* in the development theoretical discussion, i.e. the so far dominating approaches of the modernisation theory were relativised/replaced by the explanations of the structure theory, *and the change* in direction of the *strategy debate*, i.e. the goal of economic growth was relativised and social goals were ‘discovered’.
- *Critical* findings of political scientific analyses concerning development cooperation. German development aid was strongly criticised: the exploitation of development aid by a dysfunctional awarding strategy that was serving foreign and export policy and neglecting its primary goal was pointed out.
- In public, the critiques of development aid grew *stronger*. Insufficient planning, too costly equipment and bureaucratic mistakes were the main reproaches. In 1973/74, criticism in Germany reached its peak with the experts’ report of the Federal Audit Office and the attacks launched by the opposition in the German Bundestag.¹⁰⁸
- So far, only little *control* by the parliament.

Some of the reasons mentioned by Bodemer explicitly refer to German development aid at the time. However, these often have their equivalent in other countries active in development aid and are *not* limited to Germany. Of course, the specific criticisms vary from country to country but the *essence* remains the same as *all* those active in development aid had to recognise that the targeted goals were not achieved.

Therefore, not only in Germany, but also in countries such as the USA, France, Sweden or Great Britain, the governments and/or the organisations/ministries responsible for development aid had to face *strong criticism* which was accompanied with *growing demands* for evaluation studies in this field. Organisations such as the World Bank and the United Nations were of course also affected as they are some of the most important actors in development cooperation. For them, the need to evaluate programmes grew stronger as well.

In the beginning, the evaluation activities in most countries and organisations took place in an *uncoordinated* and *unsystematic* way¹⁰⁹ but with growing experience in the field of evaluation each ministry and organisation more and more developed means and methods to carry out evaluations and to use them.^{110 111} It must be stated, however, that, for example, some international

¹⁰⁸ For further information on the criticism in the 1970s in Germany see BODEMER 1979: 9ff.

¹⁰⁹ BODEMER points out some of the flaws of the early period of evaluation (1979: 43ff):

- Most of the bi- and multilaterally requested reports were a scientifically useless mixture of personal impressions and subjective value judgements of their authors as well as of interviews and conversations that were not planned and structured but took place by chance.
- The changing of the goals during the implementation of the project was not considered.
- Many ‘evaluators’ were not able to develop methods appropriate to the project.
- The ‘method of common sense’ was not yet replaced by scientific methods.

¹¹⁰ For information concerning how evaluation was systemised in German development aid sector in the 1970s see BODEMER 1983: 182ff.

¹¹¹ See section 3.2.10 pages 122ff to find out how evaluation is organised nowadays within the GTZ.

organisations had already developed some systematic evaluation approaches in the late 1960s, while in Germany this process was only started in the 1970s. The experience and the knowledge of some organisations and/or ministries concerning the practice of evaluation in development cooperation, therefore, were transferred to others and were used for the development of an evaluation system appropriate to the organisation in question (BODEMER 1979: 48f).

Projects, programmes but also organisations as a whole are subjects of evaluations.¹¹² Generally, however, projects and programmes are evaluated. Evaluation in development cooperation serves the same objectives as in other fields: to *check* the *legitimacy* of the projects and programmes, to *base decisions* to be made on the evaluation results, and to *improve* the same or similar and future projects and programmes, i.e. to *learn* from the *successes* and the *failures*. KARY underlines the improvements that can be achieved *if* the evaluation results are implemented (1992: 65; translation: CS):

“On the one hand, the implementation [of the evaluation results, CS] can take place in the current project if they are results from accompanying monitoring which have to be conveyed to the project managing entities (operative implementation).....On the other hand, evaluation results that are relevant for a certain type of project can be made use of for the planning and the implementation of future projects of the same type (strategic implementation).”

In recent years, it has been seen as more and more important to *systematically analyse* and to *aggregate* evaluation results so that experiences that are either typical for a certain type of projects or for a specific country are summarised and *recommendations* can be made based on this information. Unfortunately, even within *one* country or *one* ministry or *one* international organisation the aggregation of such useful information is mostly *not* as well elaborated as it should and could be - not to mention a possible aggregation of evaluation results that could ‘cross the frontiers’ existing between different organisations or ministries.

As the *institutional memory* of an organisation is more and more valued, the aggregation of evaluation results and their availability are nowadays more important to the various institutions of development cooperation. Therefore many of these institutions are working on *systems* that allow the better utilisation of evaluation results. However, lots of work needs to be done to achieve significant improvements. This is especially true for the *cooperation* between the different institutions active in development cooperation. Most of them do not publish their evaluation reports and do not even share the results with the other institutions. This clearly demonstrates the *rivalry* that generally exists between the various institutions in the development cooperation sector.

Three essential *factors* for the success or the failure of development aid measures were already identified in the early phase of evaluation in this sector (BODEMER 1979: 88):

- Quality of the planning of the development aid measures;
- Quality of the operational performance;

¹¹² This thesis includes an evaluation of projects and programmes of UNOPS and the GTZ in chapters 4 and 5 but the thesis on the whole can be considered as an evaluation of the two organisations.

- External influences that cannot be controlled within the framework of the project activities.

Although these three factors were only presented very generally, it is nonetheless remarkable that they are still perceived as important factors today.

2.3.2 Problems and possibilities

2.3.2.1 Quantitative or qualitative methods for evaluation in development cooperation?

It is not surprising that for evaluation in development cooperation the same rules apply as for evaluation in general. Therefore, the triangulation of quantitative and qualitative methods is also suggested for evaluation studies in the development sector (KARY 1992: 90; translation: CS):

“Illuminating evaluation results can be achieved particularly if the various methodologies are not understood as being diametrical and incompatible but as potentially complementing each other.”

However, KARY also underlines that, in the case of development projects, it is often appropriate to evaluate *qualitatively* and in a *process-oriented* manner to obtain detailed information concerning the implementation process of the project measures (1992: 89). This kind of information often enables the researcher to *correctly* interpret the results of *quantitative* analyses and to utilise them strategically.

Qualitative methods are usually needed by the evaluator to *deeply understand* the context of the programme and the situation of the programme staff, the partner, the target group, etc. The differences of the cultural background and mentality between, for example, the researcher and the target group can be discovered more concretely by qualitative than by quantitative methods. Additionally, the evaluator has the possibility to reflect the influence of certain characteristics of the target group or the partner on the success or failure of the project. This kind of *information* and *insights* are those that, after having been made available to the planning process by feedback, can *contribute* a lot to the improvement of future project work.

Another advantage of the use of qualitative research methods for the evaluation of development projects is the important aspect of their *feasibility*. In the field, the *strict methodological requirements* of the quantitative instruments often *cannot* be fulfilled. This does not, however, mean that there are no methodological restrictions for the use of qualitative methods in the field; they exist there as well (KARY 1992: 89). Moreover, usually qualitative data collection methods such as observations or interviews on the spot and their analyses are quite *time-consuming*.

PATTON quite impressively describes why today the value of conducting *case studies* using qualitative *and* quantitative methods is recognised by development cooperation institutions such as the World Bank and the USAID (1990: 100):

“In the past, economists and quantitative social scientists dominated the assessment and evaluation efforts of these major international development agencies. They preferred large-scale quantitative surveys and probabilistic sampling techniques. But years of experiences with those approaches has shown that the data-management problems of implementing large-scale efforts in Third World settings were typically so severe that validity and reliability were in serious doubt. The data could not be trusted and it was so expensive to collect such data that little money or time was usually left to analyse the data.”

For practical reasons, PATTON concludes, some international evaluation experts were advocating a much greater *use* of case studies. They clearly favoured having a *few* carefully done *case studies* against the *large*, probabilistic, and generalisable samples with results that are dubious. Case studies carried out by the USAID utilised both qualitative and quantitative data and showed (PATTON 1990: 100)

“how a team can combine secondary data, direct fieldwork, project documents, interviews and observations to draw policy-relevant conclusions from individual project case studies.”

The above shows once more that the *mixed methods-approach* best serves most evaluations, including these carried out in development cooperation. Evaluators in this sector should nonetheless keep in mind that (1) qualitative methods are imperative and needed for the interpretation of any quantitative data collected and that (2) in the field the conditions might often not meet the *methodological* requirements of quantitative research so that s/he has to rely (mostly) on qualitative methods such as interviews and participant observation.

2.3.2.2 The goal approach

The oldest but still most relevant approach for evaluation studies in development cooperation is the so-called *goal approach* which means that the single criterion for the determination of the success of the project/programme or the organisation is the *degree* to which the *goals* set were actually *achieved*.

Various authors underline the problems that are connected with the goal approach.¹¹³ KARY who is especially interested in the evaluation of development projects is one of them and he points out that the *exclusive* use of this approach is not advisable as various difficulties arise from (1) the existence of a whole set of goals and the necessity to form hierarchies among these goals, (2) the operationalisation of imprecise goals, (3) the assessment of the seriousness of officially announced goals, (4) the neglect of effects outside the goal dimensions, (5) the divergence between goals of the organisation, its members and its environments, and (6) the changing of goals or their priority over time (1992: 48f).

Many authors in the field of evaluation research specialised in development cooperation agree that *goals* will and should continue to play an important role in the evaluation of development projects. They stress, however, that goals should *not* be the *single* criterion for

¹¹³ See also the problems concerning the goal approach mentioned by Scriven (section 2.1.3.1.1 pages 17ff) and Weiss (section 2.1.3.1.2 pages 19ff).

success and that not-intended effects have to be taken into consideration as well (KARY 1992: 48ff; STOCKMANN 2004b: 375ff). KARY offers the following summary (1992: 60f; translation: CS):

“The effects of a project can be divided into two categories. One comprises the intended effects, i.e. effects that can be assigned to a goal dimension. It would be fatal and not appropriate to a thorough and comprehensive overall assessment of a project if the effects outside the goal dimension were disregarded. These are the second category, the not-intended effects.”

A good example of the need to go beyond the goal approach is the following: it is not only important to know that the main goal of the project was achieved because a hospital has been built but it is at least as important to find out *who* is going to that hospital, *who* can afford its costs etc. If an evaluation only compares the *input* with the *output* and if the goals set were achieved the produced impact usually is *not* taken into consideration. STOCKMANN stresses the importance of investigating whether a project impact is *durable*, whether it *survives* the end of the project when no donor funds and project personnel are available anymore (2004b: 384f).

2.3.2.3 Weaknesses of evaluations in development cooperation

In his study, KARY identifies *weaknesses* of the evaluation practice in German financial cooperation¹¹⁴ which can be generalised to evaluations by other development aid institutions (1992: 151).

In cases following the goal approach explained above, the evaluator sometimes does not identify these goals as *unambiguously* as he should and does not consider the *goals* enough for the *comparison* with what has been achieved¹¹⁵. Additionally, the *flaws* in the *planning* of the goals are often *neglected* and their *seriousness* is questioned only *rarely* by the evaluator. Another weakness to be stated is that the *rationality* of the goals, i.e. the question whether the goals *actually* address the problems they are *supposed* to, remains unchecked.

KARY also criticises the *meaningfulness* of the evaluation reports in which the results of the evaluation are presented (1992: 151). Partly, no or unverified statements are made concerning important *criteria* for judgment of the evaluation category. *Process-oriented* experiences made in the *implementation* phase of the project are inappropriately considered in the final reports. Moreover, the final evaluation of the project impact often takes place too early and the evaluation results sometimes appear to be whitewashed.

Another general weakness of evaluations was already mentioned above, the utilisation of evaluation results.¹¹⁶ KARY lists the following *deficiencies* (1992: 151):

- Results-oriented aspects are emphasised too strongly.

¹¹⁴ Kary investigates the evaluation procedures of the KfW in great detail and then concludes which weaknesses this evaluation process has.

¹¹⁵ Often, the evaluation reports only state what has been achieved and do not explicitly refer to the goals set in the phase of the programme planning and then point out in comparison what has and what has not been achieved.

¹¹⁶ See section 2.2.3 pages 37ff.

- Partner institutions are only insufficiently involved in the evaluation process and the implementation of its results.
- Evaluation results do not lead to an immediate need for action for the evaluated programme.
- Evaluation results are not systematically utilised/implemented in the planning of future projects.

The above presents some reasons why in the field of development cooperation as well evaluations are often *not* or *under-utilised*. As most of these reasons have already been further illustrated above, in this paragraph I will *concentrate* on some further arguments concerning the insufficient participation of partner institutions in the evaluation process.

Even though *ownership* of the projects/programmes by the partner has been one of the big topics in development cooperation for several years, many evaluations are carried out *without* a sufficient or comprehensive cooperation with the partner.

How can a development organisation expect an evaluation (1) to produce results as close to the reality of the project and as meaningful as possible and (2) to have an influence on the future implementation of the very same or future projects *if* the partner is not involved sufficiently in the whole evaluation process? To the defense of the development organisations, one clearly has to state that many of them *try* to include the partner in the planning and carrying out of evaluations, but they often have to face the problem that the partner does not have the *capacity* needed to fully participate in the evaluation process.¹¹⁷

STOCKMANN states that development cooperation is one of the view policy fields in Germany whose projects and programmes are evaluated *continuously*. Therefore, he finds it even more astonishing that evaluations in development cooperation suffer from a *lack* of *theory* and *methodology* (2004b: 375, translation: CS):

“So far the evaluation procedures of the different organisations [in the German development cooperation, CS] were scarcely co-ordinated with each other; joint standards and criteria are missing; impact analyses, especially ex-post evaluations are strongly neglected; methodologically high-quality designs (longitudinal section analyses, utilisation of multi-method-approaches) are rare and, above all, transparency is missing.”

After having explained the evaluation systems in the German public development cooperation institutions BMZ, GTZ and KfW, STOCKMANN points out their respective *deficits* (2004b: 383ff). As one of the main weaknesses of German development cooperation but also of other donor organisations, he identifies that the *effectiveness* or even *sustainability* of the projects and programmes are hardly paid attention to.¹¹⁸ A reason for this lack is that over decades the evaluations of the donors in the development cooperation concentrated on the *planning* and the *management* of the ongoing projects.

¹¹⁷ UNOPS, for example, in most cases includes local evaluators in its evaluation teams. However, UNOPS staff stated that often the local expert does not have the competences required to carry out an evaluation and therefore her/his input to the evaluation remains very limited.

¹¹⁸ From the three German institutions mentioned, only the KfW carries out ex-post evaluations.

Evaluators hired from the BMZ often do *not* utilise the different methodologies but *restrict* themselves to document analyses, conversations with the staff responsible for the programme on various levels. For these conversations, often neither an interview guide nor a structured analysis or even standardised interviews are used. Target groups in general are *not* questioned so that the perspective of the people affected or the potential beneficiaries is scarcely detected. In a study to analyse and evaluate the evaluation system initiated by the BMZ itself, it is stated that the evaluators undertake methodological efforts only *insufficiently* or not at all (BORRMANN 1998: 71). STOCKMANN criticises that a broad range of methods of the empirical social research has not been utilised so far (2004b: 386). He emphasises that the BMZ can influence the utilisation of methods by establishing *higher standards* concerning the evaluation design, the utilisation of instruments and the data collection procedures.

One step, the BMZ already did, is the introduction of the so-called *inception reports* which contribute to the reduction of methodological weaknesses: in these reports, the evaluators have to state *before* their departure which evaluation design and which methods they will apply. To improve the often insufficient supply with data, the BMZ evaluators even have the possibility to *in advance* send questionnaires to the partner country that are distributed and filled in there (STOCKMANN 2004b: 385).¹¹⁹

The preparation of evaluations well *in advance* of the departure of the evaluators is very important, as usually, the time in the field is very short. Often, two evaluators from the BMZ only have two weeks on the spot, an extremely short time to *acquaint* oneself with the programme, the programme staff, the partner, the target group etc. If questionnaires, for example, are developed and already filled in *before* the visit to the field this may help the evaluators to familiarise themselves faster with the situation in the partner country.¹²⁰

The *lack* of transparency, independence and legitimacy concerning evaluations is another general *deficit* in development cooperation (STOCKMANN 2004b: 392ff).¹²¹ In many cases the evaluations are internal evaluations or carried out by order of the donor institutions. Literature on

¹¹⁹ The KfW and the GTZ so far do not have similar instruments to *improve* the utilisation of methodology and therefore the quality of their evaluations.

¹²⁰ On the other hand, the evaluators in this case must be aware of the possibility that the questionnaires prepared and filled in in advance might *not* ask the questions that *later*, during the field visit only, turn out to be the most important ones. Especially if qualitative methods are used it is important that the evaluators remain *open* to any new findings and, for example, do not commit themselves to a certain opinion of the programme even *before* having visited it. However, this might *minimise* the usefulness of the preparation of the evaluation but usually there is still an advantage to already have *familiarised* oneself with the programme by analysing the project documents and working out questionnaires.

¹²¹ Hancock is one of the authors who strongly criticise this *lack of transparency*. He points out that all multinational and bilateral organisations – except those financed by private donations – are financed by taxpayers' money. In his view, it would be, therefore, only *reasonable* if these organisations reported on their activities very transparently to the public. However, Hancock has had the experience that this is *not* the case. He criticises the fact that outsiders – and therefore independent evaluators – who want to investigate the efficiency and quality of the development aid are often *rejected* by the respective organisations. HANCOCK doubts the existence of *independent* evaluators as most of them would have a personal interest and often feel obliged to the commissioning party (1989: 10). He is convinced that, therefore, only whitewashed evaluation reports become known to the public (HANCOCK 1989: 11).

evaluation in developing countries is financed by the donor institutions and often reflect only the donor's perspective. Moreover, the donor organisations are very restrictive with the evaluation reports, so that they are *inaccessible* for *scientific* discussion and critique.¹²² Many organisations consider the evaluation reports only as internal management tools. The lack of critique, Stockmann concludes, means a lower quality because the further development of theories and methods does not take place as usual.

2.3.2.4 A brighter future for evaluation in development cooperation?

The various weaknesses identified above have to be *addressed* by future evaluations in development cooperation and *avoided* as far as possible to ensure that the *quality* of the evaluation results grows, and, development cooperation on the whole, can take better advantage of them. This, of course, has a long way to go and progress can only be made step by step.

However, it is important that the development organisations have begun to perceive evaluations not simply as a *task* or even a burden that is necessary to *legitimate* their own actions but as a *chance* to *improve* their own work. Additionally, all of them should make a considerable effort to systematically *utilise* the findings of the evaluations.¹²³ In the end, this might be more useful than producing endless numbers of evaluations that are *neither* analysed themselves *nor* utilised.

Not only the institutions responsible for the evaluations but also the (external or internal) evaluators have to be aware of the problems and possibilities inherent in evaluations. The expertise of the evaluators, of course, grows with the experiences s/he undergoes with each evaluation undertaken, but it is also important to acknowledge the *need* for evaluators to *continue* their education.

It only reflects human nature that evaluation researchers sometimes tend to choose the *same* research design for most of the evaluations they carry out: Why should one try something new if the old way works? Why, for example, should one learn how qualitative methods have to be used if one gets along with the utilisation of only quantitative methods? But especially because in evaluation so many different methods *can* be used and *mixed* with each other and because an evaluation study becomes much more *valid* with a multi-method-approach, all evaluators should aim to become familiar with and then actually apply as many of these methods as possible.

2.3.3 Guidelines followed by the evaluation in this study

The above demonstrates that for this study I have familiarised myself intensively with evaluation research – with its history, the theories that have been developed over the years, the various

¹²² In many evaluations, scientists participate but the respective expert's reports or studies are not published.

¹²³ The GTZ, for example, has made a first step in this direction by requesting that the final evaluation has to check whether the findings of the previously undertaken project progress reviews had been implemented. Lacking are something like *sanctions* for cases in which these recommendations were *not* implemented.

methods and instruments that can be applied, its strengths and weaknesses and its role *in* and meaning *for* development cooperation.

In this study I try as much as possible to stick to the standards set up for evaluations of any kind. Considerable efforts were made to fulfil those requirements. However, the sometimes *difficult* situation in the field - especially in Bolivia where political and social unrest hindered my research – represented severe problems that demanded a high degree of *flexibility* to find a *practicable* and *scientifically* appropriate alternative to obtain the data needed. The unwillingness of a few staff members to criticise their own organisation can be mentioned as another example of the obstacles I had to overcome.

Overall, and despite the problems, the evaluation of UNOPS and the GTZ is based on data gathered following the guidelines and standards for evaluations as presented and discussed above. *Different methods* were applied, *qualitative* and *quantitative instruments* were utilised to gather the data necessary:

- As an *participant observer*, I had the opportunity to obtain a good insight into the structure, the functioning, the tasks, the challenges and problems of and for both the HQs and the field offices in Peru (UNOPS) and Bolivia (GTZ);
- published and unpublished *documents* of both organisations, both in the respective HQs and the field office, were reviewed and analysed;
- guidelines for *semi-structured qualitative interviews* were developed and pre-tested; the interviews were carried out accordingly with both organisations' staff members in the HQs and in the field, as well as with staff from other development cooperation institutions, the partner institutions, the target group¹²⁴;
- *quantitative questionnaires* were developed, pre-tested and filled in by a significant number of staff members in the field in Peru and Bolivia;
- *triangulation* of methods allowed the *cross-checking* of information obtained.

Gathering the data, I followed the rules and regulations on how to avoid possible mistakes for my evaluation. The *interpretation* of the data obtained was *discussed* with experts from the different groups – staff members, partner institutions, target groups - before the evaluation of the two organisations was written down.

Compared to most evaluations in development cooperation, this study has the invaluable advantage of being an *independent* evaluation which is, moreover, *published* and therefore *available* for further academic purposes.

¹²⁴ With the target group, mostly informal talks were carried out.

3 The Headquarters of UNOPS and the GTZ - their origin and their development

3.1 UNOPS

3.1.1 Methodology

Different qualitative methods¹²⁵ were applied for this in-depth investigation of the UNOPS' HQs. As I was with UNOPS for nine months¹²⁶, I had an exclusive insight into the organisation's operations and structure as a *participant observer*. I had *full access* to the intranet, to meetings on different levels¹²⁷ and – probably the most important – to all UNOPS staff. During my stay at UNOPS, I therefore *analysed* a great number of *documents* most of which are *internal* and therefore *not* accessible to the public; some *confidential* documents not even available to most of UNOPS staff are also covered by this analysis. Combined with this extensive *document review*, the 30 *semi-structured interviews*¹²⁸ I conducted with UNOPS staff provided a *deep understanding* of what UNOPS is about and how it functions.

3.1.2 Historical overview

3.1.2.1 The beginning

UNOPS was the outcome of the 1969 report 'Study of the Capacity of the United Nations Development System'.¹²⁹ This report was commissioned by UNDP's *Governing Council* and was expected to respond to the changes in UN memberships and tasks. It criticised UNDP's central role in UN development cooperation and recommended that UNDP should become the central *funding* agency in a 'new' UN system for development cooperation. Through its size it would have the leverage to coordinate other UN organisations, including the Specialized Agencies.¹³⁰

The report also investigated UNDP's role in project execution but paid only little attention to it. It provided the *embryonic* form of UNDP's role in the *management* of project services and their *execution*. A follow up report, the 'Consensus Resolution', facilitated the establishment of an

¹²⁵ See section 2.2.1. pages 25ff for more information on qualitative and quantitative research methods.

¹²⁶ From December 2002 until May 2003 I was working at UNOPS as an intern, from September until November 2003 as a consultant.

¹²⁷ These meetings ranged from quite informal weekly division meetings to a meeting over two days in early 2003 when the *top management* of UNOPS came together to discuss the problems and possibilities of UNOPS on the market.

¹²⁸ See the general questionnaire in the appendix. As these were semi-structured interviews, the questions were not always asked in the same sequence and wording. Moreover, as I interviewed various levels of staff – the range was from assistants to the Director of the organisation – not everyone was asked the same questions.

¹²⁹ Internally, this report is referred to as the 'Jackson Report'.

¹³⁰ Specialized Agencies specialise in a *functional* sector such as development, children, health. Each has its own constitution, responsibility for appointing staff, independent sources of funds in the assessed contributions of its members. This is supposed to make them as *autonomous* as possible from the UN system so that they can make their *own* decisions in their respective sectors.

executing arm for UNDP. UNDP staff was, for several reasons, not happy with the execution of its programmes and projects by the Specialized Agencies¹³¹ and happily wanted to seize the opportunity to have its own *executing* arm. Despite the resistance of the Specialized Agencies and though Member States were sceptical in 1973, the UNDP Administrator¹³² established a *Project Execution Division* (PED). It was part of UNDP but had to earn its own income from project execution. PED had to be *self-reliant* because no donor government made financial contributions to it as they did with the Specialized Agencies (DIJKZEUL 2000: 23ff). In a way, this was the first time that UNDP acted in direct execution. As a result of PED's tasks and work, UNDP combines several roles: from then on it was not only a *funding* but also an *implementing* organisation.

In 1975, PED was already too large to be a division to be accommodated *within* any of the existing larger organisational entities (DP/1988/INF:1:1; IV). Therefore, it was moved under the *direct* supervision of a higher ranking official, renamed and upgraded as the *Office for Project Execution* (OPE). OPE kept growing even when UNDP was not in the central coordinating role for the UN development cooperation anymore because the Specialized Agencies found their own project resources *independently* from UNDP.

In the late 1970s, OPE defined its execution differently. *Technical* projects were not so important anymore to OPE; it focused on project design and the *managerial* aspects of implementation and service delivery. *Technical work* could and should be done by subcontractors with the necessary *technical expertise*. The role of OPE started to be more managerial as it had to set in motion and control the project participants and the needed inputs of expertise and equipment (DP/1989/75: 4). Subcontracting firms became a central feature of OPE's work (DIJKZEUL 2000: 29f).

OPE grew within UNDP. Project disbursement grew in a short time to a level of 50 to 60 million United States Dollar (USD), the first peak was 79 million USD in 1981 (DP/1989/75: 22). In the late 1970s, it became apparent that OPE could also be useful to *other* organisations than UNDP. Trust funds and special funds started to play a role for OPE and its business. Another funding category, management service projects – *Management Service Agreements* (MSA), was established in 1983. The Governing Council authorised UNDP – and thereby OPE – to offer management and other support services to governments whose implementation was included in the scope of OPE (DP/1995/6: 2). Through the MSAs, OPE was engaged on behalf of governments receiving loans from international financial institutions or grants from bilateral donors. By 1988, the MSAs already covered 33.6% of OPE's total project expenditure. Through OPE, UNDP provided management and other support services under *Letters of Agreement* between the borrowing governments and UNDP.¹³³ UNDP and trust funds continued to grow in absolute financial terms and caused a second growth surge of OPE when overall programme expenditure

¹³¹ The main reasons for this dissatisfaction were unclear accountabilities and the fact that no specific person was given clear oversight.

¹³² The title of the Executive Head of UNDP is Administrator.

¹³³ Today, UNOPS continues to work for governments receiving loans by using MSAs.

more than *tripled* from 1984 to 1988 (DP/1989/75: 9-12, 22-23). Project acquisitions also *exploded* from 1985 to 1990, a *sevenfold* increase was observed (DIJKZEUL 2000: 31). In 1988, OPE was renamed *Office for Project Services* (OPS) to reflect the management and service oriented nature of direct execution (DP/1988/INF 1: 1-2).

3.1.2.2 Merger/separation process

Boutros Boutros-Ghali became UN Secretary-General in 1992 and found a UN system that had to operate in a *new international context*. The Cold War was over and was followed *not* by the ‘End of History’ (FUKUYAMA 1992) but by a whole series of smaller, often unexpected conflicts. The calls for reforming the UN system continued, the end of the Cold War and the new global situation seemed to demand even more strongly a reform of the UN system. Soon, a *proposal* for UN reform was discussed and the UN system found itself in *transition*.

In 1996, the UNOPS’ Executive Director (ED) described the background of UNOPS’ establishment as follows (DP/1996/23: 1):

“UNOPS was established on 1 January 1995 against a background of, and, in part, as a response to, widespread calls for reform of the United Nations system: reforms expected to reduce duplication of function; improve efficiency and effectiveness; respond better and more rapidly to changing needs; produce leaner administrative budgets; and establish more businesslike approaches to both cost and quality of service.”

OPS was affected by this reform proposal because the Secretary-General wanted to institute a ‘Department for Development Support and Management Services’ (DDSMS) to replace a part of the ‘UN Department of Economic and Social Development’ (DESD). The department would have been expected to provide management services, OPS’s traditional field in which it was very strong. The Secretary-General made the possible consequences for OPS even more threatening by underlining that this new department would require a *significant reallocation* of various programmes. It was explicitly argued that OPS should be *incorporated* by DDSMS as a semi-autonomous entity (DP/1993/20: 1). This should strengthen UNDP’s *core mandate* as the *central funding and coordinating body* of operational activities.

OPS staff had mixed feelings concerning the proposed merger (IV). Member States were hesitant, some of them even *reluctant* about the merger because they feared an undermining of the efficient functioning of OPS. Nonetheless, a joint task force was to start working in 1993 to prepare the integration of OPS so that OPS would separate from UNDP in 1994.

In December 1993, OPS staff became even more concerned about the merger and expressed their concerns at a high level, at the ‘UN Advisory Committee on Administrative and Budget Questions’ (ACABQ) and the Governing Council of UNDP. Finally, the Governing Council recommended that the merger should be *postponed* until January 1995 instead of 1994.

The start of 1994 was difficult for OPS: A new ED, Reinhart Helmke¹³⁴, had just taken on his new duties.¹³⁵ OPS's volume had increased but net income had dropped sharply between 1990 and 1992. OPS barely broke even in 1992 the same was true for 1993. The consequence was that hardly any resources for *investing* in improvement measures were available and the self-financing ability was *threatened*. The structure of OPS was questioned and because of the merger process OPS did not initiate decentralisation, training etc. OPS was more or less waiting to see what would happen in the future. DIJKZEUL concludes that UNOPS was somehow *paralysed* (2000: 50). The possibility of the merger also harmed the clients' confidence in UNOPS' future. This resulted in clients looking for other implementing partners.

In 1993, the Governing Council had, as mentioned above, recommended postponing the merger and let OPS remain for one more year within UNDP. The Governing Council and the Member States continued to make the Secretariat aware of the problems concerning the merger. Finally, the Secretary-General proposed a new solution (DP/1994/52: 2),

“to establish the Office for Project Services as a separate entity headed by an Assistant Secretary-General as the responsible manager under the authority of the Secretary-General.”

The *Executive Board* (EB)¹³⁶ of UNDP recognised the need for a self-financing OPS which should become a *separate* and *identifiable* entity. It adopted a decision and the legal basis for the separation from UNDP was laid down (EB/ 94/12).¹³⁷ OPS had only six months to prepare the organisation for its new role as a separate UN agency.

OPS would not obtain any funding from donor governments, it would have to gain its own income by implementing services. It was to become the supposedly only self-financing UN agency.¹³⁸ The EB also pointed out that OPS would undertake *implementation* rather than *funding* activities.¹³⁹ From then on, OPS was allowed to work with other UN agencies than UNDP.

¹³⁴ Reinhart Helmke was a former Resident Representative (Res. Rep.) from UNDP.

¹³⁵ The former ED Daan Everts had left OPS in August 1993 to take a position with the World Food Programme (WFP). Staff was not too happy about him leaving OPS in such difficult times.

¹³⁶ In early 1994, the Governing Council of UNDP was *transformed* to a leaner Executive Board and was *renamed* accordingly.

¹³⁷ The whole process, of course, consisted of *several* steps. The EB formulated the recommendation to the GA not to merge OPS as proposed by the Governing Council in 1993 but to make it a separate and identifiable entity. This recommendation also included that OPS could work with *other* UN organisations than UNDP. On 26 July 1994, the Economic and Social Council (ECOSOC) recommended that the GA approve the EB decision (E/1994/284) which the GA did (GA/48/501).

¹³⁸ However, in the UN system there are a few Agencies that receive only some fixed government contributions and have to generate most of their income by service delivery. One example is the World Intellectual Property Organization (WIPO), but WIPO has a *monopolistic* standing and therefore its services have something of a 'guaranteed demand' which is not true for UNOPS. It should also be mentioned that the United Nations International Computing Centre (ICC) in Geneva works on a *cost-recovery* basis.

¹³⁹ Funding was considered as UNDP's core function.

In the first report of the ED to the EB in August 1994, OPS's name was introduced: the *United Nations Office for Project Services*, UNOPS (DP/1994/62: 2).¹⁴⁰ The reports submitted by UNOPS to the EB included, for example, important *financial* rules and regulations for UNOPS etc and were required to enable the EB to establish UNOPS as a separate and identifiable entity as from 1 January 1995.^{141 142}

3.1.2.3 From a promising start (1995-1999)...

At the end of 1995, it became obvious that UNOPS' project implementation was lagging behind the goal set in the business plan. This might have produced a *shortfall* of five million USD at the end of the year which would have threatened jobs at UNOPS. Staff worked even harder and made it into the black (DIJKZEUL 2000: 121). However, this showed already in the first year that UNOPS would have to work hard, structure itself well and adjust itself to the changing environment and market for its survival as a *self-financing entity*.

In the following years, UNOPS did extremely well, especially concerning business acquisitions that rose from about 400 million USD in 1995 to about 760 million USD in 1998 for the project portfolio and from about 190 million USD in 1995 to about 280 million USD in 1998 for the loan administration portfolio. In 1998, *new business* acquired by UNOPS totalled more than one billion USD for the first time.¹⁴³ Project delivery was increased from about 380 million USD in 1995 to about 560 million USD in 1999, loan disbursements from about 110 million USD in 1995 to about 200 million USD in 1999. Income also rose from about 30 million USD in 1995 to about 50 million USD in 1999 and during these five years income always *exceeded* the administrative expenditure.

UNOPS demonstrated a much *better* development than many observers had dared after the separation from UNDP. It has to be acknowledged that UNOPS achieved an unexpected, rapid *growth* in *shrinking* markets from 1995 to 1998. UNOPS' revenue levels permitted a considerable operational reserve fund to be built up. The operational reserve should serve as a 'revolving fund' to allow UNOPS to promote its services and to reinvest in systems and training to make itself the 'implementing agency of choice'. In 1999, the reserve was *replenished* by around 17 million USD. UNOPS generated a net surplus every year from 1996 to 1999: 4.6 million USD in 1996, 1.4 million USD in 1997, 9.5 million USD in 1998 and 4.5 million USD in 1999 (Internal Document - ID).

¹⁴⁰ See this report of the UNOPS Executive Director for further information concerning the establishment of UNOPS as a separate and identifiable entity. The document covers important issues such as the *role* of UNOPS, *structure* and management mechanisms, and *operational modalities*.

¹⁴¹ This decision was taken by the EB on 10 January 1995 (EB/95/1).

¹⁴² In 1983, a Joint Inspection Unit (JIU) had first recommended phasing out OPE but this was not followed by the General Assembly (JIU/REP/83/9).

¹⁴³ Some staff mention that now it seems as if the number one billion USD, first mentioned at the 1999 retreat in Glen Cove, was over-estimated. This expresses the general concern that the *quantity of business acquisitions and delivery* was put as the goal, not the *quality of services offered and the income generated*.

3.1.2.4 ...to financial difficulties (2000-2002)

In the 1990s, however, Official Development Assistance (ODA) was changing rapidly. UNDP, still UNOPS' main client, was going through a process of *rationalisation* because its core funding was being reduced. Donors were demanding more efficiency of delivery which resulted in considerable pressure on UNDP budgetary resources. Therefore, UNDP was looking for execution modalities that ensured more *extra-budgetary* resources and found them in 'National Execution' (NEX) and 'Direct Execution' (DEX). UNOPS was still implementing projects for UNDP but the *nature* of these projects was changing. UNDP started to execute an increased number of lower complexity projects internally, leaving the more difficult and complex and, therefore, the *lower* net revenue projects for UNOPS.¹⁴⁴

At the end of the 1990s, UNOPS top management did not seem to recognise the danger of the potential *drop* in revenues because of the *changing* business environment, but also because of *internal problems* such as organisational structure and internal competition. UNOPS grew in a number of areas that did not directly contribute to project efficiency and client service.

Another issue between UNDP and UNOPS appeared to have a significant influence on the important relationship between the two organisations: In 2000, the Executive Heads of UNDP and UNOPS, the Administrator and the Executive Director (ED), did not get along well anymore. Supposedly, the intention of the Administrator to "take UNOPS back to UNDP" (Interview - IV) which was even proposed to the Secretary-General was the reason for the change in their relationship. UNOPS staff state that the *disagreement* at such a high level affected the number and scope of projects UNDP asked UNOPS to execute for it. Some staff believe that the Administrator gave the *instruction* to avoid UNOPS whenever possible. This, however, is not proven.

One of the reasons for the delivery in 2000 *falling behind* the delivery projected in the original business plan assumptions was that UNOPS had to face *delays* and *postponements* of several projects. UNOPS was in no position to change these postponements requested by UNDP, the governments or other clients and the significant amount of project 'rephasing' – amongst other reasons – caused the shortfall (DP/2002/19: 9).¹⁴⁵

The issues mentioned above were not *addressed* appropriately and no effective action was taken to prevent UNOPS' financial crisis of 2000 and 2001. This resulted in excess expenditure over income due to uncontrolled growth in administrative budget expenditure that was not

¹⁴⁴ As the relationship between UNDP and UNOPS is very important, it is investigated in detail in section 3.1.5.2. pages 74ff.

¹⁴⁵ The following illustrates the unexpected changes in the year 2001:

- One reason was a delay or postponement of a number of large MSAs. Most of these delays involved projects for Argentina, Ecuador, Peru and Turkey.
- Another reason was that actual requests for UNOPS services by a few UN entities turned out to be smaller than what was foreseen in the terms of the initial agreement. One example is a project in Kosovo. UNOPS had won a competitive bidding exercise to provide 20 million USD in procurement support in Kosovo. By the end of the year, UNOPS had been asked to only procure about six million USD in goods and services – a difference of 14 million USD. This delay along with others further decreased delivery and therefore income for the year.

supported by a corresponding increase in delivery and, by extension, income (GOSS GILROY 2003: 10). UNOPS' income was reduced from 51.9 million USD in 1999 to 48.5 million USD in 2000 while its expenditure rose from 47.4 million USD in 1999 to 52.3 million USD in 2000. It was the first time that UNOPS could *not* cover its expenditure and the same was true for 2001.

Probably it was because of UNOPS' success in the years from 1995 to 1999 that neither the EB, nor the Management Coordination Committee (MCC) or the ED took the appropriate action in time (IV). At the 2001 annual session of the EB, some representatives of the Member States viewed the financial difficulties as *temporary* and expressed their conviction that UNOPS would be able to overcome them; one attributed the financial situation to dynamic market conditions rather than to an *oversight* problem on the part of the UNOPS management (DP/2001/20: 60). These statements clearly show that after the first year of financial difficulties none of the actors that could and should have expressed more concerns had become aware of the *seriousness* of UNOPS' situation.

By the end of 2001, the operational reserve had largely been *depleted*. A withdrawal of about 14 million USD to fund the move to the Chrysler Building, the introduction of the Integrated Management Information System (IMIS)¹⁴⁶ and another withdrawal of 11 million USD in 2000/2001 (6.8 million USD in 2000 which left the operational reserve at the end of 2000 at 10.6 million USD) to cover the 2000/2001 operation costs led to a drop in UNOPS reserve balance of five million USD in December 2001.¹⁴⁷

As a consequence of the two consecutive years in which UNOPS' income did not cover its administrative expenditure, UNOPS had to face a budget crisis. For 2002, expenditure and income forecasts projected another ten million USD deficit (DP/2003/19: 3). GOSS GILROY described UNOPS' serious condition as follows (2003: 13):

“The seriousness of the financial difficulties caused UNOPS to implement drastic cost-cutting measures in administrative expenditure of \$ 9.3 million. The measures included a 23% reduction in personnel costs, through abolition of posts, reduction of consultants and temporary assistance costs, a freeze on the recruitment of staff, the reclassification of post

¹⁴⁶ IMIS was the system UNDP and UNOPS were working with until 31 December 2003. It was then replaced by the ERP/People Soft system. See section 3.1.5.6 pages 84ff.

¹⁴⁷ When UNOPS was established, the initial level of the operational reserve was set at 20 per cent of the annual UNOPS administrative budget, rounded to the nearest hundred thousand dollars (DP/1995/13: 2). In its decision 2001/14 from 2001, the EB refers that the basis for the calculation of the level of the reserve should be four per cent of the rolling average of the combined administrative and project expenditure for the three previous years.

The EB authorises the ED to *utilise* the reserve under the following circumstances that are specified in the UNOPS Financial Regulation 8.3 :

- shortfalls in income;
- uneven cash flows;
- professional or contractual liabilities associated with UNOPS Services; and
- liabilities associated with UNOPS personnel contracts financed from UNOPS account (DP/1995/13: 2).

Therefore, the ED expected to withdrawal 9.5 million USD in 1999 and 1.5 million USD in 2000 from the operational reserve to cover *extraordinary, non-recurrent* expenditures related to the relocation of its Headquarters office, the implementation of IMIS, and the achievement of the year-2000 compliance (DP/1999/41: 2). The amount, however, had to be *increased* because the costs of the relocation increased – as described in section 3.1.5.8. pages 89ff.

If the operational reserve falls *below* the 2.0 million USD threshold, it would be necessary to activate the proposed *contingency plan*.

levels, a reduction in overtime payments, cutbacks on information technology investments and promotion activities, and the deferral of various activities and expenses, such as travel not related directly to delivery, and training activities.”

UNOPS cut down administrative expenditure for 2002 to the absolute minimum to survive¹⁴⁸ and made it to end the year *within* the approved administrative budget of 43.5 million USD. As the total income amounted to 43.7 million USD, UNOPS was even able to generate a small excess of income over administrative expenditure of 200,000 USD (DP/2003/19: 9). But the reserve had to be further depleted to 4.2 million USD because of costs of staff separation and an allowance for doubtful accounts (DP/2003/19: 10).

Staff were very much affected by the budget reduction exercise in 2002. Morale was low, mutual staff-management mistrust was widespread, and a previously unknown atmosphere of *uncertainty* regarding UNOPS’ future was the consequence of the severe cuts in 2002. Moreover, being financially restrained, UNOPS did not have the capacity to reinvest in systems, to train staff, to enhance overall its project delivery capacities.

A good sign, though, was that the EB and even the Secretary-General expressed their wish to *keep* UNOPS as a viable UN agency. In 2002, both the Secretary-General (DP/2002/CRP.5) and the EB (DP/2002/CRP.4) reaffirmed UNOPS’ place in the UN system. The Secretary-General reiterated his support for UNOPS to continue its work as a *self-financing entity* to the EB Meeting of January 2002. He also encouraged all UN agencies to avail themselves of the services of UNOPS, as long as it was cost-effective (DP/2002/CRP.5: 2). This was affirmed by the EB itself in its decisions and discussions at its respective meetings of June and September 2002 and in January 2003. UNOPS staff felt relieved that the Secretary-General had made it very clear that UNOPS would *not* be reintegrated within UNDP but remain *independent* (IV). The Member States also valued UNOPS. The United States delegate for example affirmed the following at the first regular session of the EB in January 2003 (ID):

“The United States strongly believes that UNOPS is an exceptional organization when it comes to delivery of projects on the ground, in the field around the world, often under very difficult circumstances. We value this role immensely. As I think I’ve said before, if we didn’t have a UNOPS we would have to invent one, so we’re happy to have one. It’s very important that UNOPS continue its role as a separate and identifiable entity within the UN system.”

3.1.2.5 2003: independent review and the start of the restructuring process

It was obvious not only to UNOPS management and staff but also to the EB and the MCC that UNOPS needed to be redesigned, restructured, to be *adjusted* to its changing business environment to make it viable and sustainable.

From May to July 2003, an independent review of UNOPS was conducted by a Canadian Consultant Company, Goss Gilroy. After the presentation of the final report to the ED, the MCC, and the EB, UNOPS set up internal working groups called *Strategic Advisory Teams* (SAT) in

¹⁴⁸ The fact that paper became a precious good for UNOPS staff clearly demonstrates that UNOPS had cut down wherever and as much as possible leaving the organisation close to paralysis.

September 2003. Each SAT had its task: there were SATs working on Organisational Restructuring, Business Acquisition, Project Management Effectiveness, Pricing and Change Management. The Change Management Team was also set up to coordinate the other SATs. The working groups were established to *work with, discuss* and eventually *adjust* the recommendations of the independent review team and then to develop and propose, amongst other changes, a *new structure* for UNOPS. In October 2003, a new, decentralised structure was proposed to the ED and to UNOPS staff. However, this first proposal needed *fine-tuning* and it was clear that it would take quite some time to *implement* the changes it suggested.

At the beginning of 2003, a change in UNOPS' top management had taken place. The ED Reinhart Helmke retired at the end of January. He was followed by an ad interim (a.i.) ED, Gerald Walzer. He headed UNOPS until the new ED, Nigel Fisher, took over in August 2003 (DP/2004/23: 3). Big tasks lay ahead for the new ED who would have to implement the changes that were suggested by the internal working group and developed in the change management process¹⁴⁹ and make sure that UNOPS became financially sustainable.

For 2003, income and administrative expenditure were forecasted at 44.5 million USD. The numbers were closely monitored on a monthly basis to *avoid* another excess of expenditure over income. After the deficits in the years before, 2003 was finally a year in which UNOPS recorded income *exceeded* recurring and non-recurring administrative expenditure, thereby adhering to the *self-financing principle* of the organisation.

UNOPS project delivery increased by 6.2 million USD or 1% over the original target of 484.4 million USD; the actual delivery of 490.6 million USD was 5.5 million USD higher than the 2002 delivery. The expenditure totalled 47.8 million USD while UNOPS generated 66.2 million USD in total revenue. The actual 2003 revenue *exceeded* the approved revenue estimates of 44.5 million USD. It is important to note that this increase was the result of *one-time* advisory services for contract amendments that UNOPS was requested to provide under the United Nations Office for the Iraq Programme (UNOIP). *Only* this non-recurring revenue of 23.4 million USD allowed UNOPS to generate an excess of revenue over expenditure of 18.4 million USD in 2003 (DP/2004/23). If it had not been for the services for UNOIP, UNOPS would have had again a *deficit* of about five million USD.

As of 31 December 2003, the organisation had a fund balance of 23.2 million USD. This amount was composed of six million USD in operational reserve and 17.2 million USD in working capital. While the figures looked impressively good at the end of 2003, it is clear (1) that it did *not* reflect the 'average' revenues UNOPS was/is able to generate with its 'normal' business and (2) that UNOPS would have to invest the income generated by the services for UNOIP very *wisely* to get the organisation in a shape that would allow it to adhere to the self-financing principle in the long run.

¹⁴⁹ The change management process was done mainly by UNOPS staff but accompanied by external consultancy.

3.1.3 Overview of services

UNOPS, like all multilateral organisations, can only operate in territories for which the Member States have officially allowed it to do so. Multilateral organisations operate in a legal environment based on the concept of national sovereignty. Moreover, the states have to make formal requests for UN support for specific projects and programmes (DIJKZEUL 2000: 8).¹⁵⁰

UNOPS does not have a specific *mandate* in a functional sector or for a specific field.¹⁵¹ Therefore it does not carry out any policy, normative, funding or advocacy activities on its own behalf. It was created – first within UNDP, then as an independent UN agency – to *execute* projects and programmes *on behalf of* the other UN agencies that have a specific mandate. UN agencies, however, do not *have* to use UNOPS to execute their programmes and projects. UNOPS, therefore, has continuously to *compete on the market* in order to be financially self-reliant as DIJKZEUL underlines (2000: 3). UNOPS is a *hybrid public-private* organisation¹⁵² and an *implementation expert* with substantive knowledge in this field. The administrative budget of UNOPS is funded entirely by charges to clients either in the form of a rate for a project or a specific amount based upon anticipated costs associated with service delivery. In all cases, the amount of costs recovered is expected to *cover* the actual costs to deliver the project or service (ID).¹⁵³

One of the important outcomes of the change management process started in 2003 was the *redefinition* of the mission, vision and values of UNOPS that are intended to unite UNOPS staff around a common purpose and ideals. At the end of 2003, some recommendations were submitted by the cross-functional Strategic Advisory Team that emphasise dedication to clients, teamwork, flexibility, and commitment to excellence. It is stressed that by 2007 UNOPS wants to be known for – amongst other things – combining the public and the private sector (DP/2004/7: 4):

“UNOPS combines the United Nations commitment to public service, capacity-building, diversity and equitable development with the drive and competitive edge of the private sector.

We are proud of proving that a self-financing entity within the United Nations system is viable.”

The above shows the importance UNOPS itself attaches to the self-financing principle it has to follow. Moreover, the organisation is aware of the fact that it has no *raison d’être* if it cannot *successfully* combine the advantages of the public *and* the private sector.

UNOPS is a member of the United Nations Development Group, established by the Secretary-General in 1997. About 300 UNOPS staff are working in the HQs¹⁵⁴.¹⁵⁵ Approximately

¹⁵⁰ This makes the UN effectiveness, in a way, dependent on government action.

¹⁵¹ Most UN agencies do have such a specific mandate such as UNICEF, WHO, FAO.

¹⁵² UNOPS has a *public* purpose but follows the self-financing principle which usually stands for the *private* sector.

¹⁵³ See section 3.1.5.3 pages 79ff for more information about *costing* projects.

¹⁵⁴ When I speak of the UNOPS Headquarters, the Decentralised Offices with corporate functions are *included*. In New York, about 180 staff members are working for UNOPS (number from early 2004).

¹⁵⁵ Of course, over time this number has changed. The peak was reached at the end of 2001/ early 2002 when UNOPS had close to 400 staff members. By the budget reduction exercise, the abolition of posts and the

6,000 project personnel¹⁵⁶ are contracted to carry out the work in the field. These contract staff are a very important asset of UNOPS because the project personnel is hired for specific projects for a *limited* time accordingly to the expertise needed. This limits the number of *permanent* staff members and gives UNOPS a high level of flexibility without depriving it of the expertise it needs to implement projects in the field.

The portfolio includes about 2,500 projects¹⁵⁷, mainly in developing countries. UNOPS' advisory services are available for a wide range of sectors, but are generally focused on developing *customised* solutions for project implementation and execution. UNOPS offers its services to the organisations of the UN system, including the Bretton Woods institutions, and *through* them, to recipient governments, donor governments, or non-governmental organisations (NGOs) and the private sector of recipient countries when requested or agreed to by the UN agency concerned (DP/1995/6: 3; Decision 2002/2).

Project management services offered include: formulating strategies for implementation, preparing action plans, selecting and hiring consultants, finding the goods and services at appropriate prices, drawing up contractual agreements, organising and administering training, managing financial resources, and monitoring project progress.

Procurement of goods, services and works account for the largest share of the services that UNOPS provides to its clients. The UNOPS office in Copenhagen handles about two-thirds of all large-scale procurement for the organisation. Procurement services offered include: management of the procurement process, preparing bidding documents, negotiating contracts, handling claims, making payments, and assuming financial risks.

UNOPS also offers *loan administration and supervision*. When a project is funded by a loan from an international financial institution such as IFAD, UNOPS offers a full range of loan administration services to keep projects on track.¹⁵⁸ In the process, UNOPS also contributes to national capacity building. Services offered include project supervision and loan administration.

In performing its project management responsibilities, UNOPS has operated either as an *executing* or an *implementing* agency. According to UNOPS

freeze in recruitment, the number was reduced and at the end of 2003 around 300 UNOPS staff members were left.

¹⁵⁶ In 2002, UNOPS hired 1,557 international and 4,997 national project personnel/consultants which added up to 6,554.

¹⁵⁷ This number is from 2003.

¹⁵⁸ As of early 2004, UNOPS provided this service almost exclusively to IFAD. UNOPS plays several roles. It regularly visits a project to assess its progress. UNOPS informs IFAD when a borrowing government is or is not implementing the project according to the targets and benchmarks contained in the loan agreement. When UNOPS is satisfied that the implementation goals are being met, IFAD disburses loans directly to the borrowing government. However, the role of UNOPS goes beyond ensuring compliance with the terms of loan agreements. The organisation provides substantive and technical support for the implementation of projects as well. UNOPS assists borrowing governments to resolve project implementation problems, trains government staff and personnel in the loan administration units in various aspects of project management and builds local capacities for carrying out projects. UNOPS takes care of all necessary tasks through and including authorisation of loan disbursements (DP/2002/19: 5-6).

- an executing agency is responsible for the management of an entire project. This includes achievement of project goals and objectives (e.g. the mine action project).
- an implementing agency contributes discrete inputs to an overall project. These ‘subcontractor’ responsibilities are generally detailed in the Terms of Reference section of a Letter of Agreement (e.g. procurement, recruitment).

UNOPS provides two types of services: overall project management and specific service delivery (ID).

3.1.4 Structure of the United Nations Office for Project Services

3.1.4.1 Governance structure

UNOPS is headed by an ED who is appointed by the UN Secretary-General and supported by a Deputy Executive Director & Director of Operations. The ED is *accountable* to the Secretary-General and to the UN Member States through several executive and management advisory bodies such as the EB and the MCC.

The EB of UNOPS is known as the Executive Board of the United Nations Development Programme (UNDP) and of the United Nations Populations Fund (UNFPA)¹⁵⁹ and is comprised of 40 Member States. This board has meetings *three* times a year for formal presentations.

The MCC can be considered as the Board of Directors of UNOPS. Its responsibility is to provide policy and management direction in the functioning of UNOPS, including the setting of operational policy, facilitation and monitoring of compliance (DP/1994/61). It deals with issues that need *guidance* and *clearance* before submission to the EB.¹⁶⁰ Members of the MCC in the original set up were senior representatives from the UN Secretariat¹⁶¹ and it was chaired by the UNDP Administrator. The ED of UNOPS is Secretary of the MCC. The MCC composition was *expanded* in 2002 following a proposal of the Secretary-General (DP/2002/CRP.5). A few major clients such as IFAD and DPKO were incorporated as well as the UN Controller. The UNDP Administrator holds the chair.¹⁶²

A Users Advisory Group, established in 1995 and consisting of representatives of UNOPS’ clients, is chaired by the ED of UNOPS. It should serve as a *regular* forum for consultations between UNOPS and its clients to ensure that UNOPS is kept abreast of the concerns of the

¹⁵⁹ One of the things that should be changed is that as the EB is also the EB of UNOPS, UNOPS should be mentioned in the title. It should read as ‘EB of UNDP/UNFPA/UNOPS’.

¹⁶⁰ These issues include business plans, procurement and contracting, information systems, risk management, relationships and agreements with UN entities and UNOPS reorganisation effort.

¹⁶¹ The following departments of the UN Secretariat were represented in the MCC of UNOPS: DESA, OLA and the Department of Management.

¹⁶² See DP/1994/61, DP/1994/57: 5 and DP/1995/6:4 for further details on the establishment and the role of the MCC.

organisations that use its services. The Users Advisory Group should meet at least once a year (DP/2001/CRP.15: 4)¹⁶³ but until early 2002 had only met once, in 1996 (DP/2002/CRP.5: 4).¹⁶⁴

In May 2000, UNOPS created a Business Advisory Council. For only two years, this group of 24 industry leaders drawn from 17 industrialised and developing countries advised UNOPS on best business practices, for the benefit of the organisation and the clients it serves. In 2002, the year in which UNOPS had to face the *climax* of its financial difficulties, the Council was dissolved.

Another important feature of UNOPS' structure - although not part of the governance structure - was the Staff Management Forum (SMF). This statutory staff-management relations committee of UNOPS was responsible for the promotion of cooperation and mutual understanding between staff and management and served as a neutral body in an advisory capacity to the ED. The SMF provided commentary to management on staff concerns and issues. Something like the SMF is not common in the UN system; in fact it was new and unique to UNOPS (GOSS GILROY INC., 2003: 43 (ID); DP/2003/40). The SMF consisted of twelve members as follows: eleven regular members, six elected by the staff and five appointed by management, and the Chief of the Human Resources Management Section, who was an *ex-officio* member (ID). In 2003, the SMF ceased to exist and was replaced in 2004 by a Staff-Management Reference Group that followed the restructuring taking place. One staff member stated the following (IV):

“The dialogue with management was not good. Disparaging remarks and lack of competence by the head of HR made discussions impossible and the membership nominated by staff resigned from the SMRG in mid-July 2004.

Since then, there has been nothing in terms of creating proper communications between staff and management.”

UNOPS staff members also belong to the Staff Council of UNDP/UNFPA/UNOPS. The membership on the Staff Council is *voluntary*.

3.1.4.2 Operational structure of UNOPS

3.1.4.2.1 The move from thematic to ‘mixed’ divisions

The first operational structure UNOPS worked with, was oriented along *themes*. Though the Terms of Reference of the divisions were not always as clear as they could have been, UNOPS was structured in *thematic* divisions for a while.

In 1991, there was a discussion within UNOPS changing the structure of the organisation. The ED of the time, Daan Everts, also strongly supported the idea of structuring UNOPS more like its main customer and mother organisation, UNDP. This meant a structure based on *geographic* not on *thematic* divisions. Thereby, it should ensure that every UNDP Country Office had a Project

¹⁶³ As per DP/1994/62/Add. 1: 3 it should even meet twice a year. The Users Advisory Group was expected to be affected by the transition process of the UNOPS governance structure planned for 2006. These changes could not be further included in this study.

¹⁶⁴ See DP/1994/62/Add.1 for further information concerning the role, composition and functions of the UNOPS Users Advisory Group.

Management Officer who was responsible at UNOPS for this country as its one and only interlocutor. Not everyone at UNOPS thought this idea to be the best solution because some staff had the feeling that their expertise was more thematic than geographical. In the end a compromise was reached and the organisation became *more* but *not only* geographically based. The new structure was based on three regional divisions: Asia, the Pacific, and Arab States; Latin America and the Caribbean (LAC); and Africa. But three divisions/units were retained to serve a *restricted* clientele with *specific* requirements, meaning *thematic expertise*: The Infrastructure and Land Development Division; the Division for Special, Interregional Programmes and Europe; and the Japanese Procurement Programme (JPP) Unit (DIJKZEUL 2000: 32ff).

DIJKZEUL stresses that even after the reform of the operational structure had taken place staff continued to have different viewpoints on the *necessity* and the *results* of this reform (2000: 34). So it was natural that this question came up again and again.

3.1.4.2.2 *Integrated teams/divisions*

At the first retreat in June 1995 at Glen Cove¹⁶⁵, one of the topics discussed was once more whether UNOPS should be structured in *thematic* or *regional* divisions. Another question concerning UNOPS' structure was an important topic at Glen Cove: the participants were dissatisfied with the *separation of functions* between operational divisions and service/support sections such as contracting, project personnel recruitment, purchasing, training, and fellowships. It was believed that the result of this separation in terms of cost and quality of service was worse than would be possible through *integrated*, client oriented teams. *Integrated teams* became the single most important concept of the retreat. A large part of service functions were to be moved *into* the operational divisions, the number of contact points for clients was to be reduced. The integrated teams and the client focus also meant a change in the structure of UNOPS. A follow-up central group, the G6¹⁶⁶, was set up at the retreat. It was to guarantee the translation of ideas into action. Glen Cove produced new ideas and approaches to make UNOPS more effective at its work (DP/1996/23: 5). Staff had the feeling that this retreat was an important step for UNOPS into a *bright future* (IV).

The idea of integrated teams discussed at Glen Cove became the foundation stone for the nine integrated divisions/units¹⁶⁷ that UNOPS established in October 1995. Most of them had a

¹⁶⁵ At this first retreat, top management, division chiefs, section chiefs and some selected staff members (all together 26 people) participated. UNOPS developed quite a tradition of holding retreats when important issues of the organisation had to be decided. The retreat at Glen Cove was, amongst others, followed by retreats in Mohonk in 1996, in Windwatch in 1997, and again in Glen Cove in 1999.

¹⁶⁶ It was called G6 because it was composed of six people.

¹⁶⁷ DIJKZEUL not only specifies the nine different entities but also the areas in which the thematic divisions work (2000: 113). Some of the changes that have been made since Dijkzeul's research are added:

1. The Environmental Programmes Division (ENVP). Programmes and projects that are principally environmental, including, for example, the Global Environment Facility (GEF) and the Montreal Protocol. Based in New York.
2. Procurement Projects Division (PRP). Specialist in projects centred on large-scale purchasing of goods. First based in New York, now in Copenhagen.

geographic basis but, as in 1991, the *mixture* of thematic and geographic divisions was *retained*. The following three service/support sections remained but became smaller: Policy and Contracts Division (2004: Division for Legal & Procurement Support); Finance, Control and Administration Division (2004: Division for Finance, Budget & Administration and Division for Human Resources Management); Planning and Public Information Division (2004: no division but functions incorporated in parts to the Executive office). The next step was to actually *integrate* the operational tasks of the service/support units into the operational divisions (DP/1996/23: 6). UNOPS started with the assignment of one Purchasing Assistant to the Africa Division and two Personnel Assistants to WAASE. Payment Assistants were also assigned to these two divisions. Later, these pilots were *generalised* to other divisions.

UNOPS worked with this structure – integrated, geographically and thematic based divisions – without making lots of changes. At the end of 2000, a *reorganisation* of UNOPS was launched. The reform focused on a reorientation of UNOPS around client accounts and was supposed to be implemented gradually, starting early 2002 (DP/2001/29: 3). At the early stage of the reform process, staff were participating in it in several Working Groups. While being *participatory* in the beginning, *later* only few staff members were invited to participate which generated a feeling of not being wanted anymore. The reform did not reflect thoughts and ideas of a *large* part of UNOPS staff members but became the ‘*child*’ of very *few* and therefore was not accepted. Because of the financial constraints, however, this reform process was stopped in early 2002.

In 2000, a new division was created, the Division for Business and Partnership Services (BaPS)¹⁶⁸. However, when UNOPS had to go through the budget reduction exercise in 2002, it was

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3. Fellowship and Training Section (FEL). Based in New York. Abolished in 2002.
 4. Rehabilitation and Social Sustainability Unit (RESS). Programme design, formulation, monitoring and evaluation services for projects in societies in crisis and in transition. Became a division in 1998 and moved from New York to Geneva.
 5. IFAD Division. Dealing with IFAD Headquarters in Rome. Based in Rome, outpost in Nairobi.
 6. Africa Division. Based in New York. Later it was split up into two divisions, Africa I and Africa II, one based in New York, one in Abidjan.
 7. Latin America and the Caribbean (LAC). Based in New York. Was abolished in the budget reduction exercise of 2002, is now just a unit within ENVP.
 8. Division for Western Asia, Arab States and Europe (WAASE).
 9. Asia. First fully decentralised UNOPS division. Regional focus, but also handling IFAD. Based in Kuala Lumpur.

While the FEL and the Division for Latin America and the Caribbean were abolished, as mentioned above, one new *thematic* division was created, the Division for Special Programmes Development (SPD). This division is active in de-mining programmes and projects and based in New York.

A Division for Business Development & Strategic Planning and a Division for External Communications & Relations with the UN were established only for a short period of time. Most of their functions were after their abolishment handled by the Directorate.

¹⁶⁸ UNOPS spent time and money on a ‘new partnership with the private sector’. Some senior managers and especially top management were convinced that UNOPS should *respond* to the establishment of the Secretary-General’s policy of cooperation with the private sector in 1999. The aims of this *partnership* among governments, companies, labour, NGOs and the United Nations to address poverty, alleviate suffering and promote sustainable development were expressed in the ‘*Global Compact*’ speech of the Secretary-General at the 1999 World Economic Forum in Davos.

decided to abolish BaPS as it did not directly generate value or income. Another impact of the budget reduction exercise on the structure of UNOPS was the change of the *status* of LAC: as it was not viable as a division anymore, it was decided to integrate it only as a unit with less staff into ENVP.

Abolishing BaPS and LAC due to the budget reduction exercise did not affect the structure as a whole. But UNOPS staff *questioned* the healthiness of having a mixed structure with regional and thematic divisions over and over again. In 2002, *everyone* at UNOPS recognised that UNOPS' viability was threatened. Several reviews¹⁶⁹ also had recommended defining the lines and responsibilities between the divisions much more clearly.

In August 2003, the divisional structure of UNOPS was the following:

1. three *support* divisions, headed by Assistant Directors: Legal and Procurement Support Division (LPSD); Finance, Budget, and Administration Division (FBA); Division for Human Resources Management (DHRM).
2. the Information and Technology Service Division (ITS), headed by a Division Chief.
3. eight *operational* divisions, headed by Division Chiefs. The divisions were still *mixed*, geographic and thematic divisions.
 - the *geographic* divisions were Africa I (13 staff, New York), Africa II (22 staff, Dakar and outposts), the Asia Office (40 staff, Kuala), WAASE (20 staff, New York and outpost in Geneva). The New York, Rome and Nairobi units serving IFAD (20 staff), as well as the Tokyo Liaison Office (2 staff) were also considered geographic. The rationale for the geographic divisions was (and is) that they are located close to project activity and, therefore, best serve the clients.

The private sector, therefore, became a *major* theme for UNOPS in the year 2000. The organisation started to see itself as having the role of a *coordinator* of and an *entry point* for private sector engagement with the UN system. UNOPS co-sponsored an international consultation and series of workshops called 'The UN & Business: A Partnership for the New Millennium'. The purpose was to forge new *alliances* with the private sector, including civil society organisations, to further UN goals. The event coincided with a two-day trade show 'Aid & Trade 2000', which together drew more than 6,000 participants. Shortly thereafter, a Private Sector Partnerships Unit was established at UNOPS Headquarters to put the idea into practice. For UNOPS, the goal was to make it easier for companies to work with it, and to develop the contractual and other tools that UN organisations need to collaborate effectively with socially responsible firms. In 2001, the 'Aid & Trade' consisted of a conference and of business seminars. See DP/2001/19: 13 and DP/2000/25: 15 for further details concerning the *private sector partnership* initiative at UNOPS.

Within and *outside* UNOPS, concerns were raised about this private sector partnership initiative. Many staff did not understand how the establishment of a whole unit, the investment of time and money for this initiative would take UNOPS forward. When it became clear that UNOPS would have to face a *deficit* in 2000 and then also in 2001, critics became louder and in the end the respective unit was abolished. Outside of UNOPS, other UN agencies were also wondering what UNOPS was aiming for and, for example, UNDP stressed that this was not within UNOPS' mandate. Though UNOPS pointed out that its partnerships were not a means for *raising funds* from the private sector, critics remained sceptical.

¹⁶⁹ Such as the review conducted by the UN Office of Internal Oversight Services (OIOS) in 2001 or the Staff Consultations Report from the SMF in 2002.

- the thematic divisions were the Division for Procurement (25 staff, Copenhagen) that specialised in procurement; ENVP (29 staff, New York) with its focus on implementation of projects and programmes of UNDP and UNEP; RESS (40 staff, Geneva and several outposts) focussed on rehabilitation and social integration programmes in countries/regions with societies in crisis and in transition; and SPD which was specialised in demining projects (16 staff, New York).

In section 3.1.4.4 titled *Change management process*, it is explained how the structure of the divisions was changed after the findings of the independent review in 2003 were implemented.

3.1.4.3 Decentralisation

When UNOPS was first created as a unit within UNDP, it was only located, of course, in the HQs of UNDP, in New York. Even when UNOPS was growing and *changing* its status from a unit to a division within UNDP and then became a separate and identifiable entity in 1995, decentralisation was *not* in the focus of the discussions about UNOPS' future. However, in the early 1990s there were some attempts to decentralise UNOPS, and from then on the issue of decentralisation became more important over the years.

In 1992, after the structural change to the integrated divisions and the new set up of geographic and thematic divisions, UNOPS thought of decentralising but the first try with some staff being sent to Latin America was not too promising. The main reason for this failure was identified afterwards as *lack of authority* given to the staff sent there. They did not have enough official power to certify and/or approve actions and/or expenditure within defined limits and had to contact New York too often. After this first try, UNOPS concluded that any further decentralisation would need *delegation of authority, responsibility, and capacity* to make it work effectively. In 1993, LAC opened an outpost office in El Salvador. Any further decentralisation, however, did not take place because UNOPS was too preoccupied with the merger/separation process (DIJKZEUL 2000: 97-98).

Due to the merger/separation process which confused clients about the future of UNOPS, the organisation was faced with the fact that the level of business acquisitions went down from 1993 to 1995 and that UNOPS had trouble covering its expenditure. Therefore, the rumour arose that UNOPS might have to decentralise *most* of its operations to lower cost venues with much lower personnel costs. This was not discussed formally at the time. DIJKZEUL correctly comments on this rumour/idea that for the General Service staff such a decision would have meant hard times and generally looking for a new job (2000: 99). The UN system only transfers Professional staff from one region to another, General Service staff have to be hired *locally* in most cases. When DIJKZEUL was doing his research, the issue of a broad decentralisation of UNOPS functions in the operational area was even considered as a "*wild idea*" (2000: 99). He probably got this impression from the interviews with UNOPS staff members.

UNOPS did not decentralise *most* of its operations after becoming independent but it started by decentralising a *significant* part of divisions/units to Europe and Asia to streamline its operational costs and to improve the quality of its services (ID). In 1996, RESS established itself in Geneva where several important UN emergency entities¹⁷⁰ are located. PRP opened its office in Copenhagen in 1996; several key procurement centres of the UN are located there. In January 1998, the Division Africa II, responsible for West Africa, *officially* opened its office in Abidjan.¹⁷¹ IFAD/FAO has mainly been based in Rome since 1999. The Division Chiefs of the Decentralised Offices were provided with delegated authority but were, of course, supposed to act *according* to the corporate rules and goals.

The decentralisation caused some problems that had to be *eliminated* to make it function well. Such problems were and partly still are: delegation of authority, access to the Funds Control system etc. UNOPS tried and tries to prevent problems with strong interactive communication tools such as regular video-conferences, specific UNOPS computer programmes were made accessible 24 hours from all Decentralised Offices. However, some problems have remained *unsolved*.¹⁷² People in the outposts feel that the HQs might leave them out when important decisions are made and/or that they miss important communication and information (DIJKZEUL 2000: 140f). Moreover, until January 2004, not *all* of the computer programmes were accessible at all times from everywhere which caused problems such as duplication of data entry and delays of information important for an effective and efficient project management.

In 2003/2004, UNOPS *had* to come back to the ‘wild idea’ mentioned above and relocate many of its operations to *lower cost venues* because it simply could not afford the high costs in New York¹⁷³ any longer. This further decentralisation process was part of the change management process that took place in 2003/2004. The change management process did not only deal with decentralisation but, more generally, with re-organising UNOPS’ structure to make it viable.

3.1.4.4 Change management process

The above shows that the discussions about having thematic or geographic divisions or both have never really ended; some people thought it to be necessary to have thematic divisions, others to have a geographically based structure.

To some observers, the compromise agreed on to have both thematic and geographic divisions *seemed* to be a good solution. It *proved* not to be a good solution as no clear lines were drawn concerning which division was responsible for what. The mixture of thematic and geographic divisions and the cost-centre approach were the main reasons for the *unhealthy* inter-

¹⁷⁰ UNHCR and a part of DHA for example are based in Geneva.

¹⁷¹ For political reasons and a lack of security in Abidjan, Africa II had to leave Abidjan in 2003 and is now based in Dakar.

¹⁷² Some problems concerning coordination and communication among the decentralised offices and Headquarters are also reflected in the Report of the Joint Inspection Unit JIU/REP/98/5 – A/53/788, recommendation A.3.

¹⁷³ Personnel costs and the rent for the Chrysler Building in New York caused these high costs.

divisional competition within UNOPS.¹⁷⁴ In 2003/2004 following the Independent Review of 2003, there were *new* debates on what the structure should be like and finally a decision was made to clearly structure UNOPS geographically but with thematic clusters. The following section points out the main decisions of the change management process that followed the independent review of 2003.

UNOPS had gone through a process¹⁷⁵ to analyse its existing organisation structure. This process was to enable the organisation to determine how to *reorganise* itself in a way that would ensure best delivery of services to clients and therefore also the *viability* of UNOPS. An important advantage of the process was that a group of UNOPS staff members was set up that represented a cross-section of the divisions, themes, and staff levels. These staff members made some *preliminary* recommendations to the ED for a future regionally-oriented structure. Staff were informed at an early stage about possible and probable future changes that might/would take place and staff were also invited to suggest changes in the recommendations.

When the internal working group started their discussions, their first step was to identify or sum up *why* the current organisation structure needed to be changed. The following reasons/problems were identified (ID):

- Client often had *multiple, uncoordinated* points of contact within UNOPS resulting in *confusion* in interactions.
- Internal divisions and themes had *competed* against each other for business resulting in *individual interests* being put above *UNOPS interests*.
- Authority, responsibility and accountability were *unclear* resulting in a committee approach to decisions and less efficient implementation.
- Thematic grouping of resources had resulted in valuable knowledge *not* being effectively *shared* across the organisation.
- Personnel was located in *high-cost* locations where they were not required and/or *far* from project sites resulting in higher costs for UNOPS' clients.

The basic premise for the new design was that UNOPS needed to be structured to ensure a strong client-focus, to enhance service delivery, and to ensure clear lines of *accountability*. The team agreed that a new structure would have to ensure that UNOPS would be as *flexible* as possible in its ability to serve clients and to respond to its *changing* business environment. The working group put it in these words (ID):

"A new organisation structure is therefore required to better serve our clients, operate more efficiently, and ensure we deliver the most benefit to the people we are trying to help."

The team analysed workflows, quality and risk practices, themes, geographies and divisions, and agreed on design criteria, portfolio information, clients and relationships, and strategic

¹⁷⁴ See section 3.1.5.5 pages 83 ff for a further discussion of the inter-divisional competition.

¹⁷⁵ Based on the recommendations of the independent review that was conducted in 2003, internal groups were established to follow up on and to work on certain topics such as the structure.

support functions (ID), before it proposed a new structure in October 2003 to the ED and to all UNOPS staff: New York and Geneva would be the offices with corporate level functions. The ED would remain in New York, the Director of Operations would be based in Geneva. The Heads of Audit, Legal Support, External Relations, Special Projects and the Director of Support Services would be *directly* responsible to the ED and located in New York.¹⁷⁶ The Heads of Human Resources, Finance/Administration, Communication/Technology would be *directly* responsible to the Director of Support Services and be based in New York.¹⁷⁷ Moreover, a Head of Client Relationship Management would be needed.

On the regional level, it was suggested to have Regional Managers for the following regions¹⁷⁸: Western/Central Africa (Dakar), Eastern/Southern Africa (Pretoria/Johannesburg, to be determined), Europe/Northern Africa (Rome), West/Central Asia (Dubai), East Asia/Pacific (Kuala Lumpur), Latin America/Caribbean (Guatemala).¹⁷⁹ The idea of the regional structure was to ensure *clear accountabilities* for client relationships and delivery for any UNOPS offerings in a given country. Regional Managers would have the authority, responsibility and accountability to manage all activities related to business development and service delivery in her/his region.

Area offices would be *temporary* by definition and be opened or maintained in a country where UNOPS is delivering services based on a *standard* set of criteria. Project managers might be placed in a country where there is no existing business but the *opportunities* make it attractive for UNOPS to have a presence. Portfolio Managers would have business development and delivery responsibilities and goals and be working with the client relationship management team.

The working group especially stressed that the *revised* organisational approach was client focused and would provide UNOPS with the features needed to deliver its services in a cost-efficient manner, mainly through the *proximity* to the project countries and through the *self-sustainable* regional offices. *Decentralisation* and the *concentration* of geographically based divisions were the main outcomes of the independent review from 2003 and the follow-up by the UNOPS working group.

The new structure was implemented by mid-2004 (DP/2004/23:11). Only slight changes to the structure proposed above were made. The Deputy Executive Director & Director of Global Operations was not moved to Geneva but remained in New York. Instead of a Client Relationship Manager a Senior Business Development Officer became an important feature of the new structure. In contrast to the proposed structure which suggested avoiding any thematic divisions in the future, the Global & Interregional Division (GLO) comprises several thematic clusters such as mine action, governance and the Global Environment Facility (GEF). The other thematic fields UNOPS

¹⁷⁶ The location of the Head of Special Projects still had to be determined; it did not have to be New York.

¹⁷⁷ The Head of Procurement Services would be located in Copenhagen.

¹⁷⁸ The locations are indicated in brackets.

¹⁷⁹ To avoid any possible discussions, the team also specified to which region each and every country should belong (ID).

had divisions for in the old structure – such as RESS - are now dealt with *within* the regional structure.¹⁸⁰

The new regional divisions – as well as the *thematic* division GLO - belong to the so called *Client Service Group*. The regional divisions are headed by Regional Directors and their respective locations are

- the Regional Office for Asia & the Pacific (APRO), Bangkok¹⁸¹;
- the Regional Office for Central Asia, North Africa, Near East & Europe (CANANE), Geneva;
- the Regional Office for Western & Central Africa (WCARO), Dakar;
- the Regional Office for Eastern & Southern Africa (ESARO), Nairobi;
- the Regional Office for Latin America & the Caribbean (LAC), Geneva;
- and the Afghan Programme Implementation Facility (APIF)¹⁸², Kabul.

Concerning the *Corporate Services Group*, no relocations took place. The Division of Procurement Services (DPS) remained in Copenhagen while the others were still located at the HQs in New York. The Corporate Services in the HQs consist of the Division for Information & Communication Technology (ICT), the Office of Legal Services (OLS), the Division of Finance & Administration (FIN), and the Division for Human Resources Management (DHRM).

The move to the new structure took place more or less smoothly. In early 2005, UNOPS was, of course, not yet sure how well the structure in place functions. Changes in the organisational structure need time to *prove* their usefulness and to *eliminate* possible problems created by the new structure.¹⁸³

3.1.5 Problems

3.1.5.1 Findings of the several reviews

Several reviews of UNOPS¹⁸⁴ have been conducted over the years and they contained - amongst others - the following findings and problems UNOPS had (or has) to face:

- lack of *timely* financial reporting leading to client dissatisfaction;
- destructive *internal competition* and contracting at *arbitrary* prices;

¹⁸⁰ This means that every regional division takes care of those projects of the former RESS division that are implemented in its respective region.

¹⁸¹ The Asian Office was moved from Kuala Lumpur to Bangkok because (1) in Bangkok many other UN agencies are located and UNOPS will not be as isolated as it was in Kuala Lumpur and because (2) costs are lower in Bangkok.

¹⁸² APIF was included in the structure on the division level because of the impressive size of UNOPS' activities in Afghanistan.

¹⁸³ In early 2006, the decision was taken to move the UNOPS HQs from New York City to and centrally locate the various European offices in Copenhagen. This could, once more, result in changes of the structure as well.

¹⁸⁴ Such as: the Evaluation of the Relationship between UNDP and UNOPS from December 1999 by the UNDP Evaluation Office; the report of the Operations Division Chief Retreat from June 2000; the OIOS Management Review from September 2001; the Staff Consultations Report 2002; and the Independent Review from July 2003 by the Canadian Consultancy firm Goss Gilroy.

- *arbitrary* fee setting methods;
- *destructive* relations as well as overlap/duplication with UNDP;
- trends to NEX and DEX and effect on project *complexity*;
- arbitrary recruiting and promotion methods;
- *absence* of human resources development strategy and declining skills and competencies;
- lack of *performance measurement* and management capacity;
- too many *overheads*/significant increase in administrative expenditure without reference to income;
- lack of *governance*;
- lack of *accountability* on all levels.

The reviews did, of course, not restrict themselves to *outlining* problems but also offered *recommendations* such as: The roles and functions of UNDP and UNOPS needed clarification and the governance of UNOPS should be reviewed. Moreover, the self-financing principle had to be reassessed, the financial reporting system and various operating systems to be restored or replaced and a proper fee setting system to be developed. It was also strongly recommended to reduce the overheads and to make necessary changes in Human Resources, for example, introducing a new performance measurement system (GOSS GILROY (ID) 2003: 9f). The independent review of 2003 stressed the importance of changing the organisational structure and the need to work on UNOPS' *business model* to make UNOPS viable as a self-financing UN entity.

Astonishing is the fact that each study stated the *immediate need for action* – but only little or no action was taken. The findings were more or less repeated from review to review and UNOPS failed to initiate the implementation of the recommendations. As GOSS GILROY put it (2003: 10):

“The failure to create a change management team, a change management plan, and to assign responsibility, authority, and resources to address many of these issues greatly contributed to the financial crisis of 2000, 2001.”

The dimensions of the financial crisis that caused the budget reduction exercise in 2002 made it clear that, if the recommendations of the independent review that was to follow were not implemented, UNOPS might not be able to survive. Therefore, in 2003/2004, UNOPS built up a change management team and started to work on the change of the organisation.

This section, however, will not concentrate on the change management process but on some of UNOPS' problems mentioned above.

3.1.5.2 Relationship with UNDP and other UN agencies

When UNOPS was founded within UNDP,¹⁸⁵ it was mainly not wanted by the Specialized Agencies as UNOPS seemed to threaten them. They had the impression that the allocation of projects from UNDP to UNOPS were not made in a fair manner. The Specialized Agencies argued

¹⁸⁵ I use the term UNOPS even if at the time it was still PED, OPE or OPS. This will make it easier to follow the main *arguments* instead of focussing on the different *names* UNOPS had before becoming independent.

that *project execution* by UNDP was not compatible with its coordinating role as a central *funding* agency for technical cooperation (DIJKZEUL 2000: 27). It was also argued that the accountability of the Administrator was not as it should be because he was responsible to *himself* for the efficiency with which a project or a UNDP-executed programme was conducted (A/39/89: 22). It must be acknowledged that the problem of UNDP as a funding *and* an executing agency was one of the reasons for establishing UNOPS as an *independent* entity in 1995. At the time, however, the criticisms pronounced by the Specialized Agencies did not have consequences.

The relationship with UNDP was not a problem as long as UNOPS was an *integrated* part of it. When UNOPS became independent in 1995, the proposal of the Secretary-General also *defined* the new relationship with UNDP. The relationship between the two was to remain very strong, close and important. UNDP was to continue to provide *central administrative support* in finance and personnel issues as a reimbursable service, and UNOPS was to continue to work *through* UNDP at country level.¹⁸⁶ In March 1997, a Memorandum of Understanding (MOU) was drawn up between UNDP and UNOPS. The MOU specified *services* to be provided by the two parties as well as intended *areas of cooperation* between them. The EB of UNDP/UNFPA would serve as the governing body for UNOPS (DP/1994/52: 2f). In addition, the Administrator became the chairman of the MCC so that UNDP still had and has a *vital role* for UNOPS' policy setting. For UNDP, the new UNOPS meant a *net loss* but the top management went along with the Secretary-General's proposal. UNDP became UNOPS' main client: 86% of UNOPS' yearly income in 1994 was generated by business with UNDP. In 2002, about 70% of UNOPS' business still came from UNDP though, in recent years, UNOPS has moved successfully to diversify its client base within the United Nations and Bretton Woods communities and beyond. UNDP *was* and *is* a client *and* servicing organisation to UNOPS.

The relationship with other UN agencies changed. UNOPS was not perceived as an *unfair* competitor anymore, as it was not a funding agency and was now separated from UNDP. UNOPS was still a competitor in acquiring UNDP-funded projects but, in general, the other Agencies were favourable to UNOPS' *new* role.

3.1.5.2.1 *National Execution and Direct Execution*

In 1975, the GA had already promoted NEX because the basic purpose of technical cooperation was the promotion of self-reliance in developing countries by building up their capabilities and their indigenous resources in different sectors. Therefore, the governments in developing countries were to be *entrusted* with the responsibility for executing projects *assisted* by UNDP (DIJKZEUL 2000: 28). In the 1990s, it was emphasised once again that NEX should play a more important role. National governments should *increasingly* take over tasks in administration and national

¹⁸⁶ This meant work through UNDP country offices which provide a *variety* of administrative and other support in geographic areas where UNOPS does not have a physical presence. Services vary from office to office but often include payment transactions, staff recruitment, local driver's license processing, travel authorisation processing, procurement, and customs clearance.

procurement *if* they were able to.¹⁸⁷ It is important, though, to underline the *if* because in many cases the governments are not able to ensure NEX.¹⁸⁸

A *dramatic* change has taken place in project execution modalities. In the late 1980s, about 80% of the UNDP core programme was executed by United Nations agencies and 60% of this by the six large agencies (DDSMS, FAO, ILO, UNESCO, UNIDO and WHO). UNOPS – at the time still OPE – executed about 10% of the UNDP. NEX was used for only 10% of the UNDP. In 1998, nearly 80% of the UNDP core programme as a whole was *nationally* executed. The share of NEX was even higher in some countries. The share of United Nations agencies (excluding UNOPS) represented only some 8% of programme execution in 1998. UNOPS was directly responsible for executing about 12% of the programme. However, United Nations agencies, as mentioned above, also participate in NEX as *cooperation* agencies.

At the same time, *amounts of funding* for development cooperation were reduced and funding was only made for *shorter* periods of time. Moreover, more *competition* was felt in the field of development cooperation: NGOs, Bretton Wood institutions, private companies all took more and more active roles in it. Therefore, UN organisations need(ed) to show a very strong performance to receive funds. Since 1994, UNDP has had to accommodate itself to *decreasing* donor contributions.¹⁸⁹ UNDP went through a restructuring process to streamline the organisation and adjust itself to the new situation¹⁹⁰ and it also watched out for opportunities for extra-budgetary resources.

The UNDP role in support of NEX has been evolving (DP/2002/CRP.4: 4). In 1997, the EB allowed UNDP to start Direct Execution (DEX) in three countries. The DEX modality means direct

¹⁸⁷ A benchmark establishing NEX as the norm can be traced back to the 1991 UNDP Governing Council Decision 91/2, where the following is pointed out:

„...the need to promote... national execution to ensure that programmes and projects are managed in an integrated manner and to promote their long-term sustainability and wider impact on the development process.“

In an effort to allow recipient countries to achieve self-reliance and build national capacities, the General Assembly formalised the rules and procedures to promote and maximise the utilisation of national counterparts in December 1989. Subsequently, it reiterated that NEX should be the *norm* for programme implementation with due consideration of the needs and capacities of the recipient countries (General Assembly resolution 47/199, December 1992). UNDP implemented these resolutions, inter alia, in its Governing Council Decision 93/25 (June 1993) where it welcomed the use of national execution in UNDP assisted programmes and called upon recipient countries to assess national capacities for carrying out execution responsibilities. At the same time, it encouraged the greater use of UN Specialized Agencies in the design, technical appraisal and backstopping of nationally executed projects.

¹⁸⁸ For the cases of so-called failed states, of course, NEX is impossible.

¹⁸⁹ UNDP's overall income grew from 1.8 billion USD in 1992 to 2.8 billion USD in 2002. Over these ten years, the *composition* of its income has shifted. The *core* income in 1992 amounted to about 1.2 billion USD or about 67% of its income. In 2002, the core income dropped to about 800 million USD or about 28% of its income. Through *co-financing* and *cost-sharing arrangements* the remainder has gone to trust funds. Donors provided these funds for a specific purpose and they are no longer available for *general* funding of UNDP's overheads with the exception of the approximately 13% administrative fee that is permitted for programme delivery (GOSS GILROY 2003: 39).

¹⁹⁰ The budgetary cuts have significantly *weakened* the UNDP country-office structure. The number of international staff available for UNDP functions was, on average, cut by *half* – from more than four in 1990 to two or less in 1998. The number of national staff per country office was cut by some 35% (DP/2000/13: 3).

execution by the UNDP country offices. In its decision 98/2, the EB provided for UNDP to execute projects *directly* under certain circumstances in countries in crisis and post-conflict situations. According to UNDP, DEX appears to be an *increasing* trend as NEX is problematic in many countries especially those in crisis. UNDP wanted to promote DEX to maintain its widespread Country Office structure at full strength. DEX would generate some *extra-budgetary resources* for UNDP by implementing projects *itself* and not *through* UNOPS or other agencies.

GOSS GILROY (ID) summarised the significant trend to NEX and DEX and its effect on UNOPS as follows (2003: 29):

“Although, theoretically, UNDP (under DEX) or the recipient government (under NEX) can still contract UNOPS for implementing activity there are impediments to doing so. First, given UNDP’s own budgetary pressures at the country office level, there is an incentive to capture the administrative charge revenue for projects where possible to help pay for the country office overheads. Second, if a national government under NEX wishes to subcontract UNOPS to assist on implementation, the country must contract UNDP before UNOPS can be contracted.”

The constraint in UNOPS’ business model that UNDP has to be contracted *first* before UNOPS is contracted, means that UNDP takes a percentage of the administrative fee so that UNOPS ends up with *lower* net revenue. The independent review team from GOSS GILROY (ID) therefore recommended that the EB should *change* the UNOPS mandate to permit implementation of projects and programmes on behalf of recipient governments for donor funded programmes and projects (2003: 29). This, in fact, is an *important* issue for UNOPS’ future because it would allow UNOPS to be much *more* flexible and generate *more* income.

The changing environment for the whole UN system therefore also caused tensions between UNDP and UNOPS as both were struggling to receive funds (UNDP) or to generate the income (UNOPS) necessary to keep their organisation strong. UNDP did not give as many projects to UNOPS as before but went for DEX. For UNOPS, this was difficult to *accommodate* because it had to make up for this decrease with other clients. This was problematic because UNDP was still the most important client and *diversification* was progressing only slowly.

Having started with NEX and DEX, UNDP only went to UNOPS to let it execute the more *difficult* and *complex* projects. This also meant *lower* net revenue projects for UNOPS as the fees UNOPS charged UNDP did not reflect the costs these projects actually incurred.¹⁹¹

It is very important that UNDP is required to follow the four conditions for DEX: one of these four conditions it that DEX should be used *only* when no other executing agency is capable of executing the project and willing to do so.¹⁹² This implies that UNDP accepts its role and main

¹⁹¹ The problem of fee setting for project services is explained in section 3.1.5.3 pages 79f.

¹⁹² The UNDP Programming Manual specifies that direct execution may be considered when:

- (a) there is a situation that calls for speedy delivery and decision-making;
- (b) where national authorities lack the capacity to carry out the project;
- (c) the project could not be carried out by another United Nations agency;
- (d) the UNDP country office has appropriate capacity to manage, report and achieve the expected results.

The authority to approve DEX on a case-by-case basis is vested in the Associate Administrator.

function as the leading *funding* organisation concerning development within the UN system and the fact that the Secretary-General proposed establishing a separate UNOPS to *separate* funding and executing. Because of the financial constraints, however, it is not very likely that UNDP *limits* itself concerning the implementation of programmes and projects *if* it is not *enforced* to do so.

In the late 1990s, some UNOPS managers began to behave as if they had a ‘product mandate’. UNDP and other clients criticised the fact that publicity materials were developed that did not recognise that UNOPS was a *provider* of project management *services* to *other* UN agencies that are responsible for the fundraising and project designing programmes. Some UNOPS managers seemed to have not acknowledged that *UNOPS* was *not* an agency with fundraising and designing responsibilities. This situation has improved from 2002/2003 on but there are still perceptions from some clients that UNOPS promotes itself *excessively*, without giving proper credit to the UN agencies which are responsible for the funding and the design of projects (GOSS GILROY (ID) 2003: 12).

3.1.5.2.2 *Service fees*

The evaluation of the relationship between UNDP and UNOPS¹⁹³ found considerable *mistrust* and *misunderstanding* (DP/2000/13: 2) between the two agencies. In some cases, overlap and duplication existed where *both* organisations were acting as executing agencies, UNDP acting in direct execution mode. The review found a lack of *transparency* with respect to *fees* reimbursed by UNOPS for UNDP delivered services and in country support and recommended that the *fee setting mechanisms* be clarified and rendered transparent.¹⁹⁴ This was also true for UNOPS. The manner in which it established fees charged for services appeared somewhat arbitrary and clients including UNDP saw no relationship between services provided and fees charged.

One of the recommendations of this evaluation was that UNDP and UNOPS should detail the arrangement between the UNDP country offices and UNOPS in a formal agreement. In the first half of 2003, UNDP and UNOPS signed a MOU with regard to UNDP Cost Recovery for Services at Programme Country Level. This agreement, *retroactive* to 1 January 2003, set out a ‘Universal Price List’ for *standard* services. It contained four ‘cost bands’ depending upon the location of the Country Office. Non-standard services were not covered (ID). Unfortunately, this agreement was only valid for the few remaining months of 2003 because the cost calculations were based on IMIS-driven UNDP workflows and costs. Once, the ERP/People Soft system was implemented in 2004, the costs needed to be *revisited* and a new MOU or an addendum *negotiated*.

Concerning the fees for the UNDP central services support to UNOPS in the area of finance (treasury) and administration, human resources and information technology supporting, an umbrella MOU was developed, but, as of 2003, was still to be signed between the two parties. It is absolutely necessary for UNOPS to get a MOU signed that includes *sufficient* details in order to

¹⁹³ The evaluation of the relationships between UNDP and UNOPS was carried out over an eight month period ending in December 1999.

¹⁹⁴ See also DP/2001/CRP.15: 3 for further information.

enable UNOPS to compare the cost effectiveness of having the services provided by UNDP, to *alternative* approaches.

3.1.5.2.3 Brighter future for the relationship between UNOPS and UNDP?

From 2003 on with the ED a.i. and then with the new ED at UNOPS, the senior level confidence crisis of the past was left behind, especially because the ED a.i. - acknowledging its importance - was working very hard on this.¹⁹⁵ At a senior management meeting at UNOPS on the 4 March 2003, the Administrator let UNOPS know that he was willing to let UNOPS senior management 're-introduce' UNOPS and start a dialogue on current and future relations of UNDP and UNOPS. UNDP seemed to be open to re-establishing a good relationship. This was a *major* step for UNOPS into a possibly better future. The relationship with UNDP always *was* and *continues* to be vital for UNOPS. UNOPS cannot survive without UNDP, at least not in the foreseeable future. UNOPS has to demonstrate to UNDP the *value* of its services.

3.1.5.3 Costing projects

In 2002, the most difficult year for UNOPS since it became independent, the EB (DP/2002/21) urged UNOPS to

“evaluate the basis and calculation of the costs of its services with a view to ensuring that all costs are identified and recovered, and, in his regards, requests UNPOS to review with its clients the feasibility of possible adjustments.”

The UNOPS' contingency plan with regard to the operational reserve (DP/2002/35/Add.2) approved by the EB (DP/2002/21) foresaw - among other measures - that UNOPS would seek to review with *each* client its fee arrangements with a view to *determining* whether an upward fee adjustment would be in order. The contingency plan also foresaw that a thorough portfolio *review* would be carried out to ensure that the UNOPS' portfolios were *cost-effective*.

The JIU undertook a review of support costs related to extra-budgetary activities in the organisations of the UN system. It concluded that, with the exception of the WFP, which among other reasons benefits from economies of scale as a result of its activities, UNOPS has by far the *lowest average support costs* of any UN agency (JIU/REP/2002/3).

The Director of Operations constituted via communication a Task Force on UNOPS Support Costs and Fees on 5 November 2002. The team was constituted by Finance, Legal, the Directorate and some other staff, altogether 7 people. The Task Force (TF) was established to focus on issues relevant to set an *appropriate* level of UNOPS support costs and *ensuring* their recovery. It concentrated on portfolio management issues focussing on cost of services and fee setting, as well as measures that could realign income collection with service delivery. The Task Force presented its report on 31 December 2002 (ID).

¹⁹⁵ See section 3.1.5.2 pages 74f for further details.

The average level of support costs used in the 2002 administrative budget exercise was 7%. From 1996 to 2001, UNOPS' *average* rate has ranged from 7.3% to 8.1% with a median of 7.7%. This shows already that the level of support costs in 2002 was clearly *below* the median and also below any level since 1996 (ID). Lately, UNOPS has had to acknowledge that the tendency to lower fee rates could not be *stopped*. UNOPS has experienced a *downward price pressure* from its clients. The average fee rate that UNOPS earned from project services has decreased from 7.65% in 2001 to 7.04% in 2003 (DP/2004/23).

An important finding of the TF was that UNOPS has relatively few projects charged at or right around the *average income rate* used in its business planning in 2001 and 2002 (7 to 7.5%). The majority of UNOPS' projects were charged at a rate either well *below* or well *above* the average in an uneven distribution.

Out of 2399 projects on the books at the end of 2002, only 1994 were *operationally* active. However, 1045 or 52% of these active projects had a delivery of less than 10,000 USD, with most of these projects reflecting *zero* activity. While these projects still required PM time, financial reporting etc. and, therefore, represent a cost to the organisation, the income levied on these projects was zero or extremely little (ID). This problem, however, was, to a great extent, eliminated through the implementation of ERP.

UNOPS negotiates support costs on the basis of *assumptions* regarding the complexity, volume, or timeframe for project delivery. These assumptions might later prove *false*. In such cases, the TF proposed that UNOPS should *negotiate* with the funding source the respective support costs/rate, and that it should advise and agree with clients that it would do so if such situations arise. In addition, language should be introduced into project agreements/documents that *foresees* an adjustment to the UNOPS fee *when* circumstances change and invalidate the assumptions upon which the original fee was set.

UNOPS' income in 2000 and 2001 was lower than expected, particularly due to unplanned reductions/delays in budget execution. That is, beginning of year budgets that were planned for execution in that one year were sometimes reduced or extended over a longer period of time. Therefore, in a given calendar year, the administrative costs would *remain* as agreed whereas actual delivery would be *lower*. UNOPS had to address this. UNOPS has to renegotiate fees where appropriate *even* though it is known that there is overall pressure from clients, and more particularly from donors, to actually lower current rates (ID).

Moreover, a mechanism should be established for calculation and costing of project workload. UNOPS has to ensure that various input factors such as complexity are well defined and consistently applied. Better *cost information* is badly needed. GOSS GILROY (ID) described the following as absolutely necessary (2003: 77):

- *“Increasing information and transparency for donors and clients;*
- *Meaningful cost information for internal management and resource allocation; and,*

- *Improvement of costing estimates.*”

The costing system would have to be based on the direct costs of salary and benefits of personnel involved in delivering the service, the direct costs of other expenditure incurred by UNOPS on account of the project and a reasonable mark-up based on ‘what the market will bear’. GOSS GILROY also stressed that the costing should be done on a *project-by-project basis* and that a “*one-size-fits-all*” overhead value that is based on a percentage of the project’s overall delivery value should *not* be applied (2003: 77). The fees should be established related to the level of effort required for the delivery of services and for *service proposals* for projects a fee should be prepared as well.¹⁹⁶

UNOPS also has to ensure that only projects are accepted by the Project Acceptance Committee (PAC)¹⁹⁷ for which the support costs will be *covered* by the income generated through its implementation. UNOPS staff is *divided* concerning the PAC. Some think it works well, others say it is arbitrary and inconsistent (IV). It is necessary to develop a process that is transparent, based on the assessment of a comprehensive set of criteria and carried out in a more *efficient, business-like* manner (GOSS GILROY (ID) 2003: 79).

UNOPS definitely has to make sure that the level of support costs does not go too low - as is the case sometimes - but it should also *accept* the challenge and try to be as cost-effective as possible. Undeniably, there is a trend to *reduce* allowances for administrative costs due to budgetary pressures on the part of many donor countries and this will most likely continue. UNOPS has to provide a very cost effective implementation and, even then, the *net margins* on all potential projects/programmes will probably be *reduced*.

3.1.5.4 Internal communication

As UNOPS grew from a small, HQs-based organisation to a geographically and structurally decentralised one, the scope and pace of global communications and organisational change continued to accelerate (DP1008/24: 8). Yet, it became *increasingly* difficult for staff¹⁹⁸ and managers to feel informed or for information to be shared sufficiently to understand these changes (ID). Considerable *gaps* in communication exist between staff and management, HQs and Decentralised Offices, between senior and less senior managers.

In the years since UNOPS achieved its separate and identifiable status, the importance of *effective* internal communication has been addressed formally in reports and studies on UNOPS, in various ‘pulse checks’, in staff meetings and management retreats. In October 2000, the SMF

¹⁹⁶ UNOPS – as of early 2004 - does not charge the client for service proposals. If UNOPS ends up not being asked to actually implement what it has proposed it makes a loss as time was spent on the proposal but no income generated. Therefore, UNOPS could decide to set up a fee also for the service proposal. However, *beforehand* it should be clarified whether the clients would accept such a fee.

¹⁹⁷ The PAC consists of a mix of senior and middle management representatives and has to *review* the costing of the proposed project, to *assess* the risks involved in delivering the proposed project and to *decide* which UNOPS division should be given the responsibility for the project.

¹⁹⁸ Both core and project personnel are meant.

finalised broad-based staff consultations on leadership behaviours, and produced a report circulated throughout UNOPS. Following the senior management offsite meeting at Mohonk in November 2000, which was attended by SMF representatives, working groups were established. These were designated to plan a *successful* change management called the ‘*reform process*’.¹⁹⁹ During a two-day ‘lock-in’ in February 2001, one of those groups, the Communications Working Group, produced a report that addressed the issue of *internal communication*. In one part of the report, the focus lies on communication norms and procedures needed within UNOPS. It points out that improving the way UNOPS communicates will only *facilitate* organisational change but will be very important for the way UNOPS does business in the future. Priorities for internal communication but also for communication with the world outside of UNOPS include (ID):

- establishing, formalising and/or improving *channels* of communication with clients;
- ensuring the provision – and optimal use - of the right communication *tools*;
- assembling the means for *gathering information* about UNOPS clients and their needs;
- establishing new *forms* for effective communication among staff;
- revising a *code of conduct*;
- establishing *standards* for internal and external communication (written and oral);
- identifying new communication *processes*.

The report defined some objectives related to the ‘culture’ of the *current* and *future* UNOPS. Among them were (ID):

- promoting *teamwork*;
- emphasising *responsiveness* and *timeliness*;
- recognising and respecting communication requirements in a *multicultural* environment;
- fostering a transparent work *atmosphere* and an environment of mutual trust, openness and partnership;
- reflecting UN *values* and *code of conduct*;
- promoting a ‘one UNOPS’ image;
- establishing *consistency* and *standards* of professionalism;
- increasing the *availability* of information and encouraging staff to share it.

During my research, I had the experience that UNOPS’ staff, in general, were very *open* and willing to answer my questions in the interviews. Nonetheless, I gained the impression that information among staff was *not* openly shared. This seems to have its most important reason in the inter-divisional competition within UNOPS. Some staff even confirmed in interviews that they were “*afraid of the fact that someone could misuse the information I have provided*”.²⁰⁰ This, of course, is very harmful for an organisation such as UNOPS; one of its most important assets is the

¹⁹⁹ This reform process was, as mentioned above, never finished and implemented but stopped in 2002 because of the financial difficulties.

²⁰⁰ One staff member even said that s/he would not say anything anymore because once s/he had had a bad experience as a result of trusting another staff member.

immense knowledge incorporated in its staff. One of UNOPS' main tasks for the future, therefore, must be to make this knowledge *available* to everyone within UNOPS who is in need of it. This is only possible if internal communication is not hindered by barriers such as the inter-divisional competition.

3.1.5.5 Inter-divisional competition

The inter-divisional competition was one of the main problems of UNOPS which had a *negative* influence on UNOPS' business. The competition between geographic and thematic divisions was extremely unhealthy. Every division at UNOPS was/is a self-financing cost-centre. The *positive* aspects were that divisions were planning and acquiring business themselves, their delivery had to be satisfactory and they had to keep their costs in check. But the *negative* aspect of increasing competition between the divisions was that it turned out to be the main cause of *tensions* among divisions. The tasks of the divisions potentially *overlapped* because they were based geographically and thematically (DIJKZEUL 2000: 142f).²⁰¹ Competition for projects by divisions led to *internally* competitive pricing practices²⁰² and to resistance to information and resource sharing. UNOPS appeared internally divided and clients were not sure which division best to contact.²⁰³ GOSS GILROY (ID) explained the competition and its impact on UNOPS' clients as follows (2003: 51-52):

“The rivalry between thematic and geographic divisions has become very apparent to clients with clients finding themselves in the middle of UNOPS divisional project ownership battle. As might be expected, the negative impressions caused by this competitions are difficult to dispel, and have been cited as reasons not to use UNOPS in the future.”

The fact that clients might not use UNOPS anymore, because of the internal fights that became apparent to the clients, had to be taken very seriously. UNOPS has to compete for its clients because of its business model, which resembles the private sector. However, it has to make sure that this competition is not *among* UNOPS' own divisions but only *between* UNOPS and other implementing UN or national Agencies. UNOPS had to avoid sending three people from three different divisions to the same Minister in a certain country. Sometimes it also happened that a UNDP Resident Representative was contacted by two different divisions to acquire business. This is not only confusing for the client but also not cost-effective.

It took UNOPS a long while though to make sure that a successful future of the organisations was the most important for everyone and that UNOPS spoke with only one voice outside. Already in 1997, UNOPS had acknowledged the need to avoid inter-divisional competition and has tried to find means to reach this goal ever since. At the retreat in Windwatch in September

²⁰¹ For example, RESS might want to implement a rebuilding project but WAASE also wants to implement the same project because it is for Iran.

²⁰² It happened that one division offered the same service to a client for a lower price than another division and did so on purpose.

²⁰³ When clients became aware of the fact that because of the internal competition UNOPS' divisions were offering the same project for different prices, some of them even started to take advantage of this (IV).

1997, for example, the focus was on the question how to make ‘one UNOPS’, how to create a sense of ‘one UNOPS’ and to promote a stronger *cooperative* working environment. A follow-up mechanism was established, but the implementation of ideas was not successful. Many of the decisions made at Windwatch remained ‘paper promises’, as DIJKZEUL concludes (2000: 150).²⁰⁴

Until 2003/2004, these efforts did not result in less internal competition. On the contrary, as the business situation for UNOPS became worse in 2000 and the following years, competition between divisions became even stronger. Many Division Chiefs obviously thought more about the well-being and further existence of their own division and their individual interests than of the *overall* good of the organisation.

The lack of clear lines of responsibility and accountability and the fact that senior management had not intervened and limited intra-UNOPS competition had to be addressed as was also pointed out by GOSS GILROY (2003: 52):

“The organizational structure at present is untenable, and should be redesigned to reduce the number of divisions with a view to removing the overlap between thematic and geographic interests.”

As the past had shown that ‘good will’ and ‘paper promises’ were not the right means to make an end to the described unhealthy internal competition, UNOPS decided that only a change in the organisational structure would create clear responsibilities and, therefore, much less intra-UNOPS competition. A new structure was proposed in late 2003 and its implementation was started in 2004.²⁰⁵ The installation of only geographic divisions with thematic clusters supposedly will allow UNOPS more to focus on *corporate* goals.

3.1.5.6 ERP/People Soft system

Since 1999, UNOPS has been using the UNDP-version of IMIS (Integrated Management Information System) to manage its Financial and Human Resource functions (DP/2001/11: 49). Procurement functions were handled by an off-the-shelf application which was *integrated* in IMIS. UNDP provided central Financial and Human Resource services to UNOPS through IMIS and a network of 176 country offices and their respective WinUNIFOS systems. Many staff were not happy with this for the reasons mentioned below.

UNOPS’ financial practices and systems did not meet the *information needs* of the organisation or of its clients. The Funds Control system used to monitor and manage project budgets based on information that was manually put in at the start of a project and expenditure information was downloaded daily from IMIS. The IMIS-based system had many deficiencies. Income and projects budget information were not *automatically* recorded within IMIS. The information exported from the Funds Control system needed to be *translated* into a format required

²⁰⁴ At the senior management meeting that took place in March 2003 I recognised something similar. *While* all the Division Chiefs were sitting together they promised to work in closer collaboration but nothing really changed *afterwards*.

²⁰⁵ See section 3.1.4.4 pages 70ff for further details.

by UNOPS clients. A major concern was the timeliness of IMIS and the other systems in use. A time lag of between one and a half to six months (average two to three months) existed between the time the expenditure was *incurred* to when the expenditure was *recorded* in IMIS. This was because multiple parties, multiple systems and multiple locations around the world were involved in recording the financial information related to expenditures.²⁰⁶ The client's reporting needs were not met by the financial system. UNOPS operations personnel thought that Funds Control was not capable of producing *timely* and *accurate* financial information in the client requested reporting format, especially from non-UNDP clients (GOSS GILROY 2003: 72-75).

In 2001, UNDP decided to implement a new system to replace IMIS and other dispersed Country Office systems with an integrated Enterprise Resource Planning (ERP) system, the well-known, commercially available PeopleSoft. The new system would be internet based and accessible through a WEB browser and was targeted to be operational by 1 January 2004.

In January 2002, UNDP invited UNFPA, UNOPS and other UN agencies to join the project as partners; UNDP signed a contract with PeopleSoft that included thirty modules of ERP in June 2002. UNOPS formally joined UNDP and UNFPA as a *full* partner in the implementation of ERP system after an analysis of the options available in February 2003.

UNOPS has a strong operations *inter-linkage* with UNDP. UNDP is not only the primary client of UNOPS, it also provides UNOPS with administration services both at HQs and through its country offices.²⁰⁷ As a result, UNDP's decision to switch from IMIS to the new ERP system has *forced* UNOPS to make a forward-looking analysis of the systems and business processes it would rely on during the coming decade. A number of UNOPS clients²⁰⁸ besides UNDP would also be using People Soft ERP systems and it would be an advantage for UNOPS to be *compatible* with major clients through ERP. UNOPS decided to join the ERP project as a development partner as this would fulfil most of UNOPS' computing requirements. In addition, it was the most practical option in the given timescale.

The costs of implementing ERP though were considerable especially taking into account UNOPS' critical financial situation. UNOPS calculated that ERP would need a funding of 3.5 to 4 million USD over a three-year period from 2003 to 2005.

ERP was supposed to give the Portfolio Manager a much better *tool* for project/financial control, monitoring, planning etc. ERP was supposed to ensure better financial reports for clients; up-to-date reports would be available at the 'push of a button' (ID). Track approval and status or requisitions from initiation to invoice payment would be *easy* to follow up on. Funds would be *automatically* checked against budgets at the time of requisition, obligation and payment which

²⁰⁶ UNOPS offices outside New York ran various parallel financial systems to meet day-to-day operational and financial needs. Some regional offices only had limited access to IMIS due to UNDP-related technical issues.

²⁰⁷ See section 3.1.5.2 pages 74f for further details.

²⁰⁸ For example IFAC, UNFPA, WHO, UNHCR.

would mean better and easier control for Finance. Concerning procurement, UNOPS would possess a state of the art procurement system which would result in:

- less double entry,
- easy tracking of requests, orders and payments,
- links to finance and simplification of controls,
- one shared vendor database for all UNOPS.

ERP integrated all key functions such as human resources, procurement, finance, project management and integrated the dispersed and isolated Information Systems in use at UNOPS. It was not a mere IT implementation. ERP is supposed to change the way UNOPS does business and will require simplification of business processes and employee training. *Training* is very important because, otherwise, it is likely that ERP cannot be used as effectively as possible and UNOPS would not be as efficient and cost-effective as it could be. Because of UNOPS' financial constraints however, staff had to do online training to receive the 'International Computer Driving License' (ICDL) they needed to use ERP. Approximately 32 hours of training were needed to pass the test. This should *not* have been on top of the regular work but it ended up like this. Because of this and because of the tight timeframe from early 2003 to the implementation of the first seventeen modules in January 2004, UNOPS experienced some difficulties in the beginning.

Another advantage of ERP is its *real-time connectivity* because it is based on the internet: Transactions are recorded online and therefore the PM is able to monitor accurate data on an ongoing basis. Moreover, as ERP can be entered 24 hours per day from anywhere in the world UNOPS will be in a position to further and more effectively *decentralise* its operations. Online authorisations will also be possible.²⁰⁹

UNOPS had to make sure that the implementation of ERP was properly planned, resourced and carried out so that the many deficiencies of the IMIS-based systems were addressed. The new system must ensure that UNOPS produces timely and accurate information to base its monitoring and managing of income and expenditure on this information. 2004 already showed the opportunities, benefits and problems of ERP.

3.1.5.7 Human resources

3.1.5.7.1 UN rules and regulations

UNOPS has to follow UN *guidelines* for staffing procedures, pay scales and other UN human resource policies. UNOPS management has control over the personnel costs²¹⁰ in terms of numbers and levels of staff *but* it has no control over the *prescribed* UN salary levels and benefits. Therefore it was out of UNOPS' control when the General Assembly decided in 2002 to *increase* salary, coupled with *increased* cost of living adjustments. This and the effect of depreciation of the US

²⁰⁹ Electronic authorisations will replace the faxes.

²¹⁰ Salaries, wages and benefits.

Dollar against major currencies resulted in a 14% increase in costs and created *funding pressure* at UNOPS in the region of two to three million USD.

The above shows the two *uncontrollable* factors that affect UNOPS personnel costs: (1) annual United Nations-wide basic salary and cost of living adjustments, and (2) exchange rates between the dollar and other currencies (DP/2004/23: 8).

To avoid UNOPS being constrained as a self-financing organisation by the *obligation* to follow UN guidelines concerning staff, GOSS GILROY suggested that UNOPS should “*pay attention to its flexibility concerning staff through other mechanisms*” (2003: 54). UNOPS should use low cost and short to medium term staffing mechanisms to supplement UNOPS’ base staffing complement during peak periods. UNOPS would therefore be enabled to have the workforce it needs without having to stick to it in times of less business.

This is a valuable suggestion, but UNOPS has to be very *careful* implementing it and has to consider how much more its staff can and will bear. Staff members who already worry about their jobs at UNOPS would not be glad to see, for example, more Junior Professional Officers and interns joining the organisation as they might consider it as a further threat to their own position. UNOPS has to make sure that its staff does not seek jobs at other UN agencies because it is UNOPS’ main asset. Concerning hiring staff on a short to medium term basis, another problem must be stated: After a certain time at the organisation, people hired under these mechanisms would leave when the workload is reduced. UNOPS would have to ensure that *knowledge sharing* and *management* function extremely well to avoid any knowledge being lost to the organisation once these short/medium term assignments are ended.

3.1.5.7.2 *Performance Appraisal Review*

Annually each UNOPS staff member supposedly gets feedback from her/his supervisor by a Performance Appraisal Review (PAR). The PAR UNOPS was exclusively working with until 2003 was not seen as a valid and important management tool to let staff know about strengths as well as to suggest improvements *but* was perceived as a pro-forma exercise. The PAR should be an opportunity to get feedback from the supervisor and should be a valuable record of one’s own performance. But as the PAR was not taken seriously and no consequences were linked to it, many supervisors just ‘*cut-and-paste from previous year’s PAR*’ (IV). As there were no *rewards* for a good performance and no *sanctions* even when major errors had been committed, the PAR was perceived as useless.

In 2003, a new performance-based management system was tested by DHRM in two pilot offices.²¹¹ It was designed around *broad* indicators. The new PAR process emphasises a structured feedback and development. It is shorter, faster to fill in and more *user-friendly*. It allows for quantifiable feedback along standardised competencies as well as individual goals, interim feedback sessions after six months and provision for rewards (DP/2004/7: 6). The pilots consisted

²¹¹ The pilot offices were the Procurement Division in Copenhagen and the Asia Office in Kuala Lumpur.

of *two* feedback meetings per year, an interim and a final meeting. A 360-degree-feedback was introduced; the survey of the supervisor, the client and the support divisions were taken into account and it also included a self-assessment. Linked to the proposal of a new PAR was a suggested *rewards structure*. The PAR rating should be essential for a recommendation for accelerated or regular promotion and become the base for individual and divisional rewards (ID).

Staff from the pilot offices *broadly* agreed with the new system. The implementing phase for the whole organisation was supposed to be in 2004 (DP/2004/7). Because of the change management process and the extensive restructuring that took place in this year, the new PAR was not introduced organisation-wide. At least, however, the new PAR now has its own title: the *Performance Management and Development System* (PMDS).

3.1.5.7.3 Downsizing of staff

The level of UNOPS' staff was rising from 246 in 1997 to its peak of 395 in 2000 and then went down to the size of 297 in 2003. GOSS GILROY (ID) describes why this rise in the number of staff became a problem for UNOPS (2003: 49):

“As reported elsewhere in this report, income of approximately \$ 40 million in 1997 increased to approximately \$ 50 million in 1998 and then levelled off and subsequently decreased back to about \$ 40 million. At the same time, hiring continued, with high staffing levels of 395 and 391 reached in 2000 and 2001.”

Several UNOPS staff have mentioned that senior management had requested Portfolio Managers to put forward *inflated* delivery figures that were not bound to reality anymore (IV). This probably resulted in hiring of staff at an inappropriate level.

Severe staff reductions in 2002 were necessary because of the fact that the rising staff numbers were not matched by *increasing* but *declining* revenue and income. Another result of the budget reduction exercise was that staff hiring and reclassification were put on hold and vacant positions were not filled.

This meant *demoralization* for UNOPS' staff and some staff members lost focus on the work during the budget reduction exercise. In general, staff continued to work hard but many of them had lost their trust in UNOPS and its future. Even the people who were not directly affected by the staff reductions²¹² were somehow affected by it as they were worried about their jobs. How safe were their jobs? Should they perhaps look for a new job at another organisation? Something like a '*brain drain*' was threatening UNOPS and some of the most talented people left UNOPS.

UNOPS staff found themselves in a difficult not very promising situation. They were expected to work very hard to meet the client expectations and to get UNOPS back on track but they hardly saw any *opportunities* to advance within UNOPS because no promotion or training was available. The financial crisis and UNOPS' ongoing critical situation allowed only limited investment made to equip staff with competencies required by a knowledge organisation. Once

²¹² Meaning that they did not lose their jobs.

UNOPS had the possibility to do so, it would have to direct additional time and money toward staff training etc. (GOSS GILROY 2003: 58ff).

UNOPS staff was and is known as being hard-working and more than willing to contribute to UNOPS' continuation and standing. They saw UNOPS as a '*can-do*'-organisation. DIJKZEUL mentions that in his view the self-financing principle led to a perception among staff that they have a *personal stake* in the organisation's well being (2000: 110). Many staff explained that UNOPS is '*like a family*' to them (IV).²¹³ But they also stated that over the years staff have become frustrated by what has happened, especially since 2000. UNOPS staff identified a lack of accountability of the managers who led UNOPS into or did not prevent it from the crisis. They felt betrayed as it seemed that they had given their best while some of the senior managers did not.

At the EB Annual Session in Geneva in July 2002, one of the Member States, Germany, acknowledged the efforts staff had undertaken under the most difficult circumstances (ID):

"We would like to pay special tribute to the spirit and motivation of the staff of UNOPS, which is the capital of the institution and which has worked indefatigably."

It was very important to build up staff's morale by ensuring accountability on all levels, building up trust with the top and senior management, offering staff training and development possibilities within UNOPS once the organisation had the financial means to do so.

3.1.5.8 Relocation to the Chrysler Building

At the annual session of the EB in 2000, Member States expressed their *discontent* with the large cost overrun in the HQs relocation. At least it should have been picked up earlier and the EB should have been informed in 1999 and not only in 2000.

On 24 September 1997, UNOPS was advised that its lease on its New York office space at the time²¹⁴ would not be renewed beyond September 1999. UNOPS therefore engaged in and completed a review of its HQs space needs and then evaluated different office spaces in the New York City area (DP/1998/35: 9). The *unexpected* need to relocate was doubly disturbing, both for the unanticipated expense and the need to obtain new space in an especially tight real estate market, with record high and climbing rent levels and conditions generally favouring landlords in the negotiation of lease terms (ID).

Some staff members mentioned that it meant a *missed opportunity* for UNOPS, that it only became aware of the fact very late that it would have to move from the Daily News Building. If there had been more time, UNOPS could have thought about further decentralising at that point of time. It might have considered *decentralising* the operations divisions elsewhere and just keeping

²¹³ Until the financial crisis, staff had many social events: apart from 'Friday breakfasts' that staff had regularly together in the office - mostly within divisions, sometimes organisation-wide - events such as Central Park picnic, international lunch, 'Bring your daughters to work' enhanced the good working atmosphere at UNOPS:

²¹⁴ Until late 1999, UNOPS occupied offices in the Daily News Building in Manhattan.

the corporate functions in New York (IV). However, this was not the case, as time was far too short to seriously consider and plan such an important step.

The main criteria UNOPS identified for its new premises were the following:

- close *proximity* to the United Nations in East Midtown;
- 2 or 3 *contiguous* floors with total rental area of 75-90,000 square feet;
- ready for occupancy by 1 October 1999 at the latest;
- strong building management track record;
- renovated class A building lobby; and
- rents should be less than 10% of administrative expenditure.

Negotiations were undertaken regarding all six of the limited number of relevant sites identified. A comparative evaluation of the *financial* and *non-financial* aspects of each of them resulted in the identification of a preferred site providing the best value for UNOPS. That site – the Chrysler Building – fulfilled the overall requirements to the greatest extent and was the only building with the ability to accommodate UNOPS on two floors (ID).

The *relocation* of HQs premises, scheduled for the end of September 1999 actually occurred in mid-December 1999. The *revised* budget for 1999 estimated the 1999 costs of the relocation of UNOPS HQs at 8.5 million USD. The actual 1999 cost was 14.0 million USD, corresponding to an increase of 5.5 million USD (DP/2000/25: 13).²¹⁵

As the two floors in the new building would be handed over to UNOPS in an un-constructed/empty state, the UNOPS office would have to be designed anew and constructed. This gave UNOPS the opportunity to be involved in the design stage. In December 1998, at the All Chiefs Meeting (ACM) it was discussed whether UNOPS should opt for an *open-space* design for the new building. Issues such as noise level and privacy were looked into and a comparison between the different designs and their impacts on noise and privacy issues were presented to the ACM by the Relocations Team and the Architectural Team in December 1998 (ID). After some discussion and considering the advantages²¹⁶ and the concerns²¹⁷ it was decided to choose the open-space design.

²¹⁵ This document also details what factors increased the costs and how much extra money was spent for what.

²¹⁶ The advantages of an open-space design were mentioned as follows (ID):

- promotes and facilitates better communications;
- promotes the UNOPS integrated team approach;
- enhances the work environment by increasing natural light;
- strengthens the image of a forward thinking service-oriented organisation (vs. the image of an old-fashioned bureaucracy more interested in the number of windows per office);
- provides a design and configuration flexibility that allows the workplace to accommodate to changes in staff function over time.

²¹⁷ The following concerns on the use of an open-space design were raised (ID):

- increased ambient noise level from long-distance phone communications;
- potential decrease in ability to concentrate;
- lack of privacy and confidentiality when meeting clients or, in the case of managers, when needing to counsel staff.

The much higher relocation costs are especially striking if one looks at a section in the Annual Report from 26 March 1999 (DP/1999/22: 17):

“47.UNOPS has competitively obtained quality expertise in engineering, construction management and other specialties. UNOPS expects to relocate on time and within budget. The Relocation Team has and will continue to manage the project to seek financial savings without loss of value to UNOPS.

48. The successful application of the UNOPS project management expertise to its own relocation demonstrates the strength of its general approach: ...”

The above was clearly proven *false* by the development of the relocation project. Not only that it shows that UNOPS is not always cost-effective but another issue raised also by UNOPS is the following: The leader of the Relocation Team who was responsible was not held *accountable* afterwards. Therefore, the mismanagement of the relocation is an example of the *lack of accountability* within UNOPS.

Since 2002, UNOPS has made efforts to *sublease* office space to the UN and UN agencies, Funds and Programmes to reduce its costs. This was of considerable importance after the financial crisis in 2002, which also resulted in less space that UNOPS would need for offices in New York. In October 2003, UNOPS had subleased 57 offices which equalled an annual rental income of 900,000 USD (ID).²¹⁸

3.1.5.9 The UNOPS business model – set up and constraints

A business model was not *explicitly* established when UNOPS was created as an independent, self-financing entity in 1995. But GOSS GILROY correctly states that *implicitly* there was an business model for UNOPS that resembles, in part, that of a “*for-profit consultancy firm in the private sector*” (2003: 23):

“UNOPS is an arm of the United Nations that provides project-management services in every field where the UN has a mandate – from landmine awareness to public sector reform, from informatics solutions to eradicating poverty. UNOPS is a revenue dependent organization whose client base is limited to United Nations organizations and Bretton Woods agencies.”

Adding to this general description of UNOPS’ role and standing, there are *specific* attributes of UNOPS that can be listed (GOSS GILROY 2003: 23):

1. Requirement to operate within the rules and regulations of the United Nations.
2. UNDP administers and manages day-to-day banking and treasury requirements.
3. Certain administrative, corporate and other support services are provided to UNOPS by UNDP and the UN.
4. UNOPS is not permitted to secure funding directly from donor countries or private organisation.
5. UNOPS personnel salaries (international personnel) are prescribed by the GA.

²¹⁸ The rent of about five million USD per year for the office space in the Chrysler Building was one of the reasons for the relocation of the HQs to Copenhagen. A generous offer from the Danish government was expected to significantly lower the fixed costs for UNOPS.

6. UNOPS relies upon UNDP country offices to provide administrative support services, especially in areas where UNOPS does not have a field presence.

Even though the *revenue dependency* must be the base for the UNOPS business model to ensure its viability as a self-financing UN entity, it cannot be denied that there are severe *restraints* for UNOPS that make its business model different from a private sector firm:

1. UNOPS is *obliged* to work through UNDP and to use the UNDP systems.
2. UNOPS client base is *limited* to the UN and the Bretton Woods agencies.
3. UNOPS is *restricted* to working directly with potential clients outside of the UN system.

This made/makes some arrangements very complicated and caused/causes increased project delivery costs.

The growth in income and also business acquisitions in the 1990s, however, proved that the UNOPS business model seemed to work well. According to GOSS GILROY there were two issues that began to *undermine* the viability of the model (2003: 24):

- “*The basic premise that UNOPS would be the administrative and implementing arm of UNDP changed with the advent of national and direct execution modalities; and,*
- *UNOPS management failed to provide the required leadership and resolve to manage the organization and adapt to the new environment and context.*”

This means that for the future of UNOPS it is necessary (1) that the business model is changed somewhat and (2) that the future UNOPS management takes the right decisions and demonstrates leadership. UNOPS, as a revenue dependent organisation, needs the *capacity* to carry out operations in a *businesslike* manner. Therefore, the loosening of restraints and the removal of barriers to the provision of services is an important premise for UNOPS’ future.

The EB has not only to *confirm* that the revenue dependency business model should be the approach for UNOPS but actively *work* on the necessary changes and ensure that the barriers mentioned are removed.

The governance structure of UNOPS needs to be reviewed and changed. The EB should be renamed to EB for UNDP/UNFPA/UNOPS to reflect its equal responsibility for all *three* Agencies. The MCC should be chaired by the ED of UNOPS instead of the UNDP Administrator. Moreover, the MCC should provide *strategic* direction in business developments to ensure *best practices* and to ensure that UNOPS continues to be viable.

Changes in the UNOPS mandate were strongly recommended by the independent review in 2003 (GOSS GILROY 2003: 95ff) and the final report on the independent review (PD/2003/40); in the latter, it was formulated that

“the Executive Board should change the UNOPS mandate to permit implementation of projects and programmes on behalf of recipient governments for donor-funded programmes and projects.”

In 2004, the EB partly approved the change asked for – the direct collaboration of UNOPS with two sets of clients, (DP/2004/45: 9)

“(a) Regional and subregional development banks. UNOPS continues its consultations with the African Development Bank on collaboration in central Africa. Dialogue with the Inter-American Development Bank is focussing initially on prospects in Haiti. UNOPS is submitting several expressions of interest to the Asian Development Bank.

(b) Host governments: infrastructure and public works. UNOPS has prepared in-house guidelines for staff, covering work with host governments for infrastructure and public works programmes to ensure that activities are in compliance with provisions made at the time of approval by the Executive Board of this extension of the UNOPS mandate. Such direct collaboration is being piloted in Afghanistan and is being explored in other transition environments such as Haiti.”

It will be interesting to see if the EB is willing to make *further* changes and if this will facilitate a brighter future for UNOPS. As of 2005, UNOPS was still in a difficult situation which led the MCC to discuss options to help ensure UNOPS sustainability with UNOPS senior management.²¹⁹

Two options were pointed out as possible solutions (DP/2005/10:5):

“Option 1: UNOPS would continue operations as a separate entity, but with a reduced cost basis achieved through consolidation of functions and/or relocation of HQ corporate functions to a lower-cost duty station; with a possible package of assistance from donors that may include rent-free facilities, subsidized utilities, other recurrent costs of accommodation and relocation costs.

Option 2: Merger/integration of the existing operation or key elements thereof with another UN organization, while maintaining the separate identity and brand name of UNOPS (this option may also include relocation of the HQ corporate and/or other functions to a lower-cost duty station).”

The above shows that UNOPS future was *unclear* as of 2005. It could only be hoped that upcoming opportunities such as UNOPS engagement in post-conflict or transition countries would be taken advantage of and would help UNOPS to ‘survive’.²²⁰ As mentioned above, a relocation of the HQs was planned for 2006. This process was expected to have a major impact on the future of the organisation.

²¹⁹ The following quotation demonstrates how much the MCC was concerned (DP/2005/10:4):

“The MCC reiterates the underlying principle of UNOPS business, which requires that expenditure be below the income at any single year. The MCC is extremely concerned that UNOPS may again incur an operating loss in 2005, and urges UNOPS senior management to monitor revenue and expenditures on a continuous basis and to take all measures within its power to ensure adherence to the above principle.”

²²⁰ In late 2003, UNOPS had already become aware of the fact that while opportunities exist in *all* regions, countries in Africa and those in *post-conflict transition* might become *the* field for UNOPS in the future (DP/2004/7: 2). In early 2005, this tendency was reiterated. The MCC stated that new business acquired in 2004 was primarily in *emergency* and *post-conflict* or *transition* activities while development-related activities accounted for 29% of newly acquired UNOPS business. This represented the *shift* in the nature of UNOPS operations towards emergency and post-conflict situations and countries (DP/2005/10: 3).

3.2 GTZ

3.2.1 Methodology

By *joining* UNOPS, I had gained so much information that I would not have been able to otherwise. Therefore, it was also necessary for me to stay with the GTZ so that I could obtain similarly worthy information. At the GTZ I *combined* an internship of two months²²¹ with activities as a participant observer. The methods used were the same: *observation*, *document analysis*, and *interviewing*²²². Much information was generated by participating in meetings and informal chats with the GTZ staff. The 13 interviews I had with people from different divisions were also *semi-structured*.

3.2.2 The GTZ in brief

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH is a development cooperation enterprise for sustainable development with worldwide operations. The GTZ's aim is to improve the living conditions and perspectives of people in developing and transition countries. It provides solutions for political, economic, ecological and social development in a globalised world. The GTZ is a federal enterprise and was founded in 1975 as a company under civil law. The German Ministry for Economic Cooperation and Development (BMZ) is its major client.

The GTZ employs more than 7,100 national staff and about 1,100 seconded experts²²³ in over 130 countries in Africa, Asia, Latin America and Eastern Europe and maintains field offices in 67 countries.²²⁴ Additionally, 300 experts work in projects in Germany. About 1,000 people work at the HQs in Eschborn near Frankfurt am Main.

The firm is organised along *geographic* lines with three regional departments, one for each of the following: Sub-Saharan Africa, Asia/Pacific & Latin America/Caribbean and Mediterranean Region, Europe, Central Asian Countries. *Sectoral* expertise is available in the Planning and Development (P&D)²²⁵ department. Teams of professionals at the HQs provide backstopping and technical expertise as required for locally managed projects. The GTZ claims an extensive *knowledge network* through the international institutions.

In 2002, the GTZ had a turnover of 876 million Euro and undertook 2,754 separate projects. In 2003, the turnover slightly increased to 885 million Euro while the number of projects slightly decreased to 2,726. The net income can only be estimated at about 2% of the turnover. Any surpluses not required for reserves can be reinvested by the GTZ in its own development projects.

²²¹ This internship was from mid-March to mid-May 2004.

²²² See the questionnaire in the appendix.

²²³ These numbers are from 2004. See <http://www.gtz.de/de/unternehmen/1722.htm>, 15.02.2006.

²²⁴ In 1979, the GTZ set up its first field offices in six partner countries. In 1983, the number had already increased to 24 offices.

²²⁵ The German term is *Planung und Entwicklung* (PuE).

3.2.3 Historical overview

3.2.3.1 The GTZ as a result of a merger

1 April 1974 was the starting point for a special institution in Germany: the GTZ, a public agency, was organised as a limited liability company (Ltd.)²²⁶ and therefore became a company constituted under civil law. Erhard Eppler, the Federal Minister for Economic Cooperation at the time, declared on 14 March 1974 (Köhler 1994: 12; translation: CS):

“We have deliberately taken the decision to go with this solution because it offers the maximum degree of continuity and flexibility. We want a civil law based solution – which does not yet mean: private sector – because it can more rapidly adapt to regularly upcoming new tasks.”

Before the foundation of the GTZ, two institutions existed that had to work together closely and fulfil the functions of the GTZ of today: The *Bundesstelle für Entwicklungshilfe* (BfE) and the *Garantie-Abwicklungsgesellschaft* (GAWI), which was renamed the *Deutsche Förderungsgesellschaft für Entwicklungsländer* in 1964.

The GAWI was first founded in 1932 as a subsidiary of the *Treuarbeit AG*. The GAWI was in charge of the personnel: while both the GAWI and the BfE only had about 300-400 staff each in its HQs, the GAWI was responsible for about 1,300 field-staff members in 360 projects.

The BfE was in charge of the sectoral *planning* and the *execution* of the projects of the TC. The BMZ²²⁷ was the advising body. The BfE was installed as a third institution between the BMZ and the GAWI in 1968. In 1969, GAWI took over the non-ministerial tasks from the BMZ to unburden it.

As the commissioning party, the BfE felt superior to the GAWI. They saw each other as *rivals* and acted accordingly. KÖHLER concludes that the competition between the two institutions was not a healthy one (1994: 14). Because of the conflicts between the GAWI and the BfE concerning their competencies, a reasonable and effective project management in the German development policy was not possible. Field staff, for example, was not sure if the GAWI or the BfE was their central authority. This led to *confusion* not only among field staff members but also within the governments/ relevant ministries in the partner countries.

Moreover, the BMZ was not as obviously in charge of the TC as was necessary. At the time, the BMZ which was founded in 1961, did not yet have any *sectoral* competencies.²²⁸ These were still with several other Ministries, namely the Federal Ministry of Economics, the Federal Ministry of Agriculture, the Federal Ministry of Transport and the Federal Ministry of Posts. These four Federal Ministries were working together badly as research carried out by order of the Budget

²²⁶ The German term is *Gesellschaft mit beschränkter Haftung* (GmbH).

²²⁷ At the time this was the abbreviation for Federal Ministry for Economic Cooperation, *Bundesministerium für wirtschaftliche Zusammenarbeit*. Today BMZ stands for Federal Ministry for Economic Cooperation and Development, *Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung*.

²²⁸ For more details regarding the history of the BMZ see BODEMER 1985, MARTINEK 1981, NUSCHELER 1995, SCHIMANK 1983a&b, STOCKHAUSEN 1986.

Committee stated. There were evidently lots of arguments about the competencies for the German TC and responsibilities were not as clear as they should have been.

In the setting up of the GTZ, not only the BfE, the GAWI and the BMZ actively participated, but so did the Federal Parliament and the Federal Court of Audit. Between 1963 and 1973, the Federal Court of Audit worked out five important interventions. When the arguments about competencies became too obvious, in 1970 the Budget Committee, finally, instructed the Federal Court of Audit to investigate whether it would be useful to *integrate* the GAWI into the BfE. The expert report was finished in December 1973. It stated that there was no effective *control* over the current projects. It was even impossible to find out about their number. The BfE and the GAWI were both harshly criticised. The procurement of personnel and of goods was inefficiently shared between the GAWI and the BfE and very often deficient. Also, it was often unclear who had the *overall* responsibility for a certain project from its planning until its end. The expert report recommended *abolishing* the GAWI and *restricting* the functions of the BfE, while extending the regional department of the BMZ and the consulting industry. This was a surprising outcome as it did not consider an integration of the GAWI into the BfE as useful or desirable. When this expert report became public²²⁹, neither the BMZ nor the Federal Parliament had the opportunity to *not* act upon it. It became obvious at the time that the German TC would have to be completely reorganised. Staff from the BfE and the GAWI were afraid of losing their jobs.

While discussing the different options of how to organise the new institution that – not taking into account the advice of the report from the Federal Court of Audit - should integrate the GAWI and the BfE, *two* main options were focused:

1. organising the new institution as a GmbH under civil law, or
2. installing it as a public agency.

The advantage of a GmbH was and is that it is much more *flexible* concerning its personnel. The regulations for the civil service applicable for a public agency would have been a burden as they are not very market oriented, especially concerning salary. Moreover, a public agency could not have had fixed-term contracts of employment in the field, and the statutory salary scale (BAT) for abroad is mostly much too expensive. To enable the new institution to be *economically* efficient, the option to organise it as a GmbH was seen as the best solution.

According to KÖHLER, the decision to choose the GmbH as the *modus operandi* must be considered as a *sensation* even considering the fact that there were several good reasons to do so (1994: 20). A merger between a public agency (BfE) and a GmbH (GAWI) had never taken place before. One of the conditions was that the BMZ bought the GAWI from the *Treuarbeit AG*. The law prohibited to take over only a few, selected staff members from GAWI. *All* staff members had to be employed in the new organisation.

It was a difficult task to integrate the GAWI and the BfE into a new organisation. Many decisions had to be taken, for example concerning the structure. GAWI personnel, moreover, were

²²⁹ The German newspaper *Frankfurter Allgemeine Zeitung* (FAZ) received information about this report.

not too excited about participating in the process of setting up the new institution as they felt as if being sold. A new *remuneration system* that would apply to both the former GAWI and the former BfE staff had to be worked out. It was difficult to establish it in a way that could be accepted by both, one having been a company from the *private sector*, one a *public agency*.²³⁰

After the merger of the GAWI and the BfE, since 1 January 1975 the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH has been established as the new organisation in German development cooperation.

3.2.3.2 GTZ GmbH: its services and its governance structure

The HQs of the GTZ is in Eschborn, close to Frankfurt am Main. The TC of which the GTZ is in charge is one of the *two* pillars of the German Federal Government in development cooperation. The other pillar is the *Financial Cooperation*, for which the sister agency *Kreditanstalt für Wiederaufbau* (KfW)²³¹ is responsible. The KfW and the GTZ also implement projects in cooperation and the two organisations signed a cooperation agreement in 1993. My experience at the GTZ in 2004 clearly shows that the cooperation with the KfW is not only considered as necessary but also as useful and wanted. More meetings between GTZ and KfW take place and there is more acceptance of each other than could be observed years ago.²³²

The GTZ services include, and much depend on, cooperation with technical personnel. Experts are sent to developing countries and act there as consultants/advisors and trainers. These experts are supposed to enhance the capabilities of people and institutions in the developing countries. The TC transfers *technical, economic and organisational* skills and knowledge.

The TC is the *traditional* frame within which the GTZ is instructed to self-reliably examine and execute projects²³³, including sectoral planning, monitoring and evaluation. The term TC, however, *misleads* about the nature of the projects the GTZ is in charge of. The GTZ develops and implements projects which are only in rare cases of a *technical* nature. KÖHLER and others therefore suggest that the GTZ should finally change its name to reflect the change in nature of work the GTZ is doing (1994: 30). On the other hand, a change of the company's name also bears considerable risks because the GTZ is well-known in international development cooperation; it

²³⁰ In the end, 47% of the former BfE personnel preferred to go to other Federal authorities to keep their civil servant status. Therefore, only 213 former BfE staff faced 371 former GAWI staff.

²³¹ The KfW is the main institution of German Financial Cooperation and was founded in 1948 to finance the reconstruction of the German economy with the funds from the Marshall plan. It remained the main bank of the Federal Republic and is supervised by the Minister of Finance. For further information see KARY 1991: 95ff, KfW 1988, KfW 1989.

Today, the KfW gives most of its credits to German companies for the promotion of investment and export. Only a comparably small portion of credits and non-repayable subsidies are assigned to developing countries.

The comparison between the money spent on Technical and Financial Cooperation clearly shows that much more funds are assigned to Financial Cooperation: in 2002, the Financial Cooperation (1,029.0 million Euro) received nearly twice as much funds as the TC (585.3 million Euro)

²³² The GTZ and the KfW saw each other as rivals. This *competition* between the two organisations is still there but not as vigorous anymore as in the 1970s or 1980s.

²³³ The planning and the execution of projects and programmes are expected to be carried out in close cooperation with the partner in the respective country.

might well be that changing its name would mean a considerable effort and quite some time until everyone were aware that the GTZ is still the *same* organisation just with a *new* name.

The main tasks of the GTZ are reflected in the General Agreement between the Federal Republic of Germany and the GTZ of 12 December 1974. The GTZ is led by two or three Director Generals.

As it is constituted under civil law but belongs to the Federal Republic of Germany, the GTZ is very well controlled by *different* bodies. Besides the rigorous Budget Committee of the Federal Parliament, the equally rigorous Federal Court of Audit, the *Preisprüfungsbehörde*²³⁴ and the BMZ which checks the final accounts of all projects, there is moreover the Supervisory Board of the GTZ. Four Federal Ministries are represented in the GTZ's Supervisory Board: the Federal Ministry for Economic Cooperation and Development, which holds a majority of the shares among the owners, the Federal Foreign Office, the Federal Ministry of Finance and the Federal Ministry for Economy. The chairman is the State Secretary at the BMZ.²³⁵ The Supervisory Board regularly meets every three months. KÖHLER specifies its tasks as follows (1994: 32; translation: CS):

“It obtains information about the company's development and it has the bookkeeping and the annual statement of accounts examined and certified by an Audit Committee and by an independent auditing company. The GTZ is subject to a fivefold control of its budgetary planning and its company policy before the tax office checks everything once again.”

In contrast to a private company, the GTZ with its for the most part *public-benefit* business is not oriented to *maximising* its profit. For this reason, it was quite natural that the Director Generals underlined in 1976 that the main goal would be to ensure the *survival* of the company. This would also mean safety of jobs in the long run.

The Supervisory Board at the beginning was set up with only *four* employees' representatives who faced *eight* employer's representatives. Therefore, this body always supported the Director Generals when economising was the topic. On 1 April 1982, the district court of Frankfurt am Main passed a judgement that the Supervisory Board of the GTZ had to reflect a balance, meaning that the employees representatives had to equal the number of the employers representatives. This judgement was followed and the Supervisory Board of the GTZ was then composed of *eight* representatives from *each* group, employees and employers.

²³⁴ The *Preisprüfungsbehörde* is a governmental institution that checks if the taxpayers' money is spent in accordance with the regulations, i.e. that public commissions from the Federation and the *Länder* are carried out at current market prices.

²³⁵ In 2004, the State Secretary at the BMZ was Erich Stather.

3.2.3.3 Facts and figures

Some basic facts concerning the development of the GTZ in recent years are presented by the figures in the table below.²³⁶

Table 3-1: Facts and figures GTZ

Year	Turnover in million DM	Project personnel	Personnel HQs
1975	460	1,253	622
1985	1,109	4,507	1,076
1995	1,644	8,680	1,329
1998	1,747	10,696	1,231
2002	1,713 ²³⁷	9,893 (1,373 seconded experts, 8,520 local staff)	1,047
2004	1,719 ²³⁸	8,511 (1,430 seconded experts; 7,081 local staff)	999

Source: GTZ

3.2.4 Cooperation with the BMZ

The GTZ has to follow the guidelines of the BMZ. The BMZ is a *political* institution which may change its focus when another political party comes to power. All Ministers of the BMZ have tried to make their own mark. The GTZ is influenced to a certain degree by these changes that take place when a new Minister comes to the BMZ, especially, of course, when s/he is from a new governing party. The Minister has the authority to set new *guidelines* and *objectives* for development cooperation. Since the mid-1980s for example, the BMZ has suggested that the GTZ work more closely with the upcoming NGOs. Today, NGOs play an important role and are often executing agencies for the GTZ.

The Budget Committee *decides* on the budget for development cooperation, departmental budget 23.²³⁹ With departmental plan 23, the BMZ finances and coordinates Financial and Technical Cooperation with Germany's partner countries, promotes the development cooperation of non-state sponsors, as well as German participation in multilateral development banks and funds, the UN and other international organisations. The BMZ decides how much of departmental plan 23 the GTZ receives.

²³⁶ The figures are taken from various GTZ annual reports. The table was accordingly created by the author.

²³⁷ In 2002, the currency Euro had already replaced the DM. Therefore, the turnover in 2002 must correctly be mentioned as 876 million Euro. To allow a better *overview*, it was decided to continue with the currency DM in the table above.

²³⁸ See footnote above. In Euro, the turnover in 2004 was 878.8 million.

²³⁹ In 2001, for example, departmental budget 23 was about 3.8 billion Euro. This is a small share of the Federal budget which was about 260 billion Euro.

Every one to two years, the BMZ, the Federal Foreign Office (AA) and the Federal Ministry of Economics (BMWi) carry out *government consultations* with the various partner countries concerning the development cooperation. Political commitment authorisations determine the proportion of the development policy for each country for the years to come. If the German government changes, often the *priorities* in development aid also change; this can result in discrepancies with the commitment authorisations made by the former government. If the new government assigns less funds to one country than the former government had promised to do then this might result in problems for the GTZ to implement all the projects already planned and maybe even started in this country.

The BMZ is *regionally* structured. It is in charge of working out country concepts but the GTZ supports the BMZ with its sectoral knowledge.²⁴⁰ The General Agreement specifies that the BMZ has the power to decide which projects are implemented and it is responsible for the political concept, while the GTZ is in charge of planning and implementing the projects. The cooperation between the BMZ and the GTZ strongly depends on the persons working together. If their relationship is very good, the cooperation functions very well. If the personal relationship is not too good, it is the other way around. The *personal* relationship still plays an important role though the cooperation between the GTZ and the BMZ is formalised to a high degree. The so-called *F-Verfahren* is such a standard procedure which clearly defines the role of the BMZ and of the GTZ in a specific process, the commissioning procedure.²⁴¹

3.2.5 Reorganisation in 1989

KÖHLER classifies the reorganisation of the GTZ in 1989 as the “*most drastic break and the biggest radical change in the history of the GTZ*” (1994: 167). This reorganisation meant the transition from a *sector-specific* to a *country-specific* orientation of the TC.

When the GTZ was born in 1974/75, a regional structure was already thought about. At the time, however, the BMZ *vetoed* such a solution. The BMZ wanted to develop the regional strategies itself to secure its own competence and, of course, its importance. In 1980, the GTZ tried something like a middle course. With the approval of the BMZ, the GTZ installed a small regional division. There were only about seven or eight regional deputies with a sectoral background. They did not have any decision-making power nor responsibility for projects but nevertheless they became surprisingly powerful.

²⁴⁰ One reason is that the BMZ has *less* personnel than the GTZ. The BMZ has a staff of just under 600 including part-timers. Moreover, the GTZ staff has more sectoral knowledge that is necessary for drawing up country concepts.

²⁴¹ The English translation would be ‘f-process’ and the ‘f’ stands for ‘formatted’. For years, the F-Verfahren was a very *complicated* procedure and this, amongst other reasons, resulted in *long* periods between the project application of the partner and the actual start of the project. Sometimes, this process took more than two years.

In April 2004, the BMZ finally agreed to the introduction of a long discussed simplification of the F-Verfahren. On May 1, 2004, the new, more flexible and shorter F-Verfahren was introduced at the GTZ. The *impact* of the new F-Verfahren was not clear as of 2004/2005.

The first public discussions about a complete reorganisation started in 1984/85 and in 1987 the preparations for the reorganisation started. *Why* did the reorganisation happen? The field staff had sent signals that the HQs had become too slow and too bureaucratic. Field staff could not identify anymore with the HQs. The sectoral divisions repeatedly refused to face up to the criticism and only underlined that sectoral/technical knowledge was the most important to be offered to field staff as field staff did not have such knowledge. It is true that it was and is important to offer such sectoral/technical knowledge but this did not justify the overall underlined importance of the sectoral competence. It turned out that it was more a quarrel about *power* than about the importance of *expertise*.

The Budget Committee had numbers and complaints in front of it and diagnosed an *overload*: the specialists from the sectoral divisions as well as the few regional deputies in the HQs were overtaxed. At a certain point, the Budget Committee froze the funds until a study for the improvement of the organisation was started. The Ministry of Finance as well put pressure on the GTZ. Under these circumstances, the GTZ Supervisory Board had no other choice than to support the review of the organisational structure.

Roland Berger & Partner was the reviewing company.²⁴² In its study, it found out that the BMZ, the World Bank and other international organisations had a regional structure or were on the point of setting up a regional structure. Therefore, it seemed *odd* that the GTZ was structured along sectors. Another result was that the sectoral specialists of the GTZ had too many *different* responsibilities and could not fulfil one of their main tasks, the *conceptual* work and the sectoral *monitoring* of the projects.

Regionalising *each* sector division was contemplated first but was rejected because it was not practical. It was decided to structure the whole organisation along regions.²⁴³ Each Director General took over one regional and one service section. The most important change was that the *sectoral divisions*, which had been in charge of managing the projects in the old structure *lost* this *managing function*. In the new structure, the *regional divisions* became responsible for the *overall project management*. Once the reorganisation was implemented, the sectoral divisions ‘*only*’ generated the sectoral knowledge necessary to develop new projects that were managed by the regional divisions.

One important problem of the old structure was that there were no clear responsibilities within the GTZ. This made it difficult for its clients to find the right contact person. With the new structure, there were only two persons to possibly contact and these could be easily identified: either the head of the country section in the HQs or the leader of the Project Service Office in the country in question itself. The new structure assigned *clear* responsibilities.

²⁴² The costs of the study were about two million DM but the important outcome seemed to justify the high costs.

²⁴³ See KÖHLER for the detailed organisation chart from 1974 and the new one from 1994 (1994: 172f).

While for the *outside* the GTZ became less complex, the new structure meant a higher complexity *within* the GTZ. This is because now the regional and the sectoral divisions had to coordinate themselves very well to ensure that the important information was available to all sections or staff members who could possibly need it.

All 600 posts in the regional sector and in the new sectoral division P&D were advertised. This was a highly complex task because of the many position changes that took place. Also, the completely changed organisational procedures had to be *tested* for a while and the cooperation between P&D and the regional divisions had to be *shaped*. P&D can be seen as an *in-house-consulting* company of the GTZ. Its expertise is very important for the GTZ as sectoral knowledge is the GTZ's *trademark*. In the beginning, the regional divisions were more or less obliged to use P&D. This has been different since 1997. In most cases, the regional divisions *can* but do not *have* to use P&D so that P&D is more in a competitive position and has to be as efficient as outside consultants with sectoral knowledge.²⁴⁴ As every service of P&D has to be paid for by the project the service is needed for, the project managers want to have the *best service* available for a *competitive price*. Otherwise the project managers decide to hire a consulting service on the free market. Besides providing the regional divisions with sectoral knowledge, P&D also participates in the management of personnel resources for the field to a great extent. P&D *pre-selects* the seconded experts and *back-stops* them during their assignment with its expertise.

On 1 January 1989, the reorganisation became effective. It was already criticised at that point of time. One main issue was that the number of divisions had nearly *doubled* through the reorganisation so that the HQs was not lean enough. Moreover, for quite some years staff from the formerly powerful sectoral divisions were openly or in private dissatisfied with the new structure because of their *loss of power*. Another problem was the fact that the 'old leaders' also became the 'new leaders' in the new structure. Because of its status as a GmbH, the GTZ can dismiss staff at all levels but concerning the high and middle management, there was hardly any change. This was criticised from within the GTZ but also from the outside because it was *questionable* whether the same people could lead the organisation into a new direction, whether they would not just stick to their old objectives, etc.

While the reorganisation did bring positive changes in some areas such as clear responsibilities, it did not make the GTZ *less* but maybe even *more bureaucratic*. There were still too many signatures needed on different levels in different sections and because of the new structure, the divisions even had to work harder on a well functioning cooperation. It seemed

²⁴⁴ In mid 1997, the Director Generals decided to abolish the obligation to use P&D. They stated (ID; translation: CS):

"To have a future and to secure posts, the GTZ necessarily has to adapt itself more to the market and to competition and in the performance of its services it has to orientate itself to more economic efficiency. Therefore P&D must be also able to compete on the market."

necessary for the GTZ to *rethink* certain processes in its work. The introduction of the new AURA²⁴⁵ and the changed F-Verfahren were probably steps in the right direction.

3.2.6 Decentralisation

In the early 1980s, there was already a first discussion within the GTZ to delegate more *management responsibilities* from the HQs to the field “*where the music plays*” as GTZ staff members usually describe it. It was only in the 1990s though, that the discussion about decentralisation of responsibilities started to have a real impact.

Arguments were that decisions should be taken *close* to where the problems occur so that a *leaner management* was possible. The idea was that shorter procedures would improve the economic efficiency of the GTZ. Also, more capacity should become available for the HQs to fulfil more *strategic tasks* and *controlling functions* as more project management functions would be transferred to the field. Procurement should also be done in the field, to a great extent at least.

For the GTZ, *decentralisation* was mainly not a *geographic* decentralisation as the GTZ already had lots of offices in the field²⁴⁶ but a decentralisation of *functions* and *responsibilities*. The principal adviser in the field was supposed to take over some managing functions from the HQs. One of the goals of the GTZ was to achieve this without creating another hierarchy.

Some ideas for the decentralisation saw the place of the Head of country section in the GTZ Office in the field, some even wanted the Head of Division to be in the region of the countries in his division. The clear *disadvantage* of this model was that the Head of country section and/or the Head of Division could in this case *not* be in such close contact with the BMZ as the BMZ *wanted* them to be.

At the end of 1995, when the conceptual phase came to an end, the Office of the Director Generals described the situation of the plans for the decentralisation in an internal document as follows (ID; translation: CS):

²⁴⁵ A new framework for the commissions by and the contracts with the BMZ was introduced at the GTZ in March 2003. It was called AURA. Before the BMZ *commissions* the GTZ with a certain project or programme, the GTZ has to draw up an *offer*. With AURA, this proposal has to be much shorter than before (only 10 to 15 pages are allowed) and it is very important that goals and (quantifiable) indicators are clearly named so that it can be verified later whether the goals were reached. The entire procedure was *simplified* and its application made more *flexible*. The competences of the BMZ and the GTZ were *separated* more clearly.

AURA is more oriented towards *impact* rather than *planning*. Planning in preparing the projects is more limited so that the GTZ becomes more flexible to react to changes in the partner countries. Planning is still perceived as useful but only if it

- sets realistic goals,
- creates a common understanding of the project,
- strengthens the motivation of the persons/organisations involved,
- opens possibilities and secures scales for action,
- creates a common responsibility for achieving the objective.

With AURA, the officer responsible for the commission gains more flexibility because s/he does not have to inform the BMZ about all the details but s/he also has to *justify* this early trust as s/he has to reach the objectives that are defined more clearly than before. The GTZ is now primarily measured by the BMZ on the basis of its achievement of objectives.

²⁴⁶ However, one of the goals of the decentralisation was also to set up new GTZ offices (ID).

“To secure its competitiveness in the long run, the GTZ on the one hand has to improve the quality and therefore the reaction time and the speed of innovation of its services, on the other hand it has to create potential for savings and reduce costs. Therefore, structural change is necessary.”

The Director Generals explicitly stated that the changes should be a *consistent* continuation of the regional breakdown of the structure in 1989 and should be accompanied by a *transfer* of tasks and responsibilities to the field.

For the decentralisation process, coordination with the BMZ and the AA was necessary. These talks resulted in a *decision-making framework* within which the GTZ management was allowed to organise the new structure. On the basis of this decision-making framework for structural changes and of internal guidelines of the Director Generals, the country departments worked out suggestions for the adaptation of the organisational structure. Staff from the GTZ HQs as well as field staff *supported* this process. This shows that to a certain degree the GTZ also allowed a bottom-up process during this far-reaching decentralisation process.

The proposals and ideas of the regional sections of the BMZ also had to be included in the discussions and drafts. Several reports from talks between the BMZ and the GTZ show that the BMZ was very much *involved* in the whole process (ID). One of the main demands of the BMZ was that *by all means* the GTZ would still have a country officer in its HQs who would be responsible for the country specific cooperation with the BMZ. The BMZ was not willing to communicate with country officers spread all over the world as this would have meant working in different time zones etc. The GTZ sometimes is not able to give the BMZ all the information it asks for right away even if the country officer in the HQs should in theory have this information at hand. The problem that occurs from time to time is that the principal adviser or the Director of the GTZ Office, the so-called Country Director, cannot always update the country officer in the HQs quick enough. Also, they cannot update the HQs about all the details. Therefore, often the country officer has to go back to the GTZ Office and/or the project/programme manager anyway to get the information needed for the BMZ. The above underlines the *complexity* of the decentralisation process the GTZ had to deal with.

The decentralisation was started in 1996 and must be considered as a key element of the change process within the GTZ. The goal was to *increase* the *efficiency* of the GTZ's performance in development policy accompanied by *unchanged* or *lower* costs (ID). The main elements turned out to be:

1. moving the responsibility for the commission to the GTZ principal adviser in the field;
2. as a rule, moving one level of hierarchy to the partner countries and cutting of this one level at the HQs;
3. setting up new GTZ Offices and increasing their area responsibility;
4. partly moving internal sectoral consulting tasks to the outside structure;
5. adaptation of internal service processes (hiring of personnel, procurement, finance management) to the decentralised structure.

Qualitative advantages for the development policy were expected by the decentralisation as described below (ID):

1. the projects would be better adapted to the needs of the target group;
2. the development strategy would be better adapted to the needs and potential of the recipient of the GTZ services/the partner organisation;
3. more competent advice to the commissioning parties by the intensified creation of country know-how and better cooperation with the different social actors in the partner country;
4. more support *of* and employment *for* local experts.

The top management was quite aware of the fact that further budgetary restrictions would make it unavoidable for the GTZ to reduce costs. Therefore, besides the *qualitative* advantages listed above, *quantitative* advantages were highly counted on. Savings were expected in different areas. Clear responsibilities would reduce the amount of double work. The process for the performance of services would be shortened by the moving of the decision-making competence to the level closest to the problems which would also reduce the number of go-betweens. More cost-effective performance of services would become possible by using the service personnel in the field for tasks that were still performed by personnel in the HQs. Besides these savings by reduced work and reducing personnel²⁴⁷, another positive quantitative aspect expected was the possibility of generating more income through the business sector *Technical Cooperation for international clients*²⁴⁸. The strengthened outside structure should be able to acquire more business in this area.

3.2.6.1 Intermediate reports and first results

20 months after the Supervisory Board had approved the planning for the decentralisation and 18 months after the decision of the Directors General to start the decentralisation process in early 1996, the GTZ produced an *intermediate* report to identify how far the decentralisation had already gone in July 1997.

1996 was a year in which the planning and the conceptual considerations were defined more clearly and intensive discussions took place among staff, both in the HQs and in the field. The first structural changes were realised only at the end of the year but from the beginning of 1997, a *speeding up* compared to the planning was identified in the report.

By 1 January 1997, all country divisions were formally renamed as regional divisions and by July 1999 the real restructuring had also started. The management responsibility was transferred to the Country Directors. As a rule, the Country Directors became *responsible* for the country-

²⁴⁷ The GTZ looked for other assignments within the organisation for staff members affected by these staff cuts. Natural wastage (age) was another possibility to downsize staff in a social way. Voluntary early retirement was one possibility offered to the staff members.

²⁴⁸ With this sector, the GTZ is trying to make up for the budgetary restrictions it has had to face in the public-benefit sector in recent years. See section 3.2.6.2 footnote 257 and section 3.2.7.2 footnote 263 for further details.

related, GTZ internal tasks as well. New GTZ Offices were only established to a limited scale which was completed with the conversion of the previous Service Offices into GTZ Offices²⁴⁹.

The transfer of the responsibility for the commission made progress in all regional divisions. In most cases, it was *prepared* by work-shops that were held in the countries to which the responsibility was about to be transferred. In these work-shops, the role and responsibility of the principal adviser were clarified and the necessary knowledge about management tasks was conveyed. These initial work-shops were followed up by *individual information* and *training* trips of a few administrative officers from the HQs. Moreover, the principal advisers and the Officers responsible for the commission could attend training courses at the HQs for further training.²⁵⁰ The transfer of the responsibility for the commission was the focus of the decentralisation measures in the years 1996 and 1997. This responsibility includes the management of all necessary activities as well as the assignment of staff, the input of materials, equipment and financial means. By the taking over of the responsibility for the commission by the principal adviser, the previous responsibility for implementation was *expanded* by the complete coordination of the commission and eventually its prolongation as well as by the responsibility for the budget. Additionally, the Officer responsible for the commission has to follow the *corporate strategy* and *global policy* of the GTZ. S/he has to make its decisions in the interest of the *entire* company not only in the interest of her/his *particular* project.

3.2.6.2 Further reports

When the Director Generals reported to the Supervisory Board in March 1998 (ID), they stated that so far the new decentralised structure of the GTZ had brought an *improvement* in the quality of the GTZ services. At that point of time, 60% of the principal advisers were entrusted with the responsibility for the commission. Moreover, the Director Generals emphasised that by 31 December 1997 33 posts had already been cut in the HQs while for the outside structure 14 new posts had had to be created. These numbers reflected the *intended* reduction of posts and the tendency to have fewer personnel in the HQs and more seconded experts in the GTZ Offices.

In the Director Generals' report to the Supervisory Board in March 1999, they pointed out that the GTZ's efficiency had clearly been *growing* since 1998, which was also acknowledged by many observers (ID). The main improvements mentioned in the report were the following:

1. The GTZ's *know-how* about the countries had increased. The potential as well as the needs of a country and the partner organisation were appraised more realistically.
2. The dialogue with the partners became more *direct* and *open*. Adjustments and cooperation took place quicker.

²⁴⁹ This conversion of Service Offices meant the building up of infrastructure and seconded experts were added to the local experts.

²⁵⁰ To the principal advisers who are about to start their assignment abroad, the responsibility for the commission is already transferred before their outward journey. They get the training needed beforehand as it is included in the preparation courses at the Headquarters.

3. The higher *decision-making responsibility* of the principal advisers led to an *increased* representation of interests of the target groups so that the project designs were even more adapted to the needs of the target groups.
4. The assignment of *local* experts and therefore the development of sector-related know-how was increased.
5. *Cooperation* with different social actors including other development cooperation institutions became more *intensive* and *efficient*.

Besides these more qualitative improvements by the decentralisation, the Director Generals also referred to the cost-effective performance and the realisation of saving potentials (ID):

1. Better and quicker *decisions* were made concerning the project implementation.
2. More efficient and quicker *procedures* also became evident in the GTZ internal performance of services, for example the GTZ needed *less* time for the drawing up of a modified offer.
3. More resources were needed in the GTZ Offices but this was *more* than balanced by the reduction of personnel in the HQs.

During 1996 and 1998, 55 posts were cut in the HQs while 24 posts were created for the outside structure. This clearly meant savings achieved by the decentralisation process and the corresponding changes in the personnel structure. On the other hand, the costs of the GTZ Offices have risen significantly. The Director Generals argued that these higher costs cannot be attributed only to the decentralisation process; nonetheless, they have to be taken into account to determine *how expensive* the decentralisation process was for the GTZ. External consultancy was only bought in to work on very specific issues and totalled about 300,000 DM.²⁵¹

At the end of 1998, about 95% of the principals advisers were entrusted with the responsibility for the commission. This high percentage was one more reason for the Director Generals to state in this report to the Supervisory Board that the decentralisation project had come to an *end* with the achievement of the objectives. In 1999, only an *optimisation* of the structural changes and an ongoing *practicing* of the new roles would be necessary. The decentralisation enabled the GTZ to have a greater influence in the development aid context of the partner country because of its new capability to react faster and because of the higher presence the GTZ showed in the field.

The Director Generals underlined the achievements of the decentralisation process as follows (ID; translation: CS):

“The decentralisation of the GTZ was an important step towards a more horizontal and simplified organisation of processes with fewer hierarchies. It has considerably increased the competitiveness of the GTZ and with the new, flexible forms of organisation the

²⁵¹ In comparison with the reorganisation process of 1989, which was consulted by Roland Berger & Partner, this was a small amount for external consultancy. The costs for the consultancy by Roland Berger & Partner were, as mentioned above, about two million DM (about one million Euro).

preconditions have been created that will permit the GTZ to survive in a market that becomes more difficult.”

The Director Generals summarised in their report to the Supervisory Board that the main goal of the decentralisation – to *improve* the quality of GTZ’s services at *equal* or even *less* costs – had been achieved.

The Federal Court of Audit also examined the decentralisation of the GTZ and sent an appraisal report to the BMZ in July 1999 (ID). It was found that the decentralisation had been successfully carried out and that the quality of the services was improved while the costs were reduced. The Federal Court of Audits states (ID; translation: CS):

“The GTZ, which is managed more and more like a company from the private sector, has an exceptional position in the public sector and the GTZ should resolutely follow this path.”

The examination of the Federal Court of Audit came to the conclusion that the savings produced by the decentralisation by the end of 1998 would be even higher than the amount of around 2 million DM mentioned by the Director Generals in their report from March 1999. The Federal Court of Audit also predicted more savings in 1999 through more changes concerning staff.²⁵²

In April 1999, the GTZ itself produced a *final* report of the decentralisation which was also an internal evaluation. One of its main observations was that the decentralisation was *not* yet finalised. The report included ten recommendations of which the most important ones are listed below (ID):

1. The decentralisation should be actively *promoted* in the future as well by the Director Generals as it was not finalised.
2. The Directors of the GTZ Offices were some of the most important managers within the GTZ and should be better *integrated* into the company’s management system.
3. A further *clarification* concerning the new roles and responsibilities of the Directors of the GTZ Offices, the principal advisers, the programme managers, the regional managers was necessary.

This final report stated that the Directors of the GTZ Offices were the new centres of power in the outside structure. As one problem, the report identified the *competition* between the HQs and the

²⁵² In this appraisal report, the Federal Court of Audit also suggested that the GTZ should establish regional offices which would be in charge of several countries for which an extra GTZ Office would not be economically efficient. The report stated that the BMZ/GTZ should not restrain themselves only because the AA voices a criticism concerning more GTZ Offices. If more GTZ Offices seemed *financially viable* and *efficient* then the BMZ/GTZ should proceed. This is an interesting suggestion because it reflects the *diverse* environment in which the GTZ and the BMZ have to act. The target groups, the partner organisations, the other national and international development cooperation institutions, the AA, the BMWi, the KfW – there are lots of different actors that the GTZ and the BMZ have to *consider* when they take action. Moreover, the GTZ and the BMZ themselves do not always speak with *one* voice or have the same solutions for upcoming problems. The relationship in general between the BMZ and the GTZ is described above in section 3.2.4 pages 99f.

outside structure over power and posts.²⁵³ This competition also had some *negative* repercussions for the performance of services.

Another report evaluating the decentralisation process was worked out in December 1999 by order of the BMZ (ID). In this report, the perspective of the BMZ was reflected as well. Some of the BMZ staff had the impression that the decentralisation meant an *isolation* of the outside structure of the GTZ and felt as if not having access to it anymore. The report stated that this feeling of *insecurity* might cause an increase of interventions into the operative procedures of the outside structure by BMZ staff to prevent or compensate its supposed *loss of control*. Another aspect mentioned by some BMZ staff was that the availability of well-informed persons to talk to in the GTZ HQs had *decreased*. To differing degrees they also noticed that the personnel in the HQs had to go back to the GTZ Office or to the project manager.

This conflict I have already mentioned above²⁵⁴ was and is in a way inevitable. The GTZ wanted to avoid any duplication of structures and creating new hierarchies with the decentralisation. Actually, because of budgetary restraints this was a must. Though the GTZ tried and tries hard to have the most relevant information possibly needed by the BMZ or other institutions at hand in the HQs, it is impossible for the country officer in the HQs to know about everything that is going on in the country itself. In my opinion, this is a problem that can be *dealt with*, as usually it does not harm the BMZ to wait a couple of hours or up to a day in cases with a considerable time difference for the information needed. Practice has also shown that some BMZ staff communicate *directly* with the GTZ personnel in the field.

In my view, this should be the communication process of the *future*, which would enable the GTZ to cut posts in the HQs and decentralise even more. Such further decentralisation would have to go hand in hand, of course, with certain changes. The Country Directors would then become even more important and should be trained even better but this should be a *manageable* process. Moreover, in the HQs a certain control function would be still needed but to a *smaller* extent than today. The decision to have even fewer personnel in the HQs that function more or less as an agent between the GTZ Offices and the BMZ is a *difficult* one as so many aspects have to be thought about. But today with modern means of communication – particularly email which helps a

²⁵³ The Country Directors in Latin America met in February 1999 and summarised some of their main *concerns* about the decentralisation process (ID). They criticised the fact that the Regional managers in the Headquarters were afraid of losing their position and therefore perceived individual initiatives of the Country Directors as a threat. The Country Directors stated that one consequence was that partially the Regional managers did not share their knowledge and information with the Country Directors and certain ‘containment’ measures were taken. They put their criticism into the following words (ID; translation: CS):

“Bureaucracy, Headquarters-focused thinking, Headquarters-focused instruments and fear of losses of the Headquarters staff are a threat to the decentralisation which is the most important project for our corporate strategy.”

The top management positively *acknowledged* the fact that the Country Directors in Latin America made recommendations as they are very important for the decentralised GTZ (ID). It was also taken seriously that the Country Directors had the feeling that the Regional managers did *not* further the participation of the Country Directors in the corporate development. However, the top management also qualified some of the criticism and assumptions as not *accurate*.

²⁵⁴ See section 3.2.6 pages 103ff.

lot to handle the problem of different time zones – it should be easier to take this important step. In the long run, the budget restrictions will probably *force* the GTZ anyway to further decentralise so it is better to be well-prepared to go this way.²⁵⁵

This report by order of the BMZ critically pointed out that, concerning the projects, the BMZ participated at all levels: not only on the development policy level (guidelines, strategies and focal areas) but also on the administrative (specification of quantities) and even the operational level (project implementation). This slowed down the *F-Verfahren* even more. Typically, the *F-Verfahren* took about 1.5 to 2.5 years from the request of the partner country until the project started.²⁵⁶ During this long period of time, the frame conditions in the partner country might have changed - *moving targets* - so that the long and intensive preparations of the GTZ to avoid a failure of the project were partly limited. The expenditure for project *preparations* at the GTZ was high compared to the volume of projects.

The goal of the decentralisation, by more presence in the field to be able to acquire more business for the sector *Technical Cooperation for international clients*²⁵⁷, was not achieved until 1999. The report identifies two reasons (ID):

1. The market where the GTZ was trying to achieve a greater share was a *stagnating* market with *growing* competition.
2. The GTZ staff members in the field simply lacked *free capacity* to work on acquisitions.

The report concludes (1) that the decentralisation process was the right step for the GTZ and (2) that it followed the trend of nearly all international institutions to transfer responsibilities into the field. The GTZ had to show more presence in the partner countries. A strong presence and the capability to react fast to any changes in the country and to cooperate with the other international institutions are important for an improved development cooperation. The transfer of the responsibility for the commission to the field has enabled the GTZ seconded experts to play a *more important role* in the partner countries because they thereby have received more decision-making power and nowadays do not have to go back to the HQs as often. The evaluation in general was quite positive about the *advantages* of the decentralisation especially concerning its positive influence on the *efficiency* of the GTZ.

3.2.6.3 Finalisation of the decentralisation process?

Even though the main goals of the decentralisation process were achieved, the process was not yet finished. In November 2000, the Committee of Executives identified two starting points that would

²⁵⁵ The BMZ then would also have to accept this change and its staff would learn to deal with the new situation and probably would not even find it too difficult. The change process, of course, would take some time as people usually do not like changes and try to avoid them wherever possible.

²⁵⁶ In 2004, the *F-Verfahren* was simplified to speed it up. See footnote 241 for further details.

²⁵⁷ The German term is *Drittgeschäft*. The public-benefit sector is financed by the budget of the Federal Republic of Germany. Besides this main sector, the GTZ also generates income by TC against payment, the *Drittgeschäft* which means *Technical Cooperation for international clients* such as the European Union (EU), the World Bank or the UN.

be important for the structural development of the company: (1) the orientation towards business areas, and (2) the optimisation of the decentralised structure. In February 2001, the Committee of Executives instructed the division Corporate Organisation to work on this optimisation. The outside structure should be strengthened and the *potential* of the decentralised structure should be taken advantage of. In parts, there was still work that was duplicated, in the HQs and in the outside structure.

Even nowadays, some GTZ staff think that the decentralisation is *not* finalised and that it did not go far enough. I agree that there is still potential for a *further* decentralisation of functions and tasks and it may well be that the GTZ will go even further in the coming years if budget restrictions force the organisation to do so.²⁵⁸

3.2.7 Business with other institutions than the BMZ

As the budgetary restrictions became more and more severe over the years and will probably not become better in the years to come, the GTZ tries to *diversify* its clientele. If it stays as dependent on the BMZ as it was in the late 1990s, it might have a difficult time getting enough commissions to survive. More staff cuts would be the consequence.

Another ‘threat’ for the GTZ since the 1990s is the tendency to expand *multilateral* development assistance. Nowadays, about one third of the German funds for development assistance are contributed to multilateral development assistance and this tendency is growing. In the case of Germany, multilateral development assistance means, to a great extent, that *more* funds are channelled to the European Union (EU) so that *less* remains for the German development cooperation organisations such as the GTZ or the KfW.

For these two reasons, the GTZ tries to make more business with *other* Federal Ministries and also with other International Organisations such as the EU²⁵⁹ or the World Bank.

3.2.7.1 Business with the other Federal Ministries

The BMZ is by far the biggest commissioning party of the GTZ. In 2003, the total income from public clients was 747 million Euro. The income generated by commissions from the BMZ was 698 million Euro. Only 49 million Euro were generated from other public clients.²⁶⁰ However, in the General Agreement from 1975 it is stated that the GTZ should assist the *entire* Federal Government to reach its goals in development aid. *Legally*, the GTZ is a services enterprise of the Federal Government and its knowledge, expertise and experiences are available to *all* Federal Ministries. Therefore, in an internal document the GTZ states (ID; translation: CS):

²⁵⁸ As described in section 3.2.6.2 pages 106ff.

²⁵⁹ In late 1993, the GTZ opened an office in Brussels to improve its links with the EU and to be closer to any upcoming business opportunities.

²⁶⁰ GTZ International Services had an income of 123 million Euro in the same year. See section 3.2.7.2 pages 114ff for further information regarding GTZ International Services.

“The GTZ offers future-oriented solutions in international cooperation for sustainable development to different commissioning parties by the combination of its sectoral, regional and managerial expertise.”

In a closed door meeting of the Committee of Executives in November 2002, the participating managers considered the strengthening of the business area *Other Federal Ministries*. In March 2003, concrete action was taken. For the cooperation with every individual ministry, one GTZ manager was responsible. These managers were to become the *nucleus* of the management circle of this business area. Every manager was assigned responsible for the quantitative annual goal and the qualitative development of the cooperation with her/his Federal Ministry. This business area was to be part of the *public-benefit* sector.

The respective Federal Ministries in question were the AA, the Federal Ministry of the Interior (BMI), the Federal Ministry of Defence (BMVg), the Federal Ministry of Finance (BMF) and the Federal Ministry of Consumer Protection, Food and Agriculture (BMVEL), the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federal Commissioner for Cultural and Media Affairs (BKM). Criteria were the *current situation* concerning commissions, the *access* to decision-makers and the *financial potential* for international cooperation.

The management circle agreed to concentrate in the first six months on the ministries with which the GTZ was already cooperating. Afterwards, a decision should be taken which ministries also should be included in the acquisition strategy and which manager would be responsible for it. For this purpose and to work on questions concerning the structure of the acquisitions, a workshop was held in November 2003.

The cooperation of the GTZ with the AA goes back to the early 1990s. Several regional divisions but also P&D received commissions from the AA, but the *conditions of contract* varied considerably. The GTZ strived for more *standardisation* by a basic agreement between the GTZ and the AA in which legal and financial conditions for both sides would be fixed. It took some time until this basic agreement was reached but the GTZ thinks that it will be very useful in the future.

The business with the other ministries starts to become more *solid* as well:

- BMF: the twinning programme²⁶¹ may well be extended by three years. The income was planned to reach 12 million Euro in 2003 and 19 million Euro in 2004 (ID). The tendency was expected to rise, because of the possibility to acquire new business within the already existent commissions.
- BMI: has been a commissioning party for some years. The income was expected to slightly fall from about 18 million Euro in 2003 to 15 million Euro in 2004 (ID).
- BMVg: a basic agreement was to be reached soon. To a certain degree, it should include the facility management of the sites of the German Armed Forces in the developing

²⁶¹ The twinning programme is a special programme of the EU to prepare the East European Countries for their admission to the EU.

countries. By such a basic agreement the yearly income from this ministry was to be stabilised over a few years at about 13 million Euro (ID).

There are possibilities to expand the business with the other ministries mentioned above and also with the BMVEL or the BMU but this requires patience and persistence. The BMZ supports the GTZ in its efforts to serve other ministries as well and to receive commissions from them – but only as long as the GTZ still gives its *largest* attention to its *largest* client, the BMZ.

Because of the increased globalisation in the fields of policy such as environment, migration or security and because of the growing number of fields in which international cooperation takes place, the international activities of the *Other Federal Ministries* and their cooperation with foreign actors *increase* significantly. As of 2004, already about 340 departments in the ministries had international tasks; 281 of these were tasks beyond the borders of the European Union (ID). Therefore, the Other Federal Ministries are potentially commissioning parties or interesting cooperation partners for the GTZ to jointly reach certain goals in international cooperation. Moreover, the GTZ is in a good position as it is an organisation with *intercultural competence* and *significant experience* in development cooperation.

On the other hand, there are factors that *limit* the potential of business with the other ministries (ID):

1. The internationalisation of the work in the different departments and ministries does not *automatically* increase the number of commissions in the domestic market and/or for the GTZ. There are four main reasons:
 - In many cases of international participation, the commissions are *tendered* by the International Organisations such as the World Bank or the European Union.
 - A significant percentage of the departments do their international duties within the framework of their *administrative* tasks and do not have a *budget* from which the GTZ can acquire commissions.
 - The *commissioning procedure* of the departments has to be *politically* correct. This means that *various* social interest groups such as NGOs, foundations and institutions from the church or industry have to be considered which sometimes means a disadvantage for the GTZ as a ‘state-owned company’.
 - Because of the *budgetary* restraints, the Federal Ministries partly feel obliged to hire mostly the regular companies with whom they have maintained decades of cooperation.
2. The *financially* interesting orders in the area of international crises (Kosovo, Bosnia, de-mining) are of a *spontaneous* nature and *difficult* to *predict*. The commissioning procedure strongly depends on *political* decisions. Lobbying and a capacity of the GTZ to react flexibly and quickly will be important for the future success in this area.
3. The commissions from the other ministries are on the whole *more heterogeneous* in their volume and of *less stability* and *continuity* than the business with the BMZ.

4. Many Federal Ministries have their *own* implementing organisation at their disposal, and it is difficult for the GTZ to present itself as a competent implementing organisation.
5. The GTZ is perceived as *inflexible*²⁶², comparably *expensive* and sometimes *unorganised* because of the many contact persons.

Between 1994 and 2001, the income of the GTZ with other commissioning parties than the BMZ increased by 15.4% per year in the public-benefit sector. In 2001, the volume of the income in this area was 38.2 million Euro (97.2%) from the other ministries only 1.1 million Euro (2.8%) were generated by other commissioning parties in the public-benefit sector. 85.5% of the total income from this business area in 2001 came from only two Federal Ministries: the BMI with 56.5% and the BMVg with 26%. They were followed by the BMF with 9.4% and the AA with 4.6%. Even considering that the GTZ works together with ten out of thirteen ministries, only the ministries mentioned above are so far relevant to the GTZ.

In 2002, the income generated by the business area *Other Federal Ministries* was about 54 million Euro. The largest volume was generated by business with the BMI (about 22 million Euro) and the BMVg (about 18 million Euro). The AA was in third place with about 3 million Euro. For 2003, the *business plan* for this business area (ID) expected a volume of about 71 million Euro for commissions received of which about 64 million Euro would generate income. For 2004, a *slight* increase was hoped for: about 73 million Euro of commissions received and about 68 million Euro income.

Despite all efforts, the GTZ is still perceived as a company of and for the BMZ, not of and for the entire Federal Government and all Federal Ministries. To change this perception, the GTZ has to become active on all levels inside and outside of the company. *Systematic* acquisitions and a *strategic* orientation are needed to build up the new business area *Other Federal Ministries* and to establish the GTZ as an implementing organisation available to and used by the entire Federal Government.

3.2.7.2 GTZ International Services

Besides the public-benefit sector which includes the business with the BMZ and the other Federal Ministries, the GTZ also generates income with its corporate field *GTZ International Services* (GTZ IS). GTZ IS was created in 2002 and has proven itself on the market.

Since then, TC against payment in the GTZ is termed GTZ IS.²⁶³ GTZ IS is defined as an *independent* corporate field of activity. It is not a public-benefit activity within the meaning of tax law. The primary purpose of GTZ IS is to put into practice tried and tested concepts of German TC using *third-party funds*. GTZ IS projects are implemented to the same quality standards as public-

²⁶² The inflexibility is especially criticised concerning the limited possibilities of the GTZ to react more flexibly to the different ways of commissioning and of processing the orders of some of the Federal Ministries. The GTZ is used to the procedures of the BMZ and it is slow at adjusting its own procedures to those needed by other clients.

²⁶³ Before GTZ IS was created, the GTZ had also offered TC against payment but it was not organised in a department on its own. Every division was allowed and doing what is now centred in GTZ IS.

benefit operations. It must be ensured that costs incurred in connection with GTZ IS are recorded separately from those incurred in the public-benefit area. The GTZ IS department covers its own overhead costs, makes a *contribution* to GTZ overhead costs (profit contribution) and aims to achieve positive operating results.

GTZ IS implements projects *directly* for cooperation country governments, UN organisations, international financial institutions - such as the Asian Development Bank and the World Bank - and international bodies - such as the European Commission. As a GTZ department, GTZ IS taps the entire range of *know-how* and *expertise* of one of the world's largest federally-owned organisations for development cooperation and tries to offer *competitive, needs-oriented services*.

The responsibility for acquiring and implementing GTZ IS commissions resides with GTZ IS. A business opportunity is identified by staff in GTZ IS or in the TC structure. This opportunity is brought to the attention of the respective section in GTZ IS. GTZ IS decides whether to follow this up. In principle, business opportunities worth less than 500,000 Euro will not be pursued. In exceptional cases, GTZ IS management *may* consider opportunities below this limit with a view to assessing new business. Follow-up commissions are exempt from the minimum value limit.

GTZ IS bears the sectoral, personnel, organisational and financial responsibility, i.e. the responsibility for results. The component inputs/services which are *required* for the acquisition procedure or for professional implementation are bought in by GTZ IS on the basis of a service agreement (legal and commercial know-how etc.). GTZ IS has the management responsibility for the GTZ IS Principal Advisors. Depending on the *needs* of the projects, the services may include advice, project and finance management, programme and funds management, organisation of international conferences, placement of experts, training and procurement.

When GTZ IS decides to take part in a pre-qualification, to submit an offer or to extend an ongoing project, it is necessary to obtain *approval* from the BMZ.²⁶⁴ The BMZ thereby wants to verify that GTZ IS does not take on commissions that are not *consistent* with German development policy. This approval is not needed for Financial Cooperation projects the GTZ IS implements with the KfW, the *Deutsche Ausgleichsbank* or with the *German Investment and Development Company*.

Besides the HQs, GTZ IS maintains eleven offices worldwide; nine of them operate regionally. The regional offices support the timely implementation of projects and guarantee a qualified handling of finances and payments. The Directors of these offices are the contact persons for potential clients in the region.

In 2003, GTZ IS received commissions of about 160 million Euro, was responsible for 380 projects in 88 partner countries and had 171 seconded experts. The *main client* was the European Commission with 59.6 million Euro (37%), followed by UNHCR with 28.7 million Euro (18%), the Gulf states with 23.6 million Euro (16%), the World Bank 9.5 million Euro (6%), UNDP with 2.8

²⁶⁴ If the approval is obtained the procedure is in accordance with §3 of the General Agreement.

million Euro (2%) and others with 35.9 million Euro (22%). In 2004, the *volume* of the commissions increased to 215 million Euro. Though the *overall operative result* was still negative, the department's director stated that a consolidation was achieved. For 2005, he estimated that IS would get into the black for the first time (ID; translation: CS):

“We expect a profit of significantly more than two million Euro.”

The GTZ tries to make up the budgetary restraints it experiences in the public-benefit sector by an *extension* of the business and income generated with GTZ IS. Since its creation, GTZ IS has been growing but it has to be taken into account that it has to compete on *highly* competitive and stagnating markets. The GTZ hopes that this pressure will lead to an even more competitive GTZ IS that is able to extend or at least defend its market share. Moreover, the GTZ expects that the proven flexibility and competitiveness of GTZ IS can be *transferred* to the rest of the GTZ to better prepare the organisation as a whole for the future.

3.2.8 Concentration of countries and setting of priority areas

As the BMZ in future wants to concentrate the German development cooperation on *some* countries and *some* sectors rather than giving everybody an equal share, it initiated a *concentration process*. The strategic task was 1) to develop *regional* focal areas and to increasingly concentrate on a few selected countries, and 2) to concentrate on a few *priority areas* while working with the cooperation country, to develop priority area strategy papers to intensify the sectoral policy dialogue as well as to reduce the number of individual projects in favour of an increased programme approach. The goal was and is to increase the *impact*, the *efficiency* and the *significance* of German development cooperation by better *linking* it with the bilateral, multilateral development cooperation and the development policy of the European Union.

In October 2000, the BMZ started the setting of priority areas in German development cooperation. The basis for this was mainly two policy papers (ID) from the BMZ: ‘*Setting of priority areas in development cooperation*’ and ‘*Recommendations Regarding the Drafting of Priority Area Strategies and Commented Outline for Priority Area Strategies*’. The process of implementation started in early 2001.

The BMZ defined eleven priority areas. As of July 2002, those were:

- democracy, civil society and public administration;
- development of peace and prevention of crises;
- education;
- health, family planning, HIV/Aids;
- drinking water, water management, wastewater sanitation and waste management;
- security of nutrition, agriculture (fisheries included);
- environmental policy, protection and sustainable use of natural resources;
- economic reform and free market economy;
- energy;

- transport and communication;
- regional concentration within in the framework of integrated approaches of rural or urban development.

Worldwide, there are about 150 developing countries. Germany had assisted about 120 of these with bilateral public development cooperation in the years until 2000. These countries of cooperation were reviewed and analysed and on this basis the BMZ selected the so-called *partner* and *priority partner countries*.²⁶⁵ The qualification of a country as a partner or a priority area country does not necessarily have an influence on the extent of future assistance funds of the BMZ. The difference between the two lies more in the programmatic area and in the intensity of the development cooperation (ID).

In priority partner countries, the entire development policy instruments should be used to a significant extent in selected, ideally *three* priority areas only. Country strategies²⁶⁶ are available in most cases, some still have to be worked out²⁶⁷.

In partner countries, the development cooperation should focus, ideally, on *one* priority area only. No country strategies are drawn up in the case of the partner countries. Therefore priority area strategies for partner countries need to provide a somewhat more comprehensive analysis of problems and a broader description of how the strategy was arrived at.

As of January 2004, German development cooperation *concentrates* on 40 priority partner countries and 35 partner countries.²⁶⁸ At regular intervals, the BMZ *updates* the process of concentration and verifies whether changes are desirable.²⁶⁹

3.2.8.1 Priority Area Strategies

Priority Area Strategies, just like country strategies, are an important *instrument* used by the BMZ for planning, management and policy control purposes. They are drawn up as a *complement* to the instrument of the country strategy and have the purpose (ID):

1. of describing in more concrete terms the strategic design of the official bilateral development cooperation in the priority areas of cooperation with individual countries, and
2. of defining the scope for devising cooperative activities within the context of European and multilateral efforts.

²⁶⁵ The German terms are *Partnerländer* and *Schwerpunktländer*.

²⁶⁶ Country strategies are BMZ *internal* management papers. They are based on the dialogue with its partners held during government consultations and negotiations and serve, among other things, to define the priority areas of cooperation with the country in question.

The country strategies are regularly *published* in an abridged version to inform the public. By this, the BMZ wants to improve the *transparency* of the actions of the government.

²⁶⁷ The drawing up and the application of country strategies comprises three steps:

1. Defining the priority areas on which the development cooperation should concentrate.
2. Drawing up a cross-project concept for each priority area.
3. Application of the country strategy as a management and control instrument of the BMZ.

²⁶⁸ Bolivia is one of the priority partner countries of the BMZ.

²⁶⁹ Changes mean the possibility for a country left outside to *qualify* as a new partner or as a priority partner country. By this on-going verification and review, the BMZ wants to hold the door *open* for the developing countries that are not part of the German development cooperation at the moment.

While the country strategy serves to define, and enable the concentration on, ideally, three priority areas in each priority partner country, the priority area strategy *describes* the way German development cooperation will contribute to solving *core existing problems* in the country in question. It also defines the way development cooperation instruments will be used and coordinated with each other to have a significant impact and to achieve an approach that transcends individual projects.²⁷⁰

The BMZ wants the Priority Area Strategies to *link* the partners' development policy aspirations and strategies with the overall development strategies and goals followed by the BMZ. On that basis, the Priority Area Strategies should serve the BMZ as an instrument to pursue efforts for implementing its development policy goals within the *specific context* of the country concerned. Moreover, they serve as a *basis* for a medium- to long-term cooperation with the country in question, for a policy dialogue and coordination with other donors.

The *differing* roles and management levels of the BMZ and the German implementing organisations such as the GTZ are clearly delimited. The selection of priority areas for German development cooperation, the drafting of Priority Area Strategies²⁷¹, consultation on them with partners²⁷², and decision-making on projects and programmes in the light of the Priority Area Strategies are *core tasks* of the BMZ. Management at the project or programme level, on the other hand, is the task of the *implementing* organisations.

3.2.8.2 Implementation of the setting of priority areas at the GTZ

The GTZ welcomed, supported and supports the political *concentration* process of the BMZ. In 2001, the GTZ conducted a survey in the regional divisions concerning the implementation of the concentration process at the GTZ. The results showed some tendencies that should become important for the GTZ in the future (ID; translation: CS):

²⁷⁰ The priority area strategies have to include the following issues (ID):

- scenario in the priority area (general conditions and relevance for global structural policy; core problem);
- definition of aims and strategy (cooperation country's aims; aims of German development cooperation; definition of shared strategy and the target groups; shared qualitative and/or quantitative targets including time estimates; harmonisation of German development cooperation with that of other donors);
- significance of German contribution;
- instruments and procedures (German development cooperation instruments to be deployed; levels of intervention; players and counterpart contributions; preconditions for cooperation);
- topics for dialogue on the priority area.

²⁷¹ However, the GTZ with its immense knowledge and experience *contributes* to drawing up the priority area strategies.

²⁷² Once a *consensus* has been achieved with the partners through consultations, working discussions, or government negotiations, the priority area strategies become *binding* for both sides and set the course to be pursued in the medium- to long-term cooperation. The priority area strategies are reviewed at regular intervals – at least on the occasion of each round of government negotiations and working discussions – to see whether there is any need for an *update*.

The GTZ is often asked by the BMZ to participate in the consultations because the knowledge of the GTZ might well be needed.

1. “Governance in a broader sense and the economy sector will be strong priorities in future German Technical Cooperation. Technical Cooperation will become more political.”
2. “Education, health, agriculture, environment and water will be of less importance. It may well be that these sectors will orientate themselves more to the mezzo and the macro level and can then be assigned to the governance sector.”

It was stated that some priority areas could be *eliminated* from the GTZ portfolio in the medium-term. Therefore the GTZ would have to take a close look whether and to what degree funds remained in the TC budget and were not transferred to multilateral organisations.

The cooperation with the BMZ was predominantly evaluated positively. 75% of all opinions were between “very well”, “without problems” and “neutral”. Partly, the definition framework for sectors and priority areas of the BMZ was *criticised* as not precise and more clarity was demanded.

Mostly, the partner governments have *agreed* to the setting of priority areas without any problems. In a few cases, there was some bewilderment at the beginning. In other cases, a need for *clarification* and *sensitisation* of the partner to the intentions of the German side became obvious. With *strong* partners, an *early* integration seemed and seems necessary. Strong partners insist on proposing/introducing their own positions. Priorities of strong partners that differ from the German priorities, may even *threaten* the country programme.

The BMZ worked out the following definition for priority areas (ID; translation: CS):

“Priority areas are thematic areas, sectors or sub-sectors, within which the German development cooperation makes a significant contribution to the solution of structural core problems of the cooperation country by a coordinated deployment of its range of instruments by projects and programmes that are linked by a comprehensive concept.”

3.2.9 Programmes instead of projects

Programmes have become very important in development cooperation in recent years as they are perceived as a means of improving the *impact* of the development cooperation. The expectations on the international level are *high*: it is hoped for more synergy, more impact, more coherence, more ownership.

The international efforts towards a more *programme-based* development cooperation have constantly increased.²⁷³ Partner responsibility, co-ordinated donors’ interventions, consistency with national and sector strategies and implementation mechanisms are the basis for a programme-based approach (KLINGEBIEL 2003). However, there is a *different* understanding among the donors

²⁷³ Besides the international orientation on programmes, another international concept should be mentioned: the *Poverty Reduction Strategy Papers* (PRSP) that are part of the *HPIC-Initiative*. The HPIC/PRSP process was initiated by different donors, amongst them Germany, and is supported by all relevant bi- and multilateral donors. PRSP are the guiding principle for all donor interventions. The PRSP are the basis for the *Country Assistance Strategies* of the World Bank that were agreed on with the partner countries and have to be reflected in the priority area strategies of the BMZ as well. Another internationally acknowledged objectives framework are the Millennium Development Goals.

concerning the suitability of the various financing possibilities. Some donors favour *basket* and *budget funding*²⁷⁴ as the most efficient instruments. Others – amongst them the BMZ – support the maintenance of the various financing possibilities, including the funding of projects.

German development policy *faces* these international efforts for a change. The idea of setting up programmes in development cooperation instead of projects is not new but until recent years they were an exception in the German development cooperation. Since the strategic new orientating of the BMZ since the end of 2000 when it decided to work in fewer countries and fewer sectors, this has *changed*.

To combine German projects into larger programmes is expected to result in a more *comprehensive* impact on each priority area. By interventions on various levels and the cooperation with a larger number of partners, a larger scope is created. The *entrepreneurial flexibility* in the implementation is increased. For these reasons, in 2003 one of the GTZ Director Generals proclaimed that the forming of programmes was one of the most important corporate goals (ID).

The decision of the BMZ from the year 2000 to concentrate the development cooperation with the cooperation countries (number of countries and scale of assistance), had a *concrete* impact on the planning and the implementation of the TC. The agreement on certain priority areas and the drawing up of priority area strategies had consequences and led to the concentration of the development cooperation. Commissions given from the BMZ to the GTZ are more and more in the form of programmes. In many cases it is a matter of concentrating the *existing* portfolio of projects into a programme.²⁷⁵ The *commissioning* of *entirely new* programmes was still rare as of 2005. The process of *programme formation* will go on for some more years.

At the moment, projects *and* programmes are the basis for the German official cooperation with the partner countries. Projects and programmes differ from each other concerning *scope*, *complexity* and *range*. Following the guidelines of the BMZ for Financial and Technical Cooperation, programmes are generally characterised by (ID):

1. *one* common strategically set objective and impact orientation;
2. *one* co-ordinated cluster/package of time-limited measures, possibly projects and/or project components;

²⁷⁴ Basket funding is one of the financing models of development cooperation. Several donors contribute to a common 'basket' which is usually administered *jointly* by the national government or subordinate departments of the partner country *and* the financing donors. Basket funds can also be planned as *trust funds* which are supervised by a Board of Trustees. The important difference to budget funding is that the baskets are not yet *part* of the budget of the recipient country. The baskets allow the donors to concentrate their funds and to let the partner *participate* in the administration of these funds but the recipient country cannot decide by *itself* how to spend the money.

The choice of the funding system depends on the *management capacities* of the partner country. The efficiency and transparency of the finance management are especially important. The better a finance management system in a country works the more responsibility is usually given to the partner. Accordingly, the funding of programmes *extends* from the traditional funding of projects, over the donor controlled and the government controlled basket funding to the budget funding.

²⁷⁵ The forming of programmes on the basis of existing projects is a change that takes place slowly and step by step. Old tasks and measures that do not fit into the future programme-based approach have to be finished *appropriately*. Different terms of the original projects have to be taken into account, adjustments in the concept have to be discussed and tested.

3. a broader range concerning content and space compared to projects.

The programmes of the German TC are expected to improve its impact by:

1. a broader *design* and combination of impact areas and interventions;
2. an increased *concentration* and *coherence* of the deployment of funds;
3. better *integration* into national and international strategies and programmes;
4. bigger *structural impacts* on the political and social level;
5. better *position* for cross-section topics;
6. higher *flexibility* for the deployment of funds, resources and instruments.

In May 2003, the GTZ internally distributed a document in which the first experiences with the forming of programmes were summarised and the process was evaluated (ID). It seems that in all examined cases the partners were *integrated* in the decision making process on the right level and at the right time. Informative events organised by the Country Directors or talks at ministerial level have helped to ensure that all partners have positively accompanied the process of forming programmes.

However, the evaluation found out that there was *one* point the partners did not like at all about programmes: the integration of *bilateral* projects or programmes into *international* programmes.²⁷⁶ The feared loss of influence is obviously a strong argument against the *internationalisation* of national programme structures. The partners are afraid that they could lose their position as a qualified partner on the *bilateral* political level that they had just gained. The GTZ and other bilateral development organisations will have to work hard to convince the partners of the benefits of international programmes.

The GTZ stated that the evaluation of forming programmes was “*surprisingly uniform and positive*” (ID; translation: CS). The evaluation was based on various elements. The most *frequently* named advantages of the newly created programmes were better coordination, a more distinguished image, more efficient short-term assignments, increased self-responsibility, increased impact of advisory services, and good functioning networks. The programmes are said to have a higher visibility and to better influence the relevant sector policies.

In general, synergies between the processes of setting up priority areas, drawing up priority area strategies and the forming of programmes are hoped for. This is a justified expectation

²⁷⁶ Programmes are formed on *different* levels:

1. Programmes within the German TC: stronger combination between the levels, sectors and the regional/local measures of the interventions and contributions of the GTZ. Reorganisation of the TC to increase its economic efficiency and its impact.
2. Programmes within German development cooperation: better integration between the different implementing institutions that are responsible for the Technical, the Financial and the Personnel Cooperation, i.e. the GTZ, the KfW and the DED for example.
3. Internationally supported programme-based approaches of the partner countries: usually, these approaches are based on the principle of a coordinated bi- and multilateral support of nationally developed programmes. The partner organisation has the *lead function* in the monitoring of the programme and in the finance management. The types of programmes vary: anything between the combining of existing donor activities to the financing of the regular budget is possible. In general, it is a reorganisation of the international development cooperation in the partner country.

as all of these processes have the same direction: *concentration* on agreed areas and then *combining* the measures that are taken *should* increase the impact and the economic efficiency of the development cooperation. Whether this is the case in reality still has to be *proven* by a significant number of case studies in the years to come. There are already quite a few studies that deny or verify the advantages of programmes but so far their *number* is not sufficient nor are their *results* sufficient to judge the replacement of projects by programmes.²⁷⁷

3.2.10 Evaluation of the work of the GTZ

Evaluation of projects and programmes in development cooperation is an important instrument to check whether they have reached their objectives and have had the intended impact.²⁷⁸ The evaluations at the GTZ are done internally and externally.

Internal evaluation should contribute to the individual and institutional learning. It can be done by self-evaluations and by independent evaluations. Criteria of quality are – amongst others - transparency, communication and relevance to the decision making and monitoring.²⁷⁹

External evaluation is a necessary control instrument for the performance of services in development assistance. It is not only a way for the GTZ to account for its actions but it also contributes to the institutional learning and contributes information necessary for making development policy decisions. The most important criteria of quality are validity and objectivity of the data.

The GTZ often had and still has to face *criticism* concerning its internal control. The fact was criticised that the GTZ preferred to work with self-evaluation instruments and even rejected external evaluation if possible. In an internal document, the GTZ clearly states why it thinks self-evaluation is much more useful (ID; translation: CS):

“It makes a difference whether quality assurance relies on control or brings self-responsibility into play. Experience has taught us that, as a rule, self-evaluation is more critical and less expensive than external control – and that makes a far greater contribution to internal learning, both in the projects and in the organisation as a whole.”

There lies a certain truth in this justification of the GTZ for the practiced self-evaluation, but there are also inherent weaknesses.

²⁷⁷ For the relevance of and experiences with programme-based approaches in development cooperation see, for example, KLINGEBIEL/ LEIDERER/ SCHMIDT 2005.

²⁷⁸ In chapter 2, evaluation research, in general, has already been investigated. This section concentrates specifically on evaluation carried out by the GTZ and/or the BMZ.

As of early 2006, the GTZ initiated some important changes regarding its evaluation system. These changes could not be further included in this study.

For more information on evaluation in development policy see, for example, BOHNET 1985, BREIER 1998, BRÜNE 1998, GRASHOFF 1987, HOEBINK 1998, MUTTER 1998.

²⁷⁹ For more information on internal evaluation, its strength and its weaknesses, see DUFFY 1994, LOVE 1991, LOVE 1993, MATHISON 1991, TORRES 1991, WEISS 1974.

3.2.10.1 Internal evaluation

Standard instruments of the GTZ for internal evaluation are the Project Progress Review, the cross-section analysis and the final reporting. The first two are described and examined below.

3.2.10.1.1 Project Progress Review

The GTZ uses various instruments to *internally* evaluate its own work. One of the self-evaluation instruments is the Project Progress Review²⁸⁰ (PPR).

The PPR is a critical, externally accompanied reflection concerning the status and the impact of a project. It is primarily oriented on *learning effects* and should encourage all participants of the project towards a process of change. The PPR makes statements concerning the planning and the development, the ratio of actual to planned contributions and the measurable impact and achievements of a project. A PPR usually leads to *recommendations* in the investigated areas.

Within the GTZ, it had been known for a while that the PPR instrument needed *overhauling*. The process of finding a new approach proved to be challenging for the GTZ. It was characterised by very intensive talks and consultations, particularly with its main commissioning body, the BMZ. Ultimately, the GTZ succeeded in finding a solution. In early 1999, the PPR procedure was defined as a instrument of self-evaluation that should be oriented toward *impact monitoring* as is briefly described above.²⁸¹ Thereby the PPR took on an essentially *different* character. Until 1999, the PPR had been a *routine*, managerial-level instrument used for planning and control, with the prime aim of reviewing the project status and clarifying further assistance requirements. This kind of PPR was to become the exception from then on. In keeping up with the needs of a decentralised GTZ, it should mainly support the process of self-evaluation of projects and programmes, *in response to a specific event* and under the responsibility of the officer responsible for the commission. Although the actual situation was still compared with the objectives planned, the focus of PPR shifted to contributions of the project and to its development impact.

PPR was to remain a key instrument of quality assurance in the GTZ but the new PPR was no longer applied as a *regulatory instrument* although it still had to adhere to a few rules. Anyone conducting a PPR has to observe a number of formal specifications which should ensure that a “*uniform, high standard of quality is achieved in the self-evaluation process of the GTZ*” (ID; translation: CS).

The differences between the old and the new PPR are shown in the table below:

²⁸⁰ The German term is *Projektfortschrittskontrolle* (PFK).

²⁸¹ A guide that presented the new approach and explained how to proceed with PPRs was drawn up.

Table 3-2: Project Progress Review GTZ

Feature	Old PPR	New PPR
Character	Regulatory instrument	In response to a specific event
Responsibility	Officer responsible for commission at GTZ head office	Usually: officer responsible for commission on site In justified cases: instigated by person with management responsibility, also on advice of P+D, BMZ etc
Orientation	Comparison of actual situation with objectives set in the planning phase	Contributions and impacts
Function	To review the project status and clarify further assistance requirements	Self-evaluation, reflection, learning (in justified cases, also external control)
Occasion	On completion of project phase	No fixed point in time, as required
Implementation	By independent third parties (P+D, external experts)	Officer responsible for commission with the help of independent third parties (P+D, external experts)
Documentation	PPR report	Form of report or mode of distribution stipulated in GTZ's operational rules

Source: GTZ, Internal Document

The main focus of the new PPR is to identify a project's contributions and its development impact. A comparison of the actual situation with the targets is of secondary importance.

The GTZ also expected more client satisfaction as a result of the new PPR (ID; translation: CS):

“Client satisfaction is not simply a matter of good intentions and impressive plans, but is determined, first and foremost, by the usefulness of the project results and the development impact they have. Quality assurance thus means ensuring that the results and effects of our work are able to generate the benefits that our clients expect. This is what the new PPR is here to do.”

A PPR reviews and assesses the project status from the point of view of its *impact*. It is supposed to make recommendations and document important lessons learnt. In the new PPR, the officer decides whether or not to involve P&D in the PPR design or whether to assign P&D specialists together with staff from other projects as external appraisers.

The PPR results are *discussed* with the project partner and between the officer responsible for the commission and his or her superior. The PPR should be *documented* well as it is meant to enable people to learn from, both on site and throughout the entire GTZ.

3.2.10.1.1 Evaluation of the PPR

The above describes what a PPR *should* achieve. In 2003, the GTZ internally evaluated whether the rules and guidelines for the PPR as drawn up in the guide from 1999 were observed. 100 PPRs from the years 2001 and 2002 were evaluated. The result was not too positive: in most cases, only

two of six central guidelines had been observed. These were (1) the participation of external experts in a PPR and (2) the structure of the report. Not observed were (1) the guidelines concerning the learning orientation of a PPR, (2) the treatment of impacts, (3) the implementation of recommendations and (4) the passing on of reports and questionnaires for the impact monitoring. The number of PPRs carried out had clearly *decreased* since 1998.²⁸² This is because the PPR is not an *obligation* anymore at the end of a phase of a project but a *choice* made by the officer responsible for the commission. It may well be that the officers responsible for the commission try to save money, which is tight anyway, by carrying out PPRs less often.

PPRs are created as monitoring instruments for individual *projects*. In recent years, however, they are also used for the preparation of the forming of priority areas and *programmes*. The evaluation report stated that the PPR was not adjusted to the growing complexity of programmes and their meaning for the country portfolios. If the PPR is to become a useful instrument for programmes as well, it has to be *changed*.

The report also criticised the fact that there are still signs of *improper pressure* on the reporting of the appraisers. Though the danger of experts reports that are more like a favour than a respectable report is said to have decreased, the respectability of the reporting is sometimes still *questionable* and justifies the partly *negative* reputation of the PPR.

The partners perceive the PPR as a ‘German event’. Often, the partners are not integrated enough into the PPR. The integration of partner experts into the learning processes of an appraiser mission has deficits. The GTZ has to pay attention to this in future as it is important that the partner participates in this monitoring process as well to increase the ownership.

A PPR usually takes about 15 days and is done by three appraisers on the average. The participation of P&D staff *decreased* from 40% in 1999/2000 to about 24 % in 2002. This development is accompanied by an often lamented loss of importance regarding the content of the PPR. The participation of field staff members and staff from the regional divisions in the HQs *increased*. The participation of field staff members at a PPR is on the one hand seen as a *useful* personnel development measure and as a chance for the exchange of experiences between persons, projects and countries; on the other hand, their *independence* is questioned and the risk of reports that are mere favours is seen.

The evaluation report underlines some weaknesses of the reporting at the end of a PPR:

- The impact monitoring is only of secondary importance in the expert’s reports compared to the analysis of the planning and of the status of the implementation. The chapters *Planning* and *Status of implementation* on the average are four times as long as the chapter *Achievements and impacts*.
- Two thirds of the reports do not include explanations regarding changes or impacts or the explanations are not comprehensible. Less than 10% of the reports explain changes

²⁸² The number decreased from 244 PPRs in 1998, to 130 in 1999, then rose to 205 in 2000, decreased to 147 in 2001 and to 143 PPRs in 2002 (ID).

comprehensibly as the impact of the contributions of the project. One quarter of the reports achieve this to a limited extent.

- The relationship between identified changes and the purpose of the project is explained only insufficiently. In the chapter *Achievements and impacts*, the objective of the project or the programme is not mentioned. Only one quarter of the reports refer to at least part of the objective indicators.
- The appraisers and the project team do not sufficiently prepare the impact monitoring. For a comprehensible explanation of impacts only insufficient information are available. The methods used for collecting data are not helpful for the impact monitoring. A systematic verification of impact does not take place.

Another weakness of the PPR is the *implementation* of the recommendations. Tensions between the appraisers and the project, time pressure and the insufficient discussion of the results and recommendations of the PPR hinder the implementation of the recommendations. On the other hand, the evaluation states that the integration of the results into the concept of the project functions well *if* a planning work shop is carried out at the end of a PPR and/or if one of the appraisers draws up the new modified offer.

At the end of the evaluation report, several recommendations to reduce the *weaknesses* of the PPR mentioned above are listed.²⁸³ Amongst these recommendations, one is of special importance as it is a general recommendation for the entire evaluation system of the GTZ (ID; translation: CS):

“The utility, reliability and credibility of the entire evaluation system of the GTZ has to be optimised. In doing so, the balance of self-evaluation and external evaluation should be ensured.”

This quotation indicates that the GTZ itself *is* aware of the weaknesses of its evaluation system and is willing to work on it. One example is the development of the so-called *electronic evaluation tool e-VAL*. With e-VAL²⁸⁴, the GTZ tries to avoid the problem that *only* the perspective of the GTZ is

²⁸³ The most important recommendations were the following:

- Impact oriented monitoring systems should be introduced to all projects.
- The PPR guide has to be revised. The orientation of the reporting on impacts has to become clear. The importance of the objective of the project for the impact monitoring has to be stressed.
- Reporting on impacts, the relation between observed changes and the inputs of a project has to be explained. Observable effects have to be demonstrated with reliable and verifiable information. An analysis and evaluation of the influence of external factors on the observed changes should round off the reporting.
- The implementation of PPR recommendations have to be followed up.
- The learning from PPR processes should be strengthened.
- A requirement profile for the appraisers should be defined.
- The quality of the PPR should be regularly checked (every two years).

²⁸⁴ E-VAL is one of the instruments utilised by the European Foundation of Quality Management (EFQM) which has existed since 1988. It has developed the so-called EFQM Model of Excellence, a system for measuring and improving the quality of enterprises and organisations. As of 2005, more than 20,000 enterprises/organisations in Europe apply EFQM, some 60% of the major enterprises/organisations. The GTZ has been an associated member of the EFQM since 2001 and is therefore obliged to carry out a self-evaluation every year on various levels – in the different departments as well as at the top management

reflected in the evaluation of projects. The opinion of the partner and the target group will be included in future. The idea is that annually four persons from *each* of the three groups – partner, target group, GTZ – are interviewed by an electronic questionnaire. In 2003, the first training sessions of how to use e-VAL were carried out. The future will show how successful this new method is and what problems occur in practice.²⁸⁵

3.2.10.1.2 Cross-section analysis

Since 1994, the GTZ annually carries out a Cross-section analysis (CSA)²⁸⁶ of the ongoing and the closed TC projects. With these CSAs, the quality and the impact on the development policy of the projects should be monitored systematically. They are the basis for the brochure ‘*How successful is the Technical Cooperation?*’, which is published every two years and by which the GTZ accounts to the public for its project work.

The questionnaires for the collection of data on the *ongoing* projects are usually completed on the spot at the end of a PPR or a BMZ evaluation by the appraiser team. This should *if possible* be done *in accordance with* the project team and the partner. However, this guideline is very difficult to observe as in many cases the project team and/or the partner have *different* opinions. In this case, the appraisers then fill in the questionnaires as they evaluate the situation.

The closing remarks for *closed* projects in most cases take place together with the final reporting and this is done by the last GTZ principal adviser responsible for the project. In fact, this is a self-evaluation.

Methodologically, the CSAs are a *statistical analysis* of data that are collected by standardised questionnaires. Evaluations and ratings are usually carried out on a rating scale with six steps. For the presentation of the results, the six rating steps are grouped in most cases. Thus, steps 1 “very well” and 2 “well” are summarised to “well”; step 3 “with slight reservations” forms the satisfactory range. Steps 4 “with significant reservations”, 5 “bad” and 6 “very bad” are summarised to “not successful”. The statistical analysis takes place by the evaluation of frequency analysis of rated statements. To demonstrate wider connections, correlation surveys of different, previously determined hypotheses are additionally carried out. The questionnaires for the collection remain *unchanged* to ensure a comparability of the data over the years.

A serious shortcoming of the current data gathering procedure is that *only* the perspective of the GTZ is reflected. The questioned experts are either employed at the GTZ or are hired for a certain short-term task by the GTZ. Therefore, they are neither *independent* nor *impartial*. An appraisal of the projects from the point of view of the other participants, especially the partner organisation and the target groups, would definitely enrich the content of information on the

level in the HQs and since 2002 also on the level of the countries where the GTZ is active. In Bolivia, the first self-evaluation was carried out in 2004.

²⁸⁵ For further information on e-VAL and its utilisation in the field see chapter 5, section 5.3.4.4.8.1.

²⁸⁶ The German term is *Querschnittsanalyse* (QSA).

evaluation and the validity of the data. The GTZ, however, is aware of this and is working on an improvement of the data gathering for the CSA.

3.2.10.1.2.1 CSA number 8 as an example

CSA number 8 from August 2003 (ID) comprised 143 projects that were closed in the years 2001 and 2002 and 130 ongoing projects. Most of the closed projects were from Africa south of the Sahara (29%) and Asia (27%). Focal areas were ‘education, training and science’ (42%), ‘agriculture, forestry and fisheries’ (37%) and ‘environmental protection and conservation of natural resources’ (30%). The tendency toward multi-sectoral projects from the years before continued: 57 % of the projects were active in more than one sector. The *average* amount of assistance was 4.5 million Euro, the average term 8.9 years. 24% of the projects were implemented in the least developed countries (LDC).

Process-oriented projects and networking services played an important role and amount to half of the portfolio. This demonstrates the change of the TC towards a more accompanying support of the partner countries for their complex reform and change processes. The traditional TC that contributes to specific problem solving, however, still comprised at least half of the projects.

Four *parameters* have proven themselves over the years as being essential for the success of a project:

1. the exertion of influence on the framework conditions,
2. the technical-conceptual quality,
3. the integration of the projects into their environment,
4. the promotion of the project executing agency.

In this CSA, *participation* became evident as another *essential* factor for success. *The higher* the target group orientation and *the higher* the identification and the participation of the target group, *the more successful* were the projects.

The CSA states that by far the biggest proportion of the projects were planned realistically. The flexible adjustment of the projects to changing realities on the ground are seen as crucial. In 45% of the projects, project objectives were modified only slightly during the term. 16% of the projects fundamentally changed their concept. For over 30% of the closed and 35% of the ongoing projects, the CSA revealed *serious* project-internal shortcomings that *threatened* the success of these projects. The identified shortcomings in the areas monitoring, implementation, personnel, competence and resources were mainly attributed to the partner. This CSA, however, for the *first* time also had a significant number of *shortcomings* attributed to the GTZ.

In accordance with the years before, the high *technical* and *conceptual quality* of the projects, as well as the *reasonableness* of the equipment with resources were characterised as the strength of the work of the GTZ. For 77% of the projects it was described as “high” or “very high”. While in CSA number 7 about one quarter of the projects perceived the equipment with resources

as unrealistic, this was true for only 13% in CSA number 8. A main problem still was the fact that the partner often was *not* able to make available enough *local personnel*.

In 2001, the *process* of forming priority areas and programmes started. It proceeded with different speed and in different variations. For the closed projects this was only of slight importance. As in the years before, about 30% were part of a programme.²⁸⁷ For the current projects, the share of programmes grew from 18% to 25%. From these projects some were already conceptualised as a programme. In other cases, several projects were subsumed under one TC programme and continued to exist as a *component* of the programme. The regional distribution shows that the forming of programmes has progressed the furthest in Latin America (34%) followed by Asia (25%), Africa (22%), Southeast Europe and the Middle East (each 9%).

The overall assessment was significantly more positive than in the years before. 66% of the closed projects evaluated themselves as “successful” or “very successful”. Another 25% were assessed as “successful with reservations”. Only 8% were evaluated as “not successful”. 64% of the ongoing projects were rated as “successful” or “very successful”; one third had shortcomings, 5% were assessed as “not successful”. Therefore, the tendency towards a *smaller* percentage of not successful projects since 1993 was continued.

3.2.10.1.2.2 The brochure for the public

The CSA number 8, like all CSAs, was the basis for the GTZ brochure ‘*How successful is the Technical Cooperation?*’ which was also published in 2003. The brochure is, of course, more general and not as detailed as the complete CSA which is available only to the GTZ, the BMZ, etc. However, it has to be underlined that the GTZ brochure summarises very well the findings of the CSA and only a few points are *left out*. The brochure refers to the figures in the CSA but also gives examples of some projects to illustrate the work and the success of the GTZ. Though the GTZ in the brochure quite openly reflects the findings of the CSA, it is natural that the criticism is voiced *less explicitly* than in the CSA.

3.2.10.2 External evaluation

The BMZ, the Federal Court of Audit and auditors review the success of the work and the internal evaluation system of the GTZ by an *external* evaluation. The evaluation by the BMZ and by an auditing company are described and analysed below.

3.2.10.2.1 Evaluations of individual projects

The evaluation system of German development assistance was *reorganised* in 1998. The BMZ reduced its results monitoring on *central* and *strategic* tasks such as thematic evaluations, sector

²⁸⁷ This can be either a national or an international programme. There is no evidence that projects were closed to merge into a programme. The number of early-closed projects (22%) equalled the number of the years before.

evaluations, evaluation of instruments.²⁸⁸ The objective of the BMZ evaluation programme is the further conceptual, organisational and institutional improvement of the German development assistance system.

The BMZ itself carries out evaluations of individual projects only in *exceptional* cases. In 1998, the supervision of these evaluations was *shifted* from the BMZ to the implementing organisations KfW and GTZ. Since then the KfW and the GTZ carry out the evaluations in self-responsibility and in compliance with the evaluation principles of the OECD's Development Assistance Committee.²⁸⁹ Thus, the appraisers have to be impartial and independent, may not be employed at the project implementing institution nor have looked into the project before.

To ensure the impartiality and independence of the control of the evaluations, it was shifted to an independent evaluation division within the GTZ, the *Internal Evaluation*. The Internal Evaluation team supervises the entire process of the BMZ evaluations carried out under the overall control of the GTZ and supports the BMZ in monitoring the recommendations of the appraisers to be implemented. Altogether, about eight evaluations of individual projects are carried out annually by order of the BMZ.

The transfer of the evaluations of individual projects from the BMZ to the GTZ (and the KfW) was evaluated two years later by appraisers selected from the BMZ. The result was that the transfer had proven itself and no *losses* in quality were measured.

3.2.10.2.2 Evaluation by an auditing company

An auditing company has to audit the annual statement of accounts, review the ongoing projects and check the plausibility of certain actions.²⁹⁰ The evaluation by an auditing company is an *important* instrument of external control.

Each year, the audit comprises a random sample of 100 projects that are selected by chance. They are checked based on the project documents. In addition, ten of these projects are audited on the spot.

For the years 2001/2002, the auditing company PwC audited the GTZ. The audit took place from June 2001 until June 2002 at the GTZ in Eschborn. To give an idea what an audit report includes concerning criticism and recommendations, the main findings of the report from 2001/2002 are summarised below.

²⁸⁸ In the BMZ system, evaluation takes place on *three* different levels:

1. *thematic* evaluations: these examine projects in different countries or regions under the same thematic question (for example children and poverty, development assistance in crisis zones);
2. *sector* evaluations: these evaluate projects of a certain sector (for example agriculture, education);
3. evaluation of *instruments*: these examine certain instruments of development assistance (for example budget funding, cooperation between Financial and Technical Cooperation)

²⁸⁹ Besides these evaluation principles, the GTZ has to follow the guidelines from the BMZ and the Terms of Reference for the conducting of the BMZ evaluations from August 2002.

²⁹⁰ The auditing company checks whether the guidelines of the BMZ were observed in the planning and the implementation of government commissions and evaluates whether the projects achieved their objectives.

72% of the projects will achieve their objectives with middle or high probability. Apart from the inconvenient or worsened framework conditions, shortcomings in the planning²⁹¹ have contributed to the *unsatisfactory* development of the projects with a low or even very low probability of achieving their objectives. This is particularly true for the cases for which *unrealistic* goals were set and in which *different* ideas concerning the project implementation or the objectives between the GTZ and the partner or other donors existed and were partly not dispelled.

The quality of the project objective indicators was often *unsatisfactory*. PwC estimates that the project objective indicators of about 70% of all audited projects were at least only partially suitable to make statements on the intended or rather the actual impacts. The most frequent observation is that the *quantification* has not been carried out.²⁹² Other serious difficulties were *expected* or actual problems of data availability and difficulties in attributing the intended impacts to project measures and achievements.

Besides the criticism concerning the *selection* of project objective indicators, most of the complaints regard the *reporting* on the achievement of objective on the basis of the indicators. Either the representation was – judged by the indicators – not entirely *comprehensible* or the representation of the achievement of objective did not *refer* to the indicators.

Other observations are the lack of pointing out serious problems and risks in the reporting, the lack of a classification of a degree of the achievement of objective, the lack of or insufficient reasons for the classification or a too optimistic representation of the achievement of objective in the progress reports.

The following recommendations were the *result* of the audit:

1. The CSA should be used to verify by random sample to what extent substantial recommendations are *implemented* or rather to examine what consequences the *not* following of recommendations has for the project achievements.
2. The PPR missions should be *obliged* to report on the implementation of the recommendations of the preceding PPR.
3. During the planning process, the *selection* of *indicators* should take place with more care. It should be taken into consideration that the indicators are not only essential for the external control but also for the monitoring.
4. In the planning phase, more attention should be given to the *analysis* of the framework conditions and the performance capability of the executing agency.
5. Within the frame of the progress reporting, more attention should be paid referring to the *indicators* when representing the achievement of objectives.
6. In the progress reporting, more significance should be attached to the *financial* and the *organisational sustainability*.

²⁹¹ Especially the problem analyses were insufficient.

²⁹² In the cases for which a specification of *quantifiable* indicators was not possible an attempt should have been made to find suitable *proxy-indicators* for the illustration of qualitative facts.

7. All progress reports should - in accordance with the guidelines – *grade* the degree of the achievement of objectives and include sufficient explanations and reasons for this grading.

3.2.10.3 Improvements through evaluation?

The recommendations above demonstrate that the *implementation* of recommendations, be it recommendations voiced in a PPR or those voiced in a CSA or in an audit report, is something the GTZ has to pay *more* attention to in future. Otherwise, the internal and external evaluations are *useless*. This is especially true as the same issues are repeated in several evaluations by different institutions year after year. The audit report from the years 2002/2003, for example, criticises the same weaknesses as the report from 2001/2002.

On the other hand, it is obvious that such important changes as recommended cannot take place within a year or two. The GTZ takes the findings of the different evaluations *seriously* and slowly but steadily starts to implement them.

3.3 Comparison of the Headquarters of UNOPS and the GTZ

This section is an important preparation for the findings of chapters 4 and 5. There, it will be examined how UNOPS and the GTZ work in Peru and Bolivia. This will be a very *specialised* comparison of the two organisations. The results of the comparison of their work in Peru and Bolivia might find an explanation in the comparison of the HQs and the general functioning of the two organisations. Therefore, in this section I am going to compare the HQs of UNOPS and the GTZ to underline their *common grounds* but also the *differences*: Are they structured similarly? Has their structure changed in the same way in recent years? Do they have similar or very different problems? These are questions – among others - to be answered below.

The comparison will to a great extent be *based* on the description and evaluation of both organisations that are given above. The findings from the sub-chapters about UNOPS and the GTZ will be *classified*, common grounds and differences will be *pointed out* by referring to the already examined structure, functioning and development of both HQs. However, I will also mention and compare characteristics of UNOPS and the GTZ that have *not* yet been described or explained in this work. This may be the case because they were not as important to mention in such detail as I have done with the other findings from above *or* this may be because it is easier to compare the information without having described it for each of the two beforehand.

3.3.1 Common grounds

3.3.1.1 One main client

Both organisations have in common that each of them has *one* main client that they depend on to a great extent. It is important for UNOPS as well as for the GTZ that this main client is satisfied with the performance of services. For UNOPS this main client is the organisation UNOPS was a *part of* until it became independent in 1995 - UNDP. For the GTZ it is the BMZ. Neither UNOPS nor the GTZ have a *right* to receive commissions from their respective main client.

UNDP and the BMZ are *free* to decide to which organisations they give commissions. UNDP can choose any other implementing organisation - for example the GTZ, USAID etc. – than UNOPS or can decide to implement certain projects itself – the so-called Direct Execution - which happens more and more often.²⁹³ The BMZ, on the other hand, decides how much funds are distributed to Technical and to Financial Cooperation, to bilateral and to multilateral organisations and it explicitly decides as well how many commissions of what value are given to the GTZ.

UNOPS and the GTZ therefore have to make sure

1. that their main client is *satisfied* with the performance of services,
2. that their services are *cost-effective*,
3. that their services are *adapted* to the needs of the main client and *adjusted* to any changes in the needs, if necessary.

²⁹³ See section 3.1.5.2.1 pages 75f.

One advantage of the GTZ is that *if* the BMZ decides to spend a certain amount of money for *Technical Cooperation* on the *bilateral* level, the GTZ gets a big share of these funds as it is a federal institution. UNOPS has to *compete* with many other bi- or multilateral organisations UNDP and the other UN agencies can choose from to implement their projects. The pressure for UNOPS to perform well and at cost-effective prices therefore is even *higher* than for the GTZ.

The cooperation between UNOPS-UNDP and the GTZ-BMZ functions quite similarly: it depends much on *personal relationships*; sometimes and in some countries, UNOPS and UNDP work together very well, sometimes not. The same is true for the GTZ and the BMZ. For the relationship between UNOPS and UNDP it must be added that the problems their two leaders had with each other reached down to all levels and *affected* the cooperation negatively. This was the case for the years 2000 to 2002. Since 2003, with a new UNOPS ED the relationship has improved and this positive change slowly reaches down to all levels as well.

3.3.1.2 Between the commissioning party, the partner and the target group

Besides the clients that *commission* UNOPS and the GTZ, both organisations also have clients in another sense: the partner and the target groups. The GTZ clearly points out the *triangle* of clients it has to satisfy: The GTZ wants to be an *advisor* and *mediator* for and between its clients: *the commissioning party, the partner and the target groups*. UNOPS also has these three groups of clients who are very different from each other and whose needs and demands have to be satisfied.

Sometimes it is easy to do so; this is the case, when all three groups of clients want the same thing. But often, this is not the case and UNOPS and the GTZ actually have to *mediate* between them. Of course, the needs of the beneficiaries, of the target group, should play a significant role as the *improvement* of their situation is the *final objective* of development cooperation. However, the target groups are, for example, not always aware of the *longer-term* future. Sometimes their demands reflect more their immediate needs disregarding the needs they may have in the future.

For both organisations it is difficult to handle the commissioning party if it wants something else than the partner and the target group. In the end, the commissioning party is the one with the *financial resources* and both UNOPS and the GTZ have to satisfy its demands as otherwise they cannot survive.

In reality, of course, UNOPS and the GTZ try to bring together their three groups of clients as evaluations underline that a project can *only* be successful if they all agree on certain important preconditions. What has to be pointed out here is the fact that the funding client, the commissioning party, is the *decisive factor* in case of a conflict among the clients.

It should be added that by this *triangle* of clients, the organisations themselves are also often *divided* to a certain degree and in many cases a conflict can be felt *within* UNOPS and the GTZ: in the *HQs*, the BMZ and UNDP are often considered as the most important clients as staff in the HQs deal with them so much and are much more aware of the situation in their own

organisation. Staff members in the HQs usually are more aware of problems the GTZ or UNOPS have to face if the commissioning party is not satisfied and gives fewer commissions.

On the other hand, staff in the *field* usually perceive the problems of the partner and the target group as the one thing that matters and often is not aware of the importance of the commissioning party. This is especially true for staff members in the field who have never worked in the HQs and therefore hardly have any experience with the commissioning parties.

Therefore, it is important that staff knows *both* situations from *first-hand* experience, what problems one has to face in the field and what in the HQs. *Mediation* between the clients also brings a profit if staff know how to deal with the different clients because they already have experience with the three different groups.

3.3.1.3 Difficult times

UNOPS as well as the GTZ have faced *difficult times* in recent years. Commissions from their main clients have decreased *noticeably*. For UNOPS, this is the case because the ODA changed and UNDP receives fewer funds than before. UNOPS receives less commissions from UNDP because UNDP has *less* to distribute and because UNDP started to go NEX and DEX. The GTZ has to face *budgetary constraints* in Germany in general and, moreover, the fact that an *increasing* part of the German development cooperation funds goes to multilateral organisations, mainly the EU.

Because of the financial difficulties that resulted for both organisations they had to *react* to the changes mentioned above. As staff is not only the most important resource for UNOPS and the GTZ but also very *expensive*²⁹⁴, both organisations started to *downsize* staff. Especially at UNOPS HQs a drastic downsizing took place in 2002. At the GTZ, staff was not affected by far as much as UNOPS staff. The GTZ was more forward-looking and saw the difficulties early on, so that it was able to take *preventive* measures instead of the *reactive* measures UNOPS had to take.

The other measure both organisations took was to work on the *diversification* of its clientele so as not to be too *dependent* on their respective main client and to make up for the losses they had to suffer because they received less commissions from UNDP and the BMZ. The GTZ can accept projects not only from other Federal ministries but basically from any other donor, government or institution.²⁹⁵ The only restriction it has to face is that the GTZ has to inform the BMZ about the project in question that is to be implemented to make sure that this project is *consistent* with German development policy.

As the GTZ has about 1,000 staff members at the HQs, it was in a position to create a management circle that is responsible for *promoting* the business opportunities with the other Federal ministries and to build up a new *corporate* field, GTZ IS, to increase the business with other donors and governments.

²⁹⁴ In its annual report to the EB, UNOPS stated that the majority (60%) of its total expenditure in 2003 related to staff salaries and benefits – as is typical for a service organisation (DP/2004/23: 6).

²⁹⁵ This is the business of the corporate field GTZ IS. See section 3.2.7.2 pages 114f.

UNOPS also tries to *diversify* its client structure but it has to face *two* substantial restrictions:

1. UNOPS cannot accept projects from just any other institution. Other institutions or governments that want to commission UNOPS have to go *through* UNDP or another UN agency.
2. With about 300 staff members at the HQs, UNOPS does not have the Human Resources to intensively work on the diversification of its client structure.

Both organisations, GTZ and, despite the restrictions, UNOPS are slowly but steadily diversifying their client structure and their main clients go along with this as long as they are still *acknowledged* to be the most important client and treated as such.

3.3.1.4 Decentralisation process

Another *effect* of the worsened framework conditions for both organisations was that they started and/or improved a *decentralisation* process. UNOPS and the GTZ thereby followed a *general* tendency in development cooperation to be *more present* on the ground. The main reasons to decentralise are to become more effective for the same or even less costs.

In the 1990s, UNOPS *transferred* certain responsibilities to its managers in the partner countries. Since 2003, decentralisation means something else for the organisation: although UNOPS already had some decentralised structures concerning its offices²⁹⁶, this time it became the policy to decentralise the *regional divisions* to the regions they were in charge of and also to relocate the thematic divisions. The idea behind this was to *reduce* costs as New York is one of the most expensive locations and to become more flexible and effective. In 2004, this decentralisation process was started.

For the GTZ, decentralisation mainly meant the decentralisation of *functions*. More and more responsibilities were transferred to the GTZ Offices and the GTZ staff on the ground. The GTZ did this for the same reasons as UNOPS: to become more effective and to reduce costs. For the GTZ, these goals have already been achieved but the *decentralisation* of *functions* might go even *further* in the future because of budgetary restraints. UNOPS is still in the process of decentralising its staff away from New York but it is already obvious that this will not only reduce costs but also make the regional divisions especially more effective.

3.3.1.5 Regional and thematic divisions

Besides the decentralisation process both organisations went or are still going through, UNOPS and the GTZ do have in common another *structural* component: Both have a mixture of two structures within their organisation, a *regional* and a *thematic* one.

²⁹⁶ With, for example, its offices in Kuala Lumpur, Rome, Geneva and Copenhagen, UNOPS had created some decentralised offices since its independence.

At UNOPS, regional and thematic divisions are in strong *competition* as *both* have the authority to execute projects and each division needs to generate enough income to justify its existence. Because of the mixed structure, it is often not clear which division is or should become responsible for which project. This not only causes uncertainty within UNOPS but also for the clients as they are not sure which division they should contact. The *unhealthy* competition between the divisions caused by this mixture in the structure has already been discussed several times and this behaviour needs to be changed so that UNOPS presents itself more as *one* UNOPS and not as a divided organisation. The near future will show whether the reorganisation at UNOPS that started after the independent review in 2003 will achieve this objective.

The GTZ has always had a *mixed* structure of thematic/sectoral and regional divisions and will continue to have. In its sectoral divisions, the GTZ *generates* the sectoral knowledge it is well-known and appreciated for. While at UNOPS, regional and thematic divisions both have the authority to manage projects this is *not* true for the GTZ, at least not until recently. Until 1989, the sectoral divisions were in charge of the project management. This was changed by the big reorganisation. From 1989 on, the regional divisions were the project managing units. As of 2005, *in general*, the responsibility for the projects has been with the regional divisions. But as the BMZ neither has enough sectoral knowledge nor enough staff to generate it, it *also* commissions the *sectoral* divisions from P&D with so-called sectoral projects. Therefore, as of 2005, about half of the P&D staff are working on BMZ sectoral projects and also have the function of *managing* projects. This means that at the GTZ as well, in 2005, both sectoral and regional divisions had a project management authority.

The advantage compared to UNOPS is that at the GTZ it is *easier* to identify the division responsible for a certain project. Moreover, competition between the sectoral and the regional divisions does not seem as *threatening* for the organisation as is the case for UNOPS. It can be summarised that both organisations often have *several* divisions working on projects in *one* country.²⁹⁷ This makes a good internal communication *crucial* so that the left hand knows what the right hand is doing and the clients are not confused about who their respective contact person is or which division is responsible.

3.3.2 Differences

3.3.2.1 Size of the Headquarters

One of the most obvious differences between UNOPS and the GTZ is the size of their respective HQs: UNOPS has about 300 staff members working at its HQs in New York. The GTZ's HQs in Eschborn is, with 1,000 staff members, *three times* as big. While both organisations have a more or

²⁹⁷ For the GTZ, the GTZ IS, the regional division and the sectoral division 'Development-oriented emergency aid' are often working in one country at the same time. For UNOPS these divisions can be SPD, RESS and the regional division.

less equal size concerning the portfolio of projects²⁹⁸ the number of staff in the field and local staff also differs but not as significantly as the number of staff in the HQs: The GTZ contracts about 7,100 local staff and has 1,100 seconded experts. UNOPS hires about 5,000 local staff and about 1,550 international experts. Compared to the total number of staff employed in the partner countries and also in absolute numbers, UNOPS, in general, has a *higher* number of international staff on the ground meaning that the GTZ employs more local staff than UNOPS.²⁹⁹

The above can be *summarised* as follows: The GTZ altogether employs about 8,200 people on the ground and about 1,000 staff members in the HQs. This equals a ratio of 8:1 of staff in the partner countries to staff in the HQs. UNOPS employs about 6,550 people in the partner countries and 300 staff members at its HQs which means a ratio of close to 22:1. How can this difference between UNOPS and the GTZ be *explained*?

The most important reason is the fact that the GTZ's *trademark* is its extensive sectoral knowledge in its HQs. Its staff not only manage projects but also develop new *approaches* in the different sectors, and P&D has the function of an *in-house think tank* – for the GTZ itself but also for the BMZ. UNOPS, on the other hand, does not have a division that is comparable to P&D and has a lean structure in its HQs, which is to a great extent responsible for *managing* projects not for *developing* projects or programmes.³⁰⁰ This also explains why UNOPS has a higher share of international consultants on the ground than the GTZ: UNOPS needs sectoral knowledge as well but it does not *generate* it itself with staff members in the HQs but *buys* it on the market by employing consultants that are *experts* in the relevant field. Chapter 6, in which the performances of UNOPS in Peru and the GTZ in Bolivia are compared, will show some of the advantages and disadvantages of the different procedures.

3.3.2.2 Management capacities

The size of the HQs not only affects the generation of sectoral knowledge as mentioned above but also the management of an organisation on the whole. The GTZ simply has more *capacities* for monitoring and controlling its different operations; it has, for example, a Commercial Affairs Department that takes care of the entire procurement of goods and services. Basically all goods that are regularly needed such as vehicles, medical care, etc. are procured on the basis of general agreements with the manufacturers. For example, after an international invitation to tender for an off-road vehicle the GTZ concludes an agreement with the company with the best offer for one year. If any project needs such a vehicle it is then ordered by the Commercial Affairs Department based on this agreement. Thereby, time and money are saved because not every division itself

²⁹⁸ UNOPS's portfolio included about 2,500 projects in 2003 and the GTZ handled 2,754 projects in the same year.

²⁹⁹ In the cases investigated in this study, UNOPS in Peru and the GTZ in Bolivia, this is, however, not the case. It will be pointed out in chapters 4, 5 and 6 that in these specific cases, UNOPS employs more local staff than the GTZ.

³⁰⁰ However, the Portfolio Managers, depending on their sectoral knowledge and their experience, also contribute to the (further) development of approaches etc.

invites a tender every time a few vehicles are needed and because with such a general agreement the manufacturer offers better prices.

UNOPS also has a division for procurement but this division only procures *certain* materials for construction. Vehicles and most other goods needed by a project are procured by the divisions and in most cases by the respective Portfolio Managers and their Procurement Assistants.³⁰¹ Even if the Procurement Assistants are well trained and know the rules UNOPS has to follow concerning the invitations to tender etc., a certain *non-uniformity* of how the procurement is done cannot be denied. This is the case because the Procurement Assistants are not part of a Procurement Division but of the regional and the thematic divisions. Therefore, in each division the procurement process can be *slightly different* from another division. A more important problem than this non-uniformity, however, seems to be the fact that for every few vehicles, for example, a *new* invitation to tender is carried out.

On the other hand, UNOPS has an advantage concerning the time how quickly it procures goods. Because the Procurement Assistants are integrated into the regional and thematic divisions and are responsible to the Portfolio Manager they are closer to the projects and to the managing process. They feel more *responsible* and quick procurement is *rewarded* by the Portfolio Manager and by UNOPS staff on the ground that is waiting for the respective goods. UNOPS is well-known for its capacity to quickly procure and transport the goods needed as it knows possible suppliers and the market very well. To become even more effective and quicker, it would be helpful though if UNOPS (1) took more advantage of the existing, UN wide system for procurement issues and (2) concluded (more) general agreements with the different manufacturers.

3.3.2.3 Hiring project personnel

Another difference between UNOPS and the GTZ becomes obvious if one looks at the process of *hiring consultants* and sending them to the partner countries. UNOPS is very fast in hiring consultants. Sometimes only a week passes from the notification by a project that a consultant is needed until the arrival of the consultant in the country.

For different reasons, the GTZ needs much more time. The selection of an expatriate expert at the GTZ is a much *longer* process than at UNOPS. Usually, various candidates for one post are invited to the HQs, where several interviews take place and even a psychologist is involved in the selection procedure. The regional division and P&D decide together which candidate is the most suitable one. The selected candidate has to take several training classes at the GTZ HQs before he leaves for the partner country.³⁰² This *preparation phase* usually takes four weeks. Therefore, the GTZ has to plan *well in advance* if and when it needs a seconded expert as, in general, three to even six months time are normal for the selection and preparation process. Besides the time the

³⁰¹ Usually, one Procurement Assistant works for several Portfolio Managers.

³⁰² The training classes the future seconded expert has to take vary according to her or his skills, but usually the classes include a general introduction to the GTZ and its work, code of conduct, accounting, project management, procurement etc.

GTZ needs, the costs are not to be *neglected*. Not only the training classes but also the selection process create costs of a significant amount even before the expert has done anything for the GTZ. The advantage of this meticulous process is that the experts are better prepared when they arrive in the partner country – as the GTZ explains.

The question to be answered is *whether* the GTZ experts are really better prepared than, for example, the UNOPS consultants. If the answer is yes, it has to be clarified whether this advantage is *significant* enough to *justify* the funds spent on the selection and preparation procedure. The research in Peru and in Bolivia is expected to give an answer to these questions.

3.3.2.4 Management fees

Another difference concerns the *pricing models* for the services delivered. While UNOPS tries to get an average fee of 7-8% of the value of a project as its management fee, this is not always the case and the fees vary from 4% to 10%. As described in section 3.1.5.3 Costing projects, UNOPS might work on its fee structure and establish 7-8% as a rule. As this is not very realistic because of the clients' pressure, UNOPS' only possibility is to become *more cost-effective* and, moreover, it has to concentrate more on *high revenue projects*.

In its report from the independent review, GOSS GILROY states that the GTZ would not *discuss their fee structure* (2002: 19f). Unless asked in the context of a specific proposal, the GTZ indicates that its consultancy rates would be *in line* with those charged by other EU firms in the international marketplace. The net income was estimated at about 2% of the turnover in the public-benefit sector. The income of GTZ IS amounts to about 12% of the value of projects undertaken.

4 Field research in Peru - UNOPS

4.1 Methodology

Before travelling to Peru to undertake the empirical study, I prepared it well from Germany. Contacts with some UNOPS Peru employees were established and the objectives of my study clarified. This made possible an *efficient* field study of two months between early March and early May 2005. Six weeks were spent in the office in Lima, the other two weeks in the field, in the Peruvian jungle. Especially during my stay at the office in Lima, I investigated a range of *project documentation* such as the UNOPS/UNODC Annual Work Programmes and Annual and Semi-Annual Progress Reports. Moreover, I was able to conduct formal and informal *interviews* with the ten employees working regularly in Lima and to participate in various meetings. Apart from my investigation at UNOPS, I also had *conversations* with other, mostly international, experts working in development cooperation for other organisations such as the GTZ, CIM or Miserior.

A 12-day-project visit in the field in April 2005 was the basis for evaluating UNOPS' relationship with the target group and the regional governments. The visit in the field involved discussions with about 25 farmers from coffee, cocoa and palm oil projects and sub-projects and with the Peruvian authorities. In most cases, I talked to the farmers in small groups. Only four of them did I informally interview individually. As I was always travelling from one project site to the next together with UNOPS employees³⁰³, long conversations became possible that allowed me to better understand the work UNOPS undertakes under the *extremely* difficult circumstances in (formerly) coca growing areas. Altogether, I spoke with 25 UNOPS employees in the field, sometimes individually, sometimes in groups. Three of the four UNOPS palm oil-project locations were part of the research trip to the field which allowed me to gain a *good insight* into the line of palm oil.

A *quantitative questionnaire* was pre-tested with a few interviewees first, improved accordingly and filled in by 38 out of 70 employees. Those who responded to the questions were from the office in Lima as well as from the various offices in the field. The questionnaire was also sent to those offices in the field which I was not able to visit so that the results are as representative as possible.

³⁰³ In most cases, these were the directors of the respective project so that I had the chance to talk to very well informed staff.

4.2 Overview of the general situation of Peru³⁰⁴

Peru is the third largest country in South America³⁰⁵ with a population of 26,7 million (as of 2001) of which about 14 million live on the coast³⁰⁶. Nearly one third of the entire Peruvian population, about eight million, live in Lima, the capital. Peru is organised in 24 political and administrative departments, the so-called *departamentos*, governed by regional governments. The departments constitute 194 provinces, which in turn are organised in a total of 1,634 districts (CONSEJO NACIONAL DE DESCENTRALIZACIÓN 2003: 7). The political system is a presidential democracy. President Alejandro Toledo was elected in 2001³⁰⁷ for a five-year term³⁰⁸. The five-year term is based on the constitution of 1993 that was worked out by the former President Fujimori (1990-2000) and which allows re-election for a single second term. The congress consists of a 120-member chamber which can be dissolved *once* during a presidential term. It is elected at the same time as the president and sits for the same five-year period. President Toledo leads the government. His party, *Perú Posible*, with 45 of the 120 seats in the congress has formed alliances with several other parties. The cabinet consists of the President of the Council of Ministers, the Prime Minister and 15 Ministers. There are frequent cabinet reshuffles, which complicates long-term political work and processes.³⁰⁹

The constitution is subject to many discussions in Peru because it was worked out by the *autocratic* Fujimori about one year after his *autogolpe*, his putsch/coup d'état of his own government, from April 2002.³¹⁰ With Fujimori's constitution, Peru's political system saw quite a change: the Senate was abolished and therefore the formerly *bicameral* congress became a *unicameral* congress. In general, the role of the President and his powers were enforced by the new constitution. Since the end of Fujimori's autocratic regime in 2000, discussions about reforming the

³⁰⁴ Much of the information presented in this section is based on the Country Report on Peru in the Bertelsmann Transformation Index (BTI) 2003 (BERTELSMANN STIFTUNG 2004c). The BTI is a worldwide measuring instrument that allows not only political actors but also the international public an orientation concerning the status of development and the quality of management in 116 countries. The processes of *development* and *transformation* are studied. The individual Country Reports were compiled by experts from the respective country and were then reviewed by experts on that country. The results show factors for success and strategies of the various states. The extensive *standardisation* of the BTI allows specific comparisons of reform policies.

³⁰⁵ Worldwide, Peru is among the 20 largest nations (CONSEJO NACIONAL DE DESCENTRALIZACIÓN 2003: 5).

³⁰⁶ Peru has three different main *topographic* regions: the Pacific littoral, the Andean highlands, and the subtropical Amazon forest, the so-called *selva*.

³⁰⁷ He was inaugurated in July 2001, having won a *second-round* election in June 2001.

About 81% of the Peruvians participated in these presidential elections. It should be added here that elections in Peru are not *voluntary*. However, a considerable percentage decided to spoil their ballot-papers.

³⁰⁸ Toledo will govern until 28 July 2006.

³⁰⁹ The Minister of Agriculture, for example, was replaced *four* times between 2003 and 2005. A CIM-expert stated that a new minister is always accompanied by people s/he trusts. This means a lack of continuity, no long-term planning is possible as with a new minister. Usually the old concepts are *replaced* by something completely new. This might be *reasonable* in some cases; however, in most cases it is not a question of the content of the predecessor's policies, rather the new minister just wants to demonstrate that s/he does not value the work of the former minister at all. This attitude makes it very difficult for the consultants from the various development organisations who work within the different ministries to achieve their objectives.

³¹⁰ Fujimori suspended the constitution, dissolved parliament and intervened in the judicial state authority.

constitution or working out a new one have never stopped. However, because of the *divided* political parties and a lack of agreement on how and into which direction the constitution should be changed, the one from 1993 is still in force.

Peru is designated as a country with a *middle income* as the average GDP at purchasing power parity (PPP) per year per capita is about 4,500 USD (BERTELSMANN STIFTUNG 2004c: 1).³¹¹ Although Peru is classified as severely *indebted* - being a middle income country, it was *not* considered eligible for HIPC assistance.³¹² As in many Latin American countries, there exists in Peru a considerable *cleavage* between rich and poor and hardly any middle class. About 50% of Peruvians live in *poverty*³¹³ and 20% live under conditions of *extreme poverty*³¹⁴. Both the proportion and the absolute numbers in income poverty have *grown* over the last two decades, and Peru is unlikely to achieve the Millennium Development Goal (MDG) for halving income poverty. In rural areas, more than 50% of the population live in extreme poverty (DFID 2005: 33). Many of these are *indigenous* and subject to multiple exclusions, with little access to wider markets and to state services and with ineffective political representation.³¹⁵ Also, it is much harder for the indigenous population to *socially* advance than for other Peruvians.

4.2.1 Terrorism

Terrorism caused armed *violence* to spread throughout the country from 1980-1995, bringing tens of thousands of deaths. Since the beginning of the 1980s, Peru has had to deal with guerrilla groups and violent conflict has been an enormous threat. These include groups such as the Shining Path (*Sendero Luminoso*) and the Revolutionary Movement Tupac Amaru (*Movimiento Revolucionario Tupac Amaru* – MRTA). It is estimated that 25,000 people have died as a consequence of terrorism. Most of them were civilians from the countryside. The social and economic losses are estimated at more than 20 billion USD.

During the 1990s, Peru developed a judicial framework to *confront* terrorism and to *guarantee* internal security. An *offensive* military strategy against terrorism was set. In 1991 and

³¹¹ DFID refers to a GNP of 2,100 USD per year per capita (DFID 2005: 33). If comparisons are made on the basis of the nominal GNP, differences in the cost of living in different countries are not reflected.

³¹² The HIPC debt initiative

“was proposed by the World Bank and IMF and agreed by governments around the world in the fall of 1996. It was the first comprehensive approach to reduce the external debt of the world's poorest, most heavily indebted countries, and represented an important step forward in placing debt relief within an overall framework of poverty reduction. While the Initiative yielded significant early progress, multilateral organizations, bilateral creditors, HIPC governments, and civil society have engaged in an intensive dialogue since the inception of the Initiative about the strengths and weaknesses of the program. A major review in 1999 has resulted in a significant enhancement of the original framework, and has produced a HIPC Initiative which is ‘deeper, broader and faster’.” (<http://www.worldbank.org/hipc/about/hipcbr/hipcbr.htm>, 02.03.2006).

³¹³ People who have an income of less than two USD per day are considered as living in poverty.

³¹⁴ An income of less than one USD per day is considered as extreme poverty.

³¹⁵ Significantly, the *illiterate* citizens who were mostly indigenous won the *right to vote* only in 1979. Today, one can still observe that, broadly speaking, the *darker* the skin, the *lower* the position in the social hierarchy.

1992, the main leaders of the MRTA (Polay Campos) and the Shining Path (Abimael Guzman) were captured. This led to the *disabling* of the terrorist groups. During these years, massive acts of violence were committed by the terrorist groups as well as the military forces. Under Toledo's government, these acts were being investigated by the Commission of Truth and Reconciliation³¹⁶ and the Attorney General. Many new cases, hidden for a long time, were still being brought forward, showing the dimensions of the violation of *human rights* during that period (ID UNODC).

Terrorism was never completely put out of action. During the political *turmoil* of 2001 and 2002, it *regained* strength, particularly in the rural areas around the coca growing fields. Despite the fact that its main leaders are in prison serving life terms, the Shining Path has maintained some *subversive* actions ranging from non-violent to direct attacks.

4.2.2 Asynchronous transformation process and corruption

Like in many other Latin American transformation countries, the *political* and *economic transformation processes* of the last two decades were asynchronous in Peru. From 1980 until 1990, the former military government was followed by the beginning of democracy in Peru. The process of democratisation was interrupted by the autocratic regime of Fujimori. Following the *autogolpe* and backed by the military, the regime benefited from manipulating the media and from social policies that used *clientelism* and government handouts. The Fujimori regime caused a profound *mistrust* among the Peruvian citizens towards the political parties and their leaders that can still be perceived today. Fujimori's attempt to secure a third term in office by manipulating the elections and overt fraud finally led to the *collapse* of his regime in November 2000 (ID UNODC).

Corruption in Peru was *systematic* under the Fujimori government. Institutions were abused for political purposes and personal gain. Corruption in Peru implied the 'capture of the state' – not only by private business, but also by a political mafia, which in turn favoured and associated itself with private business. The Fujimori-Montesinos³¹⁷ regime used corruption to maintain power. In order to achieve his objectives, Montesinos bribed congressmen, businessmen, the media, high-ranking officials of the armed forces, electoral officers and members of the judiciary. This complex *corruption network* was based on a centralised national system. In this system, the most important sources for accumulating personal wealth were State acquisitions and contracts (especially arms deals), money-laundering, drug trafficking and extortion.

³¹⁶ This commission examines thousands of alleged human rights abuses in the 20 years from 1980 to 2000.

³¹⁷ Vladimiro Montesinos is the ex-presidential adviser and former intelligence chief. Even before entering into office, Montesinos seemed to have collaborated closely with the Medellín Cartel. He had connections with the drug trafficker Evaristo Porras Ardilo. There is evidence of Montesinos and Porras purchasing a laboratory and installing a clandestine landing strip in the Peruvian jungle to transport coca leaves to Colombia. Once in office, Montesinos *militarised* the coca growing area (essentially the Upper Huallaga valley). Apparently, he provided *protection* to Peruvian drug traffickers by informing them in advance of police operations. Ironically, he would publicise the destruction of clandestine landing strips and laboratories. There are testimonies of Montesinos meeting with drug traffickers, and of bribes received by political military commanders who controlled the areas in which drug traffickers operated (ID UNODC).

One consequence of corruption was the high *economic cost* to the country. Corruption affected economic growth, public investment, economic efficiency and disbursement of public expenditures. The economic effects of corruption in Peru can be estimated at a loss of 1,800 million USD of the GNP, loss of more than 160,000 jobs, and a high poverty level. Of the one billion USD estimated to have been *transferred illegally* out of the country during 2001, some 210 million USD were located in foreign accounts in Switzerland and Central American banks. Approximately 90 million USD were returned to Peru (ID UNODC).

Since the *transitional government* of Valentín Paniagua and the election of Toledo in May 2001, Peru has been endeavouring to *reinstall* democracy, to reappraise the corrupt system of the Fujimori regime and to *improve* the human rights situation. The governments following the autocratic Fujimori-regime had and still have to face a difficult situation in which economic and social *inequalities* have to be fought and the installation of democracy and rule of law prove to be a long process.

During the transitional government of President Paniagua, the National Anti-corruption Initiative, the Truth Commission and the Constitutional Reform Commission were created. Peru was brought back under the jurisdiction of the Inter-American Human Rights Court. The armed forces, the police and judicial system have been *reformed, restructured* and many members have been *released* since April 2001. New heads of the army, air force and navy have been appointed. In May 2001, the President of the Supreme Court and nine senior judges were *removed* from their posts over alleged links with the former intelligence chief Montesinos.

The BTI 2003 states that in the investigated timeframe from 1998 to 2003, considerable progress was made concerning the political development towards a stable democracy. However, this progress was only able to *compensate* for the regressions of the 1980s and 1990s, so that one must underline that the condition of democracy in Peru is not better than it was in the early 1980s (BERTELSMANN STIFTUNG 2004c: 1).

Concerning *political participation*, the BTI 2003 underlines that elections have been held correctly since the end of the Fujimori regime and that the President and other powerful groups have accepted the principles of an open and competitive election process. This was also proven by the first *regional* elections from 2002 which resulted in a considerable success for the opposition. Apart from the elections, Peruvian citizens nowadays have the possibility to form political or civil society organisations and to thereby *participate* in the political process. Public and private media are also *free* from any influence by the government (BERTELSMANN STIFTUNG 2004c: 5f).

4.2.3 Decentralisation process

The above mentioned regional elections from November 2002 represented the start of a *decentralisation process* in Peru. Until then, the country was completely centralised, Lima was the

city where all the political power was to be found.³¹⁸ Fujimori had even *diminished* the few decentralised and pluralistic structures existent at the beginning of his regime. The departments had hardly any financial resources and had no power concerning the political decisions made on the national level. Their own room for manoeuvre was very restricted. Regional governments already existed but were *not elected* by democratic rules but *appointed* by the central government. Therefore, these regional governments were de facto nothing more than Lima's right-hand man to control the provinces.

Paniagua's transitional government founded the basis for the comprehensive structural change towards the promotion of the decentralisation (GTZ 2003b: 20). The *elected* regional governments meant more *participation* of the 24 departments in the governmental functions traditionally gathered in Lima and executed by the central government.

The National Decentralization Council of Peru formulated the following long-term view of decentralisation as follows (CONSEJO NACIONAL DE DESCENTRALIZACIÓN 2003: 7):

“Decentralization has improved the distribution of the population in space, economic activities and Government decision-making in the framework of a territory-based strategy for national development and has made a critical contribution to economic growth, improved public services and rising well-being for Peruvians in every Region, Province and District around the nation.”

A milestone of this decentralisation process is the *delegation* of the responsibility for the drawing up of the regional and local development plans as well as the working out of the so-called *presupuestos participativos*, the participative budget plans towards the regional and local administrations. Part of these measures is the creation of the round tables for a joint fight against poverty (*Mesas de Concertación para la Lucha Contra la Pobreza* – MCLCP) on the national, regional and district level. These round tables represent the *forum* for delegates of the local and regional governments as well as of the civil society and the private sector to meet on a regular basis for better *coordination* and *communication*. The objective of the MCLCPs is the promotion of transparency in political decision making processes and the exchange of information. The focus lies (1) on the development of joint development plans for the districts, the provinces and the departments and (2) projects to fight poverty are to be prioritised (GTZ 2003b: 20f).³¹⁹

In 2003, Toledo's government decided to *increase* the contribution of financial means to the regions. To further increase means and extend the political power of the regional governments, the regions have to fulfil various conditions. This is a reasonable concept as the regions should not receive funds *without* proving that they are developing their administrative capacities and can deal with more empowerments. As of 2005, the competences and the financing of the regional governments were still in the process of change. For a traditionally centralised country, the path to

³¹⁸ Centralisation has perpetuated population imbalances and has contributed to concentration of economic power and decision-making. As a consequence, Peru's largest city in 2003 was home to ten times more people than its second largest city, five departments accounted for two-thirds of the GDP and ten provinces gathered 53% of voters and almost the entire financial sector (CONSEJO NACIONAL DE DESCENTRALIZACIÓN 2003: 5).

³¹⁹ For further details concerning the MCLCPs see GTZ 2003b: 20ff.

decentralisation usually is not only long but also difficult. The GTZ underlines the importance of the decentralisation process in one of its publications on its work in Peru where it states that (GTZ 2003b: 25; translation: CS):

“... a fundamental improvement of the situation of the poor population groups can only be achieved if the chosen decentralisation process is continued.”

One has to keep in mind that the decentralisation process is more or less to be continued until the end of Toledo's legislature period at the end of 2006. If a new government comes to power, it may well be that it turns back to more *centralisation* (GTZ 2003b: 3).

Moreover, the regional and municipal elections of November 2002 further weakened the central government which already was under great public and political pressures. The governmental party, *Perú Posible*, won a majority in only one of the 25 regional departments. The opposition party, *Partido Aprista Peruano* of ex-President Garcia, holds a majority in 12 departments, as well as in most of the coca growing areas in the jungle.

4.2.4 Toledo's presidency

One of the achievements of Toledo's presidency was the well prepared *Acuerdo Nacional*, a national resolution/agreement, from March 2002 which is a *master-plan* for a long term policy design (BERTELSMANN STIFTUNG 2004c: 8). All relevant political and social groups participated in the process of designing it which means that Toledo had succeeded in *getting everybody into the boat*. The government stated that it had initiated a national dialogue to reach an agreement that (<http://www.acuerdonacional.gob.pe/objetivos.html>, translation: CS)

“is the foundation for a process of consolidating democracy, for affirming the national identity and for the design of a vision of the future shared by the entire country.”

Even acknowledging this achievement, observers in 2005 were more than *doubtful* that the goals set in the *Acuerdo Nacional* were still being followed. In the BTI 2003, it was already mentioned that the fact that the opposition had a parliamentary majority might well lead to blockading policies (2004: 8). By early 2005, the *Acuerdo Nacional* seemed to be defeated.

In the first four years of his presidency, Toledo did not only have to face a growing opposition in the parliament but also the growing loss of his authority. The President demonstrated a severe lack of *determination* and was not able to fulfil some of his most important election promises. Moreover, he was accused of having won the elections by *vote rigging*. An investigation concerning this matter was conducted by the Congress but by mid-2005 still had not led anywhere.³²⁰ In the last year of his first – and probably last – term, Toledo remained more or less *powerless* to undertake any further reform, etc. Only *after* the presidential elections in 2006, can a further political transformation process be expected.

³²⁰ Critics say that this long investigation without results also showed the lack of independence of the judiciary power.

4.2.5 Economic transformation

The *economic* transformation towards a market economy integrated into the world market was started in the 1990s only. This meant the overcoming of the development model of an *import substituting* industrialisation³²¹ common for Latin America since the 1930s. Peru had followed this model only since the beginning of the 1960s but had extended it under its military government. The crisis of the import substituting model caused serious difficulties for the military government but did *not* lead to reform. The democratic governments of Belaúnde and García Pérez did not work out solid reform either. The economic crisis finally led to the *hyperinflation* of 1990.

The more than necessary reform of the economic structures was started in 1990/91 under President Fujimori. Because of the drastic measures, it is still known in Peru as the *fujishock*. Fujimori began with various measures to fight the inflation, such as restrictive monetary policy, budgetary discipline, reduction of subsidies, tariff adjustments. From 1991 on, these were accompanied by a comprehensive structural reform. The most important parts of this structural reform were the privatisation of the majority of the state enterprises, the privatisation of the finance sector including the establishment of an independent central bank, the liberalisation of foreign trade, and the floating of the exchange rate. Additionally, the labour market was drastically deregulated and the market for agrarian land liberalised (BERTELSMANN STIFTUNG 2004c: 4).

Fujimori's reform policy resulted after a relatively short period in a *macroeconomic stabilisation* and, until the crises of the economies in Asia and Brazil in 1998, to considerable *economic growth*. But the reform process was still not comprehensive enough and did not lead to the elimination of the structural *imbalance* that has existed for decades. The most important problems identified by the BTI 2003 are the *unstable integration into the world/international market* which moreover is achieved only in a few sectors, the *unstable finance sector* and above all the *severe social problems* such as poverty, underemployment and a large informal sector³²², which due to the lack of an effective social policy is even aggravated (BERTELSMANN STIFTUNG 2004c: 4). Fujimori's reform, therefore, was an important step in the right direction but left a lot to do for his successors.

Peru has a *dual* economy. There is a relatively modern sector on the coastal plains. A subsistence sector exists in the mountains and forests of the interior, which is isolated by poor transport and communications. Services account for 65% of the GDP. Industry, including mining, accounts for 26% and agriculture for 8%. Mining is important for the balance of payments. It provided 44.8% of Peru's export earnings in 2001. The manufacturing industry is fairly diverse. To

³²¹ This model meant (1) the closure of their own market against imports and (2) the widening of the public sector.

³²² About two thirds of the work take place in the *informal* sector where the salaries are low and social security does not exist (DFID 2005: 34). Only about 30% of the population have access to the social security system (BERTELSMANN STIFTUNG 2004c: 12). Besides the disadvantages for the employees/workers, the state is, of course, harmed because a strong informal sector means a considerable *loss* of taxes.

a large extent it is dedicated to consumer goods production, such as food, fish-meal, textiles and petroleum.

The country is dependent on exports of *primary* products. These represent the biggest part of its export earnings, with mining and fisheries production being the two major traditional export categories of the country.

After the drastic *neo-liberal reforms* of the early 1990s, Peru only achieved few improvements concerning economic transformation. Shortcomings remained in the areas of competition regulations, control of market concentration and formation of oligopolies as well as concerning the insufficient inclusion of wide classes of society into formal business life. Another negative aspect which is due to the large informal market is the low *tax base* equivalent to 12% of GDP (BERTELSMANN STIFTUNG 2004c: 17).

After a promising period from 1993 to 1997 with growth rates of about 7% on the average, Peru's economy slowed down *considerably* from 1998 to 2001, when the growth rate was only about 1% – also due to the crisis in Brazil and the slowing down of the world economy in general (BTI 2004c: 13). Since 2002, the Peruvian economy has returned to a *moderate* growth rate and in 2004 it stood at a considerable 5%. A positive achievement of Toledo's presidency was the constantly low inflation rate which in 2002 stood at 1.5%.³²³

Peru is heavily indebted, 40% of exports of goods and services and 22% of fiscal outlays go to external debt service, and there are no prospects for significant debt forgiveness.

The Peruvian agriculture is dominated by the so-called *minifundio* which means that about 85% of the farmers own less than ten ha. This results in a limitation of (further) industrialisation and therefore does not allow productive efficiency (ID).

As mentioned above in the section on the political transformation process in Peru, in 2005, there was not much to be expected anymore from Toledo's presidency. This was as true for the *political* as, of course, for the *economic transformation* which both very much depend on the planning competence of the President. The BTI 2003 even stated that according to neutral observers, Toledo was not able to cope with the high demands of his position (BERTELSMANN STIFTUNG 2004c: 16). The presidential elections in 2006 therefore were expected to mean not only the election of a new President but also a new opportunity for Peru to *continue* with the necessary transformation process under the strong leadership of a President with enough political authority to start over with reforms.

³²³ In 1997, the inflation rate in Peru for the first time in years was below 10%.

4.3 UNOPS Peru

4.3.1 Presentation of the UNOPS Programme selected: Alternative development

4.3.1.1 Selection of one UNOPS programme

UNOPS has *two* offices and *two* main projects/programmes in Lima and in Peru. The first UNOPS office is the one that implements alternative development projects in Peru. It was opened in 1984. In 2005, about 70 people were employed by this office. The second UNOPS office was opened in 1992 and was requested by the Peruvian government for which UNOPS procures goods and services, following international procurement standards. Therefore, this office is called the Procurement Office.

As the objective of this study is to compare UNOPS and the GTZ, the decision was taken to concentrate only on the alternative development projects implemented by UNOPS in Peru. It was clear from the very beginning that these projects would be a much better basis for comparison with the GTZ projects in Bolivia. Alternative development can be judged as being part of the field *rural development* with the characteristics that it has the specific objective of offering *alternatives* to the cultivation of drugs. It would have been impossible to find an equivalent project of the GTZ in Bolivia, if the procurement for the Peruvian government had been chosen.

Therefore, I spent the two months in Peru with the office in Lima that takes care of the alternative development projects and its respective offices in the field. As the time for my field study in Peru was limited to two months, I only visited the Procurement Office once for an interview with the project leader.

When I speak of UNOPS Peru, only the office for the alternative development projects is meant and not the Procurement Office.

4.3.1.2 Alternative development

In its twentieth special session on international drug control in June 1998 the General Assembly of the UN endorsed the following *definition* of *alternative development* which characterises it as (http://www.unodc.org/unodc/en/alternative_development.html):

“a process to prevent and eliminate the illicit cultivation of plants containing narcotic drugs and psychotropic substances through specifically designed rural development measures in the context of sustained national economic growth and sustainable development efforts in countries taking action against drugs, recognizing the particular socio-cultural characteristics of the target communities and groups, within the framework of a comprehensive and permanent solution to the problem of illicit drugs.”

What makes alternative development necessary? The UN Office on Drugs and Crime (UNODC) warns that *illicit* cultivation of opium poppy and coca bush continues to grow at alarming rates *despite* the adoption of international conventions promoting the prohibition of illicit drug crops. In the Andean countries most of the world's coca bush is grown. Until 2000, Bolivia, Columbia and

Peru with some estimated 183,000 hectares (ha) accounted for more than 98% of the world supply. Even though the total number declined to the 14-year low of 153,800 ha in 2003 (<http://www.unis.unvienna.org/unis/pressrels/2004/unisnar847.html>)³²⁴, illicit drug crops remain a priority to be addressed in these countries.

In most cases the people cultivating illicit drug crops live *below* the poverty level and, on the average, receive 50% of their income from drug-crop cultivation. The drug trade often helps them to cope with food shortages and the vagaries of other agricultural markets. However, economic dependence on illicit crops is difficult in the long-term. *First*, farmers are continuously confronted with the threat of *forced eradication* of their illicit crop by the government which exacerbates their precarious socio-economic condition. *Second*, the cultivation of coca bush often leaves farmers in the hands of *unreliable* middlemen forming an enclave in the national economy and *excluded* from the mainstream development. Experience in many countries show that most families would gladly switch to other sources of income if they were offered *suitable* alternatives (http://www.unodc.org/unodc/en/alternative_development.html).

4.3.1.3 Overview of the programme

In Peru, UNOPS is the implementing agency for the Alternative Development Programme³²⁵ of UNODC which has funded the respective projects to a great extent³²⁶ since 1984³²⁷. The two organisations have developed a close *partnership* and good cooperation in the last 20 years.³²⁸

The realities of the illicit crop growing areas in Peru such as isolation, underdevelopment and poverty have led the UNODC and UNOPS to develop a *concept* of alternative development that addresses the *broader socio-economic* situation of the farmers and their *overall* quality of life. The investments of the entire programme 1984 to 2005 add up to about 60 million USD.³²⁹ About a dozen projects and sub-projects in various stages of completion constituted the programme in early 2005 and about 70 national staff were working for the various projects. In 2004, UNOPS Peru had a budget of about 2.8 million USD of which about 2.7 million USD were disbursed. The national counterpart is the National Commission for Development and Life without Drugs, DEVIDA

³²⁴ In the respective press release the claim is made that the 14-year low was a result of the UN General Assembly Special Session on Drugs in 1998. It must be added, however, that the lower prices for coca at the time most probably also had their influence.

³²⁵ Note that officially it is not considered as a programme as the funds are contributed individually to *each* of the projects and *not* to a programme. However, internally UNOPS treats it as a programme to more flexibly carry out the various projects.

³²⁶ In recent years, however, because of the budgetary restrictions of UNODC, more and more bilateral and national (Peruvian) funds are needed for the continuation of the alternative development projects implemented by UNOPS.

³²⁷ The year 1984 is the year alternative development began in Peru. This means that UNOPS implemented the first projects of alternative development.

³²⁸ The close relations of UNOPS and UNODC in Peru are even apparent from the outside as *one* building in Lima serves *both* of them as the local office.

³²⁹ This is the amount actually invested as of 2005. The total funds *promised* from various international donors add up to about 70 million USD plus about six million USD from the Peruvian government. However, because of certain procedures, some of these funds are still in the pipeline.

(Comisión Nacional para el Desarrollo y Vida sin Drogas).³³⁰ The programme addresses the problem of a widespread cultivation of coca plants used to produce cocaine and other coca-based substances. The objective of the various projects is to provide marginalised coca growers with *alternative* income-earning opportunities in a stable social environment (ID).

Coca is cultivated in the Peruvian *selva*, the jungle, which lies east of the Andes. Because of a growing population and the poverty in the Andes, in recent decades young Peruvians especially have been leaving the mountains hoping for a better life elsewhere.³³¹ Most of them were attracted by the capital and went to Lima.³³² The rest took advantage of the world-wide growing demand for coca since the 1970s as cocaine gained popularity in the United States and Europe and went to the jungle to cultivate coca. To a great extent, Peruvian coca is grown by small farmers to *overcome extreme poverty conditions* rather than to *make profit*. One UNOPS Peru staff member stated the following (IV; translation: CS):

“We assume that about 80-90% of the cocaleros [coca farmers; CS] only cultivate coca because the existing national policy offering alternatives to coca is not appropriately implemented. They do not have another possibility to gain their income.”

This assumption verified by studies and also by experience is the *basis* for the work of UNOPS and the UNODC: by offering *alternatives* with their projects they expect to reduce the number of coca growing farmers.

The productivity in Peru varies depending on the soil and the environment in general, as well as on the *techniques* used. In 2003, the Peruvian national coca monitoring system detected an *improvement* in coca farming techniques in key growing areas that may in future years result in *higher* yields per hectare. The country average in 2004 was at 1,100 kg/ha while in the region Apurímac which lies south-east of Lima up to 2,200 kg/ha were produced. This resulted in a drug production of about 51,000 tonnes in 2004. 10-20% of these are considered as *legal* production while the remaining 80-90% are used for drug traffic and are exported.³³³ It is estimated that about

³³⁰ In 2002, the commission against drug use CONTRADROGAS was renamed DEVIDA. CONTRADROGAS was established in 1996 as the key coordinating governmental institution for drug control. It was established to direct, coordinate, consolidate, and evaluate the anti-drug strategy at the national and provincial level. It also represented the government at the international level. The objectives were (1) prevention of drug consumption; (2) improvement of rehabilitation programmes; (3) promotion of crop substitution; (4) awareness-raising on the illegality of drug production, trafficking and consumption; and (5) encouragement of international financial support for the national fight against drug trafficking. After the renaming to DEVIDA new regulations were prepared and approved but the objectives have *remained* the same to a great extent. DEVIDA was, however, *upgraded* as its Executive President now has ministerial rank.

³³¹ Traditionally, the families in the Andes live in *comunidades campesinas*, farmers' communities, to survive in the harsh environment. The subsistence economy was not able to satisfy the growing population and the poverty led to the migration.

³³² For six decades, Peru has been the stage of intensive migration from rural areas to the cities, Lima in particular, and from the highlands to the coastal band. In 2003, 144 of the 194 provinces in Peru still showed *negative* migration flows, i.e. they shed people. Migrations resulted in the *gradual outflow* of rural populations that needs to be stopped to build the future of a country where an overwhelming majority of districts are in the countryside (CONSEJO NACIONAL DE DESCENTRALIZACIÓN 2003: 5).

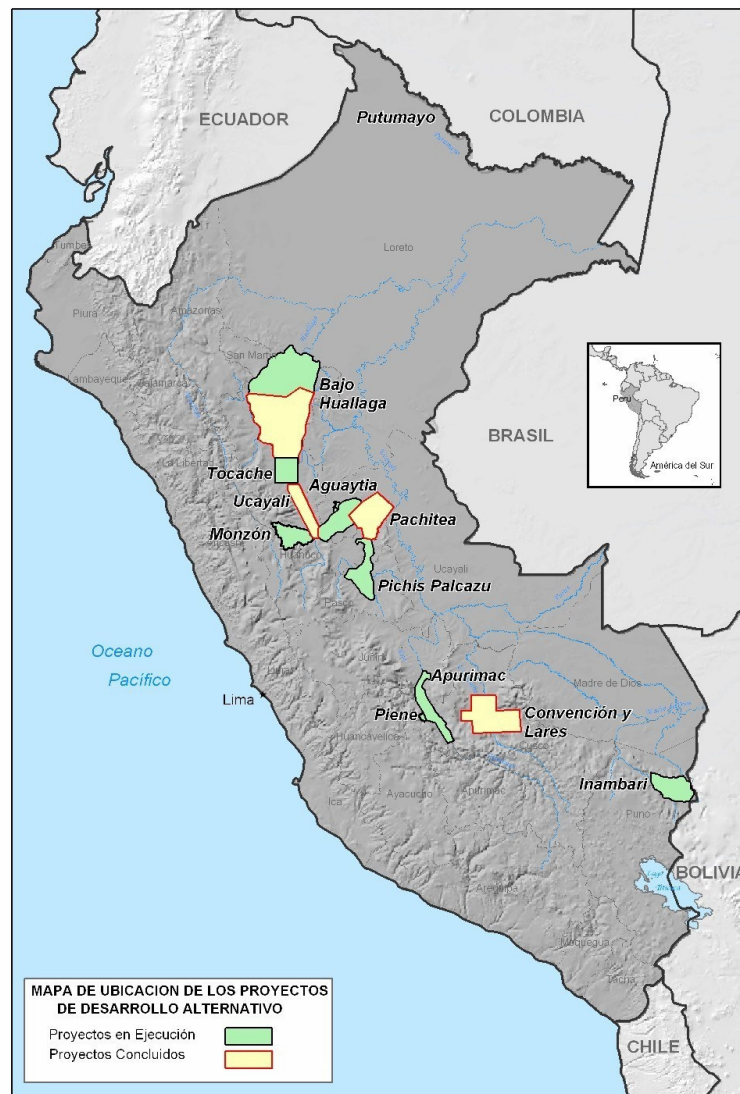
³³³ Peru has a long *tradition* of coca cultivating and the consummation of coca leaves. Coca-growing in some of the eastern valleys in Peru predates the arrival of the Europeans by hundreds of years. It was used for

50,000 farm families are involved in the coca cultivation. Until the mid-1990s, Peru was the world's main coca cultivating country. In 2004, it was the second major producer of coca, far behind Colombia.

The map below shows not only the main areas of *illicit* coca cultivation in Peru but also the *outreach* of the programme implemented by UNOPS. Basically, the projects and sub-projects take place in the four regions of Lower Huallaga, Apurímac-Ene, Inambar-Tambopata, and Aguytia/Pichis-Palcazú. About 7,350 families were reached by UNOPS in 2004. Altogether, UNOPS has projects in seven of Peru's 24 departments.

chewing, medicine, and rituals. The growing of coca to satisfy the domestic demand is considered as legal. The legal drug production is mainly located in the area around Cuzco.

The *General Law on Drugs* enacted in 1978 prohibits the cultivation of coca and seedlings in *new* areas within the national territory. This reference to 'cultivation' *includes* the grafting and renovation of already existing coca bushes. Another law of 1978 established the *National Coca Enterprise* (ENACO), which has the monopoly on the commercialisation and industrialisation of the coca leaves. Therefore, the selling of coca leaves to any part other than ENACO is considered *illicit* by national law (UNODC 2005: 8).

Map 4-1: Project areas UNOPS Peru

source: UNOPS/UNODC Peru; green = projects in execution; yellow = terminated projects

The project areas can be characterised as follows:

- extreme *rural poverty*;
- weak *government presence*;
- lack of consistent *rural development policies*;
- *migration* from the Andes to the jungle;
- lack of *profitable* economical perspectives;
- presence of *illegal coca plantation*, drug trafficking, terrorist groups, and delinquency;

- coca farmers organisations *defend* plantations (frequently *violent* reactions to government eradication programmes);
- severe *environment damage* as a common indicator in coca growing areas.

The target group consists of 61% of migrants whose average age is 40 years. The illiteracy rate of men is 8% while 19% of the women are illiterate. Only 59% of the target group have undergone a primary education. On the average, one farm family³³⁴ owns about 8.8 ha of which 2.63 ha are cultivated.

UNOPS works with a *Peruvian* team formed by 20 years of concrete field experience. The fact is that only the Chief Technical Advisor of the entire programme is German and therefore an international staff member, while all the projects' directors, engineers, etc. are Peruvians. That many national staff are as much an *exception* in the field of International Cooperation as is the fact that some of this staff work for the programme since it was initiated. UNOPS claims to work with honesty and absolute transparency to gain the trust of the *campesinos*, the farmers. Experience shows that it is necessary to work through farmers' organisations to *minimise* security problems with terrorist groups (Shining Path) and drug traffickers. UNOPS has developed instruments and methodologies from experience gained under extremely difficult circumstances as it was the *only* organisation that did *not* leave the jungle between 1988 and 1993 when the terrorists of the Shining Path forced *all* other organisations to withdraw from coca-growing areas. At that time, not even the government was present in the regions where UNOPS was implementing its projects.

The organisation is convinced that small and marginal farmers can be linked positively with ambitious, progressive and industrial enterprises. UNOPS' strategic approach/ methodology can be described as people-oriented; the coca growing family is seen as the main actor in getting away from illicit crops. Through the projects, farmers organisations and enterprises are *strengthened* or *created* with a view to *self-sustainability*.

Sociologists, engineers, agronomists and industrial experts work directly with farmers to help them organise their producers' associations and private enterprises, which, in turn, process the goods and market them in Peru and abroad. The social networks created thereby give the farmers greater security and *bargaining power*. Governing committees and delegate assemblies enable the members of the producers' associations to have a say in the decision-making. Through workshops and other training, farmers learn about quality control, environmental conservation, leadership issues, and easing barriers of discrimination against women. UNOPS moreover focuses on *productive chains* and *added value*.

At the very beginning of a project, contact with *potential* clients/buyers is established. UNOPS tries to find out at a very early stage of the project what the buyers really want and need, and what is necessary to satisfy them. This facilitates the future competitiveness of the respective farmers' organisations and enterprises.

The UNOPS Peru projects are *comprehensive* projects as they include

³³⁴ The average family consists of five members.

- study of the soil, the infrastructure etc,
- market research,
- improvement of product quality,³³⁵
- agricultural technology,
- agro-industrial processing,³³⁶
- marketing and commercialisation,³³⁷
- access to loans³³⁸, as well as
- export management.

The *four* main lines of intervention UNOPS works with to *replace* coca cultivation are (1) coffee, (2) cocoa, (3) palm oil, and (4) palm hearts.³³⁹

4.3.1.3.1 Coffee

With an area of 12,000 ha and 5,000 families involved, *coffee* is the most important alternative crop of the projects implemented by UNOPS. Not only cooperatives but also national coffee institutions were/are strengthened or reorganised and support is given to the management, marketing and credit

³³⁵ In all its projects, UNOPS Peru underlines the importance of producing products of a *high quality* to be competitive on the *world market*. In the case of cocoa, for example, the Europeans usually buy it in South America and not in Africa like the Asians. The European enterprises are *willing* to pay the higher prices for the *qualitatively better cocoa* from South America but they buy *only* cocoa of the best quality *within* South America which is, therefore, worth its price. Besides producing cocoa of high quality, the organisations and enterprises (formerly) assisted by UNOPS Peru mostly produce *organic* cocoa and therefore placed themselves in a *niche*. There are only about 15-20 European and North American companies that buy organic cocoa but if these are *satisfied* with the quality – offered at a competitive price – they often stick to the respective producer and become *long-term* clients.

³³⁶ Farmers only leave coca growing and continue growing alternative crops *if* this allows them to generate enough income. Therefore, UNOPS explains to them that the *traditional* means of producing and processing need to be modernised. Only appropriate agricultural technology and agro-industrial processing allow the farmers' organisations and enterprises to become *quantitatively* and *qualitatively* competitive for the respective market – be it national or international.

³³⁷ Depending on the development stage, some enterprises are marketing and commercialising their products *entirely* themselves while others still need *assistance* from the UNOPS team.

³³⁸ Once the farmers organisations are established, the initial phases have been gone through and production has reached a good level, *large* investments – such as constructing a plant – are needed for the further development. As farmers in Peru have usually no access to loans, UNOPS created its own loan funds from which the farmers and their respective organisations and enterprises receive loans. The idea is that thereby the farmers also learn about loans, that they have them pay it back, that an interest rate exists – even if this interest rate for the UNOPS credits is only about 5% and therefore considerably lower than it would be from a bank, etc. The farmers' organisations and enterprises pay their *repayments* to UNOPS once per year. This is an further advantage to some of the loans granted by banks which have to be paid for *monthly*. Monthly payments mean a *serious* problem for the farmers. If they are granted a loan to finance fertilisation for example, they are only in a position to repay this loan after the entire product cycle/chain is finished, i.e. after the products are sold and paid for. The *credit history* helps the organisations and enterprises to become *creditworthy* for banks which is important once UNOPS withdraws from the project. To avoid corruption or loss of the loans granted, the manager of the respective enterprise initially is one of the UNOPS employees.

³³⁹ In many cases, the farmers of the respective regions did not only grow coca but also coffee, cocoa etc. Therefore, they were already familiarised with those plants and UNOPS was able to build on this knowledge. In these cases, UNOPS supported them in producing more effectively by transferring technical know-how etc.

access to the coffee cooperatives. Quite impressive *yield* and *crop improvements* have been reached through adapted technological packages and post-harvest modules:

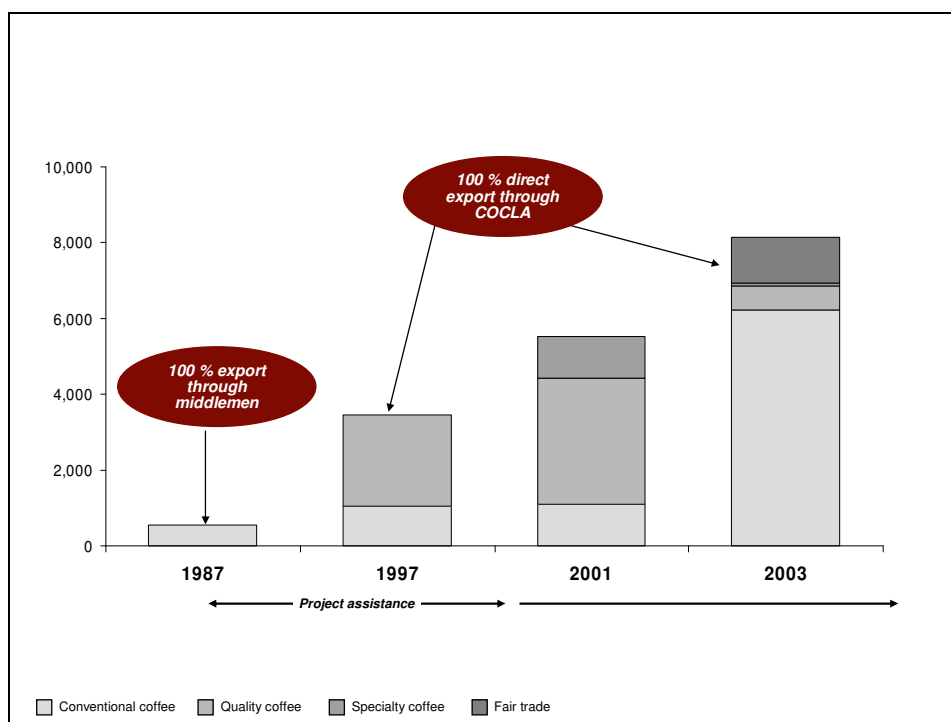
- The yields per hectare rose from 460 to 1,150 kg.
- The processing productivity increased from 64% to 80%.

In 2003, the commercialisation of products from supported cooperatives amounted to 2,123 tonnes. The participation of beneficiary cooperatives in specialty markets is 60% against the national average of 7%. This clearly shows that another goal of the UNOPS projects, to produce *high-quality* and/or *organic* coffee, had been reached. The improved export prices in 2002 and 2003 which were 24% over the average also proved the high quality acknowledged by the international clients. The coffee growing farmers' organisations have access to the *national financial system* and *international credit lines*.³⁴⁰ Another promising step is the establishment of *commercial alliances* with *KRAFT Food*, *Interamerican Coffee*, *Paragon Coffee* and *Lufthansa*. Moreover, the Peruvian farmers of the UNOPS projects in coffee cultivation are proud to have gained gold and silver medals in National Cupping Competitions for specialty coffees.

The *sustainability* of the projects implemented by UNOPS in the coffee line is demonstrated by a case study of the enterprise COCLA (Centre for Coffee-Producer Cooperatives of La Convención and Lares).³⁴¹ COCLA received project assistance from 1987 onwards for about ten years to help it collect, process and market the coffee produced by local farmers. The diagram below shows that since the end of the project assistance in the late 1990s, COCLA has had a continuously *growing export performance*, especially because of an enormous growth of, in this case, the *conventional* coffee sector. This shows the sustainability of COCLA without the project.

³⁴⁰ These organisations have access to loans from the Peruvian *Agrobanco* and from the Dutch *Rabobank*.

³⁴¹ COCLA began as a farming cooperative in Quillabamba in the late 1960s.

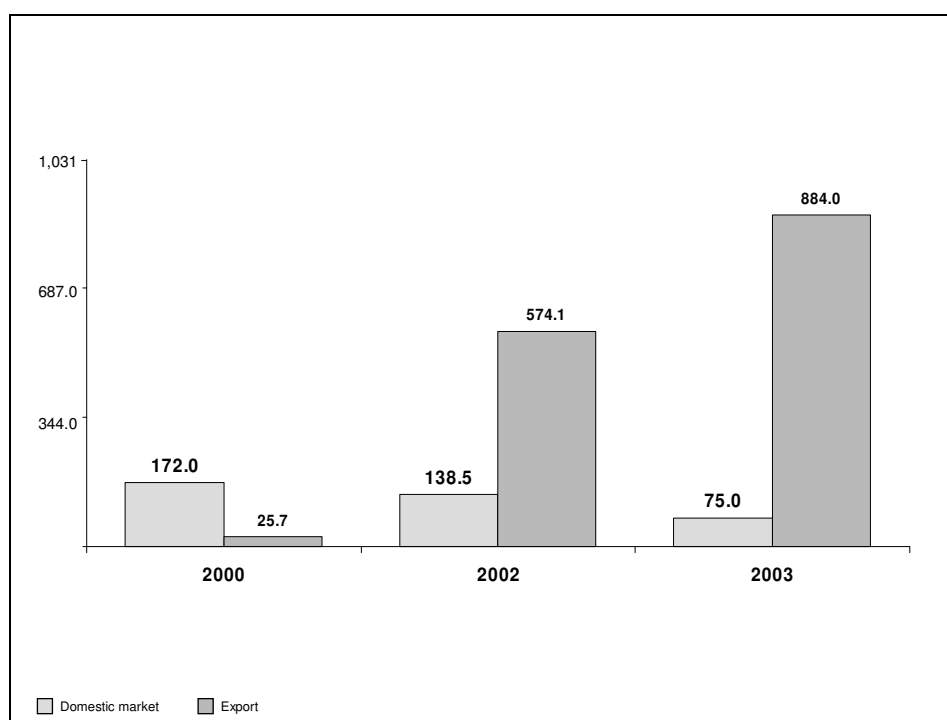
Diagram 4-2: COCLA export performance 1987 – 2003 (in t)

source: UNOPS/UNODC Peru

4.3.1.3.2 Cocoa

The production of cocoa has a similar *success story* to the production of coffee. Since 1986, about 5,000 families have improved cocoa crops on 10,000 ha. The cultivation of cocoa was started by an import of hybrid seed but now material is locally available in nurseries. Today, 100% of plantations are grown with locally produced genetic material. Following the strategic approach of all UNOPS projects, a *comprehensive support* to management, marketing and loans for sustainable cocoa companies is delivered.

In 2003, exports of UNOPS supported companies accounted for 91% of total Peruvian cocoa bean exports. Moreover, the prices obtained by the target organisations in 2003 were *significantly higher* than the New York market price: 1.708 USD/kg against 1.26 USD/kg. For the turnover generated by the beneficiary enterprises see the diagram below:

Diagram 4-3: COCOA: Turn-over generated by beneficiary enterprises 2000-2003 (in thousands USD)

source: UNOPS/UNODC Peru

The farmers' enterprises have access to the *national* and *international* financial system³⁴² and *commercial alliances* with *Yacao-Pronatec* (Switzerland) and *Natra* (Spain) have been established. For 2004, commercial contracts to export more than 700 tonnes of cocoa to the markets of Spain, Belgium, Switzerland and the United States were concluded.

4.3.1.3.3 Palm oil

The production of palm oil promises to be *expanding* in the years to come as there is a large *domestic demand* for palm oil that equals about 32,500 ha and the *international* perspectives are positive as well (DEVIDA 2005: 4).³⁴³ Palm oils are a permanent crop and as such they are the basis for a *regular* income and a *settled* way of life for the farmers. Moreover, the cultivation of this crop leads to the *recuperation* of soils degraded by coca.

In 1992, the first agro-industrial palm oil project with 270 small coca farmers which were fleeing violence in the region of Huallaga in the north of Peru was started. The first industrial plant operation in Neshuya was achieved in 1997. Later, the farmers established the enterprise *Oleaginosas Amazónicas S.A. (OLAMSA)* and became its shareholders. OLAMSA reached *social* and *economic sustainability* already in 2002. Since then the enterprise reinvested to complement

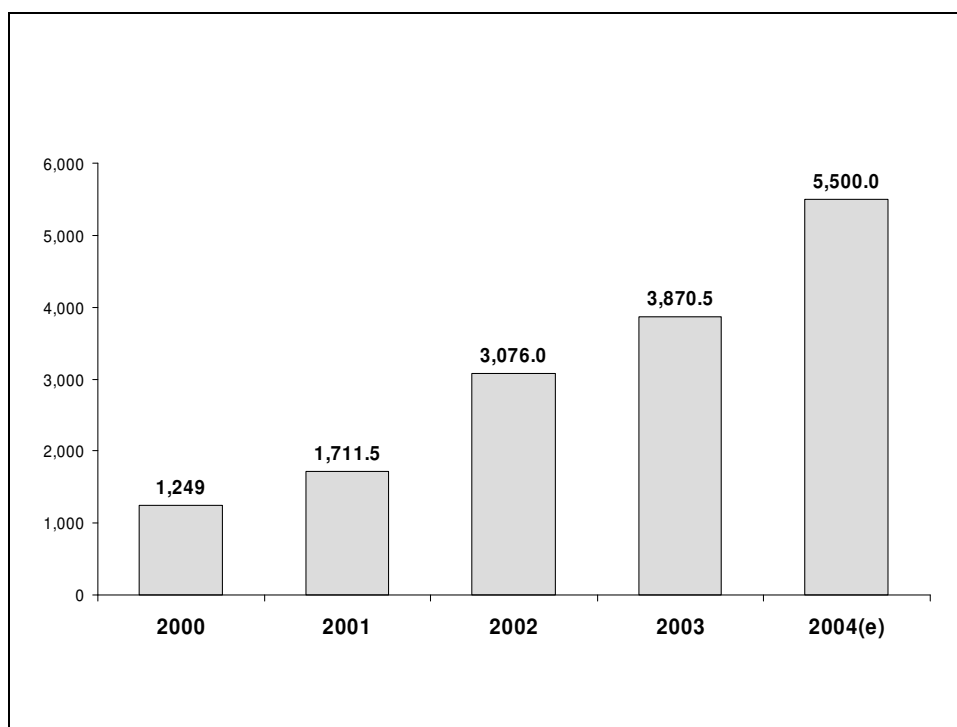
³⁴² Loans are granted by the *Banco de Crédito del Perú* and the Dutch *Rabobank*.

³⁴³ Malaysia is the world-wide largest producer of palm oil with two million ha in production. In Peru, about 11,000 ha were cultivated with productive palm oils in early 2005 and some additional 4,700 ha were soon to become productive; but Peru has a potential of about one million ha for the production of palm oil (DEVIDA 2005: 4).

industrial equipment, to finance some additional 1,000 ha and for a proper credit fund for fertilisers. Moreover, it established strategic alliances with other small farmers' organisations in various regions. OLAMSA is not only a model for viability and replication but is also *co-financing* new palm oil projects.³⁴⁴

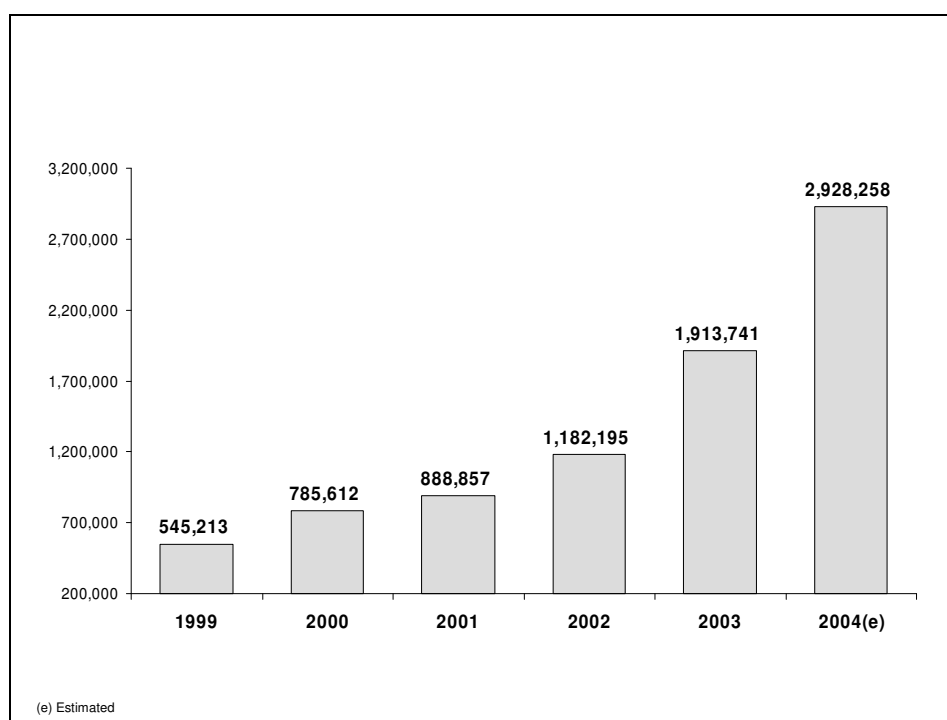
See the diagrams below for information on the growing production of OLAMSA and its turnover:

Diagram 4-4: Palm oil production by OLAMSA (in t)



source: UNOPS/UNODC Peru

³⁴⁴ OLAMSA was also one of the palm oil plants visited by a mission from Malaysia in 2004 that might be interested in investing in Peruvian plants (DEVIDA 2005: 4).

Diagram 4-5: Turn-over by OLAMSA (in USD)

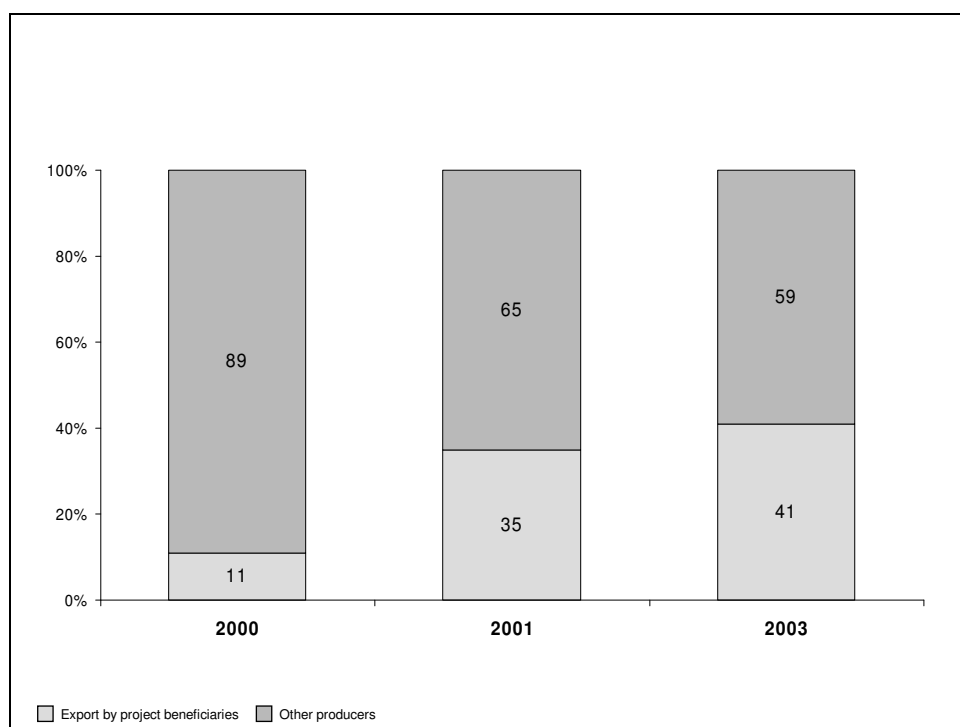
source: UNOPS/UNODC Peru

The success of palm-oil replacing coca was further expanded by the opening of another industrial plant in 2004. In that year, 1,815 families were engaged in UNOPS palm crops. In 2003, *cooperation* between UNOPS and the German project PRODATU (GTZ/KfW) to implement 2,500 ha of palm oil plantations in Tocache was started.

4.3.1.3.4 Palm heart

In 1992, palm heart technology was introduced in UNOPS-implemented projects in Peru. Three *processing plants* that are in line with *international standards* existed as of 2005. The beneficiary farmers' organisations constitute private enterprises and the farmers are the main shareholders. For palm hearts, the *export markets* of Spain, Denmark, France, the United States, Portugal, the Netherlands, and Germany are important. In 2003, the project beneficiaries, with 2.16 USD/kg, obtained *higher prices* than the average of 1.97 USD/kg. The project beneficiaries can proclaim a steady *growth* in the share of total Peruvian palm heart export:

Diagram 4-6: Share of palm-heart exports produced in UNOPS/UNODC projects of total Peruvian palm heart export (in percent)



source: UNOPS/UNODC Peru

4.3.1.3.5 Other perspectives of the programme

Besides these four main lines of intervention detailed above, to a minor degree livestock (cattle and tropical bovine), rice, rubber, beekeeping, and forest management are part of the projects. Each line involves, as mentioned above, field technology, farmers' organisation, quality control and improvement, agro-industrial processing and credits for harvesting and commercialisation.

The main *cross-cutting* issues of *gender-mainstreaming* and *infrastructure* can be identified. The projects promote the role of women in the farmer families and put an emphasis on the *equality* of men and women. More and more often, women are elected by the farmers' organisations and enterprises for *managerial* posts. The improvement of *infrastructure* goes hand in hand with alternative development in so far as it serves a quicker transport³⁴⁵ and therefore better commercialisation of the products.

³⁴⁵ One of the important *disadvantages* the regions in the Peruvian jungle have to face is the *distance* to the coast and therefore to the ports. Because of the mere distance and of the need to cross the Andes, an *improved* infrastructure is much needed. Even with an improved infrastructure, the products of the Peruvian selva will always have problems competing with countries such as Costa Rica whose transport means to the coast and to the international clients are shorter and faster.

4.3.2 Presentation of the Projects selected

As the line of palm oil promises to be of importance for Peru – a major importer of vegetable oils³⁴⁶ – UNOPS/UNODC and the Peruvian government are developing regional palm oil production capacities in *four* strategic locations in the jungle with a past or present link to *illicit* coca growing: Neshuya, Shambillo, Tocache and Cainarachi. UNOPS's strategy in these places is to develop a total of 8,000 ha of palm oil crops, to co-finance the industrial oil-processing capacity, and to help farmers create business alliances with other rural development partners and the private sector to meet a 16,000 ha target by the end of the decade. Palm oil is a *commercially viable* business, readily accepted by farmers as a chance to abandon coca. Even a few *private* enterprises exist that are in the palm oil producing business. Near Tocache, the private company *Palma Espina* owns some 7,000 ha of palm oil crops, a plant and also a refinery. The refinery produces soap and various other products from the crude oil and only ships those to Lima *after* the processing and therefore with more added value.

As outlined in section 4.1 *Methodology*, three of the four UNOPS palm oil-project locations were part of the research trip to the field which allowed me to gain a good insight into the line of palm oil. Therefore, the two locations where UNOPS started to work with the production of palm oil and which I visited will be presented below in more detail to illustrate their *success* and *problems* accordingly.

First came the support of the project for the palm oil processing plant in *Neshuya* (OLAMSA), which since 2002 has functioned as a profitable enterprise entirely owned and managed by former coca farmers. The second palm oil plant (El Bosqueron) was inaugurated in *Shambillo/Aguaytia* on 28 June 2004.

4.3.2.1 Neshuya/OLAMSA

4.3.2.1.1 Methodology applied by UNOPS

In 1991, the idea started with the production of palm oil in the area of Neshuya, which lies in the region Ucayali in the northeast of Peru. The initial objective was, working together with 270 farmer families, to install 1,350 ha, i.e. about five ha per family. In 2004, 350 farmer families had already participated and in 2005, 2,700 ha were installed of which 1,650 ha were already producing; 870 ha were still growing as palm oil crops only start to produce at the age of three years, and the rest was more or less abandoned by the respective owners. Seedlings for some additional 1,000 ha still were in nurseries and not yet in the field.

Before the project in Neshuya was started, UNOPS Peru carried out various studies in which the social background and environment of the possible future participants, the fertility of the soil, the general environmental conditions in various regions, and, most importantly, the *demands*

³⁴⁶ Only about 30% of vegetable oils and fats are from Peru, the other 70% are imported (as of 2004). Moreover, the consummation of *vegetable* oils in Peru increased from 29% in 1990 to 34% in 1999.

of the palm oil market were examined and evaluated. Based on this information, UNOPS decided to start its line of palm oil production in Neshuya, as it had the most promising results in the studies and the project was designed accordingly.

Slowly, UNOPS started to establish its base in the region. Technicians and sociologists began their work gathering together the farmers of the region in small groups and explaining to them the basic ideas and objectives of the project. At the time, most of the farmers were cultivating coca and were *doubtful* whether the production of palm oil trees could be an acceptable alternative for them. Moreover, UNOPS staff had to deal with the *mistrust* those farmers had developed over the years as various projects from different development organisations had been initiated but none of them had had the success that had been promised to the farmers. From the starting point on, UNOPS staff was *working* and *living* in the region which slowly allowed them to gain the *confidence* of many farmers.

UNOPS purchased the palm oil tree seedlings as the farmers did not have the financial means to do so. The farmers, in addition to their usual daily work, *contributed* by working *unpaid* in the nurseries under the supervision of UNOPS technicians, who are experts in the growing of palm oil crops. Thereby, the project participants were part of the production process from the very beginning. This not only raised the awareness of the farmers' contribution to making possible the project's success, it moreover ensured that the farmers slowly learnt from the technicians whose work need to be done to grow palm oil crops. This process is a good example of *learning by doing* which, especially working with farmers, is much more effective than just giving workshops.

Palm oil tree *seedlings* need to remain in nurseries for about 10-12 months. Once the seedlings have reached a certain growth/height, they are transferred to the field. This work was also done by the farmers themselves. UNOPS technicians supervised it in the beginning; later on they concentrated more on visiting the fields of the farmers that had just installed new seedlings in their field to make sure that the seedlings were well planted and to give advice to the farmer in cases of uncertainties and/or problems.

UNOPS had a small, unpretentious office where farmers felt more and more free to stop by and ask UNOPS staff for advice. Several of the former project participants acknowledged the *open-door-policy* of the UNOPS office and UNOPS' presence in the region and stated that this was an important advantage compared to other organisations they were acquainted with. The farmers not only started to feel *comfortable* to just visit the office and ask for advice or help or for a little chat, they also more and more valued the regular visits of the UNOPS technicians in the field. UNOPS staff would not spend most of the time in the office but in the field. This also allowed close contact with the farmers living too far away from the office to walk there. It is worth mentioning that the technicians generally did and do not visit the farmers in all-terrain vehicles but on their

motorcycles. This, again, makes many farmers feel more comfortable as the *social difference* between UNOPS staff and themselves is not as obvious as it might be.³⁴⁷

Until the first harvest after three years, an investment of 1,500 to 1,700 USD is necessary to install one hectare of palm oil crops. This amount includes possible costs of labour if the work is paid for. But UNOPS does *not* pay the farmers for their work in the nursery or their fields once the seedlings are planted there. Apart from the fact that UNOPS does not even have the economic resources for such payments, it – more importantly – assumes that paying the farmers would only *promote* unwanted *paternalism*, which to a certain degree already exists. As a matter of fact, some farmers are only willing to work if they receive a monthly salary. Therefore, UNOPS Peru often stresses how important it is to make the farmers understand that they work for their very own long-term future and for the future of their families and that investing their labour *now* will, hopefully and probably, result in a better future in *some years* and not in a monthly payment right now. This *change* in the *mentality* is essential for the success of the UNOPS projects. If the farmers do not understand and accept this they will most likely never learn to think and act in a business-like and responsible manner. This *entrepreneurial* spirit is so important to make the projects succeed and to make them sustainable once they become independent organisations and enterprises.

The UNOPS principle not to pay the farmers for their labour is criticised, amongst others, by one of the directors of OLAMSA (IV). He emphasises that the farmers in the area mostly do not have the *resources* to wait for three years until the first harvest and that loans are not accessible to them. Therefore, this director recommends that UNOPS pay the farmers for the first three years. He thinks that this would result in *fewer* farmers returning to the cultivation of coca.

Some follow this argumentation, which is the reason why some development aid organisations in Peru and in other parts of the world *do* pay the beneficiaries, as they think that this will facilitate the success of the respective project. Paying salaries may be necessary in *some* cases but in *many* cases thereby paternalism is promoted unnecessarily. In the area of Neshuya, for example, it is possible for the farmers to cultivate rice and fruits and to somehow cover their most basic needs until they can first harvest racemes from the palm oil crops after three years. Therefore, it is not a question of not being *able* to *survive* the time until the first harvest and income is generated by palm oil. In my view it is more a question of really *wanting* to stop coca cultivation and to undertake some hardships on the way. The following quotation from one of the project participating farmers illustrates this (IV; translation: CS):

“I have never cultivated coca as I believe in God. Therefore I could never produce something that is transformed to poison for my neighbour. And coca is poison for my neighbour. Before cultivating palm oil crops, it was often really difficult for me and my family but we could live on rice and fruits.”

³⁴⁷ UNOPS Peru utilises motorcycles for three reasons:

1. better accessibility of the terrain for motorcycles,
2. less expensive,
3. the target group does not feel such a big (social) distance towards UNOPS technicians.

Those farmers who are not willing to live through this difficult beginning and therefore no longer participate in the project, most probably would quit later anyway *even if* they were receiving a salary in the first years. The experiences undergone with the UNOPS project in Neshuya underline that, in the long run, it was the right decision not to pay *salaries* to the farmers. There were a few farmers that decided not to participate anymore in the project because of not being paid but most of the farmers made it through the first years and contributed to the success of the project. But it was necessary for UNOPS to make the first *investments* such as buying seedlings as the farmers would not have had the means to do so, without savings and without access to credits.

Following the *methodology* of UNOPS Peru, not only was the *production* of the fruit of the palm oil crops supported by various measures but also the *processing* and its *industrialisation*. This should allow the farmers to add an important value to their product. In 1996-1997, a factory was constructed by the project which became operative in 1997. The maximum distance from any field to the factory is 30 km. The factory in 2005 had the capacity to process about six tonnes of racemes of fresh fruit per hour. However, the capacity is *expandable* to ten tonnes per hour and with the growing production of fruit, the plant most probably needs to be extended within the next few years. While the factory in 2004 was producing about ten hours/day, in 2005 during some months it was already necessary to work 24 hours/day to process all the fruit harvested.³⁴⁸ The costs for the construction of the factory were about 1.2 million USD. Altogether, an investment of about 4.2 million USD was necessary to build the factory and to install the first 1,350 ha of palm oil crops.

Another important feature of this and all other UNOPS' projects in Peru is the *organisation* of the farmers. UNOPS works on the *strengthening* of already *existent* farmers' organisations and in regions without such organisations, their *setting up* is *initiated*. Organising the farmers is of such importance because of the so-called *minifundio* in Peru, which means that most farmers only own a few ha. Therefore, each farmer *by himself* is neither able to make the investments necessary nor to harvest the quantity necessary to be of importance to the potential clients. By forming organisations, the farmers are in a position to produce more effectively and to obtain better prices on the market as they can often sell large quantities and products of good or high quality.

Therefore, in 1992 the Central Committee of Palm Oil Farmers of Ucayali (COCEPU, *Comité Central de Palmicultores de Ucayali*) was founded by the 270 farmers with the assistance of UNOPS in the area of Neshuya. The COCEPU consists of a maximum of 28 representatives, i.e. one representative for about ten members. Out of these 28 representatives, a directory of six representatives is democratically elected by six smaller committees, the *comités de base*. Thereby, these are represented equally, each committee with one representative, in the directory of the COCEPU. Each of the six *comités de base* has about 30-50 members who gather together in their

³⁴⁸ Visiting the plant in April 2005, I had the chance to see that trucks with racemes really had to line up and wait to be unloaded. For the months of April and May, it was expected that, *even* working 24 hours, the plant would *not* be able to process all fruit offered to OLAMSA. In that case, OLAMSA first buys the racemes from its associated farmers/partners and only then from the other producers who (still) are not partners.

respective area and discuss certain issues or try to resolve certain problems among themselves. The function of the representatives of the COCEPU then is to *transmit* information from the level of the *comités de base* to the COCEPU and the other way around.

Some years after the foundation of COCEPU and shortly after the construction of the factory, the enterprise *Oleaginosas Amazónicas S.A.* (OLAMSA) was established in 1998. OLAMSA has 253 shareholders – 252 individuals³⁴⁹ and one legal entity which is the COCEPU. With 58.14%, COCEPU has the *majority* shareholding while the individuals can account for 41.86% of the shares. The general committee is formed of 12 representatives from COCEPU and nine representatives for the individual shareholders. The directory of OLAMSA is formed of five persons who can be shareholders and who are occasionally supported by external experts whose suggestions are needed for the management decisions. The manager of OLAMSA is not allowed to be one of the shareholders. S/he is directly responsible for the management decisions and depends on the directory with which s/he regularly meets. It is important that the manager has good *business sense* and is quite experienced with similar enterprises³⁵⁰ to make OLAMSA advance.

4.3.2.1.2 *Difficulties*

However, the UNOPS experience with the production of palm oil in Neshuya is not only positive. The technical assistance offered from UNOPS, which is nowadays offered by OLAMSA itself, had and has to deal with *various* and *complex problems* such as:

- abandoned parcels of land or parcels not well run;
- bad quality of harvests;
- low productive yields (measured in tonnes of racemes of fresh fruit per year);
- inappropriately managed fertilisation;
- substantial decrease of production of fruit in the months of August to November;
- plantations affected by plagues and diseases;
- plantations with decelerated growth because of weeds.

By the following means, formerly UNOPS and nowadays OLAMSA, try to *solve* the problems mentioned above:

- start an aggressive plan to rehabilitate abandoned or parcels not well run;
- set up for each farmer an agricultural exploitation plan in which the use of appropriate fertilisation for her/his soil is considered;

³⁴⁹ This means that not all of the 270 partners (the so-called *socios*) are shareholders. Some of the current shareholders are *against* the admission of further partners as shareholders as they are afraid to then lose something. However, OLAMSA in 2005 was evaluating different possibilities on how to *integrate* 400 more farmers that had started producing, but were neither shareholders nor partners.

³⁵⁰ *Similar* enterprises does not necessarily mean that the manager must have worked with the same product or in the same sector before but s/he must have experience in working with *farmers* and their organisations. The manager who started to work for OLAMSA in April 2005, for example, had been working for an important Peruvian company that produces various milk products and in his former position he was in close contact with the farmers from which the company bought the milk.

- appropriately equip the technical department with professionals, equipment, tools and educational material for the agricultural widening;
- develop an intensive plan for technical training;
- realise an exchange of experience with the farmers who own the parcels with the best techniques;
- develop - together with the leading farmers - a plan for the experimental investigation and the yields of the plantations in the fields;
- train all families how to manage and control an information register to record in detail the costs and income.

An important *challenge* for OLAMSA is the *deficient* Peruvian infrastructure, especially the roads in the jungle, of which the majority must be described as nothing less than *disastrous*.³⁵¹ The problematic infrastructure and the necessity to cross the Andes to transport the crude oil to Lima where the refineries are, result in a significant pressure on OLAMSA to produce very efficiently and *cost-effectively*. In the age of globalisation, the Peruvian market needs for vegetable oils are not only interesting for *national* suppliers but also for *foreigners*. One must know that at 20 USD/tonne it is much cheaper to ship one tonne of crude palm oil from Malaysia to Lima then from OLAMSA/Neshuya to Lima for 42 USD/tonne. As the *best price* is the *decisive* factor for the market, OLAMSA has to make sure that it can *compete* with *international* vegetable oil *suppliers*, despite the higher transport costs.

Even though UNOPS has had success gaining the trust of the farmers and a certain change in their mentality has taken place, the OLAMSA directory in 2005 still indicated some problems. More training was needed to ensure that *all* farmers would acknowledge the advantages of *investing* in the fertilisation of their parcels, in their families, and in their children's education, for example. Approximately 30-40% of the OLAMSA farmers still have *not* understood the necessity to *save* and then *invest* the income generated, but immediately spend it on activities such as celebrating, etc. This means that the *entrepreneurial skills* and the long-term *vision* need to be expanded.

Another difficulty is particularly true for the parcels of the farmers that live close to the city or a larger village. These parcels are often *not* as well cultivated as they should be. Their owners sometimes even live in the city and only perceive their palm oil crops as an additional income. They more or less only harvest, which leaves their parcels *semi-abandoned*. While well cultivated parcels can produce up to 25 tonnes/ha/year, semi-abandoned parcels often produce only around

³⁵¹ Even the *main roads* are often not asphalted but are simple gravel roads. The lack of *maintenance* might be considered an even more severe problem than the lack of asphalted roads as both types of roads – asphalted and gravel – suffer a lot from the *massive* rain falls in the rainy season. A significant amount of potholes are the result which make it impossible for any vehicle to advance at a *normal* speed. Often it takes some three to four hours to cover 100 km, if the roads are open at all (in the rainy season some roads cannot be utilised). Transporting any products from the jungle to Lima or the other way around is, therefore, expensive (1) because it takes a *long* time and (2) because the *wear* and *tear* of the transporting trucks are significantly *higher* than on good roads.

10% of this. This shows that some of the farmers do not take the production of palm oil as *seriously* as OLAMSA would like them to, because the enterprise is interested in a further growth of production. This growth should not be obtained by only cultivating *more* ha, which also means new investment in seedlings, etc. but also by taking *maximum advantage* of the parcels that are already in production and that were financed by UNOPS. Also, those farmers who are not dedicating themselves fully to the cultivation of palm oil *prevent* other farmers, who are waiting for the possibility, i.e. the financial means to buy seedlings, etc. to earn their living with this product, from doing so. However, OLAMSA can only *try* to convince the respective farmers to work more on their parcels; neither the enterprise nor COCEPU have the means to put pressure on them to either do so *or* give up their parcels.³⁵²

Besides the problems and possible ways to solve them as mentioned above, OLAMSA also has to face various severe *risks* which it can *hardly* influence:

- severe *climatic changes* that affect the cultivation negatively;
- *depreciation* of the USD in countries producing and exporting vegetable oils and fats;
- *retraction* of the financing for the development of the cultivation and the agro-industry of palm oil;
- *reactivation* of coca and drug trafficking to an extent that makes the production factor costs and services required for the cultivation of palm oil crops much higher;
- political, economic and/or social *instability*.

4.3.2.1.3 Success

Because of its success, OLAMSA is often mentioned as a *shining example*, not only by UNOPS or UNODC, but also by the Peruvian media and DEVIDA. In 2002, the factory reached its operative break-even point. For the first time, the income after taxes was higher than the operative costs. The enterprise in 2005 had 34 employees who were responsible for (1) operating the plant, (2) administration and (3) management.³⁵³ On the management level, OLAMSA has reached a certain

³⁵² Therefore, it might be an important step to set up – in the statute of either COCEPU or OLAMSA, the possibility to severely *sanction* associated farmers and to even *expel* them. Partly, in the statutes some punishments already exist, for example, for not attending an assembly. Unfortunately in many cases these sanctions are not *carried out* and therefore make their existence less valuable.

³⁵³ Nowadays, as OLAMSA is not a UNOPS project anymore but independent, all 34 employees are financed by the enterprise itself. This is the *final objective* of all UNOPS projects. At the beginning of a project, however, UNOPS staff itself or personnel hired and paid for by UNOPS work together with the farmers to *build up* the necessary structures. Over time, UNOPS slowly reduces its own personnel and more and more of the personnel first paid by UNOPS are then paid by the respective enterprise. In the case of OLAMSA, the first manager was UNOPS staff. Once the enterprise reached a certain level of maturity, an *independent* manager was hired. UNOPS paid 50% of his salary, OLAMSA the other 50%. Now, of course, the manager as well is hired and entirely paid by OLAMSA. The former UNOPS manager of OLAMSA in 2005 was still one of its directors, following a *request* from OLAMSA, which consults UNOPS about problems, etc. Sometimes, OLAMSA even *invites* someone from the UNOPS office in Lima, a sociologist, for example, to further develop the organisation, to visit OLAMSA and do a workshop. Again, OLAMSA proves that it is independent as it *pays* UNOPS for any costs. UNOPS on the other hand also has an interest to keep close contact with OLAMSA as the enterprise is considered as a shining example. Therefore, UNOPS often mentions OLAMSA to other farmers in new

degree of *maturity*. For the period from 2004 until 2008, a five-year-plan was set up, i.e. long-term planning has already become part of OLAMSA's vision for its future. To achieve one of the long-term goals, to get the factory running to capacity, an area of 5,000 ha with palm oil crops would be needed. OLAMSA has been working hard on the extension of cultivated areas as this would allow them to take advantage of the *economies of scale* of the factory; the more the factory processes, the *less* are the fixed costs per tonne so that more profit can be made.

For the year 2008, the following *vision* was formulated: OLAMSA and the COCEPU continue to be sustainable, are socially and economically strengthened and among the *leaders* of the agro-industrial sector within the region and within the entire country. The clients are diversified and best prices are reached on the market. The planning of a refinery for the further processing of the crude oil is finished and the plant is constructed and ready to become operative.

To further illustrate OLAMSA's development within recent years, some *figures* should be mentioned. The production of racemes of fresh fruit was increased from 2,369 tonnes in 1997 to 17,435 tonnes in 2003 and was expected to stand at about 22,000 tonnes in 2004. This growth in the overall production was based on the extension of cultivated area but also on more production per ha/per year which grew from 3.95 tonnes in 1997 to 14.86 tonnes in 2003. This number reflects not only the fact that palm oil crops reach their highest level of production only at the age of seven years,³⁵⁴ but also the fact that the farmers have *improved* the fertilisation, etc. Together with the growing production of fruit, the production of crude oil *quadrupled* from 2000 to 2004 from 1249.00 tonnes to some estimated 5500.00 tonnes. The income generated tripled from 1,908,792 Sol³⁵⁵ in 1999 to 6,652,165 Sol in 2003. The growth of the net income is even more impressive as in 1999 it stood at 86,694 Sol and in 2003 was already at 534,896 Sol. An average *farmer* who owns the average five ha³⁵⁶ earns about 3,000 USD per year which is often more than an *employee* makes, especially in the country.

Investments were increased nearly *tenfold* in only two years – from 2002 to 2004 – from 48,900 Sol to 458,919 Sol. OLAMSA's success was also recognised by private financial institutions: the bank *Banco Continental* gave OLAMSA two loans of 190,000 USD (for fertilisation) and 50,000 USD respectively. OLAMSA had to pay them back within 12 months and

projects and also organises visits at OLAMSA to show them what is possible with the cultivation of palm oil crops. This is important as the farmers in the beginning often are quite sceptical and believe more in what they *see* with their own eyes and also what other farmers tell them than simply *trusting* UNOPS staff. UNOPS has found a good way to deal with the *initial mistrust* by advancing slowly, demonstrating their success in other projects and not promising too much to the farmers but also mentioning possible difficulties and problems along the way.

³⁵⁴ At the age of three, a palm oil tree starts to produce racemes of fresh fruit that are utilised to produce crude oil. From seven to 15 years, the plants are the most productive but they can be harvested until the age of 25 years. It is recommended to plant young seedlings between the older trees once they are about 20 years old so that the time is *minimised* for which the farmer cannot harvest because the old trees have been removed and the young ones are not yet producing.

³⁵⁵ At the time, one USD equalled about three Peruvian Sol.

³⁵⁶ A study had shown that five ha of palm oil tree result in a production that allows one family to live on it.

the interest rates were comparably³⁵⁷ low, 12% for the larger amount, 10.5% for the other loan. The enterprise takes the loans and then gives loans to various farmers, as these *individually* would have no access to credit at all, or, as already indicated, at much higher rates. For the necessary future investments, OLAMSA wants a *mix* of different sources: (1) re-investing its own profits, (2) taking loans from private banks and (3) obtaining funds from the regional and national government as well as (4) from the international development organisations.

4.3.2.2 Shambillo (Aguaytia)

The river basins of Pichis, Palcazu and Aguaytia were home to a significant coca-cocaine industry during the two decades up to the mid-1990s. Aguaytia alone accounted for 21,400 ha of coca in 1994. Since then, coca *declined* to 1,415 ha in January 2003 and to 760 ha in January 2004. The *Peru Coca Cultivation Survey 2004* reported that the coca surface in Aguaytia had declined to 52% compared with 2003. The positive results over these ten years were due mainly to (ID):

- the *fall* in coca prices,
- the almost total *demise* of terrorist groups involved in drug trafficking,
- the *voluntary eradication programme* promoted by DEVIDA, and
- the *sustainable livelihoods programmes* spearheaded by UNOPS/UNODC in the region in the second half of the 1990s to build legal farm economies and prevent the return of illicit markets.

The massive reduction was a great achievement by any standards, but local farmers have had to contend ever since not only with poverty, but also with the widespread environmental damage that the former coca production left in its wake.

The project, of which the palm oil plant in Aguaytia is a *sub-project*, started its work in June 1999 in the Pichis-Palcazu and Aguaytia valleys with a total budget of 4,807,700 USD. The positive results of the project, sound methodology and acceptance among farmer families attracted *additional* funding from the Peruvian government and external donors to pay for complementary sustainable livelihood activities. This led, in 2003, to a revision increasing the budget to 6,401,492 USD. In May 2004, the project was substantially revised (1) to streamline and represent the project along its constituent geographic subprojects, (2) to extend its duration to December 2007, and (3) to increase its budget to 9,288,180 USD to accommodate new income and to position itself to meet emerging field requirements and future co-funding opportunities. In November 2004, another revision incorporated fresh cost-sharing funds from the Peruvian government for two new subprojects: one in agro-forestry in Aguaytia³⁵⁸ and the other to develop *pijuayo* for palm heart production in Tocache, increasing its budget to 10,417,034 USD.

³⁵⁷ In Peru, interest rates up to 30% are not unusual, especially for farmers, etc.

³⁵⁸ This agro-forestry project was supposed to be executed by DEVIDA, but the farmers were disappointed by its former actions and mistrusted DEVIDA so much that they *insisted* on the execution by UNOPS. This also demonstrated how much *trust* UNOPS had already gained in the area by its success with the palm oil projects.

As of early 2005, the *revised* project worked with 4,310 families and implemented the best practices in the organisation of former coca farmers, agricultural diversification, agro-business development, marketing and implementation of partnerships with regional governments, local authorities and external actors. The immediate objective is to provide *viable* and *long-term alternatives* to coca production in the area. In addition to palm oil, the other marketable products sponsored by the project include specialty coffees, organic cacao, natural rubber, livestock, rice and diverse agro-forestry cash crops.

4.3.2.2.1 *Palm oil in Aguaytia*

UNOPS partners with one entire community in Shambillo, Aguaytia to *generate* legal incomes and *recover* degraded soils. 400 households, about 2,200 villagers, participate in the wider UNOPS/UNODC programme to promote palm oil as a commercially viable sustainable livelihood scheme.

Before the project was started, UNOPS carried out a socio-economic and agricultural study. From the 14,575 ha covered by the Shambillo valley, 9,283 ha were identified as suitable for the cultivation of palm oil crops.

The *first* phase of the Shambillo project started in late 1999 and lasted four years. It led to the implementation of basic road infrastructure, the modernisation of the Palm Farmers Association of Shambillo (ASPASH – *Asociación de Palmicultores del Valle de Shambillo*) which was established in April 2000 by some 200 founding associates and the development of 1,800 ha of palm oil crops.³⁵⁹ In the process, former coca growers uprooted their coca plants and planted palm

It is also interesting to see how many signs from USAID and/or DEVIDA can be found on the roadsides in the area around Aguaytia and Tocache *promoting* the different projects the two organisations have executed there. These signs are kind of ‘success’ stories. They include information on how many families were helped with how much money, etc. This shows how desperately USAID and DEVIDA try to gain the confidence of the population by demonstrating what they have done already. However, the population in the former coca growing areas are quite *aware* of which projects work and which don’t and signs do not change their attitude.

Moreover, one must add that the *forced eradication* which is generally supported by USAID and/or DEVIDA produces such a bad image of the two organisations within the population that even possibly quite helpful and reasonable projects and their execution are not *valued*. One of the main problems is that the US has the following equation: coca farmers = drug traffickers = terrorists. Therefore, the US is not as *open* towards alternative development as the UN. In Columbia, where the US is much more active, alternative development is not supported, but the growing of coca is mainly *fought* by *forced eradication*, poisoning of coca plants, etc.

UNOPS Peru, on the other hand, never places such signs. It trusts in the outcome of its *unconditioned* projects and the mouth to mouth advertisement which is much more important in this area. Even without signs everyone in the respective areas knows what UNOPS Peru stands for.

³⁵⁹ In 2000, the *first* nursery was installed which meant seedlings for 100 farmers with five ha each so that a total of 500 ha was the outcome. The *second* nursery for another 100 farmers was set up in 2001. DEVIDA installed the *third* nursery for another 100 farmers in 2002. The *fourth* and so far last nursery followed in 2003.

The example of the fourth nursery is meant to illustrate the problems that can occur with the palm oil crops seedlings. In November 2003, the soil of the nursery was carefully prepared. UNOPS technicians supervised the preparation and 100 beneficiaries participated and assisted. In December 2003, 102,000 seedlings were received of which only 88,000 reached the next step. Some were already *deficient* at their arrival, others did not continue to germinate. In January 2004, 78,000 seedlings were considered healthy

oil crops in their place. UNOPS provided technical guidance, training and equipment, but much of the work and some of the local costs were shouldered by the farmers themselves. As a matter of policy, UNOPS sustainable livelihood programme in Peru, as mentioned above, does not pay wages to local farmers for the implementation of project activities. Besides the organisation of the farmers in an organisation, which was already achieved by ASPASH, UNOPS wants to establish an enterprise in Aguaytia which will be owned by the farmers themselves. This means that the successful model of the COCEPU and OLAMSA in Neshuya should be *replicated* in Aguaytia.³⁶⁰

The *second* phase – the construction of the industrial palm oil production facility – took about six months and was concluded in June 2004 with the inauguration of the *Shambillo Palm Oil Processing Plant*. The processing capacity of the plant in 2005 was six tonnes of fresh palm bunches per hour. It can be extended to 18 tonnes/hour. Like the plant in Neshuya, the plant in Aguaytia was also constructed at a cost of about one million USD.³⁶¹ Local farmers trained under the project run the plant under the supervision of a UNOPS employee.

ASPASH was founded by the first 100 associates that were the first beneficiaries and received the seedlings from the first nursery. In the following years, about 100 new farmers have joined the project and ASPASH each year.³⁶² Since early 2005, ASPASH is organised in 13 committees. Depending on the number of associates per committee, one or two elected delegates *represent* the committee in the assembly of all delegates. Before the statute of ASPASH was changed by introducing the committees and the respective delegates, *all* associates got together in general meetings. As it turned out to be hardly possible to take decisions with so many associates, it was *opted* to organise ASPASH differently. Since 2005, the 21 delegates from the 13 committees

and growing and in September 2004 about 73,500 seedlings could be planted in the fields. This means that about 28,500 seedlings were *lost*, equalling nearly 30%.

³⁶⁰ This model was *questioned* by an independent evaluation from November 2003. It was doubted that the plant would become viable if the *producers*, i.e. the farmers, were also the *shareholders* of the company. The following hypothesis was advanced: On the market, the producers want to sell at the highest possible price, the buyers want to buy at the lowest possible price. If seller and buyer are one person or the same group of persons respectively, then it can be assumed that the market mechanism is cancelled. The evaluators further *assumed* that this would result in the collapse of the company. They thought that the business model would make it difficult to attract credit from the finance sector as the concept would not be perceived as *trustworthy*.

Reacting to this criticism, UNOPS/UNODC underlined the importance of the *identification* of the farmers with the project. Their participation and involvement by not *only* being a *producer*, but even one of the *shareholders* is a significant characteristics of the projects of UNOPS Peru. UNOPS Peru strongly believes in this model and with OLAMSA it moreover has *proof* that it is a economically and socially viable concept. OLAMSA is trusted by the Banco Continental which finances the enterprise. Another argument from UNOPS for continuing with this model is that the price for the racemes of the palm oil crops is more or less fixed at a certain percentage – about 13-16%, of the retail price of the palm oil. In early 2004, OLAMSA, for example, paid the producers 14.5% of the retail price of oil. This practice which is common in Peru and Columbia makes bargaining much less important than in other businesses.

³⁶¹ UNOPS/UNODC contributed 661,000 USD for the equipment and machinery, DEVIDA 239,000 USD for civil works and assembly, and ASPASH the site of six ha worth 3,000 USD.

³⁶² Therefore, ASPASH should have had 400 associates in 2005. In reality, however, it had only about 350 associates and in some cases more than *one* family member owned a parcel. One family is only counted as one associate. In 2005, UNOPS planned to clarify this to find out how many associates ASPASH *really* has. At the beginning of the project, UNOPS *tolerated* the fact that several family members applied to receive seedlings for a parcel as there were not enough farmers interested in the project.

meet, discuss, transfer opinions back and forth between the assembly of the delegates and the reunions of the committee associates and take decisions. This change at first produced a lot of *insecurity* within the associates. The farmers feared that they would lose their means to participate and that the delegates might not *represent* the interests of her/his committee but his own *personal* interests. UNOPS was able to convince the majority of the farmers that the general assembly with about 400 associates were just not *manageable* and therefore *ineffective*.

The principal objectives of the project were (1) to install palm oil plantation and (2) to construct and build a plant which extracts palm oil in the province of Padre Abad, Aguaytia. Indicators were the following:

1. 500 ha for the cultivation of palm oil crops prepared;
2. 500 ha corn as an additional permanent crop installed;
3. 500 ha of palm oil crops installed;
4. palm oil extracting plant exists.

4.3.2.2.1.1 Difficulties

Sub-project palm oil officially ended

In 2005, only four UNOPS employees were left working for the sub-project palm oil in Aguaytia and from the former three technicians only one remained. Obviously this means *less* presence in the field and *less* assistance to the farmers and the plant. The problem is that officially the sub-project palm oil *ended* at the end of 2004.³⁶³ But UNOPS in early 2005 kept searching for more funds to further support the palm oil activities in Shambillo as this former project was considered to *not yet* be sustainable at that point of time. The production needed to be increased and though this was supposed to be the case already by the fact that the nurseries from 2002 and 2003 would become producing soon, it was also obvious that the farmers needed *more* assistance concerning fertilisation, development of their organisation³⁶⁴, etc. Once *enough* racemes are available to keep the plant processing full-time and the enterprise is created, *then* UNOPS can withdraw and trust in the sustainability of the project after its termination.

Because of budgetary constraints, the 500 ha of corn could not be installed in 2004 as all funds were needed for the completion of the plant which was *prioritised* in that situation.

Low production of racemes

One of the most important problems for Shambillo is, as already indicated above, that there is not enough production of fruit to get the plant running *full-time*. In April 2005, the plant was far from being processed *efficiently*. About 87 tonnes of racemes per months were produced; this amount

³⁶³ Though it is well-known and communicated by UNOPS that a project can usually be successfully ended only after eight to ten years, this sub-project was ended after five years only, as promised donations for palm oil projects did not *materialise*.

³⁶⁴ In early 2005, the organisation ASPASH was still in its initial phase and far from being consolidated and not, fully, functioning without the assistance from UNOPS staff.

can be processed by the plant within no more than 1.5 days. If the plant is only run a few days per month, its *maintenance* obviously is comparably expensive as costs remain nearly the same while only little income is generated.

In April 2005, only 250 ha were in production. It was hoped that some 100 ha more could be produced within the following months. Only about 60 farmers could deliver and sell racemes to the plant of which 90% were from the first nursery, and 10% from the second. This, at least, was a good *indicator* that production would increase *automatically* over time once the plantations from the second, third and fourth nurseries became productive. Moreover, plantations already producing in 2005 will become much *more* productive within the next few years as only at the age of about seven years do the palm oil crops reach their *maximum productivity*. Also, it is expected that more farmers will fertilise their plantations in the future.

To at least get the plant processing more fruit, UNOPS took the decision to *transport* fruit from other UNOPS palm oil projects to the plant in Shambillo. As the project in Tocache still did not have a plant, racemes were transported from Tocache to Shambillo/Aguaytia. *Economically* this decision remains *questionable* as one tonne from Tocache was bought for 98 USD – including the transport – compared to about 60 USD paid to the farmers in Aguaytia. The transportation costs were 23 USD per tonne. Moreover, one must take into account that Aguaytia does not even lie on the way from Tocache to Lima and the transport takes about eight to ten hours. All together, it took some two or sometimes even three days from harvesting the racemes in Tocache until they reached the plant in Aguaytia. The problem is that the fruit need to be processed as *soon* as possible as they rapidly *lose* moisture. Less moisture means less and worse palm oil so that quantity and quality also suffer from the long distance transport from the field to the plant.

UNOPS also had to acknowledge the *unreasonableness* of transporting fruit over such a long distance. Therefore, two measures were taken in 2005:

1. UNOPS staff intensified the negotiations with OLAMSA about buying fruit from them. OLAMSA is only about two to three hours away from Aguaytia and therefore at a much more reasonable distance. Until April 2005, OLAMSA did not want to sell racemes to Aguaytia *even* if, at their plant, there were long lines and too much fruit was waiting to be processed. But with the new manager at OLAMSA, UNOPS expected a certain change and it was hoped that racemes could be bought from OLAMSA for the price of about 80 USD/ tonne including transportation. Another option would be to offer OLAMSA to process some of their fruit in the plant of Shambillo in the months when they have so much fruit from their farmers that cannot be all processed at their own plant. OLAMSA would then pay for the processing.³⁶⁵

³⁶⁵ Apart from being much closer to Aguaytia, it is also positive that for OLAMSA, Aguaytia lies on the way to Lima. This makes more sense as well, even if it remains more expensive to transport the *racemes* than

2. UNOPS staff intensified the talks with the farmers on fertilisation and better cultivation of their plantations in general. Moreover, at a reunion with ASPASH delegates, one of the sociologists from Lima motivated them to focus on production and underlined the importance of higher productivity within the next months. Special workshops for the farmers with already producing plantations were set up to ensure that the results would be the best possible.³⁶⁶

When the plant was built and inaugurated in 2004, there was hardly any production of racemes. It was *well-known* that it would take some years until that plant would be processing full-time as the parcels with palm oil were still too young for production.³⁶⁷ The *premature* construction of the plant was the result of one more *bureaucratic* issue in development cooperation. In 2000/2001, funds became available that had not been counted on, but two important *restrictions* came with them: (1) they had to be spent right away, and (2) they had to be spent for the palm oil-project in Aguaytia. To not lose these funds, UNOPS decided to *immediately* build the plant as this was the only reasonable thing to do with such a huge amount of money, even though UNOPS was *aware* of the fact that it would take *years* until the plant would be working efficiently.³⁶⁸

Coca plants

It was mentioned above that many farmers participated in the *voluntary* auto-eradication of their coca plants. However, in 2005, often coca plants were still found between the palm oil crops – i.e. in the same field, as a significant number of the farmers continued to grow coca *besides* the cultivation of palm oil crops.³⁶⁹ The farmers usually stated that they would *stop* cultivating coca

the *crude oil* which would be the product of these racemes and cheaper to transport (due to less volume/weight).

³⁶⁶ UNOPS also encouraged the farmers to take advantage of the offer that the UNOPS employee responsible for the plant would visit each of the various ASPASH committees to explain in detail any issues of interest to small groups. The *initiative* of the committees is *necessary*; they have to invite this expert. Thereby, UNOPS also wants to enlarge the farmers' *involvement* and *self-initiative*.

³⁶⁷ In the independent evaluation of November 2003, which was already mentioned above, it was indicated as well that the plant would not be running to *capacity* in the first two years and, therefore, losses needed to be assumed for two years. Based on the assumption that the plantations of palm oil crops in the area of Aguaytia would continue to grow without severe problems such as plagues, etc., the evaluators calculated how many tonnes of racemes would be produced: for 2004, 5,400 tonnes were assumed, for 2005 10,900 tonnes and for 2006 about 15,750 tonnes. The plant would be able to process about 13,440 tonnes per year (working only one shift and at six metric tons/hour). This would only be achievable in 2006 with the palm oil crops of the nearby area and it would be two years until the plant would *break even*.

³⁶⁸ The fact that the farmers had neither to wait nor to work for that plant consequently led to a *lower esteem* of it. In the UNOPS palm oil project in Cainarachi, the production in 2005 was already at a good level and the farmers were eagerly *awaiting* for possibilities to finance a plant. This shows the differences of the beneficiaries' attitudes towards the palm oil extracting plants that are so essential for the success of the projects. It seems to prove the assumption that human beings tend to value things they have to fight for more highly than the things they receive without any effort. I had the impression that the farmers in Aguaytia were not quite *aware* of the enormous luck they had. A plant worth about one million USD was built for them with international funds even *before* they needed it for the further development of their business. The importance of *participation* and *involvement* of the beneficiaries cannot be neglected. Otherwise they feel much less of the *ownership* which is so much talked about in the theory and practice of development cooperation.

³⁶⁹ In Tocache where UNOPS has another palm oil project one can see the same *mixture* of plants in one field of palm oil crops and coca plants. There, the situation is even more difficult, as the cultivation of coca was

once they were able to generate their income by harvesting the racemes from the palm oil crops. As UNOPS is working with *unconditioned assistance*, this was accepted by UNOPS staff. It was assumed that, over time, palm oil crops would more and more *suppress* coca (1) by generating a *good income* for the farmer and his family and (2) by the mere fact that the coca plants would be *overshadowed* by the growing palm oil crops one day. As coca needs the sunlight, it would disappear *automatically* over the years. Again, the experience made with OLAMSA supports these assumptions.

The auto-eradication measures that are mentioned above also resulted in a problem, though they were evaluated quite positively. UNOPS states that the farmers were *spoiled* by having been paid for the eradication. From then on, for example, they always asked for payment for any kind of work they were supposed to do in their fields. Following auto-eradication measures financed by USAID, UNOPS had a hard time to explain to the farmers that they were working in the fields for their own future and that they would not get paid by UNOPS but by the harvest.³⁷⁰

Cooperation with Peruvian government

The third nursery from 2002 was not only *financed* by the regional government and by DEVIDA, but also *installed* by them. They did not agree to just contribute funds to the UNOPS project. However, their engineers/technicians who planted the seedlings did not know as much about palm oil crops as the UNOSP technicians. This resulted in *several* problems with the nursery and the seedlings did not grow as they should. UNOPS employees then intervened but by then the mistakes made could not be fully *compensated*. The farmers who received the plants from the third nursery, therefore, had more problems in growing them as they were of *lower* quality than the seedlings nursed by UNOPS technicians. This shows what problems can occur if cooperation takes place with other organisations/institutions. In this case, it would have been better if DEVIDA had simply contributed *funds* to UNOPS and if UNOPS had installed the third nursery as it had done successfully with the first two and the fourth. One UNOPS employee also mentioned that the technicians from the government were not as involved as the UNOPS technicians. For example, they were hardly seen in the nursery on the weekend while it is normal to see UNOPS technicians in the field also on the weekends.

more *widespread* in Tocache than in the area of Aguaytia. Lots of farmers who are not participating in the UNOPS project still cultivate hectares and hectares of coca. The Peruvian government has a camp close to Tocache from which soldiers in helicopters take off to coca fields to destroy them. The atmosphere in Tocache therefore is much more explosive than in Aguaytia.

³⁷⁰ In Neshuya, UNOPS was working as the only organisation with COCEPU/OLAMSA and, therefore, has never paid any wages, etc. This obviously was a good decision and more importantly was never changed so that the farmers were used to this principle. One UNOPS staff member stated that one must admit, moreover, that the people from the area of Neshuya are better *educated* and more *hard-working* than those in Aguaytia as they migrated from different regions.

Bad infrastructure

Concerning infrastructure and especially the quality of the roads, the plant in Aguaytia has the same problems as OLAMSA in Neshuya. However, as Aguaytia is about two to three hours closer to Lima, the transport costs are slightly lower at some 39 USD compared to the 42 USD OLAMSA has to pay per tonne.

Moreover, in 2005, Aguaytia still suffered from bad infrastructure to reach some of the plantations. Some parcels with fruit that needed to be transported to the plant could not be reached as there were no roads at all to get there.³⁷¹ This, of course, meant great *frustration* for the respective farmers as they were eager to sell their first fruit and receive their first income from palm oil.

4.3.2.2.1.2 Success*Growing production of palm oil*

The surface devoted to palm oil in Shambillo was around 1,800 ha in 2005. On average, each farmer family owned about five hectares. Of the 1,800 ha, about 680 ha benefited from *kudzu leguminous* cover crop protection and about 53% of the area was fertilised. However, in April 2005, only 250 ha were in production, mostly from the first nursery as the other plantations had not yet or had just passed the age of three years. UNOPS hoped that by mid-2006, 1,300 ha would be producing and by 2008 all 1,800 ha. All plantations received *continuous technical support* from UNOPS project staff. The total harvest in 2004 was 144,247 tonnes of fresh palm bunches. The bank *Agrobanco* granted a loan to 39 members of ASPASH for a total amount of 71,872 USD to acquire fertilisation products for 260 ha. This allowed them to increase the production of racemes for the processing plant.

Destruction of coca plants

Until 1999/2000, Aguaytia was an area with a *high* production of coca. *Forced* and *voluntary* eradication existed. If coca farmers agreed to voluntary eradication, they received money and/or they were offered alternative work. However, these alternatives are only offered for a *short* time and afterwards the former coca farmers have no income. This generally is the problem of the projects of the US, or DEVIDA which often carries out projects financed by US funds. They do not have a *long-term concept*. To avoid such a short-term orientation, UNOPS thought it to be valuable to accept cooperation with USAID/DEVIDA in the area of Aguaytia. During the period from October 2002 until March 2003, USAID/DEVIDA contributed funds with which *voluntary* eradication was carried out within the UNOPS project in Aguaytia and the soils were prepared for

³⁷¹ For installing the first seedlings into the field, UNOPS did not have enough farmers willing to participate as there were still doubts about the project. Therefore, farmers were accepted who had their parcels in these rather inaccessible areas. Unfortunately, the problem with the lacking infrastructure was not solved on time. Only in 2005 was it hoped that UNOPS and ASPASH, together with the local government, would soon find a solution.

the growing of palm oil crops. Of course once the project was started, UNOPS had already promoted the auto-eradication of coca and the preparation of the soils for the palm oil crops seedlings. However, many farmers have continued to grow coca as well as participating in the UNOPS project.

This cooperation started with the beneficiaries *agreement* to eradicate their coca plants voluntarily³⁷². They signed agreements committing themselves to auto-eradicate the illicit coca grown in their areas of influence in *exchange* for participating in immediate, short-term alternative development activities designated to mitigate the shock of the loss of a principle source of income, i.e. the sale of the coca leaf. *Typical* activities included a daily wage for community members to work on priority public works projects identified by the community, health and nutrition activities targeted at the most vulnerable members, initial training for local government to lay a foundation for further development planning and for convincing community members to abandon the coca-based economy, and short-term productive activities. These measures were *financed* by USAID as specified in a contract with UNODC and *supervised* by UNOPS technicians.³⁷³ In February 2003, forced eradication was also carried out in the respective area which resulted in a *rebellion* of the coca farmers and the *interruption* of the process of auto-eradication. Fortunately, this interruption ended after a few weeks. The farmers agreed not only to destroy the coca plants, but also not to start growing them again afterwards.

This contribution from USAID was considered a pilot project. In the final report of August 2003, it was evaluated quite positively. It had demonstrated that voluntary auto-eradication functions *if* effective help is offered as an alternative to coca for farmers, even if it is only short-term at the beginning and *needs* to be followed by a long-term alternative such as the cultivation of palm oil crops. By February 2004, 262 of the 312 ASPASH associates at the time, i.e. 84%, had destroyed their coca plants.

Cooperation between OLAMSA/COCEPU and ASPASH

In a reunion of some UNOPS staff with the representatives of the various smaller ASPASH committees, it became quite obvious to me *how* important the experience UNOPS had had in other projects is. It is easier to convince and motivate the farmers by giving them examples from similar cases, by comparing them and pointing out the difficulties and the success stories. Of special importance for the beneficiaries of the three palm oil projects UNOPS is carrying out in Aguaytia, Tocache and Cainarachi is the experience with COCEPU/OLAMSA in Neshuya as this was the

³⁷² However, one must be aware of the pressure on the farmers which were also informed that if they should choose *not* to participate they would be subject to forced eradication and would have at best limited access to alternative development benefits after eradication activities were completed. *Forced eradication* is a result of the international treaties between Peru and the US in which Peru *agrees* to promote the destruction of coca fields. If Peru does not fulfil these agreements, the US may react with economic sanctions. Therefore, the Peruvian government, with the financial aid of the US, carries out numerous forced eradication actions every day.

³⁷³ USAID contributed about 390,000 USD to the already existent project from UNODC/UNOPS.

outcome of the first UNOPS project with palm oil crops in Peru. It was easy to recognise the increased *attention* the ASPASH representatives paid every time OLAMSA was mentioned during the reunion. How was the company constructed? How is it organised? What measures do they take in case of a plague? All these and many more issues that are of general interest for ASPASH, UNOPS links with OLAMSA. The UNOPS sociologist from Lima, for example, explained that ASPASH should prepare an operative plan. OLAMSA, once again, was used as a shining example as it had set up such an operative plan, increased its production as planned, for example, and has even exceeded some of its goals.

As OLAMSA is only two to three hours from Aguaytia, UNOPS transported quite a few of the ASPASH associates to OLAMSA to visit the plant and to speak with the manager, the directory and also with some associates from the COCEPU. This not only increased the *trust* in UNOPS and its projects, but also the *motivation* of the farmers as they developed the *ambition* to become as *successful* as OLAMSA already is.

In October 2004, a *strategic alliance* was agreed on between OLAMSA/COCEPU and ASPASH to exchange experience with different technologies, training, technical assistance and to facilitate mutual economic assistance. This alliance demonstrated the trust OLAMSA already had in ASPASH which was still struggling with the initial problems. Thereby, the ASPASH associates developed even more hopes to one day become as successful as OLAMSA, their role model. The long-term objective is to organise a consortium that would have even more economic possibilities. UNOPS not only welcomed this alliance but also *encouraged* and initiated it. The more UNOPS withdraws from the two projects – more accurately from ASPASH, as OLAMSA already is independent – the more important it will become that the two remain in close contact, share their experiences and knowledge and establish a strong partnership to overcome any possible hardships in the future with *joined* forces.³⁷⁴

4.3.3 Results

4.3.3.1 Basic data of the entire programme

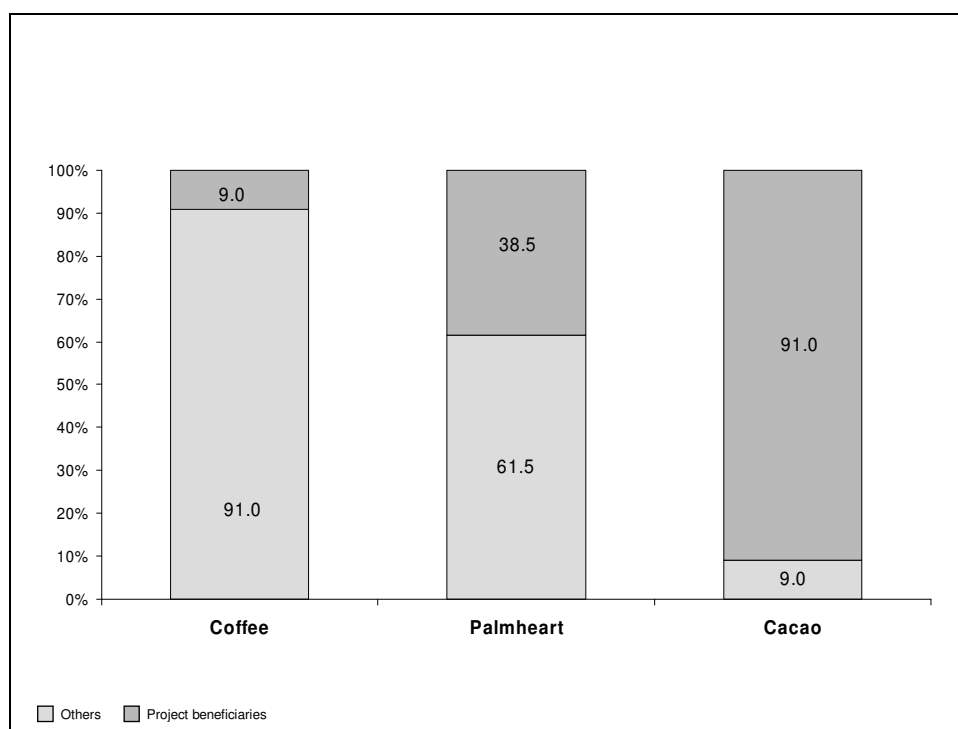
The credits granted from 1987 to 2003 to the different farmers' organisations/enterprises assisted by the UNOPS projects added up to 9.91 million USD. These had their impact on the sales volume which stood at 61.4 million USD.

³⁷⁴ OLAMSA has also a strong alliance with the UNOPS palm oil project in Cainarachi. Through the strategic alliances established among the farmers' enterprises, OLAMSA provided 150,000 USD as an *investment* for the construction of the new palm oil plant in Cainarachi, which was to become productive in 2005. The third palm oil plant installed by UNOPS/UNODC alternative developments projects received the following contributions: OLAMSA: 150,000 USD; the Regional Government of San Martín: 100,000 USD; UNOPS/UNODC (equipment): 574,000 USD; and UNOPS/UNODC (credit granted): 90,000 USD. It was also to be managed as a *private enterprise*, with significant participation from the producers.

In a baseline study carried out in 2000, the annual gross family income was 1,190 USD. The income steadily increased to 1,323 USD in the survey done in 2001, to 1,807 USD in 2002 and to 2,200 USD in 2003.

The diagram below shows the share of UNOPS supported farmer enterprises in Peruvian exports in 2003:³⁷⁵

Diagram 4-7: Share of UNOPS/UNODC supported farmer enterprises in Peruvian exports (2003)



source: UNOPS/UNODC Peru

The beneficiaries of the projects implemented by UNOPS who are organised as and are the shareholders of *sustainable enterprises* have left coca cultivation. Therefore, in former coca locations the UNOPS projects have a critical impact in the *disappearance* of coca cultivation and reorienting of the farmers toward *legal* alternatives. Compared to other international contribution to alternative development, UNOPS is effectively implementing its projects because of:

- its *field knowledge* – compared to only *theoretical* knowledge of many other organisations;
- *appropriate* medium term *time framing* of eight to ten years for each project;
- good *strategic* approach by strengthening or organising the farmers in organisations/enterprises and the willingness to learn from experience.

UNOPS and its partner, the funding UNODC, proclaim that they are on the *right* path to replicate and widen their own positive approach of successfully implementing projects in alternative development because (ID):

³⁷⁵ Only the three product lines coffee, palm heart and cacao are exported as palm-oil, at least until 2005, was entirely demanded for by the national market.

- within years, essential interventions have been *multiplied* by Peruvian government financing,
- UNODC is executing more national and bilateral funds than international contributions,
- promoted by UNODC/UNOPS, *National Programmes* for coffee, cocoa, and palm oil exist today,
- *regional* governments invest seriously in UNODC/UNOPS proposals.

With the experiences of over 20 years of project implementation in Peru, UNOPS states that alternative development works best if it is medium term, comprehensive and based on the beneficiaries confidence/trust. Alternative development *by itself*, however, is in no position to reduce the cultivation of coca to the extent desired; alternative development must be accompanied by *law enforcement* and *terrorism control* in drug crop areas.

4.3.3.2 The situation of coca cultivation in Peru

In 2004, the coca cultivation in Peru covered an area of about 44,200 ha, representing a 13% reduction since 1998 and a 5.4% decline compared to the estimated 46,700 ha under cultivation in 2002. The total production of dry coca leaves for 2003 was estimated at about 50,790 tonnes which means a 3.3% decline of 1,759 tonnes less than in 2002.³⁷⁶ In 2003, the Peruvian government reported the eradication on 11,312 ha of coca.³⁷⁷ 62% (7,022 ha) were under illicit crop elimination campaigns while 38% (4,290 ha) were under the farmers' voluntary coca reduction initiatives in exchange for sustainable livelihood schemes (<http://www.unis.unvienna.org/unis/pressrels/2004/unisnar847.html>).³⁷⁸

The Peru Coca Survey for 2004, however, presented figures that did *not* follow the success of the years before (UNODC 2005: 3):

“In 2004, Peru’s coca surface grew faster than at any other time in the past ten years. Compared to 2003, the total area under cultivation rose by 14 percent to 50,300 hectares whilst potential cocaine productions jumped an estimated 23 percent to 190 tonnes. Peru still trails Colombia but now accounts for close to one third of world cocaine production.”

³⁷⁶ As the productivity/ha may rise because of better techniques, it becomes more and more important not only to mention the cultivation areas but also the total production.

³⁷⁷ Until the end of 1995, the eradication of coca fields was limited to seedbeds. This was changed in 1996. In 1997 and 1998, the government stepped up its forced eradication of coca crops in national parks and other public areas. This resulted in a net eradication of 1,300 ha in 1996, 3,500 ha in 1997, and 7,800 ha in 1998. During 1999, the government *broadened* its interventions and increasingly eradicated coca at the level of *small-scale* farmers whenever there were indications of illegal processing in the vicinity. In 1999, 13,800 ha of coca bush were eradicated. In 2000, the number stood at 6,400 ha and in 2002 at 7,100 ha. Eradication at the farm level is in line with Peru’s international *obligations*. Nonetheless, in the eyes of the coca farmers, eradication appears to be *arbitrary*. The practice poses a risk for the government in not only losing support among the farming communities, but also in *reinforcing* the still existent structures of the Shining Path. *Resistance* against forced eradication increased in the late 1990s as many coca farmers had to face the unexpected *elimination* of their economic basis. This will subside only when farmers can count on alternative income options.

³⁷⁸ UNODC Andean Coca Surveys are based on the interpretation of high-resolution satellite images complemented by extensive verification on the ground (<http://www.unis.unvienna.org/unis/pressrels/2004/unisnar847.html>).

Despite the increase, coca cultivation in 2004 remained well *below* the levels registered in the mid-1990s when cultivation rose above 100,000 ha.³⁷⁹

The report states that the resurgence of coca in Peru is *fuelled* mainly by two interconnected factors (UNODC 2005: 3):

1. *insufficient government attention* paid to key growing areas, and
2. *the high prices* paid to farmers for coca leaves in these areas.³⁸⁰

While these numbers are bad news, they do *not* mean that alternative development has not had an impact. For the following reasons, UNODC, the partner of UNOPS Peru, *continues* to believe in alternative development and that the trend can still be *reversed* because (UNODC 2005: 3):

*“First, because nearly the entire coca increase in 2004 was concentrated in two areas notorious for the absence of the rule of law and the lack of development programmes. Encouragingly, coca surface remained relatively stable in the other six main growing areas, all of which benefit from sustainable livelihood programmes of some sort. Such correlations offer reasons for optimism.”*³⁸¹

Second, because Peru can point to numerous alternative livelihoods schemes that in the past have replaced the coca-cocaine industry with legal farming economies and commercially viable enterprises. Regrettably, only 11 percent of Peruvian farmers dependent on coca nowadays have real access to sustainable livelihood activities, due to lack of national and international funding. But this should not obscure the fact that the programmes that actually have been implemented are a successful tool for drug control and development. Looking at UNODC’s portfolio of activities alone, farmer enterprises sold in 2004 about USD 36 million worth of specialty coffee, organic cocoa and palm oil, mostly in export markets. The social and economic impact of the entire sustainable development programme in Peru is of course much broader.

Third, because Peru remains a country where the overwhelming majority of farmers would readily abandon illicit markets if offered viable alternatives to escape extreme poverty. Equally important, Peruvian public opinion would most certainly support any administration with credible policies aimed at stamping out the corruption, urban insecurity and human misery generated by drug trafficking. We believe these are powerful allies.”

³⁷⁹ In 1995, the *peak* was reached with 115,300 ha of coca cultivation in Peru.

³⁸⁰ From 2003 to 2004, the *average* farm-gate price of sun-dried coca leaves increased by 27% from 2.2 USD/kg to 2.9 USD/kg. The average farm-gate price of coca paste rose from 530 USD/kg to 640 USD/kg which means an increase of 21% (UNODC 2005: 6). Since 2000, the prices have remained above 2 USD/kg, compared to 1996 and 1997 when prices fell below 1 USD/kg and the prices of coca leaves therefore remained lower than its production costs.

Coca prices have increased slowly since 1999 while the prices of licit crops (coffee and cacao) decreased. Farmers started to *re-activate* their abandoned coca fields and coca cultivation rose again. To some extent, the increase was contained by the presence of alternative development projects, as well as the introduction of eradication measures, which included both forced eradication conducted by the Ministry of the Interior and voluntary eradication schemes conducted by DEVIDA (UNODC 2005: 8).

³⁸¹ The south-east of Peru close to the border of Bolivia, can be taken as a good example. In areas where alternative development programmes are operating, coca cultivation did not increase (as much). An important increase was noted in the remote district of San Gaban which lies in the south-east of Peru and where coca cultivation only appeared less than five years ago. This increase in San Gaban district of Puno department was probably triggered by the prices for coca leaves established at an average of 2.8 USD/kg in 2004. Moreover, the region is close to Bolivia where coca leaves prices fetched an average of 4.8 USD/kg in 2004, making the export of coca leaves a lucrative business. The cross-border business of coca leaves was also evidenced by the increase in seizure of Peruvian coca leaves at the Bolivian border posts. *By contrast*, the region of Inambari-Tambopata, also close to the Bolivian border, but where an alternative development project from UNODC/UNOPS is operating, showed a slight decrease in coca cultivation between 2003 and 2004 (UNODC 2005: 11).

Eradication of coca cultivation, forced *and* voluntary, decreased from 11,312 ha in 2003 by 9% to 10,257 ha in 2004 (UNODC 2005: 6). *Forced eradication*, especially demanded by the United States, and used against *small* farmers, interferes with alternative development and contributes to social unrest. The same is true for the offering of the Peruvian government of cash to farmers, on the condition that they would stop growing coca permanently.³⁸² These two measures, forced eradication and offering only cash, proved to not be *sustainable* or even *counterproductive*.

It is also important to note that the production of illicit drug crops depends on the *demand* (<http://www.unis.unvienna.org/unis/pressrels/2004/unisnar847.html>):

“...the responsibility in reducing the illicit drugs production lies also with the consuming countries. Demand drives production. The global cocaine problem will not be solved unless and until consuming countries reduce addiction.”

The above clearly indicates that it is *as* important that drug addiction in the consuming - mostly industrialised - countries, is reduced *as* it is to reduce the offer of these drugs.

To once again and further reduce the cultivation of coca in Peru, the following *actors* and *activities* are needed (UNODC 2005: 4):

- The Peruvian government should implement more vigorously its national drug control strategy, assigning particular importance to the empowerment of all relevant national entities and decentralised local governments to fight illicit drug production, trafficking and abuse.
- Donors and the international financial institutions should focus more severely on the severe effects of drugs, crime and terrorism on the country's prospects for poverty reduction, rule of law and sustainable development.
- Peru would also need much more support to deliver sustainable development opportunities in illicit crop areas, involving the private sector in initiatives aimed at increasing lawful employment, production and productivity.
- The main consumer markets in the Americas and Europe need to strengthen their demand reduction efforts.

³⁸² In the 1990s, the Peruvian government, as a last resort, tried spraying coca-producing areas with a herbicide. This had the *unintended* effect of destroying legal crops as well, leaving many farmers without the means to support themselves. After a stormy political debate, both at home and abroad, the Peruvian government *outlawed* the use of herbicides.

4.3.3.3 Objectives achieved? Difficulties and success of UNOPS Peru alternative development programme

4.3.3.3.1 Difficulties

Financial limitations

Financial limitations arising from cash flow problems sometimes created *slippages* in the delivery of planned outputs. Cash flow problems are *chronic* and arise because not all donors commit funds to specific UNODC projects at the beginning of the calendar year.³⁸³

In July 2004, personnel had to be reduced *drastically* from about 120 to about 70 employees because no *new* funds could be acquired. This reduction, of course, affected the technical assistance and the entire implementation of the projects as was planned. The projects had to be streamlined and UNOPS had to focus even more on the most important objectives to be achieved.³⁸⁴

In order to *overcome* the difficult budgetary situation, the programme developed an aggressive strategy to forge business alliances and technical partnerships between farmers' organisations and several local, national and foreign entities.

Evaluations and written summary of the experiences undergone

UNOPS Peru has developed its own monitoring system which allows each project to document which objectives have been obtained and which have not. This might also be seen as an *internal* evaluation process that takes place every year. However, the fact may be criticised that in most cases no *external* evaluation is undertaken.

³⁸³ Moreover, the funds that UNOPS Peru receives have usually already made it a long way before they can be actually utilised to buy seedlings, to pay staff, etc. This is the case because the UNODC Headquarters generally receive some 5.5% and the UNOPS Headquarters 7.5% of the total amount. Therefore, the donations are transferred via Vienna and New York before the remaining 87% become available for UNOPS Peru. This process may easily take one to two months or longer. Sometimes this results in *embarrassing* situations for UNOPS Peru employees, for example if they have made procurements and are late with their payments.

In Tocache, because of its expertise in palm oil, UNOPS Peru was hired by the GTZ/KfW to *execute* parts of their alternative development project. The two offices are only 50 metres away from each other. However, the funds the GTZ/KfW transfers to UNOPS for the project activities in Tocache need to go all the way through the bureaucracy so that it takes months, as mentioned above, until they can be utilised.

³⁸⁴ Therefore, UNOPS Peru tries to focus as much as possible on the execution of the projects and what is most needed for it. Also, it becomes obvious if one takes a look not only at the simple offices in the field, but also at the office in Lima: the simple furnishing, rather old computers and other pieces of equipment that were not replaced by more modern equipments demonstrate that UNOPS Peru spends the funds in the field for the projects. Moreover, the employees working in the field travel by bus overnight if they have to attend meetings in Lima which is much cheaper than flying. For many other organisations and their employees this would not be an option. The staff from UNOPS Peru does not even mention this difference as to them, for example, it is normal to expend the funds available for the most important matters and not for comfortable travelling.

The Chief Technical Adviser mentioned that up to a certain point the reduction of funds still had *positive* effects as it forced the organisation to really concentrate and focus on the most important issues. But he strongly underlined that this point was *passed* sometime ago. As of 2005, the effects of the further reductions of funds were *not* positive anymore. UNOPS had to withdraw from some projects *too early* and would have had to do so in more cases if it had not been able to acquire funds from other donors.

UNOPS itself does not have an *evaluation unit*. If evaluations take place they are (1) either undertaken by the Joint Inspection Unit that each year revises some projects of *every* United Nations Agency (2) or they are financed and supervised by a donor who has an interest in the success and the problems of a certain project. In my view, it is a problem that the projects are not *regularly* evaluated *externally*.³⁸⁵ This would also allow UNOPS Peru to get a deeper knowledge about what is working well and what usually results in problems and if this can be generalised. Regular evaluations might be the basis and a first step for a *written* summary of the experience UNOPS has had with its alternative development projects in Peru over the years.³⁸⁶

Most of UNOPS Peru staff agreed that it would be very *valuable* to have such a written summary of their experiences. As of 2005, all the experience undergone in about 20 years of UNOPS' work in alternative development in Peru was only accessible *orally* by talking to those UNOPS employees that have been part of the process for 15 to 20 years. While the oral transfer of knowledge and information is important as well, nowadays it must be regarded as a clear *deficit* if this is the *only* way to access certain information. If it were put into writing and thereby *systematised*, this would mean a significant step forward.

Not only UNOPS but also UNODC³⁸⁷ acknowledge the *need* for summarising the experience in writing to make it *accessible* to, for example, other organisations working in the field of alternative development. It seems that the main reason for the lack of such a document are the restricted financial means. This, of course, is a strong argument. However, I think that UNOPS and/or UNODC need to find a way of undertaking such a study. It is important to prioritise, especially as funds for alternative development are decreasing. Moreover, it is one of the strengths that in Peru these funds are concentrated on the *practice* and on implementing as many projects as possible. However, *theory* - as I want to call it here - is also important. If no study exists about what has been done and what has and what has not worked, *important*, *valuable* and *expensive*³⁸⁸

³⁸⁵ Externally, an evaluation in this case might as well be executed by the UNOPS Headquarters. Because the organisation does not have an evaluation unit, and because often UNOPS only executes projects/programmes designed by others, *external* evaluation is usually executed by the *donor*. Another possibility is that the donor *includes* financial means for an external evaluation in the budget for the respective project UNOPS executes and then UNOPS *organises* this evaluation with *external* consultants.

³⁸⁶ Though external evaluations are seldom undertaken in Peru, it was quite obvious how *open* UNOPS employees there were concerning evaluations done by outside persons. During my research in Peru, UNOPS employees always *encouraged* me in my studies and let me know how interested they were in the results. Their attitude can best be described with the following statement:

"We are all so involved in the projects that it will be very helpful to learn what someone from the outside thinks about it."

No one felt threatened by me, or at least they gave me that impression, but everyone was willing to provide me with the information I asked for. External evaluations in general obviously were not perceived as a control but as a possibility to *learn* and to *improve* the execution of the projects.

³⁸⁷ The UNODC Representative for Peru and Ecuador himself stated that he would very much like a respective study to be undertaken.

³⁸⁸ Expensive in the sense that within the last 20 years UNOPS/UNODC spent a significant amount of money on the alternative development projects in Peru, and therefore, the lessons they learnt can be perceived as expensive, which makes it even more important that they are available to others.

knowledge and information is lost. Even though funds are rare, UNOPS/UNODC should decide to undertake such a study.

Changing the farmers' mentality

Even though UNOPS is quite successful with its projects and has changed the mentality of many farmers, a lot of work remains to be done concerning their mentality. Some farmers still have to understand that they need to save and then to re-invest at least part of their income to slowly *increase* their income by, for example, utilising fertilisers etc. It is important that they do not spend their income on *short-time activities* that do not generate any increase in the production, but develop a *long-term vision* of how to improve their production and thereby also their conditions of living. To achieve this *change* of mentality, UNOPS organises assemblies in which its staff repeats very patiently *how* the farmers can achieve more production, etc. In these assemblies, they also deal with the farmers' insecurity, their fear and their many questions.

UNOPS is aware of the fact that a change of mentality cannot take place within a *short* period of time; it may take not only years, but one *generation* until a majority of the farmers have understood the principles of the *market economy* and have developed the *entrepreneurial spirit* needed to *obtain* and/or *maintain* a good position in the domestic or international market. Enterprises such as OLAMSA can only be successful if the clear majority of the producers have developed this entrepreneurial spirit, which was the case with OLAMSA. The Chief Technical Adviser of the entire UNOPS Programme in Peru stated that (IV; translation: CS):

"it was astonishing to see how these farmers from the Andes with hardly any education developed an enormous entrepreneurial spirit and are eager to learn more from our technicians on how they can further increase their production."

Leaving coca behind

The farmers also have to accommodate themselves to a *different* income situation, for example, with palm oil crops. With coca they have a harvest for sure every three months. But for the first harvest of the palm oil crops, they have to *wait* about three years and they *regularly* need to work in their fields to obtain good harvests once the palm oil crops are producing. Growing coca, farmers can earn as much as 16,000 USD or more per year, depending on the coca prices and, of course, the quantity produced.³⁸⁹ Therefore, leaving coca behind is a *risk* for the farmers and they have to develop a lot of trust in the UNOPS projects to do so.

Coca cultivation, on the other hand, means a lot of insecurity as it is an illegal business. Forced eradication may leave the farmer and his family with *no* income at all. Moreover, the farmer and his family are living in *constant fear* as they are living in areas without any governmental presence and the drug traffic dominates everyday life, which also means a lot of violence.

³⁸⁹ UNOPS staff stated that about one to 3 USD/kg of coca leaves are paid and that on the average a farmer harvests about one ton/harvest, i.e. about eight tons/year.

The Peru Coca Survey for 2004 has an interesting comment on poverty in coca cultivation areas, which is higher than in other areas (UNODC 2005: 7):

*“The comparison of district poverty indicators of 2000 with level of coca cultivation in 2004 clearly showed that districts where coca cultivation was found in 2004 were poorer than other districts. On average, districts where coca cultivation was found were qualified as ‘very poor’. By contrast, districts without coca cultivation were on average defined as ‘poor’. This meant that coca cultivating districts had, inter alia, less access to safe drinking water, sanitation and electricity than districts with no coca cultivation.”*³⁹⁰

With palm oil, coffee, cocoa or palm-hearts, the farmers have *less* income but it is a *regular* and *legal* income. Their children can go to school, the entire family can make plans for the future, which is not possible with the cultivation of coca. Palm oil crops can be harvested every two weeks and therefore the farmer receives his income every two weeks. This allows the farmers to plan better than when receiving large amounts of money by harvesting coca every three months. Moreover, the legal income they gain with palm oil, coffee, cocoa and palm-hearts is enough to make a good living in the country. The average farmer cultivating five hectares of palm oil crops earns as much as 3,000 USD/year which allows him and his family good living conditions.

The change from coca to legal crops is an important step and means a lot of changes which have to be dealt with by the farmers. In various regions where UNOPS was or is executing projects, the (former) coca farmers had been offered projects before by other development organisations. In many cases, these had *promised* a lot but the projects turned out to be only short-term and/or did not have the effects promised so that the farmers did not have the income they needed. It happened, for example, that within one palm oil crops-project, each farmer was able to cultivate *less* than five hectares, which was and is known as the *minimum* necessary number of hectares to be able to live from palm oil. Thereby, more farmers became beneficiaries. But as the fields were too small, the farmers could not focus on the production of palm oil crops. In the end, the project was not successful as the organisation increasingly lost the trust of the beneficiaries. They could not live from palm oil crops as had been promised but had to cultivate other crops, coca amongst others, to make their living.

Another problem was that often the projects had been *terminated* after only two or three years. This generally is the time when only the first harvests have taken place and assistance for the processing, industrialisation and marketing is necessary to make the project successful and sustainable. At that critical point of time, the farmers were left alone as the projects were closed.

In all regions that I visited, farmers told me similar stories about their often bad *experiences* and the *disappointments* they had to live through. They stated they initially mistrusted UNOPS as well as they were very *sceptical* about the success of its projects. But little by little they

³⁹⁰ Only 15% of the population living in districts with coca cultivation had access to improved sanitation. This percentage went up to 28% in the district without coca cultivation. The proportion of population with access to safe drinking water was also lower in coca cultivation districts than in the non-coca cultivation districts. Only 40% of the population of coca cultivation districts had access to safe drinking water, while 62% of the population in the non-coca cultivation districts had access. Only 25% of the population living in districts with coca cultivation had access to electricity (UNODC 2005: 46).

started to trust UNOPS as they saw that some neighbouring farmers who had already been convinced by UNOPS to participate, had good success with the respective product.

The majority of UNOPS staff working in the field also reported about the *difficulties* they had experienced in the beginning to gain the trust of the farmers. They added that this was not only a result of other development organisations that had made false promises but also a result of the times of the Shining Path. When the Shining Path had its best times, the people had to be careful who to trust or they could get into danger and even killed. Therefore, over the years the farmers have developed a considerable mistrust towards *all strangers* and a reserved attitude to avoid any possible danger.³⁹¹

A general problem for all alternative products sold on the world market is the *fluctuation* of the prices. It is hard for the farmers to get through times when prices for cocoa and coffee, for example, are *low*. Especially if the coca prices are *high* during this period, some farmers might feel *tempted* to return to growing coca. This often would be a *economically* reasonable step. Fortunately, many farmers who have participated in an alternative development project appreciate the better living conditions achieved by cultivating other crops so much that they would hardly return to coca.

The main problem of (UNOPS) projects in alternative development in Peru is that a *critical mass* of *cocaleros* is not reached. Because of a lack of funds, too many coca farmers have *no* access to alternative development. Therefore, the *impression* continues to exist that alternative development projects have no impact at all, *despite* the positive results which have been achieved.

4.3.3.3.2 Success

UNOPS employees stated in the quantitative questionnaire that they think the programme to be “successful with reservations” (30%), “successful” (35%) or even “very successful” (32%).³⁹² This self-estimation reflects the more neutral valuation of UNOPS’ work in the alternative development sector in Peru quite accurately.

UNOPS Peru is known as one of the best *implementing* development organisations. The purposes have been *largely* achieved, despite the difficult physical, institutional and economic context in which the programme has operated and continues to operate. Only small gaps are to be found between the purpose and the outputs. UNOPS has had so much experience and also made some mistakes within the last 20 years of working in alternative development in Peru that it has gathered an immense *knowledge* of what works and what does not and consequently *applies* this knowledge to any new projects. As the Chief Technical Adviser stated (IV; translation: CS):

“We have gathered a lot of experience and, more importantly, we as a team have evaluated and learnt from it. The evaluation of this experiences was and is not evaluations for its own sake, but had effects on our project implementation as we changed things accordingly.”

³⁹¹ A stranger in these times seldom meant something positive. Often it was either a terrorist, a drug trafficker, a thief or a soldier who could mean danger.

³⁹² This refers to question 15.

In addition, the fact that the UNOPS projects usually have a duration of eight to ten years and are implemented by experienced experts that live in the respective project area is an important reason for their success.

The relative success of this programme can be put down to a series of *crucial practices* that are partly mentioned above, such as:

- unconditioned assistance³⁹³ based on trust and a voluntary nature;
- a clear starting point/ the awareness of markets: hence the identification of key niche export markets for cacao and coffee, and palm oil for the domestic market;
- good diagnosis of sector constraints, e.g. the failure of Peru in developing a successful smallholder sector in coffee;³⁹⁴
- good agronomy and well-developed, appropriate, value-adding technical packages;
- expert understanding of how to set up farmer-owned and -managed businesses, whether cooperatives or limited companies;
- presence in the regions: UNOPS Peru does not manage its projects from Lima but its project personnel lives under the same conditions as the beneficiaries.³⁹⁵

One former coca farmer who is now an associate of the COCEPU and shareholder of OLAMSA praised the UNOPS project by stating the following (IV; translation: CS):

“Thanks to the United Nations, my family and I now have a much better and quieter life. This project also proves that it is possible to create a successful enterprise with simple farmers like us.”

In a report from DFID³⁹⁶ on one of the projects, the fact that UNOPS has been investing in alternative development in the upper jungle regions of Peru for about 20 years, is described as a “*unique experience*”. Not only are the investment of a large amount of money, time and continuous presence in the region highlighted as *factors* for success, but also the fact that the various projects have been overseen by the same individual and implemented by very much the same team. DFID states (ID):

“No other organisation can boast this level of institutional memory and continuity; not the US with its five year contracts to US companies, nor the European donors with their one or two project cycles, let to European consultancies, perhaps lasting 5 or at best 10 years. Over

³⁹³ Unconditioned assistance means that UNOPS/UNODC do not insist that the farmers (entirely) leave the growing of coca to become beneficiaries.

³⁹⁴ This failure is to a great extent due to the unwillingness of Peruvian agro-industrial business to establish business units in the more remote growing areas. This was/is leading to low quality, low profit output, and to limited growth in the sector. These deficiencies are gradually being overcome through this and similar programmes.

³⁹⁵ This helps to gain the trust of the beneficiaries as the project personnel understands much better their social and economic background. UNOPS' presence is especially remarkable considering that in many regions not even the Peruvian state is present at all and that other development organisations were chased away by the farmers themselves. One of the UNOPS sociologists stated that the methodology *how* UNOPS works with the farmers was most valuable.

³⁹⁶ DFID is a British state-financed organisation. DFID stands for *Department for International Development*.

20 years, this UNOPS team has learnt what works and what does not. 'The lessons may have been expensive but they have been learnt' is one comment from an observer.(...)

The team also knows that establishing the institutional infrastructure for smallholder owned and managed agricultural businesses in semi-isolated under-developed regions requires a long haul: five to ten years for most operations, and in some cases longer.(...) It would be interesting to know whether the same degree of commitment to successful smallholder development over such a long period by a small group of people is being experienced in any other alternative development programme (either in South America or beyond, in Asia for example). UNODC are clear that their programme in Peru has these rather unique qualities, thanks to the UNOPS team."

The praising of UNOPS by DFID clearly highlights the *achievements* of the organisation in implementing the alternative development programme in Peru. In the business of International Cooperation acknowledgements of other organisations' success are rarely to be found, at least in such frank words.

Who else contributed to the success? UNODC played a more bureaucratic role, offering some technical value added to the implementation of the project. The Peruvian state is represented by DEVIDA which has contributed to the projects by financing them to a growing extent in recent years. The Ministry of Agriculture can be considered as far removed from effective support for smallholders. Some of the regional governments, such as 'Loreto'³⁹⁷ and 'San Martin'³⁹⁸, are more committed to playing an active role in fostering agricultural development than the Ministry itself. The larger scale Peruvian private sector is largely absent from working relationships with smallholders in these semi-isolated areas.

In addition to UNOPS and partly the regional governments, the most important partners for the farmers and business units – i.e. cooperatives and limited companies – are the *international trading partners* for cocoa and coffee and the Lima based *buyers* for palm oil. Much of the detailed design and implementation is left to the UNOPS project team and the success of the programme can be attributed to the UNOPS team.

One important reason for UNOPS' success with its projects in Peru is based on the fact that UNOPS not only assists in the *production* and *industrialisation* but also in the *commercialisation* of the respective products. This is what ensures that the projects can become *independent* and *sustainable*. UNOPS underlines the importance of identifying products (1) for which there exists a demand either on the national or the international market or both³⁹⁹ and (2) which can be produced in the respective area at competitive prices.

³⁹⁷ In 2004, the regional government of Loreto committed 162,378 USD to plant 500 ha of palm oil trees and to purchase palm oil seeds for an additional 500 ha. Besides the extension of these 1,000 ha of palm oil plants, the government's projection is to reach 5,000 ha.

³⁹⁸ The regional government of San Martin, as mentioned above, contributed some 100,000 USD to finance civil works for the new palm oil processing plant in Cainarachi.

³⁹⁹ A UNODC study of 2005 (ID) presented the following interesting figures concerning the production for the national and the international market for the four UNOPS production lines in 2004: 95% of the coffee, 50% of the cocoa and 95% of palm-hearts were exported, i.e. bought by international clients. Only palm oil was sold only within the country as Peru still has a strong need for vegetable oils as described above.

UNOPS' relative success with its projects in alternative development in Peru could and should be transferred to *rural* regions where coca is *not* cultivated. If the programme is successful under the most difficult conditions it is very probable that the same methodology would be successful in regions with *fewer* problems. This is one of the future options UNOPS has in Peru, to not only concentrate on alternative development, but also on development of *rural* regions *in general*.

4.3.4 UNOPS Peru and its relationship with others

4.3.4.1 Relationship with the partner

The alternative development project UNOPS is implementing in Pichis, Palcazu, Aguaytia and Huallaga was the first of its kind in Peru to generate significant complementary *government* cost-sharing and other financial inputs, due in part to the positive results, its methodology and acceptance among farmers. As a result of the various financial contributions received, the project has acquired trans-regional characteristics covering most coca growing areas in the central and north eastern parts of the country.

Equally important is its becoming an essential technical advisor and reference point for the *regional governments*. Project staff is assisting them in the planning and coordination of broader rural development schemes as well as in the integration of commercially viable farmer enterprises into the domestic market. This assistance is very much *needed* by the newly established regional governments that are expected to take over decentralised government functions.

As part of a cost-sharing agreement with the national government, one of the sub-projects completed the construction of the El Boqueron palm oil processing plant in Shambillo. In August 2004, fresh cost-sharing funds were received from the government to *initiate* activities oriented to agro-forestry and forest rehabilitation in the Aguaytia river basin and Alexander von Humboldt National Forest. This was the second forestry sub-project financed by the government, following the first one started in the Monzon area in 2002.

UNOPS engages in strategic alliances with the newly established regional governments, for example, San Martin, Loreto⁴⁰⁰, and with bilateral donors through the provision of technical assistance and other support to help develop *broader sustainable rural development activities* and *integrate* farmers' enterprises into the domestic market.

Another example which not only shows in some cases good cooperation with regional and/or local governments, but also the long-term qualification of the target groups, was the construction of the palm oil processing facilities in Tocache and Cainarachi that were launched in 2005. Unlike Neshuya and Shambillo, these two plants benefited from the outset from financial and

⁴⁰⁰ The government of the department Ucayali had also contributed about 60,000 USD to the UNOPS/UNODC projects in its area and helped to install some additional 2,000 ha of palm oil crops. When a new regional government came into office, the promising palm oil economy was completely ignored and not supported anymore as the regional president had its own personal goals and was more interested in deforestation (IV).

technical partnership arrangements with local/decentralised governments and other palm oil producers. This was the result of efforts to help farmers forge the strategic alliances required to pay for expensive sustainable livelihood schemes, enabling UNOPS to make the best use of its limited resources as a catalyst trusted by farmers and a source of expertise and best practices in project execution.

One important *deficit* concerning the cooperation with the partner, be it the regional or the national government, has to be mentioned. The intention of development projects implemented by international organisations is that once they terminate a project it is either (1) completely sustainable and independent already or that (2) the counterpart continues with the necessary support of the project. This support sometimes does not work because the regional or national Peruvian counterpart utilises *different* methods, as was the case with the third nursery in Aguaytia, for example, or acts upon *political objectives* and their own *interests*.

Especially concerning the national government, UNOPS Peru has often been disappointed over the last 20 years so that nowadays it is very *sceptical* about cooperating with it. One statement from UNOPS staff is the following (IV; translation: CS):

"I am not interested in getting to know the new Minister of Agriculture. It does not have any influence what he undertakes or does not undertake. The Minister does not have any influence on the circumstances in the regions where UNOPS Peru works."

While this attitude is *understandable* because of the ongoing frustration over the last two decades, I think that it is not *acceptable* in an international development organisation. UNOPS Peru *has* to remain open to any possible *positive* changes concerning the national government. Even though the experiences over the last 20 years have been different, it has always to hope for that change. This pessimism about the national government might be considered as a reason to *not* have the same staff working on the same projects and in the same country for such a long time; if a change takes place it might be that UNOPS Peru staff oversees it because its attitude towards the government is too negative.⁴⁰¹

Despite this pessimism, UNOPS Peru of course, *cooperates* with the national government especially with DEVIDA as already mentioned above because more and more projects or sub-projects are *financed* by the national government (through DEVIDA). Since 2003, about half of all project funds have been received from the Peruvian government. The UNOPS Chief Technical Adviser underlined the following problem: the projects financed by the national government are usually much *less flexible* than those financed through UNODC and international development cooperation. Even small changes in the project design⁴⁰² sometimes need to be signed and approved by the President himself.⁴⁰³ This often *slows down* the execution of a project as it may take months

⁴⁰¹ See Chapter 6 for further information on the pros and cons of having the same staff for such a long time.

⁴⁰² This might be, for example, a change in the budget of about 20,000 USD etc.

⁴⁰³ The reason for this long process is the corruption during the Fujimori-period. After his presidency, many in the administration started to guard themselves against any *reproach* of having been corrupted by not taking decisions themselves but handing them over to their *superiors*. Exact lists exist in which it has been written down how much should be spent for what, etc. This is checked very thoroughly and any changes

or even years until the relatively small change is approved. For development cooperation, this means an important difficulty as circumstances of the projects may change and the projects need to be accommodated as flexibly and rapidly as possible.

More communication between UNOPS and the partner could be one possibility to improve their relationship. About 24% of the UNOPS employees who filled in the questionnaire communicated with the partner/counterpart once per week or more often while 43% had no communication at all with the partner (question 10). The need for more communication with the partner was underlined by the answers to question 11 in which 47% stated that they would like to have more communication.

4.3.4.2 Relationship with the target group

The relationship between UNOPS and the target group in Peru, the (former) coca growers, generally is good. As described above, UNOPS usually gains the *trust* of the target group by living with the farmers in the project region under the *same*, often difficult living conditions, and by offering *unconditional* assistance and by assisting the farmers to increase their income with profitable alternatives to coca. Answering the questionnaire, 58% of the UNOPS employees interviewed identified the *mutual trust between the target group and UNOPS* as one reason for the success of its projects (question 16).⁴⁰⁴

UNOPS employees assessed the projects at a “very high” (13%) or “high” (58%) target-group orientation (question 13). This demonstrates the *importance* UNOPS wants the target group to have in the project planning and implementation. 79% of the UNOPS employees who filled in the questionnaire assume that the identification of the target group(s) with the project is “high” (68%) or even “very high” (11%) (question 12).

and necessary decisions are often *transferred* to the *higher* levels so that in the end the President may have to approve many addenda, small changes, etc. which slows down the entire process considerably.

⁴⁰⁴ In most project sites, the state is not *present* at all. Therefore, no *legal protection* or *law enforcement* exists. It is often unsafe to travel because robberies take place anywhere and anytime. Violence goes hand in hand with the coca growing business and the farmers who have left that business as well as UNOPS staff are sometimes in *critical* situations. Therefore, it is so important to have experienced staff in these regions that know how to correctly judge and handle such situations. International experts that generally only stay for a short time are only useful for missions with a specific mandate. On the one hand, it may well be that foreigners would draw more attention from the drug traffickers and would be perceived as the so-called ‘*white devils*’.

On the other hand, the internationals themselves sometimes might feel too insecure to be able to work in such regions. The GTZ, for example, also has a small project in alternative development in Tocache, one of the most dangerous regions. It is part of a German debts remission programme and executed jointly by the KfW and the GTZ. Within the last few years, the GTZ/KfW have *evacuated* their staff several times from the region for a few days as the situations were judged as being too unsafe. UNOPS staff always *remained* in the region as they did not feel as insecure as GTZ/KfW staff. Having experienced the Shining Path and not having left the jungle, there are not too many things that induce UNOPS to *withdraw* its people. Also, the GTZ/KfW only have national staff in Tocache. The German project leader only visits Tocache once per month for a few days. His presence, however, would be much *needed* on the project site to have a better *overview* of what is going on, to solve the problems himself, to better understand the entire situation and to motivate the other staff members. All the UNOPS directors *live* in the respective region and only travel to Lima for meetings. This is an important *difference*.

These figures were also supported by the statements of the farmers I interviewed who explained the *difference* between UNOPS and other organisations they had worked with before. Mostly, the farmers spoke positively about UNOPS, but they also *criticised* certain measures – which can be seen as the best sign of *trust* between them and the organisation.

Besides gaining the trust of the target group, UNOPS also succeeded in connecting target groups from different projects with each other. The projects in Pichis, Palcazu, Aguaytia and Huallaga, for example, delivered workshops together to teach local farmers' organisations basic business management practices. Another measure was to train the shareholders of ASPASH/Aguaytia at the palm oil processing plant in Neshuya (OLAMSA) focussing on palm oil crop harvesting, fertilisation and related aspects. It is important to underline the usefulness of this measure as it not only (1) familiarised the farmers from ASPASH with certain *techniques* but, maybe more importantly, (2) established contacts between the farmers of the two organisations. UNOPS thereby succeeded in enabling the target groups that were isolated before to *work together*. This will become more important as the beneficiaries become less independent and the closer the end of the project comes.

A promising sign therefore was the strategic partnership agreement signed among the three palm oil organisations OLAMSA, ASPASH and Jardines de Palma, located at Cainarachi, to enhance the socio-economic development of palm oil production in the area and contribute to the strengthening of their organisations in line with its market-oriented approach. OLAMSA, the only organisation that is already self-sustainable, showed its leadership in this group by buying shares of the new Shambillo plant and thereby generating working capital that was very much needed.

The beneficiaries do not identify UNOPS as *UNOPS* but only generally speak about the *United Nations* when they actually or more specifically mean UNOPS. UNOPS employees and directors working in the field also just speak about the UN. This fact is mentioned to demonstrate the difference between the *importance* attached to being acknowledged as UNOPS, for example, by the HQs in New York and the *disregard* that dominates in the field.

4.3.4.3 Relationship with the UNOPS Procurement Office in Lima

The UNOPS policy about how to deal with having a number of countries where more than one UNOPS project/programme is implemented is *ambiguous*. In some countries, UNOPS tries to prevent any conflicts or even competition between different projects/programmes by *improving* the communication between the project/programme managers in the country itself, but also between the divisions in the HQs if various divisions are involved. In other countries, the projects are run more *parallel* so that the respective projects do not exactly *know* about the various UNOPS projects.

Both offices in Lima, the Procurement Office as well as the office that takes care of the implementation of alternative development projects, have the *same* Portfolio Manager in the HQs to whom they report and from whom they receive authorisations, etc. It is apparent that this

Portfolio Manager does not put any *focus* on improving the relationship of the two UNOPS offices in Lima. They are more or less existing *side by side*.

The two offices know about each other but there is hardly any official communication between them. Also, the employees of the two offices do not have joint meetings, etc. This means that no *common* strategy for Peru exists, neither at the UNOPS HQs - or at least it is not communicated in Peru - nor in the country itself.

Altogether, the relationship between the two UNOPS offices in Lima cannot be described as *good* or *bad* but rather as *not-existent*. In my view, despite the very different fields the projects are working in, there would be some potential to develop a common strategy concerning certain issues if the communication and the cooperation were improved.

4.3.4.4 Relationship UNOPS-UNDP in Peru

When UNOPS was part of UNDP, the relationship of the two in Peru was – of course – very *close*. UNDP signed all contracts, paid the personnel, etc. Since UNOPS has been a separate entity, UNOPS Peru has relatively *few* relations with UNDP Peru. As of 2005, UNOPS depended on UNDP for four things:

1. The UNDP Resident Representative (Res. Rep.) is the highest legal representative of UNOPS in Peru. S/he signs contracts for high amounts, but only if and after UNOPS has checked the respective contract and authorised her/him. If, for example, a loan of 100,000 USD is granted to a producers' organisation, the UNDP Res. Rep. has to sign it, after having received the *authorisation* from the Portfolio Manager Peru in the UNOPS HQs.
2. UNOPS Peru has its own imprest account. Once per month, the administration in the office in Lima mails the original invoices for the expenditure to the HQs. The HQs then authorises the Res. Rep. in Peru to *transfer* the respective amount to the UNOPS imprest account. In exchange, UNDP receives an Inter Agency Voucher. UNDP also has an account in Peruvian Sol, UNOPS only in USD. Therefore allocations have to go through UNDP Peru.
3. UNDP makes some *payments* on behalf of UNOPS. The salaries for the fixed-term employees are paid for by UNDP. If there were more than only two employees with fixed-term contracts, the contact with UNDP in Peru would be more frequent.
4. For a procurement of more than 30,000 USD, UNOPS has to attend the UNDP *contract committee* in Lima. UNOPS Peru sends all the papers to the committee, such as the short list, the offers, etc. The UNDP contract committee *supervises* procurements between 30,000 USD and 100,000 USD. For procurements of more than 100,000 USD, the papers are also sent first to the UNPD contract committee in Lima but are further transferred to the UNOPS HQs where a certain procedure has to be followed.

UNOPS Peru is not as *dependent* on UNDP as is the case in other countries and therefore does not have any significant problems with its former mother organisation. One of the reasons for being less dependent is that UNOPS Peru has always had its own imprest account.⁴⁰⁵

It seems that, generally speaking, the relations between UNOPS and UNDP are much better in the field than at the HQs' level. The main reason for this is that in the field both organisations are aware of the fact that they need to carry out certain tasks and that good and effective cooperation between the two is needed. Moreover, the cooperation in the field is far from being as *political* as it is in NYC where both UNOPS and UNDP *claim* certain territories and are willing to fight for them.

4.3.4.5 Relationship with the UNOPS HQs

4.3.4.5.1 Results of the quantitative questionnaire

The results of the quantitative questionnaire that was filled in by 38 out of 70 UNOPS employees working in alternative development projects in Peru, are also informative concerning the relationship between the HQs and the Peruvian field.

Communication is one of the *characteristics* used to find out how close the relationship between the HQs and the field is. 87% have no communication with the HQ, two of the participants (5%) communicate at least three times per week with the HQs and only 8% once per week or less.⁴⁰⁶ 46% indicated that they would like to have more communication with the HQs and *none* of the interviewees opted for the answer "less communication with the HQs".⁴⁰⁷ 95% would like to receive emails from the HQs to be informed about important changes within the organisation.⁴⁰⁸ These figures clearly indicate the *low* degree of communication taking place between the HQs and the field in Peru, which is perceived as *insufficient* by the Peruvian employees.

Due to the lack of communication illustrated above and therefore not surprisingly, the questionnaire probably reveals that the UNOPS employees in Peru are not *aware* of some of the most important problems or changes at the HQs level. 92% are not aware of *any* problems UNOPS had/has with its mother organisation UNDP. The other 8% stated that they know more or less what was/is going on and no one opted for the last possible answer "I am totally aware of these problems".⁴⁰⁹

Concerning the *restructuring* of the organisation undertaken by the HQs, the results were better but still not too positive. 50% indicated that they do not know anything about the

⁴⁰⁵ This is not the case for all UNOPS projects and offices worldwide. In some countries, UNOPS has to go through UNDP for any financial transaction and, of course, has not only to pay for every service but sometimes also to wait until the transaction is done.

⁴⁰⁶ This refers to question four of the questionnaire.

⁴⁰⁷ This refers to question six of the questionnaire.

⁴⁰⁸ This refers to question seven of the questionnaire.

⁴⁰⁹ This refers to question eight of the questionnaire.

restructuring process that had taken place in 2004. However, at least some 37% answered that they knew more or less what was going on concerning the reconstruction of the organisation.

Asked how much the HQs contributes to the success and/or the difficulties of the projects (questions 16 and 17), the answers were not positive either. Only 5.6% identified the *good cooperation with the HQs* as one of the reasons for the success⁴¹⁰, while some 35% indicated that the *insufficient* cooperation with the HQs was one of the reason for existing difficulties⁴¹¹.

Below, these results from the quantitative questionnaire are further illustrated and analysed using the information gained with other methods such as interviews and documentation research.

4.3.4.5.2 Cooperation

In section 3.1 on the UNOPS HQs, it was described in detail what important changes took place and how they influenced the structure of UNOPS. Interestingly, these changes did *not* affect the work in Peru very much. All employees in Peru stated that they had noted only small changes, if any. This means that the various restructurings, etc. did not have a *significant influence* on the work in Peru as the basic guidelines concerning the cooperation between the HQs and the field were not touched. This can be perceived as positive. Any bigger changes probably would have meant interruptions and slowing down of the implementation of the projects in Peru. However, no positive changes were recognised either.

Those employees in Peru that indicated that they communicate at least three times per week with the HQs are working in the office in Lima and take care of administrative issues such as procurement and personnel.

- The HQs has to authorise the procurements UNOPS Peru wants to undertake. If a procurement exceeded 100,000 USD, the HQs not only authorises, but carries out the entire process from the invitation to tendering the payment once the procured goods are delivered. An administrative officer in Lima takes care of the procurements and mediates between the HQs in NYC and the small field offices in the Peruvian countryside. S/he is the one that communicates *continuously* with the Portfolio Manager for Peru in the HQs.
- Personnel issues concerning *national* staff are dealt with by the personnel officer in Lima. If, for example, a technician is needed in the field, the personnel officer in Lima takes care of it as UNOPS Peru has the necessary contacts and knows better who to contact than the HQs. The HQs only has to authorise the hiring of any national personnel. Once *international* experts have to be hired UNOPS Peru has to contact the HQs as the personnel section there takes care of the entire process of identifying a suitable expert, making an offer, etc. The Terms of Reference are set up by the CTA in Lima in cooperation with the Portfolio Manager in the HQs.

⁴¹⁰ Among the seven possible answers concerning who or what contributed to the success, the HQs received the lowest percentage.

⁴¹¹ Following the *insufficient cooperation of the partner* with 52%, the cooperation with the HQs received the second highest percentage.

The officers in Lima taking care of procurement and personnel both stated that the cooperation with the Portfolio Manager in NYC works very well. The respective Portfolio Manager is known for her/his rapid actions which is much *valued* by the employees in Peru. Email communication has facilitated an easier and cheaper communication between Lima and NYC⁴¹² and has improved the cooperation between the two locations.

The service and control function of the HQs are paid for by 7.5% of the financial volume of all projects UNOPS implements in Peru. This percentage is what UNOPS Peru contributes to the overhead costs of UNOPS.⁴¹³

4.3.4.5.3 *Corporate identity*

Most of UNOPS Peru employees do not feel any *corporate identity*, or at least not with UNOPS. If they identify themselves with an organisation, it is not the one they are working *for*, UNOPS, but the one they are working *with* so closely in Peru, UNODC.⁴¹⁴ What are the reasons for this lack of identification with UNOPS?

1. Lack of *information* and *personal contact* between UNOPS HQs and UNOPS Peru: employees of UNOPS Peru hardly receive any general information on what is going on within UNOPS, if there is a restructuring process, or if a new corporate strategy has been formulated, etc. Usually, they are only informed about changes of importance for their daily work, if certain procedures of the finance section have been transferred from NYC to Malaysia and so on.⁴¹⁵

Once per year, when a supervisor from NYC or Geneva visits UNOPS Peru, s/he takes advantage of the possibility to inform the employees there about current changes within the organisation. Most of UNOPS Peru employees do not have personal contact with anyone in the HQs – apart from the occasional visits mentioned above.⁴¹⁶

2. Lack of *communication within* UNOPS Peru: the CTA in Lima, for example, receives a considerable amount of email from the UNOPS Executive Director himself or other high-

⁴¹² Lima and NYC are at least in the same time zone so that communication via telephone was not such an issue. Nonetheless, email means an improvement, especially concerning the costs.

⁴¹³ The overhead costs include what UNOPS spends on the rent, personnel, etc. in NYC, Geneva and the other offices with HQs-functions.

⁴¹⁴ The fact that the UNOPS office in Lima does not utilise email addresses saying “...@unops.org” but “...@unodc.org” also shows how close UNOPS Peru and UNODC Peru are working together. UNOPS Peru is hardly perceived from the outside as UNOPS and the employees themselves do not feel like UNOPS staff.

⁴¹⁵ As UNOPS does not have an up-to-date manual, this enhances the communication of certain employees in Lima with their counterparts in NYC. If, for example, the officer taking care of finance in Lima has a question about a certain procedure, s/he communicates with someone in the finance section in NYC. Even though this is not the most *cost-effective* way, it strengthens the links between the HQs and the field a bit.

⁴¹⁶ The lack of a corporate identity and the insufficient knowledge of UNOPS employees in Peru about the organisation as such and the HQs also became obvious to me while chatting with one of the engineers working for UNOPS in the field. When he mentioned that he visited NYC in 2004 and told me that he was very impressed by the Chrysler Building, I supposed, of course, that he had also visited the UNOPS HQs as it is located in the Chrysler Building; but he told me that he had not visited the HQs and that he did not even *know* that it was located there.

ranking managers in the HQs and minutes from the Executive Board or Staff Meetings. Thereby, important information about the development of the organisation *is* transmitted to UNOPS Peru. However, it is the CTA's decision what information he considers to be of importance to be communicated to his staff. Most of the UNOPS Peru employees do not speak English too well, and the CTA cannot just forward the emails he receives, but would have to explain their content in meetings. As the daily work is so demanding, only *some* information coming from the HQs becomes known among UNOPS employees in Peru. It must be underlined that this, to a certain degree, is due to the *personal* attitude of the current CTA; it might well be that another person would convey more information from the HQs to her/his employees. On the other hand, it clearly is also a shortcoming of the *organisation* at the HQs' level as it does not guarantee that every employee receives information on important changes.

3. Few UNOPS *staff members* in Peru: as described on the section on the UNOPS HQs, usually UNOPS hires experts for specific tasks within its projects. These experts do not become staff members but receive contracts that *end* with the termination of the respective project. They might be hired again and again by UNOPS, but for various projects and most probably from different countries. In Peru, the situation is special. Many project workers have been working for UNOPS Peru for 15 to 20 years already, but because of the UNOPS policy, they are not UNOPS staff members, but employees.⁴¹⁷

Three different types of contract can be found within UNOPS Peru: (1) Only two persons are UNOPS staff members, hold fixed-term contracts and receive all the benefits. (2) About 60 persons have so-called service contracts. They have social security including life insurance but they do not accumulate pension funds. Moreover, as they are not considered as UN staff, there is a discussion whether they may have to pay taxes. (3) Eight employees are working under a special service agreement (SSA), limited for six months. They are not entitled to vacation, social security, etc.

The fact that only two out of about 70 UNOPS employees are staff members is also a *reason* for the lack of identification with UNOPS. Some of those UNOPS employees working in the office in Lima especially for more than ten years who have not become staff members, feel like "*second-class*" employees (IV).⁴¹⁸

⁴¹⁷ The UNOPS policy is – as mentioned above – to work as much as possible with experts in the field. This allows the organisation the *flexibility* it needs. Once an expert's contract ends, UNOPS does not have any *obligation* towards her/him. This is different with staff members who receive more benefits, etc. The lower the number of staff members, the more flexibility is achieved and the lower the costs are for the organisation.

⁴¹⁸ As they are not considered as UNOPS staff, they do not receive any training etc. and therefore they do not perceive UNOPS as an organisation that *assists* them in advancing in their careers. This, of course, is also a *logical* result of the UNOPS policy to hire experts for specific tasks so that the organisation does not have to *invest* in building up the knowledge and the training of employees.

4. Lack of *interest* on *both* sides: (1) Many UNOPS Peru employees stated in interviews that they would appreciate it if they received a daily/monthly email from the HQs⁴¹⁹ and/or had access to the intranet. One has to point out that their interest in this information cannot be as strong as they indicated because the employees in Peru (at least those located in Lima) *are* technically able to access the UNOPS intranet and thereby internal information they would like to obtain. They just have to apply for it at the respective section in the HQs.⁴²⁰ (2) The HQs itself is perceived as *not* being interested in what UNOPS Peru is doing. One employee stated (IV, translation: CS):

“Some years ago, the HQs was more interested in the projects and results themselves. Nowadays, UNOPS HQs acts like a bank. It only seems to be interested in the income generated.”

As the employees in Peru are not aware of the difficulties the organisation as such has been going through since 2001, they do not understand the *current* actions of the HQs as the result of this *severe* crisis.

4.3.4.5.4 *Different perceptions of changes*

During the study of UNOPS Peru, it became clear that restructuring and changes of processes, etc. are often perceived quite *differently* in the HQs and in Peru. This is so because a change can mean something *positive* for one of them while it is *negative* for the other. Two examples will be referred to:

1. The transfer of parts of the finance section from NYC to Malaysia was undertaken because it resulted in cost savings for the HQs.⁴²¹ For UNOPS Peru, however, this was a change for the worse: to send the original invoices and other documents required by the finance section to Malaysia not only takes longer, but is 2.5 times more expensive. While the HQs only thinks of the *overall* savings, the office in Lima does not *see*, and does not *value*, this effect, but only that its *own* costs have increased because of this decision taken by the HQs.
2. In early 2004, a new management information system, the so-called ERP, was developed which allowed *real time* connection for all UNOPS offices worldwide. While the HQs praised the advantages of the new system, UNOPS Peru was not too happy about its introduction. UNOPS HQs highly valued the fact that ERP allows the Portfolio Managers and the Chief Technical Advisers to obtain up-to-date-reports at “*the push of a button*” for each project/programme. UNOPS Peru perceived this as a *loss of flexibility* because with the new system nothing can be changed once figures, etc. have been entered. There is a clear difference between the needs of the HQs to be able to give the donors current figures

⁴¹⁹ In the quantitative questionnaire, 95% confirmed that they would be interested in receiving emails from the HQs informing all UNOPS staff about important changes at the HQs (question seven).

⁴²⁰ This again, of course, is also a problem of the HQs as it should communicate such facilities in a way that each and every employee *knows* about this possibility. Moreover, the CTA, as pointed out above, should be aware of his employees’ needs for information and take the necessary action.

⁴²¹ Costs for personnel and rent are considerably lower in Malaysia than in NYC.

anytime they ask for them and therefore work more *transparently*, and the needs of the field, to flexibly react to any occurring problems which sometimes means transferring funds back and forth between the various projects.⁴²²

These two examples demonstrate the different *perspectives* of the HQs and the offices in the field, in this case the office in Lima/Peru, as well as the lack of *understanding* between them. This is especially true for UNOPS as many of its staff/employees either know the work in the HQs or the work in the field. Because of UNOPS' policy to have as *few* staff members working in the field as possible, there is hardly any *rotation* between the HQs and the field.

Both groups, the UNOPS staff working in the HQs and its employees in the field, have different *roles*: the HQs is preoccupied with the survival and the well-being of the organisation, while in the field, in this case in Peru, UNOPS takes care of the implementation of the projects. The lack of understanding is partly due to *not knowing* what the tasks and challenges of the respective other location are, partly due to the *insufficient* communication.

Despite these problems, UNOPS works well; but certainly it could become even *more* efficient if there were better *communication* and *understanding* between the HQs and the various field locations in the developing countries themselves.

⁴²² In the end, each of the UNOPS Peru projects received and spent exactly the funds that were contributed to it. However, in difficult times when one project still had not received the funds it needed because of *bureaucratic* issues it was assisted by other projects with their funds. Once the funds waited for were received, the one that had helped out the other was *reimbursed*.

5 Field research in Bolivia – GTZ

5.1 Methodology

Before travelling to Bolivia to undertake the empirical study of the GTZ in the field, several preparations were carried out. Contacts with some GTZ employees in Bolivia were established and the objectives of my study clarified. This enabled an *efficient* field study of nearly two months between mid-May and mid-July 2005. Six weeks were spent in La Paz in the office of the GTZ programme investigated in this study, and one week in the field, in the southeast of Bolivia.⁴²³ During my stay at the office in La Paz, my research was first focused on the immense *project/programme documentation* available. After the first two weeks, I started to carry out *semi-structured interviews* with 12 GTZ employees. Ten of them were German seconded experts, two of them Bolivians. I was also allowed to *participate* in various meetings and *interviewed* more GTZ employees *informally*.

The 7-day-visit to the field was undertaken at the end of my research in Bolivia when the political situation was *safe* enough to travel to the countryside. The visit in the field involved *informal* discussions with about ten members of the target group; some of these talks were carried out individually, some of them with two persons. I was also able to *interview* eight high-level persons from the various *partner* institutions of the GTZ programme investigated. From the GTZ staff in the field, I *formally* interviewed five and had *informal* interviews with two more.

A *quantitative questionnaire* was pre-tested with a view to GTZ-employees first, improved accordingly and filled in by 59 out of 164 employees. Those who responded to the questions were from the various GTZ offices in La Paz as well as from various locations in the field. The questionnaire was sent to the majority of those offices in the field I was not able to visit during my short trip in the Bolivian countryside.

5.2 Overview on the general situation in Bolivia

Bolivia is geographically, ethnically and socially very *heterogeneous* and despite its considerable mineral resources a very poor country. It has a population of 8.5 million (BERTELSMANN STIFTUNG 2004b: 1) of which about 1.5 million live in La Paz and its satellite El Alto. Although Bolivia covers more than 109.8 million ha, good farmland is *scarce*. Out of some five million hectares that are potentially arable, less than 40% (about two million ha) is under cultivation, with the rest used for pasture or simply not used at all. Despite the fact that the high plateau and the valleys in western and central Bolivia suffer from major *disadvantages* involving climate, soil, topography and water availability and occupy just 31% of the country, they are home to 64% of Bolivians (ID).

⁴²³ When I started my field study in Bolivia in May 2005, the entire country, and especially La Paz were shaken by political and social *unrest*. The protests had just started, so that I experienced the *worsening* of the situation which led to the *resignation* of the current President and the *designation* of a new one. On the one hand, it was an interesting experience and I obtained *valuable* knowledge about Bolivia's political and social reality, on the other hand, it meant that I could *not* leave La Paz for some weeks. This reduced the time I was able to spend in the countryside. But the good preparation of the field study from Germany and from La Paz allowed me nonetheless to obtain the information needed.

Having gone through a long phase of *political instability*, the Republic of Bolivia considerably improved its democracy and market economy from the 1980s and reached a certain political and economic stability by the late 1990s (BERTELSMANN STIFTUNG 2004b: 1). The country is organised in nine departments. Each department has a prefect appointed by the national president⁴²⁴ and a department legislature comprising members elected by municipal councillors. For administrative purposes, departments are divided into provinces, of which there are 94, and sub-provinces. For the purposes of local government, the country is divided into 314 municipalities. Municipal elections are held every five years. Each department has its own court and there is a Supreme Court at the apex (THODY 1999: 4).

The political system is a *presidential democracy*. The president and the vice-president are elected together by universal, direct and secret suffrage for a five-year term. Both can be re-elected for a single second term. The National Congress consists of two chambers. The House of Representatives has 130 members who are elected universally, directly and secretly. The number of seats per department depends on the number of its inhabitants, for which the figures of the last national census are the basis. In the Senate, each of the nine departments is represented by three senators so that 27 Senators are elected universally, directly and secretly. Both the members of the House of Representatives and of the Senate are elected for five years.

5.2.1 Social indicators

Bolivian society and its political elite are *divided* into different *ethnic* communities. Large differences in income levels exist and are one reason for frequent and severe social conflicts. In the last 20 years the following important structural changes concerning the social indicators have taken place in Bolivia.

- An accelerated process of *urbanization* with about 63% of the population living in urban centres as of 2003 (WORLD BANK 2004: 1). 47% of the population are younger than 19 years and life expectancy has increased to 62 years.
- The *social indicators* for education, health and basic sanitation have *improved* significantly. The index for unsatisfied basic needs had the following evolution from 1976 over 1992 to 2001: 85,5%; 70,9%; and 58,6% respectively.
- The indicators of income, employment and productivity have *stagnated*. Between 1986 and 2002, the gross domestic product (GDP) grew at an average annual rate of 3,1%, with an annual rate per capita of 0,78% which is *insufficient* to reduce the absolute and the relative poverty. In 2002 and 2003, the GDP only grew at 0,18%. A growth rate of 6% is needed to achieve the objectives for the reduction of extreme poverty by 2015. The tendency in 2002 and 2003 was a worsening of the situation for the poor and the indigenous people.

⁴²⁴ From late 2005 on, the prefects were supposed to be elected by the population for a term of two years. This would mean a further step towards decentralising political power in Bolivia.

Bolivia has one of the *highest* levels of poverty and inequality in Latin America (OFFICE OF THE UNITED NATIONS RESIDENT COORDINATOR IN BOLIVIA 2003: 10). In 2004, poverty affected 62.7% of the Bolivian population and 35% were living in extreme poverty. In 2002, people with an income of 289 Bolivianos per month (40.25 USD) were considered as living in average poverty, those with an income of 157 Bolivianos per month (22 USD) in extreme poverty.⁴²⁵ The low levels of income are mainly due to low productivity and the high rate of unemployment and under-employment. The average GDP per year per capita (PPP) is about 2,300 USD (BERTELSMANN STIFTUNG 2004b: 1).⁴²⁶ The second report of the OFFICE OF THE UNITED NATIONS RESIDENT COORDINATOR IN BOLIVIA on Bolivia's progress towards the Millennium Development Goals states that there is only a *slight* possibility that it will meet the goal of eradicating extreme poverty and hunger (2003: 43).

Moreover, the existence of social *exclusion* and the disturbing situation of *rural poverty* are evident and underlined by the following figures from 2004 (ID):

- Unsatisfied basic needs in rural areas stood at 90,8% (2.3 times higher than in urban areas).
- Years of education in rural areas: 4.2 compared with 9.2 in urban areas.
- Only 25% of the rural homes have electricity compared with 96% in urban areas.
- 68% of the indigenous population is poor compared with 47% of the non-indigenous population.
- 82% of the population in rural areas are considered as poor and 55% even live in extreme poverty.

Because of the bad conditions and the unemployment, hundreds of Bolivians leave their country every day. Spain, the United States of America, Argentina and Brazil are their main destinations. Some estimated one million Bolivians live in Argentina. About 60% of the population living in the four biggest cities (La Paz, El Alto, Cochabamba, Santa Cruz) state that they would like to emigrate. Altogether, 61% would leave Bolivia, if they could, to live abroad.

A report of the International Organisation for Migration mentions that some 3 million Bolivians *have left* the country within the last few years. This would mean that of the estimated 9.4 million Bolivians about 32% live abroad.⁴²⁷ According to the state chancellery, about 1.36 million citizens already lived abroad in July 2003. One year later this number is estimated to have increased to 2.2 million already. In 1999, some 77,000 left the country, in 2004 this number had *tripled* to 243,000. The three main reasons are *unemployment*, *lack of opportunities* and *poverty* (LA RAZÓN 2005: A8).

⁴²⁵ This definition of poverty was adopted by the Bolivia National Institute of Statistics and *exclusively* refers to the aspect of *income* poverty.

⁴²⁶ This is only a little more than half of the GDP (PPP) generated in Peru per year per capita (4,500 USD).

⁴²⁷ This is latest estimate from 2005 and therefore differs from the 8.5 million mentioned in the BTI 2003 which is based on figures for the year 2001.

The UN Development Programme identified seven different *cleavages* in Bolivia of which four are essentially based on *social* conflicts (UNDP 2004; MARMON 2005: 146f):

1. On the *political* level the dominant confrontation exists between the population and the government. More than 60% of the protests in recent years opposed the national government. Only 5% of the protests are classical fights against private companies.
2. On the *geographical* level, the occident is opposed to the east and the Altiplano-highlands opposes the lowlands.
3. & 4. The geographical conflict originates in the *ethnic* and *economic* confrontation between the indigenous and the non-indigenous population because the highlands in their majority are populated with poor indigenous people while the lowlands are represented by the departments of Santa Cruz and Tarija where quite a few rich industrialists of European origin live. Moreover, the vast majority of the natural gas fields belong to Santa Cruz and Tarija.⁴²⁸

As of 2005, hardly anyone in Bolivia believed in the conflict-solving competence of the national government. Besides the difficult economic situation that is attributed to the government, two other aspects are important: (1) the lack of trust in the public institutions⁴²⁹ and (2) the political parties and their incapacity to substantially solve the existing conflicts (MARMON 2005: 147).

In the 1990s, the orientation of public policies was modified by prioritising social policies. The Bolivian Social Strategy was designed with the purpose of improving coverage of social services, seeking an comprehensive focus. In the second half of the same decade, the nation started a programme implementing several social reforms, among which Popular Participation, Administrative Decentralisation⁴³⁰, and Educational Reform were noteworthy. Also included was a new Sanitation

⁴²⁸ See LOSADA/ ERNST 2005: 334f for further information regarding the geographical and ethnical situation in Bolivia.

⁴²⁹ For further information concerning the lack of *confidence* in the Bolivian authorities, see MARMON 2005: 147ff.

⁴³⁰ The Republic of Bolivia has *traditionally* maintained a highly *centralised* public administration. The process of *decentralisation* began in 1985, with the passing of the Organic Law of Municipalities, oriented towards the democratisation of local governments. The process was further reinforced with the promulgation of the Law of Popular Participation in 1994, and the Law of Administrative Decentralisation in 1995.

1. The Popular Participation Law *established* 311 municipalities throughout the country, replacing 1,400 previously scattered urban jurisdictions, which had left the administration in rural zones in the hands of the central government. This law *extended* the responsibilities of municipal governments to include maintenance and expansion of infrastructure in the health education, sports, culture, and agricultural sectors. At the same time, the law guarantees *social control* over local administration by institutionalising 'Basic Territorial Organisations' and 'Oversight Committees' as interlocutors with local authorities. Thus, this law conferred full territoriality to governance in Bolivia, with a *potential* incorporation of more than 42% of the population into decision-making processes and control over public resources.
2. The Administrative Decentralisation Law *increased* the responsibilities of the departmental prefectures, assigning them competencies in regional planning, highway construction and maintenance, rural electricity, irrigation infrastructure and support to productive activities, technical and scientific research, the environment, promotion of tourism, social assistance and other areas relating to local government, promoting citizen participation and channelling the needs of indigenous, rural, neighbourhood organisations and local municipalities. The law also transferred to the departmental prefectures the administration of human resources in the health and education sectors and the management of some institutions which are not under the municipalities.

Model that was transformed into a reform of the entire Health Sector (OFFICE OF THE UNITED NATIONS RESIDENT COORDINATOR IN BOLIVIA, 2003: 8). However, it must be stated that this change towards more social policies did not have the intended effect as for various reasons, among them the paralysed economy and the demands of the World Bank and the IMF, they could not be implemented as planned.

Beyond the recognition that Bolivia's social indicators demand *additional efforts* from the government and *support* from the international community, the central challenge to be met remains how to increase the efficiency, equity and overall effectiveness of social programmes for translating additional resources into improved social indicators, particularly among the poorest.

5.2.2 The political and economic transformation processes

The *political and economic transformation processes* took place more or less at the same time and in both areas considerable stabilisation and reform performances were achieved. The transformation to a (*deficient*) democracy was concluded in 1985 with the first free local government elections since 1950. Intensive reform steps to *improve* the democracy were especially undertaken in the 1990s under the presidencies of Paz Zamora (1989-93) and Sánchez de Lozada (1993-97). The course to the stabilisation and transformation of the economy and the welfare state was set in the second half of the 1980s under president Paz Estenssoro (1985-89). These reform steps were followed by measures from the mid-1990s which improved the participatory elements. In the era of president Banzer (1997-2001) additional strategies concerning fighting poverty and remittance of debts were implemented (BERTELSMANN STIFTUNG 2004b: 3).

5.2.2.1 Political transformation process

In 1952, one of the few *real revolutions* in Latin America was initiated in Bolivia by the *Movimiento Nacionalista Revolucionario* (MNR), the Nationalist Revolutionary Movements, which followed anti-imperialistic, populist and national-revolutionary goals. The mining companies dominated by foreign capital were nationalised, a fundamental agricultural reform proclaimed, political and social reforms⁴³¹ carried out and an era of politics dominated by state interventions. Two civil presidents from 1952 to 1964 were followed by a period of authoritarian regimes from 1964 to 1982. The degree of suppression under the military regimes until 1980 was quite *moderate*. The last military president García Meza was supported by the cocaine-mafia and installed a short, but brutal *dictatorship* from 1980 to 1981.

The high degree of repression and the social isolation of the dictatorship led to the removal from power of the *junta* and the relatively quick restoration of the *constitutional conditions* in

Decentralisation in Bolivia means, for example, that taxes are partly – based on per capita criteria - transferred from the national government towards municipal governments which prepare their programmes and budgets on the basis of local demands and through a participative planning process (OFFICE OF THE UNITED NATIONS RESIDENT COORDINATOR IN BOLIVIA, 2003: 8).

⁴³¹ One of the most important steps was the right to vote for the *indigenous* population.

1981/82. By 1985, democracy was re-established and for the first time in Bolivian history could be stabilised. From 1985 until 2003, Bolivia experienced six constitutional democratic changes of government⁴³², also for the first time in its history (GOEDEKING 2004: 297). These changes were facilitated by the also changing parliamentary alliances of the three most important political parties: the renovated former revolutionary MNR (*Movimiento Nacionalista Revolucionario*, established in 1941)⁴³³, the mid-left- MIR (*Movimiento de la Izquierda Revolucionaria*, established in 1971)⁴³⁴ and the right-wing ADN (*Acción Democrática Nacionalista*, established in 1979)⁴³⁵ (GOEDEKING 2004: 300ff).

Political participation has improved over the last decade. The universal active and passive right to vote is ensured, elections are essentially carried out correctly and violations are more and more sanctioned. The reform of the election system that was initiated in 1991, but only finished in 1996 has decreased the traditional *under-representation* of the well-populated regions; however, this also increased the degree of fragmentation. The elected government accepts the principles of an open and competitive election process. Freedom of speech, press and information as well as freedom of assembly or reporting of the mostly private and pluralistic media are usually not hindered; but because of the intensity of the *mass protests*, the governments of the last 20 transformation years again and again have used the traditional measure of declaring a *state of emergency* which temporarily abolished the political rights of freedom, allowed them to forbid the activities of political organisations, trade unions and other groups and to lock up political opponents for a short period (BERTELSMANN STIFTUNG 2004b: 6f). While in 2004, 45% of the Bolivians still preferred democracy against all other systems of government, only 16% were satisfied with it. These figures moreover represent a decline compared to 2003 with 50% and 25% respectively (MARMON 2005: 147).

Though the separation of the executive, legislative and judiciary powers has been improved, the *checks and balances* are still not fully operative and the government is not entirely checked by judiciary and parliamentary supervision. De facto, the executive power *controls* large parts of the legal authorities and the parliament. Parliamentary activities depend on the initiative of the executive power and the parliament tends to accept the governmental bills without controversy. Some judicial institutions remain under the control of political patronage. The appointment of public prosecutors and judges is still under the control of the political parties, which is a severe obstacle for the reform of the judicial system. Moreover, neither in the national ministries nor on the regional or local level has a

⁴³² Four of those changes of government also meant a change towards an opposition party.

⁴³³ The MNR is the oldest of the important Bolivian political parties. It was founded by Victor Paz Estenssoro who later became President. In the last two decades, the MNR always achieved one of the first two places in national elections. The MNR again and again implemented reforms of political and economic modernisation – the last one under the government of Sánchez de Lozada from 1992 to 1997. This was possible because of the not very specific ideological profile (MARMON 2005: 143).

⁴³⁴ The MIR is the second largest traditional political party in Bolivia. It has Marxist-Leninist features. The former President Jaime Paz Zamora (1989 to 1993) was from the MIR (MARMON 2005: 143).

⁴³⁵ The ADN was founded by the former military dictator General Banzer. The originally conservative-liberal profile was supplemented by aspects of social justice and reduction of poverty. Banzer was President from 1997 to 2002 (MARMON 2005: 143).

modern, stable administration based on a performance-oriented career system been established. Therefore, a *corrupt judicial administration* as well as the influence of the political parties on the administration continue to exist, and the judicial system remains under the influence of the executive power and tends to be corrupt (BERTELSMANN STIFTUNG 2004b: 7f).

Corruption is common and reaches the highest ranks. The BTI 2003 states that the Corruption Perceptions Index of Transparency International has even acknowledged an *increase* of corruption within recent years from 2.8 in 1998 to 2.2 in 2002 (BERTELSMANN STIFTUNG 2004b: 7). However, governmental activities are legally and parliamentary verifiable and scandals are discovered more and more often because the public and the media are sensitised.

A systematic reappraisal of the human rights violations of the military dictatorships following the example set by various other Latin American countries has *not* taken place in Bolivia – with the exception of the brutalities of the García Meza regime. The repression of the military regimes in Bolivia generally was not as high as in many other countries and was not so different from the usual repression.

Because of the continuing deficits of, for example, the *rule of law*, the political system must still be judged as an *illiberal* democracy (BERTELSMANN STIFTUNG 2004b: 1f). Moreover, the BTI 2003 stated that the quite remarkable political and economic stability could be at stake (BERTELSMANN STIFTUNG 2004b: 2). It referred thereby especially to the political unrest in February and October 2003⁴³⁶ which led to the resignation of President Sánchez de Lozada who had been elected only in 2002.⁴³⁷ Vice-president Carlos Mesa was designated by the Bolivian congress as the new president. GOEDEKING identifies an increase in the amount and intensity of social unrest since as long ago as 1997 (2004: 307; translation: CS):

“Since Hugo Banzer’s term of office in 1997, the social protests from the farmers’ movement to local protests against privatisation plans have assumed extraordinary proportions. Demonstrations, marches on La Paz and street blockades by protesters have existed before, but now they take place at ever shorter intervals.”

As of 2005, one must underline that this *tendency* described by the BTI has *continued*. The turbulences of 2003 were not an exception, but the situation in the country even *worsened* from 2003 until 2005 and the deficits concerning democracy became even more evident.

Since 1987, one of the most important groups that felt *excluded* by the political elite, the coca growers, is also politically organised.⁴³⁸ Their political party MAS (*Movimiento al Socialismo*) is led

⁴³⁶ The political unrest of September/October 2003 even resulted in 60 dead citizens that were *shot* by the military and the police (MARON 2005: 140).

⁴³⁷ Sánchez de Lozada had already been president from 1993 to 1997.

⁴³⁸ The BTI 2003 states that the plan of the government to *extend* the representation and participation as well as the improvement of the dialogue between the political establishment and the various ethnic and social groups was thwarted by the surprising political self-organisation of the indigenous and other social groups (BERTELSMANN STIFTUNG 2004b: 6).

by Evo Morales, who obtained an impressively good result at the presidential elections in 2002.⁴³⁹ The *massive* protest energy of this group, amongst others, is easily mobilised and is one reason for the ongoing fragmentation (BERTELSMANN STIFTUNG 2004b: 4). The organisation of the indigenous movement in a political party had the effect of more participation and representation, but also of more polarization. Moreover, the MAS does *not stabilise* the democratic institutions by participating in the democratic system, but because of its anti-party attitude and its extra-parliamentary activities democracy is *threatened*. The catholic church has taken over an important role as a mediator between the different political parties and social groups (BERTELSMANN STIFTUNG 2004b: 9).

In mid-2005, Bolivia had to go through weeks of severe political unrest in the whole country once again.⁴⁴⁰ The capital La Paz was *paralysed* over weeks by the blockades as well as most main roads in the country. MARMON summarises the situation as follows (2005: 140; translation: CS):

“The heavy protests that have shaken Bolivia over the last weeks and months demonstrate that the country is in a severe political crisis which is characterised by the almost complete loss of trust of the population in the political institutions. The institutions themselves are characterised by corruption, clientelism, and the incompetence in solving the pressing economic problems of the country. Because of the insufficient competence of the politicians the population loudly expresses its demands on the street. Demonstrations, street blockades and strikes paralyse the already weak economy and drive Bolivia to the verge of economic and political collapse.”

As in October 2003, the result of the severe political unrest in 2005 was the *resignation* of the President: On 6 June 2005, Carlos Mesa submitted his resignation, which was accepted a few days after by the congress, after only 20 months in office. After the *refusal* of the Senate's president Hermando Vaca Díez and the chairman of the House of Representatives Mario Cossío to become the constitutional successor,⁴⁴¹ Eduardo Rodríguez, the chairman of the Constitutional Court, was sworn in as interim president on 9 June 2005. His main task was to organise new elections in late 2005. The resignations of Sánchez de Lozada in 2003 and Carlos Mesa in 2005, both forced by political unrest, means that Bolivia had three different presidents from 2002 to 2005, and with new elections a fourth followed by early 2006. After the six *constitutional* changes of government that had taken place from 1985 to 2002, these *unconstitutional* changes are another sign of Bolivia's growing economic, political and social problems.

The 2005 Bolivian presidential election was held on 18 December 2005. The two main candidates were Evo Morales of the Movement Toward Socialism (MAS) Party, and Jorge Quiroga,

⁴³⁹ Despite the good results of Morales, a majority for the candidate of the *establishment* could still be formed – also because of the *massive pressure* of the USA especially on the MIR. MAS has held 26% of the parliamentary seats since 2002. Therefore, and because of the breakdown of one of the three traditionally strong parties, the ADN which only obtained 3.5%, the system of the political parties was *fundamentally* changed by the elections of June 2002.

⁴⁴⁰ One of the main reasons for these demonstrations, the discussion about the re-nationalisation of the natural gas sector, is investigated by HUSAR 2005: 135f.

⁴⁴¹ As Carlos Mesa was vice-president when he was appointed president in 2003, he *himself* did not have a vice-president who otherwise would have been his *constitutional successor*. Therefore, the next successors enumerated by the constitution in the order (1) president of the Senate, (2) chairman of the House of Representatives and then (3) chairman of the Constitutional Court were asked one after the other if they wanted to take over the President's office.

leader of the Democratic and Social Power (PODEMOS) Party and former head of the Acción Democrática Nacionalista (ADN) Party. Morales won the election with 54% of the vote, an absolute majority; Quiroga conceded defeat, and Morales was sworn in on 22 January 2006, for a five-year term. Morales' win marks Bolivia's first election of an indigenous head of state.⁴⁴²

Altogether, Bolivia has achieved significant improvements concerning democracy since the 1980s, but still has to fight severe deficits. The removal of these deficits is *hindered* by the geographic and ethnic heterogeneity, the insufficient integration of the society and the economic and social problems of the country (BERTELSMANN STIFTUNG 2004b: 5f). One of the *main challenges* of the near future will probably be to at least maintain the *status quo* which was at stake as of 2005 because of the disillusionment of the poor population which resulted in severe social and political turbulences in Bolivia from 2002 on. The problem is that the political decisions are not taken by the government, the congress or participative instruments, but by the mere *pressure* of the demonstrations and the marches in the streets. This is problematic because (minority) groups that have sufficient financial means and are well-organised⁴⁴³ force issues that are against the public welfare of the country (ID). The political system is under enormous pressure and the *political stability* is at stake because the demands and the protests have become each time more excessive in recent years. LOSADA/ ERNST underline the *explosive* nature of the conditions by describing the highly destabilised situation which they thought to be close to a *civil war* as of 2005 (2005: 336f).

5.2.2.2 Economic transformation process

Bolivia is a country that strongly depends on foreign investments and donations and its low stage of development does not allow its citizens a sufficient *freedom of choice*. Fundamental social exclusions because of poverty and insufficient education are not a peripheral phenomenon, but affect the majority of the population, especially in the countryside. Many development indicators are *below* the Latin American average. The distribution of income is very unequal and the regional disparities/differences are significant (BERTELSMANN STIFTUNG 2004b: 11). The economic growth stood at 1.51% in 2001, at 2.75% in 2002, at 2.45% in 2003 and in 2004 at 3.6%. If this tendency is continued in the coming years it might be a sign that Bolivia is recovering from the external shocks of the Asian and the Brazilian crises. The inflation rate was stabilised and stood between 0.92% and 4.44% from 1999 to 2004.⁴⁴⁴ The Bolivian economy suffers from a large share of the informal sector which accounts for more than 50% of those able to work and for about 38% of the GNP (ID). Bolivia is a member of the Andean Community, an associated member of the Mercosur and a member of the Latin American Integration Association. The objective of these institutions is to obtain an *integrated* economic community or at least a free trade area.

⁴⁴² As this important event in Bolivian history only took place weeks before the finalisation of this thesis, its possible future impact could not be included in greater detail.

⁴⁴³ It is supposed that the massive protests of the mostly indigenous population are financially supported if not *initiated* by few 'financial oligarchs'.

⁴⁴⁴ In 1999, the inflation rate was 2.16%, in 2000 4.6%, in 2001

Since the reorientation of 1985, considerable *improvements* have been achieved concerning stability and development of the market economy in Bolivia. In a first step, combating inflation, opening the country for foreign investments and increasing the export to service the debts were *prioritised* and the privatisation and the closing of parts of the rotten nationalised enterprises, especially of the big mines, were advanced. The turn to a market economy with the stabilisation programme from 1985 did not result in sufficient *growth rates* to substantially reduce poverty and social inequalities and to overcome the structural obstacles of the Bolivian economy. Social exclusion, dependence on the export of raw materials, insufficient diversification, restricted home market, weak entrepreneurship and insufficient public administration therefore *continued* to negatively influence the economic transformation (BERTELSMANN STIFTUNG 2004b: 10f).

This *liberal* policy of deregulation, privatisation and modernisation was continued in the 1990s even though setbacks, limited success and high social and political costs were experienced. Since the mid-1990s, a second wave of *privatising* the nationalised enterprises the so-called *capitalización* – especially in the energy and transportation sector - took place under president Sánchez de Lozada which was closely linked with the privatisation of the retirement insurance/pension scheme (GOEDEKING 2004: 303ff). President Banzer, in close cooperation with the World Bank, concentrated on new strategies for fighting poverty and the remittance of debts (BERTELSMANN STIFTUNG 2004b: 5).

The BTI 2003 stated that the institutional basis for a market economy and free competition had been founded (BERTELSMANN STIFTUNG 2004b: 11). But strong differences between the export-oriented modern sector dominated by *international* companies and the weak *national* industry continue to exist. Moreover, the domestic market in rural areas remains underdeveloped.

Important progress concerning Bolivia's *foreign debts* was achieved by its admission to the HIPC-I-programme of the World Bank and the IMF in 1997/98. The different Bolivian governments cooperated *well* with both international organisations and followed their rules and regulations. This resulted in a reduction of the foreign debts and Bolivia was also admitted to the HIPC-II-programme in 2001.^{445 446} However, in 2001 the foreign debts still stood at 219% and the debts services stood at 35% of the exports. Both HIPC-initiatives resulted in less debt and therefore more financial possibilities for Bolivia *at first*;⁴⁴⁷ but as the country was given more foreign loans, the debts rapidly

⁴⁴⁵ To be accepted by the Boards of the World Bank and the IMF, Bolivia had to work out a *national poverty reduction strategy*. The main objective of this strategy was to reduce the percentage of poor Bolivians from 63% to 41%, and the share of the extremely poor from 36% to 17% by 2015. The international donors, in exchange, *remitted* debts of about 1.3 billion USD. The financial means that have become and will become available because of HIPC I and II have to be used by the Bolivian government for fighting poverty.

⁴⁴⁶ Bolivia was the *first* Latin American country and the *second* worldwide to be admitted to the HIPC-II-initiative (KLEIN 2003: 280).

⁴⁴⁷ Within the frame of the HIPC-initiative, Bolivia was, for example, *relieved* of all debts caused by German public credits up to 2001, altogether some 347 million Euro (ID).

grew once again and as of 2005 the country was even *more* indebted than before HIPC I& II (ID).⁴⁴⁸ Both HIPC-programmes include measures for fighting poverty which are to be supported by bilateral donors following the regulations of a coordinated Poverty Reduction Strategy Paper (PRSP)⁴⁴⁹, the EBRP from 2000/2001 (BERTELSMANN STIFTUNG 2004b: 12). The BTI 2003 doubts that the continuation and intensification of the HIPC-programmes can cause a *significant* progress for the development stage *if* no further structural, economic and institutional growth incentives are initiated (BERTELSMANN STIFTUNG 2004b: 16).

The performance of the Bolivian economy remains *limited*. It still belongs to the HIPC-countries. The growth rate that had stagnated in the 1980s could at least be increased until 1998. In the 1990s, the economy grew at an average rate of 4%. But from the dramatic *collapse* in 1999 because of the worsening of the terms of trade, the effects of the crises in Asia and Brazil, the stopping of smuggling and the coca eradication programme Bolivia has not *fully* recovered so far. The annual growth rate decreased to 0.3% in 1999 and remained between 1 and 2% from 2000 to 2003. Another problem is the high degree of corruption. Bolivia is said to be the second most corrupt country on the continent (KLEIN 2003: 281).

Since the 1990s, Bolivia was considered a *prime example* concerning its cooperation with multinational and bilateral (development) organisations because it always proved to be a reliable partner. This feeling of reliability was achieved by a *cooperative attitude* and the *strict implementation* of the rules from the international organisations, especially from the World Bank and the IMF concerning the economy by all governments since 1985. In an internal report on Bolivia from 1997, the World Bank stated the following (ID):

“Since 1985, three successive Bolivian Governments have achieved remarkable progress in stabilizing the country’s economy and undertaking far-reaching structural reforms. The international financing institutions have supported these reform efforts and continue to do so, with the common conviction that they are indispensable elements of a development path that can ensure a better standard of living for the majority of the Bolivian population.”

LOSADA/ ERNST also state that, for years, Bolivia has been considered a *dreamland of reforms* as it was quickly implementing structural adjustment programmes and other political-institutional reform packages (2005: 333). Investigating the donor-recipient relationships in Bolivia, WOLL spoke of the country’s long lasting image as a ‘*donor darling*’ (2004: 160).

⁴⁴⁸ The external and internal public debts had the following development over recent years in billions of USD (ID; quoted after the Bolivian Central Bank):

	1996	1997	1998	1999	2000	2001	2002	2003	2004
External	4,6	4,6	4,7	4,6	4,5	4,4	4,3	5,0	4,9
Internal	1,0	1,1	1,1	1,3	1,6	2,1	2,2	2,4	2,7

⁴⁴⁹ Bolivia was the first country in Latin America which passed a PRSP in June 2001. This PRSP was much praised by the international community. However, while the process of its working out was considered *exemplary* and its objectives as *acceptable*, its *implementation* has become a problem. See KLEIN 2003: 280ff for further information on the problems of the Bolivian PRSP and its implementation.

However, the various governments did not have the *entire* and not even the *majority* of the population backing up their decisions and since 2002 it is more than obvious that they acted contrary to the wishes of many Bolivian citizens. The problem is that the various governments have constantly prioritised the *economic deregulation* and the *opening of the market* and social policy was almost forgotten. Moreover, consensus was only reached with the small circle of the established political class and the ongoing *exclusion* of the representatives of the *majority* of the population was accepted (BERTELSMANN STIFTUNG 2004b: 19). Especially the marginalised and the poor felt deceived by the government as for them the liberalisation and privatisation did not have positive, but sometimes negative impacts. These groups demonstrate(d) their anger by protesting, blockading, etc. The international community more and more has *lost* its confidence in Bolivia over the last five years as the governments were not able to deal with these protests and the country might even become ungovernable (MARMON 2005: 140).⁴⁵⁰

Since 1990, Bolivia has invested *substantial amounts* of its budgetary resources and has largely borrowed from multilateral and bilateral institutions to finance the development and enhancement (rehabilitation and paving) of its *road infrastructure*. The consequence has been a tangible upgrading of this infrastructure, bringing about a reduction in transport costs and, consequently, a reduction in the cost of import and export goods and increased integration of the various regions of the country (ID). However, the big challenge remains to *further improve* the infrastructure and to *preserve* the already upgraded infrastructure capital. The need for the development of road infrastructure is still enormous in Bolivia. The attendance to these needs is complicated by the vast geography of the country and the low density of its population. *Priorities* must be set in such a way that the economic returns are *maximised*.

Though many macro-economic indicators have been stabilised, the status of Bolivia as being one of the poorest Latin American countries has *not* changed significantly so far. Therefore, the liberal economic policy of the 1980s is *questioned* as it did not significantly improve the living conditions for the majority of the Bolivian people. The most problematic issue of the present and the future which affects both the economic and the political transformation is the demand of the indigenous political parties and movements to *re-nationalise* the companies, especially those active in the natural gas sector, that were privatised within the last decades.⁴⁵¹ This demand, however, only reflects the basic

⁴⁵⁰ A second reason for this loss of confidence of the international community in Bolivia are the consequences of the *reduction* of the coca growing. The Bolivian governments have perhaps too *strictly* implemented the coca eradication programmes of the USA which often *neglect* the economic, social and cultural conditions. Though the programmes resulted in a considerable reduction of coca growing, this was only possible at *high* economic, social and political *costs* and led (1) to severe *unrest* especially in the province Chapare where most of the illegal coca is grown and (2) to the success of the political party MAS and their leader Evo Morales. Especially the fact that 26% of the parliamentary seats are taken by MAS deputies and that their leader nearly became the Bolivian president caused a severe *damage* to Bolivia's international reputation of being a *stable, reliable* country (BERTELSMANN STIFTUNG 2004b: 19f).

⁴⁵¹ With 52,4 trillion cubic feet (about 1464,4 billion m³), Bolivia has - after Venezuela - the second highest natural gas reserves of South America. After the privatisation of the market in 1996, the following companies are essentially *exploiting* the reserves: Repsol-YPF (Spain, Argentina), British Gas (Great Britain), Petrobrás

challenge for the Bolivian society and its political class: it is absolutely necessary to find a way to *include* those who have been *excluded* for so many years, decades and even centuries, the indigenous and other marginalised groups (GOEDEKING 2004: 311f). The political unrest in May/June 2005 not only resulted in the resignation of President Mesa, but also had a strong influence on economic problems Bolivia faces because of the unstable situation:

1. One consequence is that the Latin American Football Championship in 2007 will not take place in La Paz as planned because the Latin American Football Association was terrified by the violence in Bolivia and the inability of the government to end the blockades. This decision means further losses of income for La Paz (1) because the capital had already invested in the infrastructure for the Football Championship and (2) because the tourists expected to come to La Paz to visit the football games will not come.
2. Another more important consequence of the social unrest was that directly after the demonstrations in Bolivia, Chile, Argentina and Brazil began talks with Peru concerning buying natural gas from the fields in Northern Peru. The reason once more was the instability in Bolivia which may result in severe problems for the neighbouring states that buy their natural gas from Bolivia and therefore depend on a *reliable* delivery.

A new consensus concerning social and economic policies must be achieved which not only *reflects* the interests of the establishment, but of the majority of the different groups and classes. Otherwise, Bolivia will have to face each time more severe political and social unrest which might result in a *failed state*.

5.3 GTZ Bolivia

German technical cooperation has been active in Bolivia since 1950. As of 2005, Bolivia was not only one of the *priority partner* countries selected by the BMZ, but also a *pilot* country for the implementation of the programme of the German government for poverty reduction by 2015. The

(Brazil), Total Fina Elf (France, Italy), British Petroleum (Great Britain) and Exxon-Mobil (USA). Those companies have invested some 3.5 billion USD. Since 2000, the exports of natural gas to the neighbouring countries (especially Argentina and Brazil) have increased by five times and accounted for one third of all Bolivian exports in 2004. Bolivia's share of the Latin American natural gas market has increased to over 16% and natural gas is, after soy, the second most important sector of the export economy. A re-nationalisation of the gas industry, which was nationalised from 1937 to 1941 and from 1969 to 1996, would cause massive *doubts* of the IMF who had initiated the privatisation from 1996. Moreover, it would *recreate* the structural problems of a nationalised gas industry: the treasury would again become dependent on the income from the gas exports which would result in a slowed down *diversification* of the export economy. Bolivia would continue to only export *primary goods/raw materials* (MARMON 2005: 142). Moreover, the state-owned YPFB (Yacimientos Petrolíferos Fiscales Bolivianos) does not have either the expertise or the capital to *advance* the further exploitation of the natural gas fields. As of 2005, this was only possible for the big players in the gas industry that are mentioned above.

For further information on the discussion about *hydrocarbons* in Bolivia, see HUSAR / MAIHOLD 2005. The two authors investigate the meaning of natural gas for Bolivia and explain why the question of having a *nationalised* or a *privatised* gas sector has become crucial for the country.

GTZ was working in *three* focal areas which have been represented by three programmes for several years.⁴⁵²

- Modernisation of public administration and justice, including the participation of civil society, taken care of by the programme PADEP (*Programa de Apoyo a la Gestión Pública Descentralizada y Lucha Contra la Pobreza* - Programme Support of a Decentralised Governance and the Fight against Poverty);
- Drinking water supply and waste water disposal, taken care of by the programme PROAPAC (*Programa Agua Potable y Alcantarillado Sanitario en pequeñas y medianas ciudades* – Programme Drinking Water and Sewerage Systems in small and middle-size cities);
- Sustainable Agriculture (until May 2005: PDR - *Programa de Desarrollo Rural en Zonas Secas del Sur* - Programme Rural Development in the Dry Zones of the South) taken care of by the programme PROAGRO (*Programa de Desarrollo Agropecuario Sostenible* – Programme Development Sustainable Agriculture).

Each programme has its own small administration capacity, but in general administrative issues such as personnel (payment, vacation, etc.), procurement, public relations are handled by the GTZ Office.

The number of GTZ personnel and the share of national staff and seconded experts in Bolivia have been quite stable over the last few years⁴⁵³:

Table 5-1: Number of GTZ personnel Bolivia

	2002	2003	2004	2005	June 2005
GTZ personnel total	221	210	213	214	164
National staff	199	186	190	191	Not available
Seconded experts	22	24	23	23	Not available

Source: GTZ Office La Paz

In 2005, PADEP continued to be the biggest programme with 62 national employees and four seconded experts, followed by PROAGRO with 30 national staff and three seconded experts and PROAPAC with 21 national employees and three seconded experts.⁴⁵⁴

⁴⁵² Besides the three *programmes*, a few *projects* in different sectors continue to exist that will end within the coming years.

⁴⁵³ The numbers for the years 2002, 2003 and 2004 are the *average* of the respective year as the number of the employees *varies* from month to month. The number of 2005 reflects the average from January until May (including May) as this was the most *recent* number available at the time. The number from June 2005 reflects a reduction of personnel because of the termination of a sub-project (PRONAR). The 164 employees from June 2005 include 12 drivers and 20 secretaries and receptionists.

⁴⁵⁴ The other staff work for the GTZ Office in La Paz and the various projects that have not been terminated so far. No numbers were available of how many staff work in the capital and how many in the field.

Following the objective of the BMZ and the GTZ HQs to create a development cooperation and a technical cooperation that forms a *uniform* and *integrated* whole⁴⁵⁵, the GTZ tries to implement its various programmes in the *same* Bolivian regions whenever and wherever it makes sense to link the efforts. *Synergy effects* are hoped for.

5.3.1 Presentation of the GTZ Programme selected: PDR/PROAGRO

The GTZ programme selected, which is now titled PROAGRO, has the objective to support the sustainable development of Bolivian agriculture. Its predecessor was the PDR; the focus of this programme was more generally on rural development. With the new main *focus* the new name PROAGRO came along to *underline* this change. This programme was *selected* because with its former focus on rural development and now on the development of the agricultural sector it offers a *good basis* for a comparison with the UNOPS project in alternative development in Peru.

5.3.1.1 The PDR

In the mid-1990s, the discussion within the GTZ started to form programmes instead of projects. To avoid programmes becoming only the *concentration* of already existing projects, two demands were formulated: programmes should (1) result in an *added value/better* quality and (2) be *more* cost effective.⁴⁵⁶ The BMZ was interested in a rural development programme in Bolivia and commissioned the GTZ with its appraisal⁴⁵⁷ and then with its formulation and implementation.

The overall objective to be achieved by the PDR was the following (ID; translation: CS):

“The quality of life and the development possibilities of the rural population in the regions of the programme are improved and the degradation processes of the natural resources are slowed down.”

To further illustrate the more *specific* objective of the PDR, it is formulated below (ID; translation: CS):

“The local actors implement in a coordinated and independent manner strategically important measures for the socio-economic and ecological development of their regions within the

⁴⁵⁵ The German expression is ‘*Entwicklungszusammenarbeit aus einem Guss*’. It not only means that *within* a German development cooperation organisation such as the GTZ the efforts are joined, but also *between* the different German institutions such as the GTZ, the KfW, the DED, InWENT, etc. This should make the German development aid as effective and efficient as possible.

Besides the ‘EZ aus einem Guss’, the so-called PEZ exists which stands for ‘*Programm Entwicklungszusammenarbeit*’ meaning Programme development cooperation. It is expected that the GTZ and all other German development cooperation institutions cooperate with international institutions such as the EU, UNDP, the World Bank, etc.

⁴⁵⁶ At the same time, the decentralisation was initiated because of the same two reasons: (1) better quality by decentralising the responsibility and decision-making and (2) to become more cost effective. For further information on these two issues, programmes instead of projects and decentralisation, see section 3.2.9 pages 119ff.

⁴⁵⁷ The PDR was among the first programmes worldwide that were already *appraised* as programmes. The projects that had existed before had just ended or had been terminated so that the PDR became the only programme in Bolivia which did *not* have to *combine* several projects into one programme. It *started* as a programme from the very beginning.

framework of the UN desertification convention and the national sector policies; important sector policies and laws are adjusted on the basis of local experience.”

The PDR was locally implemented in two regions, the Chaco and the Norte de Potosí. The *concentration* on two regions was opted for to achieve a certain *impact* with the funds available. The Chaco and the Norte de Potosí are considered as poor areas within the Bolivian context, i.e. they are more in need of help than other regions.

The local implementation was accompanied by a coordination unit in the capital to have an impact concerning rural development on the *national* level. One of the goals of the PDR on the national level was to support the Bolivian government with the implementation of the *Programa Nacional de Lucha contra la Desertificación*, the National Programme for fighting desertification which is based on the respective UN desertification convention.

The three *components* of the PDR can be formulated as follows:

1. implementation of the UN desertification convention in Bolivia and sector political advice in selected topics;
2. implementation of the development plan for the Bolivian Chaco;
3. rural development of the Norte de Potosí.

While the coordination of the PDR was located in La Paz, most staff was decentralised in various offices throughout Bolivia, for example, in Camiri/Chaco and Llallagua/Norte de Potosí from where the two regional components were implemented. This structure used for the PDR is quite common throughout the GTZ and its structures in the various developing countries as it allows the combination of both the *bottom-up* and the *top-down* approach:

- a. bottom-up: the implementation of the planned measures with the municipalities and the producers in the rural areas can be controlled and the gained experience and expertise gained can be transferred to the *national* level and the coordinator advises the partnering national authorities accordingly.
- b. top-down: by the close contact with the national authorities and, if necessary, appropriate interventions, a general support and promotion of the regional components can be achieved, which allows a more effective and successive implementation on the *regional* level.

The GTZ thereby tries to implement its programmes and project using the *multi-level approach*.

Because of the *institutional* weakness on the national level, for example, of the Ministry for Sustainable Development, which is responsible for the implementation of the UN desertification convention, the project progress monitoring from 2004 recommended *more* concentration on *local* initiatives and supporting national programmes *in* the regions where the PDR had started its local work, in the Chaco and the North of Potosí.

The PDR took place from November 2000 to April 2005. Initially, the PDR was planned for a duration of 12 years, from 2000 to 2012, at a cost of 30 million Euro for the GTZ. The first phase of the PDR at a cost of about 8.9 million Euro was planned for the first four and a half years (ID).

The partner made *contributions* on various levels. On the national level, the ministries made premises available to the national programmes that were supported by the PDR as well as the personnel of the participating ministries. On the departmental and municipal level, the prefectures and communities also made premises and personnel available and contributed from their own budget to the investments and advice services. From the final beneficiary, generally a self-contribution of 15% was demanded. Under the PROAGRO, the partner continued these self-contributions. Overall, the partners contributions for the first, and last, phase of the PDR *accumulated* to about ten million USD.

The target group does not receive any salary or expense allowances from the PDR/PROAGRO. This is the policy of the GTZ to avoid any promotion of *paternalism*. However, if beneficiaries participate in a workshop, the GTZ covers for the coffee-break and perhaps lunch/dinner and the costs of an overnight stay.

With the PDR and its *broadly* formulated objective to support rural development, many very diverse activities were carried out. An important goal of the PDR was to support and advise the *Sistema Boliviano de Tecnología Agropecuaria* (SIBTA - the Bolivian System of Agricultural Technology) on the *national* level as well as by assisting the *Fundación Chaco*, the Chaco foundation, on the *regional* level.⁴⁵⁸ The PDR also assisted college graduates to get jobs in the municipalities or supported an initiative, in cooperation with a fund, that some 250 children could go through the entire primary school.⁴⁵⁹ The PDR itself states that it has worked on a *great variety* of topics such as agricultural technology, tourism, craftwork, indigenous groups⁴⁶⁰, gender and youth.

5.3.1.1.1 Why was the PDR transformed to the PROAGRO?

A *political decision* of the BMZ to change the focus/priority area in Bolivia, on which the PDR was based, was the reason for the transformation of the PDR into the PROAGRO. In 1999, the *focal area* had been formulated as *rural development* and the PDR was developed to fulfil these demands. However, in 2001, a discussion about this focus area began in the BMZ. Though the GTZ pronounced *severe doubts* about the *reasonableness* of this change only one year after the PDR had started, the BMZ decided to *not* continue with the focus area rural development, but with *sustainable agricultural development*.⁴⁶¹ Why did the GTZ want to continue with the focus on rural development? Because

- the *commission* for the PDR was based on this focus and the *concept* with its broad comprehensive vision was to break down with the adjustments to be undertaken if the new focus was agreed on;

⁴⁵⁸ For further information on SIBTA, see section 5.3.2.2 pages 238ff.

⁴⁵⁹ This means that the pupils can attend school for eight years instead of only two or three.

⁴⁶⁰ See STRÖBELE-GREGOR 2003: 8ff for further information on indigenous issues within the PDR.

⁴⁶¹ The discussion between the GTZ – especially the responsible officer of the PDR – and the BMZ was very intensive and long. The GTZ had difficulties recognising the *sense* of changing the focus area and *doubted* that the PDR could be well continued after this important change. That the BMZ took this decision without the approval of the GTZ shows the relationship between the two – the BMZ is the *commissioner* and the GTZ the *implementing* organisation.

- the implementation had already begun, but the time until 2005 was by far too short to achieve the objectives that were planned for a period of 12 years until 2012 (IV). One staff member states (IV; translation: CS):

“We have left many ruins though we have tried to counterbalance them while we carried out the adjustments. The first effects just were about to become visible, but we had to stop in the initial phase when many things were just getting organised.”

The changes and adjustments of the PDR that were the logical consequence of this decision were discussed with the partner, but in the end it was a decision taken by the donor (IV).

Following the recommendations of a project progress monitoring of February 2004, the PDR was transformed into the PROAGRO on 1 May 2005. It can be considered as a second phase of the PDR *or*, probably more correctly, as a *new* programme.⁴⁶² Under the PDR, long before the PROAGRO officially started, necessary adjustments were undertaken. Some of the components of the old PDR were continued, others changed and new components were added such as (1) water catchment area management and (2) irrigation⁴⁶³. In this thesis, the PROAGRO will be considered as a new programme, but components which had already existed within the PDR were in the focus of the investigation. This has facilitated a better evaluation of the achievements as these components have existed for some years already.

5.3.1.2 The Bolivian context of the PROAGRO

The GTZ programme PROAGRO is dedicated to supporting the sustainable development of Bolivian agriculture in certain regions, but also on the national level. With the PROAGRO, the GTZ tries to include national Bolivian programmes and strategies in the implementation on the regional level. In the Chaco, for example, the GTZ intends to concretise and to implement the *National Strategy for Developing the Agricultural Sector* (ENDAR). Therefore, the characteristics of the agricultural sector in Bolivia, the relevant institutions and strategies need to be *presented* briefly to better understand the PROAGRO.

5.3.1.2.1 General characteristics of the Bolivian agricultural sector and its rural areas

The agricultural sector plays a *strategic* role in the Bolivian economy. From 1993-1998, its primary and processed products generated about 21% of GDP and 32% of total exports on average. In recent years, more than 40% of the national employment was generated in the agricultural sector.

In the last 20 years, the agricultural gross domestic product (GDP) had a low growth rate of about 2.7% annually on the average, which is more than the growth rate of the Bolivian population of

⁴⁶² As in this study, especially components are investigated more closely that were part of the PDR and *continue* to exist within the PDR, the PDR and the PROAGRO are evaluated as *one* programme and often titled as PDR/PROAGRO. When it is clear that a certain issue must be contributed to only *one* of the programmes, this becomes evident by mentioning only the respective programme, either the PDR or the PROAGRO.

⁴⁶³ Before, *irrigation* was an individual project in cooperation with the KfW.

2.2% (BERTELSMANN STIFTUNG 2004b: 1).⁴⁶⁴ In 2002 and 2003, the GDP of the sector grew at 6% - mainly due to the growth of industrialised agriculture. The relative importance of the agricultural sector fell by 2% from 17.5% in 2002 to 15.5% in 2003 in relation to the national GDP.

An important growth of *industrialised* agricultural products can be noticed, mainly soy. In 1982, these represented about 7% of the entire agricultural production while in 2002 this type of product, often intended to be exported, already had a share of 18%.

However, one must be aware that agriculture is only *one* part of rural employment (ENDAR 2004):

- Only 37% of the rural income are generated by agricultural production.
- 47% dedicate themselves to non-agricultural activities, mainly construction and services.
- 46% migrate temporarily to work outside their communities.
- Those who migrate temporarily spend 106 days per year out of their community.
- The agricultural activities require only 165 work days per year.

Bolivian farming takes place in four large agro-ecological *macro-regions* (high plateau, the valleys, the humid tropics and El Chaco) which exhibit *marked* differences in altitude, climate, soil types, vegetation and water resources, and in the abundance and management of natural resources. These differences determine the types of production and levels of technology that prevail in the regions.

In the high plateau and the valleys, *small* farms and *traditional* organisations prevail. Technology and investment levels are low, accompanied by labour-intensive practices⁴⁶⁵, low income for producers and production earmarked chiefly for the domestic market and on-farm consumption. Small farming predominates there, with 450,000 farms of under five hectares which make up more than 64% of all the country's farms. The small farms in the high plateau and the valleys are operated by farmers who come from a wide variety of *indigenous* cultures, with Aymará predominating in the high plateau and Quechua in the valleys.

The macro-eco-regions El Chaco and the humid tropics are located in the Bolivian northeast and southeast. They cover 69% of the country, but have just 36% of its population. Although most producers in these regions are also classified as small farmers (under 20 ha) and rural poverty levels are also high, there are more *medium-sized* (between 50 and 300 ha) and *large* farms (from 300 to several thousand ha) than in the other two regions. In El Chaco, low productivity *extensive* cattle raising prevails. In contrast with the other regions, commercial farming prevails in the humid tropics, with higher levels of *technology*, better *integration* with agribusinesses, and production largely earmarked for *foreign* markets (ID).⁴⁶⁶

⁴⁶⁴ In its offer for the PROAGRO, the GTZ even mentions a growth rate in the Bolivian agricultural sector of only 2.1% over the last 20 years which is *under* the growth rate of the population.

⁴⁶⁵ Small farming (0.1 to 12 ha) in the high plateau (tubers, cereals, Camelidae and sheep) is carried out using rudimentary technologies on land with moderate to low fertility, under severe *climate conditions* and with *high risks* of losses owing to drought, hail and frost. In the valley, *technical* limitations range from over-parcelling of the land and marked erosion to low levels of mechanization for various crops.

⁴⁶⁶ The dynamism seen in production in these regions, particularly in the Santa Cruz department, is linked to *capital-intensive, export-oriented* farming (soybeans, cotton and sugar cane) and extensive livestock farming.

Of the 700,000 farms, about 68% are under five hectares (87% are under 20 ha) and occupy just 1.5% of the land that is being farmed in some way. At the other extreme, 1.5% of farms occupy over 80% of the land (farms from 1,000 to 17,000 ha). This land distribution reflects a production structure with marked differences in technology and income levels for farmers. It is also closely correlated with the prevailing levels of poverty in the Bolivian countryside. This production structure and the predominance of traditional farming with low productivity and deficient agricultural health practices mean that, on average, *agricultural productivity levels* are significantly lower than in the other member of the Andean Community⁴⁶⁷ and MERCOSUR⁴⁶⁸, ranking the sector in Bolivia among the *least productive* on the continent.

The differences among the four regions mean that the problems and priorities of sustainable development are also different in *each* of them, a fact that must be kept in mind when designating targeted interventions to promote their technological and commercial development.

Since the implementation of the structural reforms in Bolivia in 1985, the *public investments* in the agricultural sector were reduced until it reached its *minimum* level in the period from 1994 to 1997. This tendency was changed after 1997 when the investment into the agricultural sector *regained* importance and received about 10% of the entire public investment. In absolute figures, the public investment *tripled* from 20 million USD in 1995 to 60 million USD in 2001.

Despite considerable *attention* to rural development in recent years, most households in the rural areas still do not have appropriate access to basic education, health, housing, water and sanitation services. Genuine rural poverty *alleviation* remains a big challenge for the Bolivian government – and for the international community. The causes of rural poverty are diverse and include: low agricultural productivity, stemming from low education and insufficient investments in appropriate technologies and productive investments (e.g. irrigation and improved land management), lack of rural road and marketing infrastructure, absence of rural financial services and insecurity of land tenure in some parts of the country. The resulting low incomes and poor living conditions encourage premature migration to areas where the potential for an improved livelihood is only marginally better. The current situation has severe consequences for a *substantial share* of the Bolivian population and is a *potential source* of social instability. Improving the living conditions of the poorest groups, particularly those in rural areas, is one of the greatest challenges facing the country in the long term (ID).

5.3.1.2.2 *Bolivian institutions and the international community*

The Ministry of Rural, Indigenous and Agricultural Affairs is the most important Bolivian institution in the agricultural sector. It has gone through various processes of *reorganisation* and as of 2005 the

However, rapid expansion of the agricultural frontier for crop and livestock farming in these regions has led to *deterioration* in the productive capacity of the land as a result of *irrational* clearing and *inappropriate* farming practices. This *threatens* the sustainability of production systems and the potential for future expansion.

⁴⁶⁷ The Andean Community is formed by Bolivia, Colombia, Ecuador, Peru and Venezuela.

⁴⁶⁸ Argentina, Brazil, Paraguay and Uruguay are members of the MERCOSUR.

institutional work could still not be considered as stabilised. Due to severe cuts in the budget of the public sector, the Ministry remains institutionally relatively weak and operates with very limited resources of its own. The capacity to fulfil the administrative and financial tasks of the Ministry remains *limited*.

The agricultural sector receives significant support from *multilateral* (Inter-American Development Bank-IDB, World Bank, CAF, FAO, IFAD, UNDP) and *bilateral* agencies (Germany, Belgium, Canada, Denmark, United States, Great Britain, the Netherlands, Italy, Japan, Switzerland, the European Union, etc.). 40 programmes and projects of public investment from the international cooperation with the Ministry of Agriculture summed to a total of 300 million USD in the form of loans, donations and other resources from 2000-2003. For 2004, the budget for those programmes and projects stood at some 50 million USD and included loans from the *Banco Interamericano de Desarrollo* (BID - Inter-American Development Bank) and other donations for the financing of the SIBTA, the *Programa Nacional de Riego* (PRONAR – National Irrigation Programme) and others.

These programmes and projects, qualified as public investments under the responsibility of the Ministry of Agriculture, are only *one* part of the international cooperation activities for the agricultural sector and rural development. Apart from this assistance to *governmental* institutions, many *NGOs* receive their resources from the *bilateral* donors.

The proactive role of the Ministry of Agriculture in coordinating the various donors within the sector has been *limited*. The coordination of the donors on the level of the entire sector has remained *ineffective*; but within the national programmes, some coordination work has taken place, for example, in the case of SIBTA where four donors work *through* a common structure of a joint fund, the *Fondo Común en Apoyo al SIBTA* (FOCAS), and coordinated with the BID.

5.3.1.2.3 *Strategies and policies*

The Bolivian government, assisted by the international organisations and donors, developed certain policies and strategies on *how* to deal with the problems the agricultural sector is facing. The most important strategies and programmes are explained below:

- EBRP/PRSP: Facing the difficult economic and political situation in Bolivia, the government developed a medium- and long-term strategy which prioritises the productive development of the micro, small and medium-size enterprises and is designated to generate economic activity within the framework of the *Estrategia Boliviana de Reducción de la Pobreza* (EBRP) which is the Bolivian Poverty Reduction Strategy Paper (PRSP)⁴⁶⁹, 2004-2007. This strategy is of

⁴⁶⁹ The origin of the HIPC initiative and the PRSP processes initiated by the World Bank and the IMF in 1999/2000 will not be presented in greater details in this thesis. It will only refer to some scientists who discuss achievements and problems of the PRSPs. For further information regarding PRSPs and their impact in developing countries see WOLFF, P., 2005: 112ff. Based on evaluation reports from the World Bank and the IMF, the author points out *weaknesses* of the PRSP-processes and procedures as of 2005 and *concludes* with recommendations on how the challenging future of the PRSPs could be *better* faced.

broad relevance and not only important for the *agricultural* sector; however, the more specific strategies worked out for the agricultural sector are in line with this basic Bolivian strategy to reduce poverty. The main objective of the EBRP which was first approved in 2001 to *facilitate* the country's access to the HIPC-II is to eradicate extreme poverty and hunger and refers a lot to the achievement of the Millenium Development Goals.

The EBRP emphasises the need to *eliminate* the obstacles to the development of the small scale agriculture to reach a sustainable growth where the poor population of the country live. It envisages different modalities of private investment which should replenish the public investments.

One of the *fundamental* characteristics of the EBRP is the *reorientation* of major resources towards the municipalities that are supposed to better identify the needs of the poor communities and to better realise appropriate investments to reduce local poverty.

- ENDAR – *Estrategia Nacional de Desarrollo Agropecuario y Rural* is the national sectoral strategy of the Bolivian government in the context of the EBRP. Its main objective is to increase the income and the employment of the *agricultural* and *rural* producers by transferring knowledge and means to enter the markets in a competitive and sustainable way. ENDAR is an instrument that allows a better coordination and harmonisation for the external assistance to the agricultural sector (important for development cooperation organisations). ENDAR unites various initiatives and wants to strengthen agricultural production as a private sector supported by the state. Therefore, it is considered as a *strategic* instrument which offers possibilities to obtain a better coordination between the various initiatives for the development of the agricultural sector.

5.3.2 Presentation of the projects selected

The overall objective of the PROAGRO is the following (ID; translation: CS):

“The national programmes for the promotion of a sustainable agricultural development have improved the efficiency and quality of their services.”

The PROAGRO *continues* with three components from its predecessor, the PDR: (1) the promotion of the SIBTA, (2) the regional component Chaco, and (3) the regional component Norte de Potosí which

For another critical evaluation of the PRSP strategy see BOOTH 2005. Booth investigates what can be learnt from the experience undergone with the PRSP processes that were started in 2000. He concludes that the PRSP experiment has neither failed nor has it delivered what was hoped for (BOOTH 2005: 243). Booth points out *three* types of possible international action that are missing links in the politics of development after five years of PRSPs (BOOTH 2005: 244):

“They are: more serious understanding of country contexts by donor staffs; a willingness to go public about issues that donors currently discuss behind closed doors; and a more serious effort to construct regional ‘neighbourhoods’ and a global climate of opinion that would do what PRSPs have been unable to do – really incentivise the construction of developmental states in poor countries.”

will be terminated by the end of 2006.⁴⁷⁰ The fourth component, (4) irrigation, is also based on a preceding GTZ project: With the project *Advice to the National Irrigation Programme PRONAR (Programa Nacional de Riego)*, the GTZ has already worked on irrigation before. The PROAGRO therefore comprises components of the former programme PDR and the former project PRONAR. To these already existent components, *two* more components were added so that altogether the PROAGRO has *six* components: (5) water catchment area management, and (6) coordination and knowledge management of the programme. The components (1), (4) and (5) are of a *sectoral* nature, while (2) and (3) are *regional* components.

Generally speaking, under the PROAGRO the activities concentrate much more on strategies and measures to develop the *agricultural* sector while activities in *non-agricultural* economic development are *reduced*. An advantage of the PROAGRO over the PDR is this concentration process on agricultural issues; under rural development one can do nearly everything and this may lead to giving everybody an equal share and to *less* impact than if one *concentrates* its means and measures on a more *focused* objective.⁴⁷¹ The first phase of the PROAGRO is from May 2005 to October 2009 and in the offer the costs for this phase were estimated to sum to some 11.3 million Euro.

On the *national* level, the current situation is difficult because of the political and social unrest and the continuous changes in the relevant ministries. Therefore, the GTZ decided to concentrate more on the activities under the PROAGRO on the *regional* level.

Two of the components of the PROAGRO that can be considered as sub-projects of the programme will be investigated in the following section: the regional component Chaco and the SIBTA. These two were *selected* for two reasons: (1) because they were both already part of the PDR so that their implementation was already started in 2000 and (2) because during my field visit in the Bolivian Chaco I had the opportunity to get a closer insight into both components.

5.3.2.1 The regional component Chaco

5.3.2.1.1 General characteristics of the region Chaco

The region Chaco lies in the southeast of Bolivia and is part of the *three* departments Santa Cruz, Tarija and Chuquisaca.⁴⁷² 233,000 inhabitants (this equals about 3% of the national population) live on 127,755 square kilometres. The Chaco consists of 90 cantons and 16 municipalities. As of 2005, many Bolivian municipalities were organised in so-called *mancomunidades*. These are special purpose associations of an undefined number of neighbouring municipalities for the joint mastering of certain tasks. The mancomunidad of the Chaco is called *ManChaBol* – Mancomunidad de Municipios del Chaco Boliviano.

⁴⁷⁰ The office in Llallagua/Norte de Potosí will be closed in December 2006.

⁴⁷¹ The *tight* financial means also might have been a reason for the BMZ to concentrate its efforts on the agricultural sector.

⁴⁷² That the Chaco Boliviano belongs to *three* different departments, is a unique situation within Bolivia.

Within its programme PROAGRO, as before under the PDR, the GTZ supports the implementation of the *Plan Macrorregional de desarrollo economico y social del chaco boliviano*, the macro-regional plan for the economic and social development of the Bolivian Chaco⁴⁷³ which is considered as a *pilot plan* of the ENDAR. This plan was developed by the Ministry for Sustainable Development and Planning and the responsible prefectures in 1998; the GTZ *assisted* in this process. The plan includes general characteristic, problems and possibilities of the region Chaco and *recommends* certain action for its development and the respective strategic and political goals. The three departments committed themselves to making the necessary investments as specified in the plan and to utilise funds obtained from international development cooperation for the objectives agreed on.

Agriculture is the *main* economic sector in the Chaco; 60% of the population have a direct link to it. For agriculture, but also for fishing, *traditional* production methods dominate. The Chaco is a dry, inhospitable landscape with brambles/thorny bush. The rainy season is from November/December to March/April. 85% of the annual rainfall comes down in these months while in the remaining seven to eight months it hardly rains at all and all agricultural activities suffer from the water shortage. In the summer, temperatures go up to as much as 45°C, in the winter ground frost is possible.

Soy, corn and livestock breeding are the main *income generators* for the agriculture in the Chaco. The problem with livestock breeding is that it can be done only very *extensively*, if the bush is not cleared, hardly any grass is available and one cattle needs as much as 10 to 15 ha to not starve to death.⁴⁷⁴ In Paraguay, *intensive* livestock breeding is much more common and in some regions only one to two ha are necessary for one cow. This intensive cattle breeding is not a *desirable* option for the Chaco Boliviano; however, by partly clearing the bush the necessary number of ha/cattle could be reduced to seven to eight and livestock breeding would become more *efficient*.

Nearly 90% of the Bolivian oil and natural gas reserves are to be found in the Chaco, but the region does not make much *profit* with these natural resources. The income generated is transferred to the national government and partly to the prefectures of the three departments. The municipalities of the Chaco do not receive much from the respective prefectures. Therefore – and also because of the strong Chaqueneon mentality - many are striving for the Chaco to become an *independent* department so that it could take better advantage of the natural resources.

The *macro-problems* of the region can be summarised as

- bad road infrastructure;
- few people in a large area and bad placement of the population centres;
- ecological/environmental restrictions (steppe, water shortage, etc.);
- inappropriate utilisation of natural resources;

⁴⁷³ The region Chaco covers areas in three South American states, in Bolivia, Argentina and Paraguay. It is the second largest landscape in South America after the Amazon. The Chaco is about as large as the three German federal states Bavaria, Baden-Württemberg and Hesse together.

⁴⁷⁴ Most problematic are the months of September/October at the end of the long dry season when no leaves on trees and hardly any grass are left.

- insufficient irrigation infrastructure;
- lack of electricity;
- bad living conditions (illiteracy, insufficient education facilities, high mortality rate, bad nutrition, insufficient basic health cover);
- weak organisational structures of the civil society and lack of coordination mechanisms.

Its *potential* lies in

- the strategically good geographical location (at the border with Argentina, Chile, Paraguay and Brazil);
- the possibility for eco-ethno-tourism;
- variety of naturally regenerative/renewable and non-regenerative resources;
- solid regional identity.

5.3.2.1.2 Beginning of GTZ activities in the Chaco with the PDR

The GTZ *started* to define the role of the German technical cooperation in the Chaco together with the three *relevant* departments and some *national* authorities by a workshop held in Santa Cruz in June 1999 (ID). The rough planning was undertaken in two days. The following four *thematic* fields for the GTZ programme PDR were specified which later were included in the actual programme:

1. promotion of the regional/local economy;
2. sustainable management of the natural resources;
3. youth, gender and indigenous villages;
4. strengthening of institutions and organisations such as the ManChaBol, SIBTA, farmers' organisations, etc.

Moreover, *criteria* for the selection of geographic areas and possible implementing institutions for the programme were set up. As of 2005, large quantities of natural gas were still available in the Chaco. One of the main goals of the GTZ was to show the region how to get the *best* out of its regenerative/renewable natural resources to prepare the Chaco for the day when all natural gas fields will have been *exploited*. Therefore, the potential of the region must be *discovered* and *utilised* to develop *alternatives*.

The PDR was started by late 2000 and in February 2001 the GTZ started *activities* in the Chaco. The PDR's objective in the Chaco was to *improve* the regional rural development by comprehensive measures that included promotion of the municipalities, agricultural production, work with the young people, tourism, etc.

5.3.2.1.2.1 Promotion of the rural development

The PDR promoted (1) the *agricultural* and (2) the *non-agricultural* sector to obtain its goal of an improved rural development.

(1) The agricultural sector

The promotion of the agricultural sector was much connected with the SIBTA. As the support of the SIBTA in the Chaco is also a *separate* sectoral component of the PDR, which is explained further down, it is not in the focus in this section.

A severe *obstacle* for any support of the agricultural sector in the Chaco is the mentality of the Chaquenos. One GTZ employee can be quoted as follows (IV; translation: CS):

In many cases the farmers do not care about what the consumers look for and their demands, but produce what they consider as necessary which usually is what they have always produced. In some areas in the Chaco, for example, chilli is cultivated. It grows well, but the competitors from Peru have a bigger share of the market in Bolivia than the local production because the chilli from Peru is more adapted to the needs of the consumer - it is not as hot as the Bolivian."

Another example is cheese from the Chaco. In a study, the GTZ found out that probably there would be a *market* for it. But the farmers only produce it during the four to five months of the rainy season when they cannot sell the milk and prefer to process it. The sector seems to be very *slow*, opportunities for the production of something new are *not* taken advantage of.

One of the reasons for the lack of marketing and the development of markets is the lack of *organised* commerce in Bolivia. Middlemen buy the products from the producer and somehow get them to the markets to sell them, but these are *ad-hoc measures* and often not carried out continuously. Because of the resulting lack of communication and organisation, the producers do not get information on what the consumers *want* so that the producers cannot - even if they are willing to - *adapt* their products or improve their quality accordingly.

In my view, the GTZ should not only support SIBTA which is supposed to improve the productivity and marketing measures, but should also *directly* support the target group. The PROAGRO could initiate market surveys, identify market potentials, help the farmers to adjust their production accordingly and, moreover, to organise themselves more effectively. It is highly *unlikely* that this will happen because for some years, the general policy of the GTZ is to support *institutions* and *organisations* and not so much working *directly* with individual *target groups* anymore because this did not result in much success in the past. The PROAGRO therefore continues to assist the already existing service sector and is working on the functioning of local/regional programmes and institutions. A *combination* of both ways of assistance - working through institutions and working directly with the farmers - would probably have the best result, but would also *increase* the costs, of course.⁴⁷⁵

⁴⁷⁵ This assistance to the farmers as well should be highly *comprehensive* and comprise the transfer of appropriate, economically viable techniques, the entire production chain with market studies, marketing measures, etc. as well as the change of the farmers' mentality.

(2)The non-agricultural sector

- *Tourism*

When the PDR started its work in the Chaco, it was *discussed* together with the municipalities which topics should become an issue of the PDR. It became clear that *tourism* was considered as an important issue as it was not only mentioned in the macro-regional plan for the economic and social development of the Bolivian Chaco, but also in the plans of 14 out of the 16 municipalities. As the policy of the PDR was to decide in close *cooperation* with the *local authorities* which activities, ideas or institutions the PDR should support to improve *ownership*, it was decided to include assistance to tourism as one activity within the programme.

The GTZ started its support with the organisation of a workshop to which all municipalities and the three prefectures were invited. This initial meeting of the important authorities was the kick-off for the development of a strategy for tourism in the Chaco in 2002. In this strategy, six topics or lines were defined in which the Chaco is *different* from the rest of Bolivia and therefore makes it interesting for tourists: These were (IV)

1. the route of Che Guevara,
2. oil,
3. guarani Indians,
4. *haciendas* (estates/farms),
5. missions of the Franciscans,
6. the Chaco war.

The PDR *claims* that it not only initiated the start of tourism as a moderator for this topic in the Chaco, but also that the success concerning the preparation of haciendas for tourism is a result of the GTZ's work. Seven or eight farms founded a tourism association. They have developed a one-million-USD-project; the main objective is to extend and convert the haciendas in a way which would make them *attractive* and *accessible* for tourism. The BID agreed to support this project with 500,000 USD; the rest was financed privately mainly by the *hacenderos*, the owners of the estates, but also by bus companies, etc. The granting of funds by the BID was already a first success, but as of 2005, it was not clear if the implementation of the project would be successful. The first investments in the renovations had started only by mid-2003. The focus lies on *regional* tourism that is expected from Argentina and Paraguay.

The responsible officer of the component himself admitted that he had some doubts whether the support of tourism in the Chaco would make sense (IV; translation: CS):

“If the bus has to carry the coke and everything else the tourists may ask for during their trip to the Chaco Boliviano because the infrastructure and the living conditions are so meagre then not much money will be left in the region by the tourists and not much income for the population will be generated.”

But as of 2005, he thought that tourism *might* become successful and offer a possibility for new jobs and, therefore, for more income.

Severe doubts, however, remain. Even if the Chaco may have a *potential* for tourism, under the situation of political and social unrest of the years since 2001/2002 international tourists can hardly be expected to visit the Chaco or any other Bolivian region. Tourists from overseas prefer to travel to Peru which is much better organised and has better standards to offer than Bolivia. Therefore, the Chaco may expect more or less only tourists from bordering Argentina who are interested to visit the sites in the Chaco where Che Guevara spent some months of his life as a *guerrilla*, but these also expect quite a *high* standard. As of mid-2005, a businesswoman from Camiri who is active in tourism in the Chaco and owns a travel agency there identified severe problems for the future of tourism in the region (IV).

As tourism does not fit into the more *concentrated* focus of the PROAGRO on agriculture and economically efficient production, it was considerably *down-sized*. Only the haciendas might receive some further support.

- *Youth*

Under the PDR, in the Chaco and in the North of Potosí, the first *networks* of young persons were founded because the GTZ staff had identified young people as an important actor for regional development. Youth was the most important *cross-sectoral topic* of the PDR.⁴⁷⁶ Young people in the Chaco were also identified as such an important target group because more than 50% of the Chaquenos are younger than 20 (census 2001) and the vast majority does not have good prospects.

The PDR started a study in the *urban* areas and investigated whether a *mobilisation* of the young people would be possible. Initially, many problems with the municipalities and the mayors had to be overcome, but by 2005 the PDR's work had already had some effects: some of the municipalities in the Chaco *committed* themselves to provide the networks and their projects with funds from the municipalities' budgets. Though these contributions were small, they were a success as before something like that did not exist. The various *local networks* were also supported by the GTZ, both with *financial* means and *technical* assistance for their organisation. In late 2004, the project PROJUVENTUD was created by the GTZ which, in *cooperation* with all three programmes in Bolivia, will continue with the support of the young peoples' social and economic demands in both regions and with the development of their networks.⁴⁷⁷

⁴⁷⁶ *Gender* and *indigenous villages* were two other cross-sectoral topics, but of overall less importance.

⁴⁷⁷ Under PROJUVENTUD, the GTZ offers *co-financing* for the projects the networks want to implement, for example, in the area of environmental protection. The GTZ contributes up to 1,500USD per project, but only if the mayor/the municipality contributes the same amount of money or offers assistance which is worth as much, such as transport, locations, etc. Thereby, the municipalities are hoped to develop a *relationship* with the networks and also to develop a feeling of *responsibility*.

The problem of the PROJUVENTUD was/is that the responsible GTZ staff is not located in the regions, but in La Paz and are only periodically visiting the Chaco and the North of Potosí. In the Chaco, this had the effect that the networks and also the municipalities continued to contact the GTZ employee in Camiri who under the PDR was responsible for the development of the networks. To have a stronger presence in the vast region, in July 2005 two local consultants were hired in the Chaco.

- *Support of institutions/organisations – ManChaBol*

In both regions it soon became obvious how important the cooperation with the municipalities was. The GTZ supported the *foundation* and/or *strengthening* of the mancomunidades in both regions and assisted in working out *concrete proposals* to support the demands of the local population on local or national authorities. Important improvements were achieved concerning organisational processes because the mancomunidades not only *joined* municipalities, but also had a *political orientation* and developed *visions* for economic and social development. The municipalities were also supported in their *applications* for national projects that are combined with *public funds*. In both regions, the PDR assisted the municipalities with projects to get financing from the *Fondo Productivo y Social*, the Production and Social Fund which also resulted in the acceptance of projects for the Chaco and the North of Potosí.⁴⁷⁸

Another successful example for the efforts of the municipalities of both regions to get funds from national projects and programmes assisted by the GTZ is the sector *tourism*. With the assistance and the advice of the PDR staff, the above-mentioned co-financing from the BID was achieved to promote tourism on the haciendas in the Chaco and involve indigenous communities. In the North of Potosí, technical assistance was given to promote tourism in the areas of mining and eco-tourism.

The examples above indicate how important the objective to ensure that economic/financial resources of national programmes actually *get* to the regions was to the PDR. The PDR can be perceived as a *bridge* between national authorities and international cooperation.

Initially, the PDR was the only GTZ programme with a presence in both regions. In 2002, the recently started programme PADEP took over the work with the mancomunidades as the BMZ decided this was to belong more to the PADEP than to PDR. In the new PROAGRO, the *organisational development* of the ManChaBol is not mentioned as one of its tasks.

5.3.2.1.2.2 The continuation of the work with the PROAGRO

The office continues to be in Camiri in the Chaco and the personnel from PDR now work for PROAGRO. Asked what changes the PROAGRO will mean for the GTZ's work in the Chaco, the GTZ employee responsible for the component answered that there would *not* be many changes (IV). On the other hand, he admitted that as of mid-2005, some *clarifications* of the role of the PROAGRO and some *planning* were still needed concerning what would happen in the Chaco.

The role of some components of the PDR, however, were generally clarified: PADEP would take care of the promotion of the ManChaBol, PROJUVENTUD would take over the assistance to the

⁴⁷⁸ Technical advisors from the PDR also assisted in the *presentation* of projects by the municipalities from the North of Potosí which obtained access to the *Plan Nacional de Empleo de Emergencia*, the National Plan for Emergency Employment. This resulted in 2002 in a *transfer* of two million USD which helped about 9,000 families with direct wages/salaries.

networks of the young Chaquenos and the support of tourism would strongly decrease. Craftwork would not be further supported as it does not fit into the PROAGRO.⁴⁷⁹

The programme offer states that *four* components of the PROAGRO - irrigation, water catchment area management, SIBTA and the regional component Chaco – have to be implemented in the region. This, however, means that 20 indicators, five per component, are relevant for the Chaco which makes it difficult to *communicate* what the PROAGRO stands for. It will be very important that the GTZ concentrates on the communication of the *overall* objective of the PROAGRO: to support the agricultural sector on the *national* level and by *local* organisations. *Otherwise*, the target groups and local authorities might get *confused* by the various components and indicators.

As of mid-2005, the component *water catchment area management* still needed to be developed by the PROAGRO on the national level. The objective was to build up water-systems where *risks* for water catchment area management exist. The component Chaco had to establish the necessary preconditions to obtain funds from the component water catchment area management for the Chaco.

Concerning *irrigation* it must be stated that hardly any irrigation projects exist in the Chaco. The component Chaco is to assist in *clarifying* in future which cultures need to be and should be irrigated. It should ensure that those farmers in the Chaco that receive assistance for irrigation do something *reasonable* and *productive* with it, that they cultivate crops that have a significantly higher productivity or better chances on the market *if* they are irrigated. *Anti-cyclic* production, for example, makes *economic* sense as the farmers are able to produce what, without irrigation, would not be possible in that period. This signifies that the component Chaco will have a role as an advisor to future irrigation projects under the PROAGRO in the region.

Even though the PROAGRO has to concentrate more on *one* issue, the development of the agricultural sector, it continues with such broad issues as gender and youth wherever possible. Its efforts on these topics have decreased considerably because of the new focus. But the PROAGRO tries to include gender and youth in its focus, agricultural production. If, for example, a youth group or women apply for assistance for an initiative in the agricultural productive sector then, according to the motto of the GTZ in the Chaco, they are given *preferential treatment*.

One focus of the PROAGRO in the Chaco will lie in carrying out *market studies* that should identify *potentials* and *limitations* of the soil, the environment, the technical possibilities, etc. As of mid-2005, the GTZ was already carrying out market studies on chilli and peanuts to thereby identify possibilities for farmers' organisations on how to cultivate these fruits. The PROAGRO identifies

⁴⁷⁹ Within the PDR concept for comprehensive rural development, craftwork was considered as *interesting* because it involved mostly indigenous women, one of the groups that was identified as especially in *need* of assistance, as actors. Generally it is not possible to *live* from that craftwork, with the rare exception of an industrialised and big production, but it can support a family as an *additional* income. The GTZ carried out a study on craftwork in the Chaco and diagnosed its potential, etc. The final well elaborated PowerPoint presentation comprised some 100 pages. Then several courses took place and after the production was started, the participation at trade fairs on the local/regional level was organised. At least two bigger centres developed which produce on a larger scale.

markets and helps the organisations with the development of business plans to get access to these markets. As investments are needed for *implementing* these business plans, the SIBTA, which is supported by the GTZ, is expected to assist the organisations with the transfer of *technical methods* and *financial means*.⁴⁸⁰ In general, the PROAGRO in the Chaco limits its activities and market studies to the production for the *domestic* market as the requests of the *international* market are judged as too high.

The PROAGRO also assists farmers by supporting an *exchange of experience* between them. For example, cattle breeders from one region are enabled to visit other breeders in another area who work differently and with more success. The exchange helps the breeders to learn about other or new practices and possibilities from others who are in a similar situation and breed cattle under similar conditions. These measures are judged as very useful by the GTZ staff because the farmers learn from *practice* by seeing with their own eyes what another farmer who works under the *same* difficulties does tell.

5.3.2.1.3 Difficulties

Difficulties between PDR/PROAGRO and PADEP

As in the North of Potosí, two *distinct* GTZ programmes are active in the Chaco. When the PADEP started its work in the Chaco in the second half of 2002⁴⁸¹, about one and a half years after the PDR/PROAGRO, no *experience* was available for either programme of what can happen if two or more programmes are active in the *same* region.

Between the PDR/PROAGRO and the PADEP, difficulties became obvious because they had partly the same commission which resulted in conflicts.⁴⁸² The problem was that both programmes had been appraised only *individually*; no connection was made between the various programmes in Bolivia. Neither anyone from the GTZ Bolivia nor from the GTZ HQs nor the BMZ thought of having a look at the commission for the PDR when the PADEP was *appraised* and *formulated*. The visions and methods of the two differ as they have a different background.⁴⁸³ This caused some confusion for the counterpart.

It was necessary to clarify which programme is responsible for what. In the interviews with staff members from both programmes it became obvious that this was a *long, difficult* and *distressing* process. About one year passed in which several workshops and many discussions took place until the PDR and the PADEP agreed upon the respective responsibilities.

⁴⁸⁰ See section 5.3.2.2 pages 238ff, for further information on this system.

⁴⁸¹ The PADEP as such began in January 2002.

⁴⁸² Both programmes were supposed to work with the municipalities so that in the end these were approached by the PDR first and then also by the PADEP, but with *different* procedures and in an *uncoordinated* way.

⁴⁸³ The PDR worked with *all* municipalities while the PADEP worked only with a *selection* of municipalities. The GTZ did not present a *united* front and the difference was strongly perceived by the municipalities and the target group. Usually, the target group does not differentiate between the various GTZ programmes but speaks about the *cooperación alemana*, the German development cooperation, and, therefore, could not *understand* the different procedure.

As of 2005, the cooperation between the two programmes was improved and the tasks of both were specified. In the two new programme offers any duplication was avoided.

One staff member suggested having only *one* GTZ programme in the Chaco which takes care of the various issues that are now taken care of by PROAGRO, PADEP, PROAPAC and PROJUVENTUD. On the one hand this could make sense, on the other hand it would be difficult to coordinate. Because of the *variety* of issues, one person alone could hardly do the work of the responsible coordinator. A solution was found by uniting the staff from the PROAGRO and the PADEP in *one* office in Camiri. The staff from the PROAPAC is still in a different office, but in close proximity to the other office. This is supposed to facilitate better communication between the different GTZ programmes so that everyone is aware of what the GTZ as an *organisation* – and not only her/his programme - is doing in the Chaco.

Transformation into the PROAGRO

The transformation from the PDR into the PROAGRO meant a change of the focus area from *rural* to *agricultural* development. Consequences of this important change were intensive negotiations with implementation partners and target groups, partial loss of confidence on the level of the target group, conflicts and a slow and careful move towards the promotion of agriculture.

Neither the Chaco nor the North of Potosí were selected according to *agricultural* criteria. They were chosen for *rural development* measures and considered suitable because of their high degree of poverty. This resulted in problems when the PDR was converted and the focus was changed to *sustainable agriculture*: The potential of the North of Potosí for agriculture is very *low*. As only tight financial means were available for the local implementation it was decided to concentrate the PROAGRO's activities on the Chaco as this region had *better* preconditions for agriculture. The measures in the Norte de Potosí will end in December 2006. It was hoped that what had been initiated by the GTZ might be continued by another institution.

Perception of the population of the PDR/PROAGRO

The GTZ *claims* that within its PDR/PROAGRO it is very flexible and reacts to demands of municipalities, NGOs, farmers' communities, etc. and that it has no *fixed* counterpart in the Chaco. One staff member stated (IV):

"We do not act in a donor-driven manner in the Chaco, but are demand-driven."

I gained the impression that the population does *not* perceive the GTZ that way. Talking informally with people in the streets, etc. I became more and more convinced that the *self-perception* of the PROAGRO staff and their *perception* by the population of Camiri, for example, did not match very well. Of course this is *also* a problem of too high expectations of the local population, but apart from that it became clear (1) that the population overall is not *well-informed* about what the GTZ is actually

doing, which shows a deficit of the GTZ's local public relations and (2) that those who know what the GTZ is doing perceive it as far too *theoretical*.

A representative from a project assisted by the ManChaBol and the PDR also stated that in his view the ManChaBol and the GTZ⁴⁸⁴ could better work together with an improved coordination (IV; translation: CS):

"The GTZ should more just support the ManChaBol in the implementation of the macro-regional plan for the economic and social development of the Bolivian Chaco. Sometimes, the GTZ brings in too many of its own ideas and does not support the ManChaBol, but follows other goals."

One has, of course, to bear in mind that the GTZ cannot simply *follow* the demands of the ManChaBol or the partner and the target group in general, but also has to ensure that the *original objectives* of its programmes are followed. However, if the PDR/PROAGRO proclaims that it acts in a *demand-driven* way, it should in future react (even more) upon demand and explain why this or that demand *cannot* be realised. This might result in a better *match* of the perception by the population, the target group and the partner on the one side and the claim to act in a demand-driven way of the PDR/PROAGRO on the other.

Financial difficulties

Like the GTZ in general, the PROAGRO and therefore also the component Chaco has suffered from an *ongoing reduction* of financial means in recent years. The GTZ employee responsible for the component states that, apart from the 150,000 to 200,000 Euro necessary for the salaries, in 2003 still some 460,000 Euro were available for financial investments. In 2004, this amount was reduced to 300,000 Euro and in 2005 he had to plan investments for only 100,000 Euro. This means that in 2003, the financial investments had a share of about 75-80% of the overall GTZ budget for the Chaco component of the PROAGRO while in 2005, only 35-40% were available for investments. This obviously results in more and more purely *advisory activities* of the GTZ staff in the Chaco as only meagre funds for a *financial* support of the advisory service are available. The responsible GTZ component leader underlines that even for *advising*, funds are needed to work out studies, etc.

These financial restrictions meant a reduction of the *investments* originally planned for the PROAGRO component in the Chaco. This, of course, resulted in difficulties for the GTZ staff to *explain* these reductions to the partner and to the target group who had both already counted on more investments than became possible in the end.

⁴⁸⁴ Often, the target group or the partner speaks about the GTZ in general but actually means a specific programme. In this case, the representative mentioned speaks about the GTZ in general, but refers to his experiences with the PDR/PROAGRO.

Alternative crops?

The PROAGRO staff expressed doubts about the possibility of convincing the farmers to cultivate *other* crops than they are used to working with. Two problems were identified:

- It would be hard work to teach the farmers about cultivating a new crop; it was considered as less difficult to *improve* their techniques in cultivating well-known, traditional crops.
- Entirely new production and marketing chains would have to be created.

For those two reasons one staff member identified alternative crops as difficult and not very promising.

From studies and workshops to actual success to help the poor

The question the GTZ has to answer is how PROAGRO will succeed in achieving actual results to *help* the poor and *support* the MDG to significantly reduce poverty. As of 2005, it seemed that the development of organisations and institutions such as the SIBTA or the ManChaBol did not have a *real impact* on the situation in the Chaco, but were more of *theoretical* value. Studies themselves are not much help and workshops neither. It seems that something more than studies and workshops is needed: *funds* to implement the results of the studies and a clearer *vision* of the PROAGRO what it wants to achieve with and in its workshops.

Results?

When I asked for the results that the component had already achieved I only got *vague* answers. The GTZ staff then pointed out the general problems that have occurred and did not provide me with concrete answers or figures.

5.3.2.1.4 Success*Getting financial resources from national funds*

The GTZ tries to compensate its *growing* lack of financial means to support its technical assistance and its technical advisors by its assistance to the municipalities in the Chaco to *apply* for national projects and funds.

The foundation PUMA⁴⁸⁵ is one example of a *successful* assistance of the GTZ to the municipalities. The PUMA has existed since 2003 and administers financial resources it receives from the *Initiative for the Americas*. This initiative was the product of an environmental agreement that was born in 1991 as part of a bilateral agreement between the USA and Bolivia in which the entire foreign debts of Bolivia towards the USA were remitted under the so-called figure '*change of debts for environment*'. The PUMA claims to finance projects that are '*environmentally sustainable, economically profitable, socially and culturally appropriate*'. One GTZ technical advisor explains to

⁴⁸⁵ PUMA is the abbreviation for *Protección y Uso Sostenible del Medio Ambiente* – Protection and Sustainable Use of the Environment.

the municipalities *how* they have to apply for funds from the PUMA and *supports* them in working out the application. In August 2004, an agreement between the PUMA and the municipalities from the Chaco was concluded. Since then, seven projects were applied for at the PUMA and all of those that were prepared with the assistance from the GTZ were accepted. This meant funds of altogether about 500,000 USD for various municipalities.

Another foundation that the target groups of the PDR/PROAGRO can apply to for funds for the implementation of a project in the agricultural sector is the *Apoyo a Inversiones Productivas Rurales* (APRU), the Assistance for Productive/Remunerative Rural Investments. It is financed by the BID and Switzerland.

Creating and strengthening the ManChaBol and youth organisations

With its continuous work and efforts, the PDR/PROAGRO achieved a *consolidation* of the ManChaBol. A small group of technical advisors from the prefectures was designated to the Technical Unit of the ManChaBol, the roles and functions of the ManChaBol in relation to other local actors were clarified. Moreover, the *question* of the financing of the ManChaBol was solved by *public* investment from *national* funds and programmes and by *international* cooperation.

Though since 2005, the PROJUVENTUD takes care of the issue youth in the Chaco, its predecessor, the PDR, has achieved a lot concerning the *formation* of youth networks. In many, even small communities, networks have been created with the support of the PDR and by now they are functioning quite well. They received further assistance from the PDR and now from the PROJUVENTUD, technical assistance in how to further develop their networks, but also small amounts of money to finance their projects. The GTZ assisted, for example, in the *organisation* and *financing* of a meeting of numerous networks from all over the Chaco to enable them to exchange experiences and ideas, to cooperate with each other and even create a *regional* youth network.

Support of the Plan Macrorregional de Desarrollo Económico y Social del Chaco Boliviano

German cooperation not only assisted in the *elaboration* of the macro-regional plan, but moreover included its *implementation* as one of the central objectives for the component Chaco of the PDR. National ministries, the prefectures of the three departments of the Chaco, members of the national parliament, municipalities and other relevant actors *participated* in the elaboration of the plan in which the development of the Chaco was planned. The application of a *national* strategy, the ENDAR, for the Chaco was the main objective that was to be and actually was included in the macro-regional plan. The GTZ *assisted* in the entire process of discussions, workshops and the formulation of the plan itself. Later, the PDR enabled the creation and strengthening of the ManChaBol as foreseen in the macro-regional plan and as described above.

The creation and implementation of the Plan Macroregional de Desarrollo Económico y Social del Chaco Boliviano assisted by the PDR/PROAGRO *demonstrated* that it is possible to apply national politics on the regional and local level.

5.3.2.2 The sectoral component SIBTA

The strengthening of the SIBTA was one of the components that was taken over from the PDR and *continued* within the PROAGRO.

5.3.2.2.1 The foundation of SIBTA on the national level

To overcome the technological limitations and replace the former *Instituto Boliviano de Tecnología Agropecuaria* (IBTA), the Bolivian Agricultural Technology Institute, the Bolivian government introduced in 2000 a *new* institutional model for the generation and transfer of technology for the sector, the SIBTA, the Bolivian system of agricultural technology.⁴⁸⁶ This model has been designed to support *technology development* based on (1) producers' demands, (2) the strategic importance for the country to address the technological limitations identified in its main agro-ecological regions, (3) increased private participation in funding technology, and (4) development of a technology market that allocates financing on a competitive basis. This last feature was also one of the conditions agreed upon by Bolivia under the HIPC initiative.

Under the *innovative* concept of SIBTA with its *competitive* grant scheme, support is given on the central level to strategic areas of technology development in the *national* interest, which are of a more common interest than technological problems in a specific *macro-region*. Demands for technological innovation by producers on the *regional* level are met through the competitive technology funds operated by foundations for agricultural technology development established in the country's four main agro-ecological zones (the Andes, the valleys, the humid tropics and El Chaco). The projects of the foundations are called PITAs – *Proyectos de Innovación Tecnológicas Aplicadas*, projects for applied innovative technologies. The SIBTA is supported by the *Bolivian government* and by *international* and *bilateral* donors such as the BID and the GTZ, for example.

The establishment of these *four* foundations has a strategic objective, it is a part of the administrative decentralisation policy. Apart from reflecting production differences in the macro-regions, this institutional scheme (1) allows for *direct* contact with producers and entrepreneurs in those zones to involve them more closely in setting priorities and allocating funds to applied technology projects; and (2) serves as a *pilot mechanism* that will act as a catalyst for attracting finance from other sources (private sector, departmental governments and bilateral agencies) for technology development in their respective areas of influence.

The goals of *all* four foundations are to

1. reduce poverty;

⁴⁸⁶ Among the Bolivian authorities and institutions, the Ministry of Rural, Indigenous and Agricultural Affairs, of course, had and has the leading role in creating and organising the SIBTA.

2. improve the nutritional situations;
3. protect/improve environmental sustainability;
4. improve competitiveness.

5.3.2.2.2 *SIBTA in the Chaco*

The Fundación Chaco was created in 2000 as *one* of the four operative SIBTA institutions in the city of Yacuiba in the department Tarija and became operative in 2002. It is supported by the GTZ as the other three zones of the SIBTA had already found an international partner.⁴⁸⁷ The Fundación Chaco has 2/3 of *private* foundation members (e.g. the organisation of the cattle breeder) and 1/3 of *public* foundation members (e.g. prefectures, universities); this underlines the *importance* of the private sector for the SIBTA. The PDR/PROAGRO assists the SIBTA in the Chaco by two means: (1) co-financing of the projects for technology innovation and (2) covering parts of the budget of the foundation.⁴⁸⁸ In 2005, the GTZ would supposedly contribute about 350,000 USD, in 2006 about 300,000 USD and in 2007 about 250,000 USD. As the work of the Chaco Foundation can also be considered as *technical* assistance, it can take advantage of and learn from the knowledge of the GTZ in this sector.

The tasks of the Fundación Chaco, as for the other three foundations, are

- to identify and define the *potential* of the region: what cultivation makes economic sense?, etc.,
- to organise the *market* between the *demand* for technologies (by farmers' organisations) and the respective *suppliers* (private and public service businesses) and thereby to facilitate the transfer of technology to the producing organisations.

The General Assembly is the highest authority and meets once a year. The Executive Board determines the production chains which then remain relatively stable. For the Chaco, with a specific *methodology* the following seven production chains were established: (1) chilli, (2) peanuts, (3) corn, (4) cattle, (5) pigs, (6) bees' honey and (7) subtropical fruits. Once these were determined, studies were undertaken for each production chain. The studies were financed by the BID, the basket fund FOCAS⁴⁸⁹ and the Chaco Foundation. Additionally to the studies the GTZ financed through its assistance to the Chaco Foundation⁴⁹⁰, it financed studies for cheese and milk. One of the goals of the Fundación Chaco for 2005 was to execute 50 PITAs that promote technological innovations in these production chains and that should assist at least 10,000 families with low income (ID - FUNDACIÓN PARA EL DESARROLLO DE TECNOLOGÍA AGROPECUARIA Y FORESTAL CHACO 2005: 17).

⁴⁸⁷ The three international partners are the USA, Switzerland and England.

⁴⁸⁸ Thereby, the GTZ contributes to the salaries of the personnel of the Chaco Foundation, to studies, to operative costs and to workshops. *Within* its budget, the Fundación Chaco can decide itself for which project it utilises which financing, but it has to verify its financial activities for the GTZ.

⁴⁸⁹ FOCAS (*Fondo Común de Apoyo al SIBTA*) is a basket fund financed by Switzerland, England, Denmark and the Netherlands which was founded to support the SIBTA.

⁴⁹⁰ The GTZ contributed to the study on bees' honey which ended with a final document of more than 240 pages.

The foundation has developed a selection process for the project requests. The projects are often studies that are asked for to find out what, where or how to produce. An example could be that an organisation of women wants to learn how to produce and commercialise bees' honey. The offers must be based on this request. A respective committee which is set up by *external* professionals then *considers* the offers. The committee also meets if only *one* offer has been received to evaluate whether this offer is worth an implementation.

At the end of 2004, a total of 39 PITAs and a total amount of nearly three million USD had been approved and the foundation claimed that some 10,000 families were served thereby (ID - FUNDACIÓN PARA EL DESARROLLO DE TECNOLOGÍA AGROPECUARIA Y FORESTAL CHACO 2005: 17f).

5.3.2.2.3 Difficulties

Difficulties with the market mechanisms

One precondition for the acceptance of a project by the SIBTA is that it has been developed *together* by the farmers' organisation and the supplier. If the project is considered as *worthy* of financial support, funds are granted. One PROAGRO staff member states (IV; translation: CS):

"This is a nice theory. In reality, the problem is that a market hardly exists. Only in very few cases were several competitive offers made for one demand. Sometimes not even one supplier exists."

The Executive Director of the Chaco Foundation also points out the same problem (IV; translation: CS):

"The service the foundation provides is to bring together demand and offers. The problem is that there is still much more demand than offers. The number of offers is increasing, but still there is more demand though the difference between demands by the farmers' organisations and offers of the requested service has decreased. We must admit that it was a wrong assumption of the SIBTA that for each demand at least two offers would exist. Until now, a competitive situation is the exception and not the rule."

The farmers' organisations are in a bad condition and not well organised. In 2003, about 89 farmers' organisations existed; about half of them were *legal entities*. Many of them were not meant for the representation of interests but for organising *social* events. Therefore, it is important that the GTZ supports more the farmers' organisations to form interest groups and organisations that *are* legal entities. The SIBTA can only help organisations that are legal entities; if it is not, an organisation has to work through another organisation.

The SIBTA in the Chaco received some 96 applications for projects in 2004. Overall, 65 offers were made and only *one* demand received *two* offers. This shows the weakness of the economy and any kind of service industry in the Chaco; in many cases not even one offer was made, *competitive procedures* therefore do not exist. One of the main goals of the SIBTA - to work through market mechanisms - has not been achieved so far because the market lives from demand, offers and competition.

The Executive Director himself underlined the importance of a *better participation* of the organisations and a more *intensive competition* concerning the offers (IV). The Fundación Chaco therefore carries out classes in which it is taught how to formulate offers, etc.

The GTZ has carried out, often through NGOs, workshops together with the farmers and the service suppliers to *improve* the situation concerning the generation of demand by the farmers' organisations. The Fundación Chaco itself also offers workshops and courses for both the farmers' organisation and the offering service institutions to increase the *quantity* and the *quality* of demands and offers.

Apart from the lack *of* and problems *with* the demands and the offers, a problem concerning the implementation of the projects must be stated. Those service suppliers that are commissioned by the SIBTA to implement their offer which was considered as the best and/or as worth implementing are sometimes *not* doing a good job *implementing* it. Therefore, some projects are not as successful as planned and hoped for. Once the supplier is commissioned, the SIBTA has neither the authority nor the specific knowledge to *correct* the measures taken.

Financial issues

Initially, the Fundación Chaco had difficulties with its *budget*. It had problems *spending* the funds it had received as planned. This has improved over recent years, but the foundation is still in the process of making good use of the funds received. In 2004, for example, the GTZ had approved support for the budget of the Fundación Chaco with some 2,111,770 Bs, but only 1,000,891.94 Bs could actually be spent, which means that the *implementation rate* stood at only 47%.

If one relates the *administrative costs* of the foundation and the *funds* spent on the execution of projects one can observe a significant improvement since 2003. In 2003, the relationship was 1.79:1. This means that in 2003, 1.79 USD of administrative costs were necessary for one USD invested in PITAs (ID - FUNDACIÓN PARA EL DESARROLLO DE TECNOLOGÍA AGROPECUARIA Y FORESTAL CHACO 2005: 49). In 2004, it decreased to 0.56:1 and in 2005 it was supposed to be at 0.29:1. With the growing number of projects and relatively stable administrative costs, the Fundación Chaco was able to reduce this important relationship significantly. However, it is still relatively high and needs to be further reduced.

Maybe the most important financial *difficulty* the Fundación Chaco has to face is the question of its *future* sustainability. As of 2005, the SIBTA strongly depended on the funds from the international donors (including the GTZ) and no convincing financing concept existed for the future of the SIBTA. To become a *sustainable* institution it is absolutely necessary that the SIBTA becomes *self-financing* over the next years. Otherwise it will become one more project that does not survive the termination of international development cooperation.

Lack of ownership

To ensure a strong feeling of *responsibility* and *ownership* of the farmers' organisations applying for a project at the SIBTA, the system demands that the farmers' organisations contribute 15% of the project budget themselves. While the *idea* behind this concept is good, its *realisation* hardly has the effect desired. If a project is worth some 100,000 Euro it is generally impossible for the applying farmers' organisation to contribute 15,000 Euro. In many cases, the supplier then pays the necessary share. Therefore the farmers' organisations feel *less* ownership than desired by the SIBTA.

No scientific soil and market studies

One of the *main tasks* of the Fundación Chaco is to find out which products are the most appropriate for which zone within the Chaco and what should be cultivated where to achieve the best adaptation to the soil and the climate. As of mid-2005, the GTZ stated that the foundation had *hardly* undertaken any steps into this direction. Knowledge was based more or less only on the *experience* of the producers in the different zones; only *few* scientific studies had been carried out by the Fundación Chaco which examined the quality of the soil, the climatic conditions, etc. Such studies are very important to get the *best* out of the region and to *fulfil* the demands of the market.

5.3.2.2.4 Success*Existence of the SIBTA*

Despite the problems mentioned above concerning the Fundación Chaco and the SIBTA, it must also be seen as a *success* of the work of the PDR/PROAGRO. The establishment and the ongoing consolidation of the Fundación Chaco itself is an important step. Even though the demand and the offers for projects need improvement, it is important that the SIBTA *has* received applications for projects that were worthy of implementation.

The SIBTA, supported jointly by the PDR and other donors, is an interesting and forward-looking *alternative* to the *traditional* agricultural advice service. The SIBTA functions in a *demand-driven* manner and is supported by the private sector. The Fundación Chaco is one of the most developed foundations among the four regionalised foundations of the SIBTA.

Development of the Fundación Chaco

A positive sign is that the Fundación Chaco has *matured* and in February 2005 a business plan was approved in which the strategic objectives for the period from 2005 to 2009 were laid down (ID - FUNDACIÓN PARA EL DESARROLLO DE TECNOLOGÍA AGROPECUARIA Y FORESTAL CHACO 2005: 1ff). One of the main goals is to make the Fundación Chaco *less* dependent on the international cooperation by, for example, increasing the range of products offered. Moreover, the number of the active members – private and public institutions - at the general assemblies grew from 26 in 2002 (15 authorised representatives, 11 persons present) to 117 in 2005 (69 authorised representatives, 48 persons present) which underlines the *growth* of the Fundación Chaco. As the members have to pay a

fee for their membership, their growing number also means a growing budget for the foundation, despite the naturally low fees.⁴⁹¹

Joint efforts from the GTZ and DED

A positive aspect concerning the *German* assistance to the Fundación Chaco is that it is not only supported by the PDR/PROAGRO and therefore by the GTZ, but also by the DED. One DED staff member assists in strengthening selected farmers' organisations and in training them to formulate better project applications to get support from the SIBTA. The *cooperation* between the GTZ and the DED concerning the SIBTA is considered as a success and as a good example of *effective* cooperation between two German development cooperation institutions.

With more and more experience, with a better information of the farmers' organisations and the respective service providers about the opportunities the SIBTA offers to them, the chances are good that the Fundación Chaco will become more successful in the coming years.

5.3.3 Results

5.3.3.1 Objectives obtained? Difficulties and success of the GTZ's PDR/PROAGRO

5.3.3.1.1 Difficulties

More implementation, less workshops/studies

The GTZ within its PDR/ PROAGRO in Bolivia – like in other countries and with other programmes – concentrated much on *advising* services. GTZ staff was and is advising to a large extent Bolivian *public* institutions on the various levels, i.e. ministries, mancomunidades, municipalities, and to a less extent also the target groups themselves - for example, the youth groups in the Chaco. The advisory activities are usually accompanied by studies and workshops either carried out by the GTZ or other institutions such as NGOs are commissioned.

Not only some more educated members of the target groups or cooperation partners of the GTZ in the Chaco, but also some GTZ staff members themselves and staff from other development cooperation organisations such as the CIM state that the activities of the PDR/PROAGRO are often too *theoretical* (IV). The project progress report on the PDR from 2004 also stated that (ID; translation: CS)

“in the second phase, more weight should be put on the implementation of concrete measures (for example, irrigation, marketing, etc). Only through the concrete implementation of productive and poverty-reducing measures can the local organisations and municipalities can grow and legitimise themselves in the eyes of the population.”

The following problems can be identified:

⁴⁹¹ As of 2004, the fees of the members counted for only 3% of the institutional funds while 79% were donated and 18% patrimonial (FUNDACIÓN PARA EL DESARROLLO DE TECNOLOGÍA AGROPECUARIA Y FORESTAL CHACO 2005: 13).

- While the workshops are meant to involve the partner and the target group and thereby also to increase the feeling of ownership, it sometimes seems that the PDR/PROAGRO lacks a clear *vision* of what *should* and *can* be accomplished and *how* certain goals can be achieved. Though it is not expected and not desirable that the GTZ staff *decides by itself* what to do and how, as was common use some years ago for nearly all organisations active in development cooperation, it is a must that it has a vision that *guides* the workshops (1) to make them more *effective* and (2) to thereby have a *greater impact* on the implementation of the programme.
- Studies are carried out to get a better (and scientifically-based) *knowledge* about a specific topic or a certain situation and often to find out what activities would make sense to improve it, i.e. to make *recommendations*. While this generally generates valuable knowledge, studies should be more focused on the real situation, i.e. not include *too much theoretical* and therefore more *abstract* knowledge, to ensure that the results can be better used to solve actual problems.⁴⁹²

The GTZ staff itself express *doubts* about the production of large numbers of studies and strategy papers. In an internal document, the following statement was found (ID; translation: CS):

“Considering the marginal contributions to a country’s development, the minimal changes and slow reactions of Technical Cooperation, the deficits of the strategy papers in terms of their content, the lack of implementation and the lack of customer orientation, the high costs for the production of further strategy papers can be justified only in exceptional cases. In the dialogue with the BMZ, it must be insisted that not more, but fewer papers are produced, to reduce the requirements and to more involve other bilateral and multinational donors as well as the partner.”

- Even if the usefulness of studies and workshops carried out by the PDR/PROAGRO was *improved*, the biggest problem would remain: because of *decreasing* funds, the GTZ has less and less *means* to actually implement or to support the implementation of the findings of the studies and/or the workshops. With its decreasing budget, the German technical assistance in Bolivia more and more has to concentrate on the mere *advisory* service.

The only way for the PDR/PROAGRO to compensate for this lack of financial means is to obtain funds from other national or international institutions to then allow the partner and/or the target group to, for example, *apply* the recommendations of a study. The GTZ staff of the programme therefore advises various institutions and/or target groups in how to apply for national/international funds available for the respective sector/project. This process also has a *positive* effect: the applying Bolivian institution or members of the target group learn (1) how

⁴⁹² The study on craftwork in the Bolivian Chaco for example did not have a significant impact. The efforts and financial means the GTZ invested into this sector might even be considered as ‘wasted’ because the local craftwork turned out not to have enough potential to access national markets. This should have been found out by a much smaller and less expensive *pre-study*. Such pre-studies are useful to identify sectors that may have the potential to access the market and generate a good income for the beneficiary.

to take advantage of available national funds, (2) how to prepare a successful application, (3) how to deal with the institution that is responsible for the national programme and/or the funds, and this knowledge remains and can be utilised in the future.

However, the problem remains that the GTZ often cannot offer the complete chain of assistance with its PDR/PROAGRO because of this lack of financial means. As the PROAGRO focuses on a producing sector, the agricultural sector, *investments* are needed in most cases to facilitate the implementation and therefore the success of a project. Some members of the partner point out the degree of *frustration* that they have perceived among the target group *if* the outcome of a workshop or the results of a study *cannot* be implemented afterwards. One of them can be quoted as follows (IV; translation: CS):

“What is the use of such a workshop or an entire course if those who have participated in it and have learnt certain things have no possibility to apply that knowledge afterwards and thereby improve their living condition?! We have no access to loans and therefore it would be significant if the GTZ would not only talk about things in theory, but also helped us with the implementation.”

The representative of the *Cámara de industria y servicios de Cordillera*, the Chamber of industry and services in the Cordillera, pointed out the following (IV; translation: CS):

“The GTZ is a very important institution concerning the development of training courses. In this sector it is very active. But in my view this further education programme is not sufficient. What is much needed and asked for are funds for financing, loans for production, loans at low interest rates to make the necessary investments.”

Uncertainty in the Chaco concerning what the GTZ stands for

Talking to local people in Camiri where the office of the PDR's/PROAGRO's Chaco component is located, not specifically the target group or cooperation partners of the GTZ, but people from the street, it was interesting and sometimes alarming to find out what the *locals* think the GTZ stands for. Many do not *know* what the GTZ is, how it is financed or how it works, if they know at all that the GTZ is present in Camiri and the Chaco. Some think that the GTZ is an NGO, others have the *suspicion* that the GTZ pursues *political interests*⁴⁹³ or that its staff only act in their *own interests*.

Although one has to be aware of fact that the majority of the local population are simple people, the degree of *misinformation* is relatively high. Even among representatives of institutions that play a role in the economic development of the Chaco *uncertainty* exists about the background and the objective of the PDR/PROAGRO. A high representative of the Comité del Desarrollo Económico Local (CODEL), the committee for local economic development, with its base in Camiri, which is

⁴⁹³ In a few cases I was even told *conspiracy* theories.

supported by the GTZ,⁴⁹⁴ criticises the fact that the transformation from the PDR into the PROAGRO was not well explained (IV).

The same lack of *information* is identified by the woman from the tourism sector in Camiri who was mentioned above already. She points out that the PDR did not *officially* or directly inform her or any other of the members of the association of tourism entrepreneurs from the Chaco about the *withdrawal* of the PDR from its assistance to the tourist sector. Only the association which had cooperated with the PDR before received the (bad) news from a former GTZ consultant on a more private basis (IV).

A representative from another project, SIFOCACH⁴⁹⁵, which is supported by the ManChaBol and the GTZ⁴⁹⁶ also underlines the current situation of *false* expectations even among institutions such as the municipalities and the ManChaBol (IV; translation: CS):

“Even some beneficiaries, be it the municipalities, the ManChaBol, other institutions or individuals, think that the GTZ offers money or financial assistance. It is difficult to change this opinion, the corresponding expectations and the false perception of the GTZ.(...)”

Moreover, the GTZ should be more open and present itself better to the local population of the Chaco. It would then have better access to the target group. As the GTZ works mostly through organisations/institutions, it only has direct contact with the actual target group, the individual persons as the final beneficiaries, via the mediation of these organisations/institutions. I think that direct contact between the GTZ and the final beneficiaries would not only be appropriate, but is necessary. By an open day every now and then, for example, the GTZ could more involve the individual persons. Right now, the staff of all three GTZ programmes work enclosed in their office and do not appear very approachable to the local population.”

This means that the PROAGRO needs to improve its *public relations*; the Chaco is a vast area, but with a *focus* on the cities an impact would be possible. Especially in Camiri, where the office not only of the PROAGRO, but also of the PADEP and the PROAPAC are located it should be possible to *better* inform the population about the objectives and tasks of the GTZ and the three programmes. An advantage is that, in the Chaco and in Camiri, only few international development cooperation organisations are active so that it is not as difficult as in other cases in which one organisation has to *distinguish* itself from the others. It should also be explained that the GTZ stands for German technical assistance and that this means that it offers assistance by advising and transferring *knowledge*, etc., but that it does *not* have large funds at hand. This would allow a better understanding of the GTZ by the

⁴⁹⁴ Most municipalities of the Chaco have such a CODEL. The committees are supported by the ManChaBol and the GTZ. They also receive resources from the municipal government, but private individuals or enterprises offer training courses for free, etc. The CODEL in Camiri has existed since 2003. The PDR offered technical assistance, training courses, assisted in the organisation of a trade fair, financed parts of the equipment such as computers, etc.

⁴⁹⁵ SIFOCACH stands for *Sistema de Formación y Capacitación del Chaco Boliviano*, system of the Bolivian Chaco for education and further training. SIFOCACH is an institution that promotes education and further training and thereby assists in improving the quality of the available human resources in the Chaco. This is meant to (1) help the better qualified population to find jobs or create their own small enterprises and (2) to attract enterprises to invest in the Chaco Boliviano as qualified human resources are available.

⁴⁹⁶ From the total budget of 230,000 Euro of the SIFOCACH from mid-2003 to mid-2005, the GTZ contributed 130,000 Euro and the ManChaBol 50,000 Euro.

local population and thereby *avoid* many false expectations and disappointments due to a misunderstanding of what the PDR/PROAGRO can do to assist the Chaco in its development.

Time consuming cooperation with various partners

One problem for the PROAGRO, as for many other GTZ programmes and projects, is that a lot of time is needed to coordinate the cooperation with *various* groups. The officer responsible for the PROAGRO, the programme manager, has to deal with the following partners in a wider sense:

- two ministries (Sustainable Development and Agriculture),
- two mancomunidades (one in both regions, in the Chaco and the North of Potosí),
- German institutions such as the Embassy, KfW, DED, churches, etc.
- Other bilateral and multinational donors such as USAID, various United Nations Agencies, etc.⁴⁹⁷

5.3.3.1.2 Success

The 14 GTZ employees that filled in the quantitative questionnaire were very positive about the success of the PDR/PROAGRO. 57% rated the programme as *very successful*, 7% as *successful* and 36% as *successful with some reservations*.⁴⁹⁸

Flexibility of the PDR/PROAGRO

The fact that the PDR included activities of the GTZ in many different sectors, which above was identified as a difficulty, did *also* mean a certain success for the programme. The GTZ presented itself as having a high degree of *flexibility* to react to demands that were expressed or that the GTZ became aware of *during* the programme implementation. If the PDR had been more *strict* in following its objectives as laid down in the programme offer, certain activities would not have been carried out.

Despite the difficulties that accompanied this approach, its *positive* meaning must also be underlined. Of course, sometimes the spontaneously included activities turn out to be a failure, but the attitude of being open to *unplanned* measures is important and positive. For any development cooperation organisation the flexibility to include other measures than those planned in a certain programme is a *must* as the conditions in the respective country may have changed or simply may have been misjudged when the programme was set up. This same flexibility is hoped for within the PROAGRO as well. Though after the transformation from the PDR to the PROAGRO, the programme must concentrate more on the agricultural sector, the PROAGRO tries to keep its openness and flexibility within its new guidelines.

⁴⁹⁷ In Bolivia, which is a *well-* if not even *over-*aided country, the coordination of the various international donors is of a special importance. It has to be *avoided* that two or more donors do the same thing without knowing about each other and without coordinating and/or joining their efforts. The donor coordination in Bolivia works very well, but *costs* a considerable amount of time.

⁴⁹⁸ This refers to question 27 of the questionnaire.

Besides the flexibility the GTZ demonstrated as mentioned above, the PDR/PROAGRO showed that it has also been set up flexibly enough to *react* to the *social* and *political unrest* in Bolivia for some years. Every year the situation seems to become more difficult and especially on the national level institutional security is decreasing more and more. The GTZ in Bolivia in general and the PDR/PROAGRO acknowledged the importance of these changes for their work and adjusted themselves accordingly. The PDR/PROAGRO started to concentrate its work more on the *local* and *regional* level, i.e. on its work in the Chaco and in the North of Potosi and not so much anymore on the national level. Because of the institutional insecurity and the immense turnover of high-ranking staff in the ministries and other national institutions, the *multi-level* approach of the GTZ was reconsidered in Bolivia. The local and regional level came more into the focus of the PDR/PROAGRO. This flexibility is due to the fact that *programmes* in general are more flexible and that the *staff* of the PDR/PROAGRO themselves are vigilant and sensitive to the changes that are taking place in Bolivia and, more importantly, are willing to reconsider measures planned. Also, the PDR/PROAGRO has a *diversified* partner structure which allows a stronger focus on certain partners if severe problems with others hinder an effective cooperation.

Development of local capacities

With its support of the communities, the ManChaBol and the youth organisations, the PDR/PROAGRO has *contributed* to the decentralisation and with the development of local capacities in general and the assistance to the SIBTA in particular, the GTZ has created an important basis for a *self-sustained rural development* in the Chaco. As agreed, most communities of the Chaco contribute 0.5% of their budget to the ManChaBol. Each of the three prefectures to which the Chaco belong pay a technician who works for the ManChaBol. These are important steps though the financial self-sustainability needs *further* consolidation.

The linking of the regional component Chaco with the normative, political and financing level facilitated the *bottom-up* coordination and led to the allocation of *additional* resources into the Chaco.

Technical assistance

Many international donors, be they multinational or bilateral, tend to concentrate their assistance on *financial* means. They restrict themselves to financial assistance and *either* contribute funds directly to the budget of the developing countries *or* ask other organisations to administer their funds and implement projects/programmes with them. The reason for this development is mainly that the maintenance of a *technical assistance structure* is very cost-intensive.⁴⁹⁹

The tendency described above has continued to grow for some years and has led to a situation in which technical assistance has become something like a *limiting* factor. In Bolivia, the GTZ is one of the development cooperation organisations that still offer technical assistance. The GTZ is often

⁴⁹⁹ Personnel costs belong, of course, to the biggest cost factors.

asked to participate in donors' meetings, workshops, etc., to share its *experience* in the technical assistance in Bolivia and to make *recommendations* for new projects/programmes. The growing number of basket funds to which various donors contribute funds are also very much in *need* of advice concerning the *technical implementation* of the financial assistance offered.⁵⁰⁰

The knowledge of the GTZ staff from the PDR/PROAGRO is much wanted in the *rural/agricultural* sector. The technical expertise of the PDR/PROAGRO in the implementation of the respective projects/programmes is highly acknowledged by the international donor community, but also by the national and regional Bolivian institutions and authorities. In a project progress report on the PDR of 2004 the following appraisal was made by the evaluators (ID; translation: CS):

"The image of German technical assistance (and also of the financial assistance) in the sectors rural development, rural and agricultural advice and especially irrigation can only be described as excellent and involves a corresponding influence within the circle of implementing organisations and donors."

5.3.4 PDR/PROAGRO - GTZ Bolivia and its relationship with others

5.3.4.1 Relationship with the partner/counterpart

Because of the cultural differences, the cooperation – of the PDR/PROAGRO and the GTZ in Bolivia in general - with the *Bolivian partner* does not always function well. One simple example is that many meetings are cancelled at short notice or they start with a significant delay. The capacity to deal with *changes* is low. In Bolivia, only few '*intelligent*' institutions exist, i.e. institutions that can *adjust to* and *implement* changes rapidly. Generally speaking, a high *resistance* towards changes can be observed in Bolivia. Accepting the ownership of the project/programme by the partner also means accepting the low degree of *implementation* of decisions taken jointly by the partner and the adviser, the GTZ in this case.⁵⁰¹ Responsibility is often *transferred* to a higher level which leads to the problem that decisions are taken slowly and not at the level where the qualitatively *best* expertise is available.

Because of the *political difficulties*, the relationship with the Bolivian partner becomes more and more *difficult*, especially on the *national level*.⁵⁰² This is due to the rapidly changing cabinets. The PDR, for example, had to deal with six important cabinet reshuffles in four years. The replacements in the ministries relevant for the PDR/PROAGRO again and again led to the *interruption* of the advising process, to efficiency problems at the implementation of national programmes and even to the risk of losing the political support of the new decision-makers for the measures agreed upon beforehand. The

⁵⁰⁰ The basket funds often want to build on the experience of the GTZ and needs its knowledge to improve and secure the implementation of programmes/projects.

⁵⁰¹ One GTZ seconded expert stated, for example, the following (IV; translation: CS):

"Sometimes I would prefer to be the manager myself of the institution I am advising right now. Then I could actually do things, move things, and would not only advise. Sometimes it makes me mad to see that only about 3% of my ideas/advice that are accepted by the partner are implemented and the rest is not acted upon."

⁵⁰² 30% of the interviewed GTZ personnel stated in the questionnaire that the difficult political situation was one of the reasons for difficulties in implementing the programmes/projects successfully.

lack of continuity makes the relationship with the partner on the national level *complicated*, for the PDR/PROAGRO, as well as for the entire GTZ and all development cooperation organisations in Bolivia.⁵⁰³

However, the PDR/PROAGRO *continues* to assist in the implementation of the *national* agricultural technology transfer programme, the SIBTA. The PDR supports the *regional* foundation of the SIBTA in the Chaco, the Fundación Chaco. Another *national* programme supported by the PDR/PROAGRO is the national strategy for rural and agricultural development, the ENDAR. With the implementation of the Plan Macroregional para el Desarrollo Económico del Chaco Boliviano, the ENDAR is assisted by the GTZ on the *regional* level as well. The Chaco can be considered as one of the pilot areas for the ENDAR.

The assistance of the SIBTA and the ENDAR on the national *and* the regional/local level show that the PDR/PROAGRO *tries* to cooperate with various counterparts on *different* levels to be able to react to upcoming difficulties with any of them by *reinforcing* the cooperation with one of the others.

Because of greater *continuity* on the regional and local level, the PDR/PROAGRO was able to establish more *long-term* relationships on these levels. This also meant more confidence and a better cooperation between the PDR/PROAGRO and the partner which resulted in more efficiency. However, also on this level *corruption* and *instability* at the Bolivian counterpart remained a significant problem for the PDR/PROAGRO to deal with. Also, the decentralisation and therefore the strengthening of the municipalities by growing competences and more financial means resulted in an *overtaxing* of the respective institutions.

On the other hand, the transformation of the PDR into the PROAGRO which meant a significant change for the measures to be undertaken, led to a *loss of confidence* on the side of the Bolivian municipalities, the ManChaBol, etc. Another issue which reduces the *credibility* of the GTZ is the so-called '*Barmittelproblematik*'. At the government negotiations that take place every two years between the Bolivian and the German government, the German government *commits* itself to spend a certain amount of funds on a specified sector. The GTZ works out project and programme designs accordingly which the BMZ approves 100%. However, once the implementation of the project/programme has been started, the BMZ, due to the decreasing funds, *only* finances 60-70% of the annual budget. This is the so-called *Barmittelproblematik*. According to the planned budget, the GTZ Bolivia, should have received 13,875,000 Euro in 2003; in reality, only 10,428,000 Euro were received. The Country Officer and the principal advisers then had to *distribute* these funds between the projects and programmes. That only about 75% of the budget *planned* was received, meant, of course,

⁵⁰³ German development cooperation plays an increasingly *political* role in Bolivia. However, because of the current crisis of the country and the decreasing assertiveness of policies, the *risk* for political development cooperation has increased significantly as the successful formulation and implementation of sector policies, in principle, need *strong* executing agencies and partners.

a difficult situation for the principal advisers who had to explain to the partner and the target group why not all measures agreed upon could be implemented, etc.

The above shows that both sides made mistakes and put the good relationship at risks. It demands a high degree of sensitivity and diplomacy to *rapidly* become *aware* of new problems between the PDR and the partner and to *solve* them.

The communication of the GTZ employees with the Bolivian partner is quite high. In the quantitative questionnaire, 44% of the interviewees answered that they communicated with the partner every day, another 33% communicate at least three times per week.⁵⁰⁴ 57% therefore were satisfied with the communication with the partner, but still some 37% indicated that they would like to have *more* communication with the partner. Another interesting result of the questionnaire is that more than half of the interviewees (51%) thought that a *good cooperation* between the GTZ and the partner was one of the reasons that have made the respective programme/project successful.⁵⁰⁵

Overall it must be stated that in the current political situation the cooperation of the PROAGRO with the partner on the *local* level is more successful. This was emphasised by an internal document of 2005 from the German Embassy in Bolivia. But in this internal report it is also stressed that despite the difficulties the cooperation on the *national* level needs to be *continued* to possibly produce a sector political impact. Reacting to the difficult political situation, the GTZ took advantage of its multi-level-approach and changed its *focus* from the national to the regional/local level, but *continues* to work on all levels.⁵⁰⁶

5.3.4.2 Relationship with the target group

The relationship of the PDR/PROAGRO with the *target group* – i.e. the local population, the farmers, the youth, the women that benefit from the GTZ programme – is marked by both trust *and* mistrust or ignorance.

With its presence and available technical knowledge in the Chaco, the GTZ has gained the trust of *some* population groups. The PDR/PROAGRO tries out technically innovative methods or instruments and then starts to create awareness among the population that could take advantage of their findings. An important step in the concept of the PDR/PROAGRO is to set *incentives*, emphasises the programme manager (IV; translation: CS):

“One possibility is to offer the farmer the chance to participate in the programme of the GTZ and to not, for example, simply cut the tree, which economically makes sense for him for a short

⁵⁰⁴ This refers to question 25 of the questionnaire.

⁵⁰⁵ This refers to question 28 of the questionnaire.

⁵⁰⁶ The multi-level-approach of the GTZ is based on the assumption that experience from the local and regional level need to be transferred up to the national level and then back down to the regional and local level, also known as the *elevator-effect*. One programme leader in Bolivia stated (IV; translation: CS):

“National strategies can only be developed in combination with the practice and the respective experiences from projects and programmes; anything else would be nice theory without a basis. The circle is closed when the national strategies developed that way are then implemented on the regional and local level.”

time. The farmers sometimes receive subsidies which also exist in Germany to set incentives in the agricultural sector, for example.”

The incentives offered by the PDR/PROAGRO to the target group and the implementation of certain sub-projects such as the work with youth groups, indigenous women, etc. have resulted in a significant degree of trust of these groups in the PDR/PROAGRO.

The GTZ employees that filled in the questionnaire, i.e. employees not only from the PDR/PROAGRO, but also from the other two programmes and the projects, were quite positive about the identification of the target group with the respective programme/project: 11% thought it to be *very* high and 53% high. Only 9% thought it to be low.⁵⁰⁷ The results for the question whether the beneficiaries perceived the GTZ as the legitimate implementing organisation were even more *positive*: 67% of the interviewees answered that the beneficiaries perceive the GTZ as legitimate, and 11% as very legitimate.⁵⁰⁸ Another positive assessment of the relationship between the GTZ and the target group was shown by the answer of 75% of the interviewees that the confidence between the two was *one* of the reasons for the *success* of the respective programme/project.⁵⁰⁹

On the other hand, however, during the research carried out in the field, *informal* talks also showed a certain degree of mistrust among the local population towards the GTZ and its employees. Mostly, this *mistrust* was based on *ignorance* of what exactly the intentions of the GTZ are, what it stands for, which its objectives are. Though the target group, in general, knows more about the GTZ and its programmes, *ignorance* and therefore in some cases mistrust continue to exist even in this limited group.

5.3.4.3 Relationship with other GTZ programmes in Bolivia

The PDR/PROAGRO is in constant and good contact with the programmes of the other two focus areas, with the PADEP and the PROAPAC. Especially the three programme managers, the principal advisers, meet *regularly*, often in meetings with the Country Director of the GTZ Office La Paz. The communication among the majority of the staff of the three programmes takes place on a more *informal* level. When an offer for a new programme or the next phase of an existing programme is prepared, the programme manager of the respective programme tends to *invite* not only the other two programme manager, but also the project managers⁵¹⁰ to discuss the offer. This has proved to be a positive measure as it allows a *better knowledge* of the other GTZ programmes and the available knowledge of GTZ staff is *used* more efficiently. However, one *cannot* speak of a real *link* between the three programmes.

The problems between the PADEP and the PDR because of unclear and overlapping responsibilities were *severe* and *difficult* to solve. Though these issues were clarified and in the Chaco, for example, the staff of both programmes utilise the *same* infrastructure and see each other on a daily basis, the

⁵⁰⁷ This refers to question 22 of the questionnaire.

⁵⁰⁸ This refers to question 24 of the questionnaire.

⁵⁰⁹ This refers to question 28 of the questionnaire.

⁵¹⁰ As of 2005, a few GTZ projects continued to exist besides the three large programmes.

relationship of the two is not as cooperative as it could and should be. A *subliminal anger* on both sides still can be felt because of the past conflict. Moreover, doubts about the approach, the methodology utilised and the effectiveness of the respective other programme exist. The lack of a really close cooperation between the PADEP and the PDR is also criticised in the project progress report on the PDR of 2004 (ID).

In the case of the PROAPAC, the reasons for a not very strong link are more understandable. Following the current concepts, a close connection between the promotion of agriculture and drinking water supply is not produced. Moreover, in the North of Potosí, for example, the planned coordination between the two programmes needed to be *reduced* significantly because of *socio-economic* problems the PROAPAC had with the target group.⁵¹¹ This was necessary to avoid *damage* to the PDR/PROAGRO, its image and its standing in the eyes of the local population.

Relationship with the GTZ Office La Paz

Since the decentralisation of the GTZ, the Director of the GTZ Office is the *highest representative* of the GTZ and therefore the *superior* of all GTZ staff in that country. He has *two* main functions:

1. The Director is *responsible* for the *entire portfolio* of the German technical assistance in Bolivia and has to coordinate with the other German institutions such as the KfW, the DED and the Embassy.
2. The Director is the *administrative head* of the GTZ in Bolivia and needs to ensure that the programmes receive the services they need.⁵¹²

Overall, this has resulted in the *intended* positive changes, but some GTZ employees in Bolivia reported that they have recognised a certain change concerning the GTZ Office which they did *not* perceive as positive (IV; translation: CS):

“Before, the Offices were called Service Offices and they were certainly more services-oriented than nowadays, extended passports for the GTZ employees, etc. Now, the GTZ Office is kind of controlling us.”

This quotation underlines the *tensions* that in some cases exist between the GTZ Office and the programmes/projects and their personnel. Moreover, it shows that not all seconded staff members have *adjusted* themselves to the new structure since the decentralisation process: *before*, the programme and project leaders in the field had to report to a superior located in the HQs and therefore had a higher degree of *freedom* because of the mere distance of room (and time). Especially for those who have been working for the GTZ in the field for years or even decades, the change to the new structure with a superior in the *same* country was not as easy to *accommodate* to. In some cases, the employees feel as if being *controlled* by the GTZ Office and its Director who is their superior. It cannot be denied that the Director actually has a certain control function that s/he takes seriously because s/he is responsible

⁵¹¹ The principle of a *partial cost coverage* by the introduction of *water tariffs* led to a severe rejection of the PROAPAC by the population.

⁵¹² The GTZ Office is *financed* by the programmes and the projects so that it needs to have a strong services factor to have a right to exist.

for the *results* of the GTZ in the respective country. On the other hand, s/he is also expected to actively *support* and *improve* the work of the programmes/projects. Because of the *decreasing* funds received from the main client, the BMZ, the Director is also responsible for an appropriate and even distribution of funds to the three programmes and the various remaining projects.

After having mentioned some of the *problems* that have occurred because of the *decentralisation of authority* to the Directors of the GTZ Offices, the *advantages* that are felt by the GTZ staff in Bolivia will be outlined. The GTZ Office in Bolivia, as in other countries, is paid for by the various programmes/projects and therefore it must add a certain value. What is this added-value in the Bolivian case?

One programme manager stressed the positive result of having her/his superior, the Director of the GTZ Office, as a '*sparring partner*' (IV) in the same country. From his view this allows a much better and more intensive *communication* on possibilities and problems a programme/project and/or the GTZ on the whole are facing in Bolivia.

The *presence* of the superior in Bolivia not only allows a better communication between him and the programme leaders and all other staff⁵¹³, but also allows decisions to be taken more *rapidly*. Therefore, the GTZ in Bolivia has become more *flexible* and *agile* in reacting to specific circumstances in the country. In the last few years, this has become more and more important because of the difficult social and political situation in Bolivia.

Before the decentralisation was implemented, the programme and project leaders in Bolivia all claimed to speak for the GTZ which sometimes resulted in quite *different* statements on the *same* issue. This left the partner and other donors sometimes quite *confused* as it was difficult for them to find out what the *official* statement of the GTZ was. This was also changed with the decentralisation process. The Country Director - being the highest representative of the GTZ - is the one who gives the official statements of the GTZ on certain questions. Of course, the programme leaders and the other staff still have the freedom to state their *own* opinions especially on issues that concern their own programme or project, for which they may be more competent than the Country Director. But concerning statements on a *high political level* and in which the *standpoint* of the *entire* GTZ in Bolivia and apart are pronounced, the Director now *clearly* is the one to give it. This has led to a better and more integrated presentation of the organisation as the GTZ Bolivia now speaks more with *one* voice.

⁵¹³ It was stated that the Director often meets only with the three programme leaders and has an intensive communication with them, but not so much with the other GTZ employees. To improve this relationship, the Director might communicate more *directly* with these employees as well, but one must take into consideration the amount of time this would need.

Relationship with the KfW

As the BMZ strongly underlines the importance of a highly comprehensive German development cooperation '*aus einem Guss*', the relationship of the GTZ with the KfW which is responsible for the German *financial* assistance will be described and analysed in this sub-section.⁵¹⁴

Since 2001/2002, the KfW has been *represented* in La Paz by a *regional* office. The low degree of decentralisation for decision-taking at the KfW – consultations with the HQs in Frankfurt are the rule which means loss of time and flexibility - and the therefore low involvement in the discussions with other donors and the national institutions on the spot make the KfW slow. Another problem is the fact that only *one* KfW staff member works in the office in La Paz which means an *overload* of tasks and responsibilities especially considering the time and energy needed to communicate with other donors and the national partner. Because of these restrictions, in some cases KfW projects are still planned in an *isolated* way and with *insufficient integration* into the national context.

In some projects in Bolivia, a good coordination and cooperation of the German financial and technical assistance can be observed. In other cases, the technical cooperation proves to be more *flexible* to react to changes of political, economic or local conditions than the financial assistance. Then, a good coordination still is difficult because often, the action of the GTZ and the KfW does not take place *simultaneously* which weakens their image. In one case, a project of the KfW started its work only nearly three years after the GTZ had started the respective technical assistance project. This, of course, was all but optimal as they should have started simultaneously in order to produce *synergies*.

Though both organisations have *recognised* that they have to pursue the objective of the BMZ and that therefore they *need* to improve their cooperation and also their communication and coordination, improvements are *still* needed. Often, information is not conveyed in a timely fashion and sometimes not at all between the GTZ and the KfW in Bolivia. This is even more problematic because the financial and the technical assistance sometimes have quite *different* standpoints. A lack of communication therefore may show German development cooperation in a bad light because of quite differing viewpoints on certain topics expressed in *public*. In Bolivia, it even occurred that the majority of the German development cooperation institutions *agreed* on a certain decision and were then *ignored* by one of the two big organisations, the GTZ or the KfW.

A small but important initiative by the GTZ to improve the coordination of the various German institutions was the invention of the register '*Who's who*'. In this *internal* register, which is available online, all employees of the German development cooperation institutions in Bolivia are

⁵¹⁴ Other German institution such as the German Development Service (*Deutscher Entwicklungsdienst*), the centre for international migration and development (*Centrum für Internationale Migration und Entwicklung*), the churches, political foundations are represented in Bolivia as well; but because of the their special (financial) position among the German development cooperation institutions, only the relationship of the GTZ and the KfW is investigated.

listed with a photo, full name, contacts and a short description of their functions. This allows the staff to orientate themselves better and facilitates the communication. As one GTZ employee points out (IV; translation: CS):

“How can one possibly expect the cooperation among the various German institutions in Bolivia to be improved if it remains unknown who is doing exactly what? This register is a first step to more communication and therefore more and better coordination.”

The director of one of the three GTZ programmes in Bolivia expressed severe doubts whether the *structural* problems that exist in the cooperation between the GTZ and the KfW can be removed by the instrument *cooperative projects*. In his view, other measures would be needed to *avoid* competitive behaviour between the two organisations which is perceptible also in Bolivia, for example, concerning the steering/control of projects.

In an internal GTZ meeting concerning the relationship of the GTZ and the KfW in Bolivia, the GTZ Country Director in La Paz in 2003 identified the following *problems*: (ID):

- though the coordination of the daily work functions quite well, the more general coordination and cooperation of the KfW and the GTZ are very limited;
- an increase of value through the efforts for a better cooperation is not clearly perceptible;
- projects of the financial and the technical cooperation are not implemented simultaneously;
- in 2002, in Bolivia, no cooperative agreement between the GTZ and the KfW was signed.⁵¹⁵

He then summarised the *guidelines* for an improved cooperation:

- to avoid unnecessary waste of time/energy caused by friction, it would be reasonable to join certain instruments;
- every GTZ employee should try to organise the cooperation as well as possible and to foster personal relationships.

The above demonstrates that some work is still needed to improve the cooperation between the GTZ and the KfW. This work needs to be done *first* on the level of the HQs and *then* the decisions taken need to be implemented on the level of the countries. In an internal report of the German Embassy in Bolivia it is recommended to *advance* the exchange of information among the employees *below* the management level and especially to more include the Spanish speaking employees.

Overall, it must be stated that the coordination of the PDR/PROAGRO with the other two GTZ programmes, with the other German institutions and with the international institutions *requires* a lot of time and energy.

⁵¹⁵ However, cooperative projects were carried out, but they were not agreed upon in official cooperative agreements. Thereby, the two organisations found pragmatic solutions, but did not bind themselves to certain consequences as they would have done by signing an agreement.

5.3.4.4 Relationship with the GTZ HQs

5.3.4.4.1 *Different perceptions (of changes)*

Several long-term seconded experts have mentioned the fact that in the GTZ HQs, as in other private companies, the *pace of change* is extremely high. For a certain period, mostly only a few years, specific topics, such as change or knowledge management, dominate the debate before they are *replaced* by new topics. Because of the high speed for changes, the GTZ staff in the field, even the seconded experts, do not always become aware of these new topics or only relatively late.

The various seconded experts in Bolivia had different opinions on these rapid changes. Some think that they are too *fast*, others acknowledge that this is *normal* for the 21st century and therefore perceive it as positive that the GTZ is not (that) different from other private companies concerning changes and their management.

How certain changes initiated by the HQs were/are perceived in the field will be described and analysed below.

5.3.4.4.2 *Results of the quantitative questionnaire*⁵¹⁶

The quantitative questionnaire was filled in by 59 of the GTZ employees in Bolivia.⁵¹⁷ Not only staff from the PROAGRO, but also from the other two programmes, the projects and the GTZ Country Office were included to generate more data. From the 33 employees working for the PROAGRO, 30 local staff and three seconded experts, 14 were interviewed by the questionnaire representing 23,7% of all interviewees. The programme PADEP was represented in the questionnaire by 13 (= 22% of all interviewees), the programme PROAPAC by 10 (=17%), the projects by 9 overall (= 15%) and the GTZ Country Office by 13 (= 22%) employees.⁵¹⁸ This means that a representative *cross-section* of the GTZ programmes/projects and the GTZ Country Office was achieved.

About 80% of the interviewees were Bolivians, 19% Germans and 2% of a third nationality⁵¹⁹. Most of them had limited (73%) and local (83%) contracts. 15% of them were seconded experts and 2% (= one person) an international expert. 27% had already been working for 7 years or longer for the GTZ in Bolivia, 32% for the GTZ in general.⁵²⁰

The results of the quantitative questionnaire are also informative concerning the relationship between the HQs and the Bolivian field. 59% of the interviewees have *no* communication at all with the HQs in Germany while only 14% communicate with the HQs three times per week or even every day. A significant percentage, 39%, would like to have more communication with the HQs and no one

⁵¹⁶ The results of the quantitative questionnaire are also presented in other parts of this study, but only in this section the interviewees are also characterised, etc.

⁵¹⁷ In June 2005, 164 GTZ employees were working in Bolivia (including receptionists, secretaries and drivers, i.e. not professionals). Therefore, with 59 out of 164 possible interviewees more than one third filled in the questionnaire.

⁵¹⁸ This refers to question 21 of the questionnaire.

⁵¹⁹ One employee was of Peruvian nationality.

⁵²⁰ This refers to the questions one, two, three, four and five of the questionnaire.

preferred to have less communication. About 61% of the interviewees were *satisfied* with the quantity of communication with the HQs.⁵²¹

25% stated that they felt well or even very well-informed about changes and/or reorganisations in the HQs, 42% more or less informed while 32% emphasised that they had a lack of information or were not informed at all (10%).⁵²²

Only one interviewee stated that the *good cooperation with the HQs* was one of the reasons for the success of the respective programme/project. This clearly shows that among the GTZ staff in Bolivia, the cooperation with the HQs is not a decisive factor for the success the programmes/projects are said to have.

5.3.4.4.3 *Communication and cooperation*

The communication between the GTZ in Bolivia and the HQs has been changed by the availability of emails, intranet⁵²³, etc. Time differences and large physical distances are much less important nowadays than some years ago. This has not only facilitated, but also *improved* the communication between the HQs and the staff in the field, not only with the field staff in Bolivia, but around the world. A regular communication between the HQs and the field in Bolivia takes place on various levels; personnel from the GTZ Country Office and the various programmes and projects in Bolivia communicate with personnel from different divisions in the HQs.

For a good cooperation, new staff members who start to work either in the HQs or in the field need to acquire *basic* knowledge about the organisation and the *specific* knowledge they will need for their position and to become productive as soon as possible. Therefore, those who are going to work in the HQs and the seconded German experts take briefing and preparatory courses in Germany, at the HQs or at other institutions as well. Most interviewees who took these courses stated that they were very *important* and *helpful* because the GTZ is such a *big* and *complex* organisation. For the seconded experts working in the field, the courses are probably even more important as in the field it is more difficult to obtain the information conveyed in the courses than in the HQs.

The local staff did not take such courses until the late 1990s. Since then, *introductory* courses for *all* local staff became a rule as the GTZ wanted to improve its *corporate identity* among the increasing number of local staff. This was an important step which was highly *valued* by most local staff. They actually started to feel more a part of the GTZ and to much better understand its objectives and values. The local staff in *management* positions naturally received more intensive courses than *assistant* personnel, for example. The frontiers between the local staff and the seconded experts thereby became less visible, but *continue* to exist.

⁵²¹ This refers to questions eight and nine of the questionnaire.

⁵²² This refers to question ten of the questionnaire.

⁵²³ Local personnel theoretically also have access to the intranet, but because of the language *barrier* they utilise it much less than they could. Much of the information is becoming available in English as well, but most Bolivian GTZ employees do not speak English too well. Some information is translated into Spanish with a certain delay.

Personal relationships of course also count in the cooperation between the field staff in Bolivia and the staff in the HQs. Like in all other jobs, good personal relationships between two or more colleagues usually result in a good and effective cooperation. Another aspect is the *knowledge* of the work in the field: if the responsible person in the HQs has already worked her-/himself in the field, the knowledge about the needs and wants of the field staff results in a more effective cooperation.

The existence of usually *two* units that need to be cooperated with by the field staff, the regional unit on the one, and the P&D on the other hand, may sometimes result in problems for the field staff because it is not always clear *which* unit is the more appropriate contact. Overall, however, this cooperation between three units, the one in the field, P&D, and the regional unit, has *improved* and works well.

5.3.4.4.4 *Corporate identity*

The *corporate identity* of the GTZ employees continues to be quite *high*, but several staff members mentioned that because of the difficult times the GTZ has been going through since some years the identification with the GTZ among its employees has *decreased*.

Several *reasons* for this were mentioned by staff members: the most important one may be the ongoing *reduction of funds* which has resulted in (1) an insecure future for the employees, for example, more short-term contracts, more competition, (2) less benefits, less further training, etc.

The *further training* for the GTZ employees has decreased, both in the field and in the HQs. Until the 1990s, many employees took courses and went to a further training class every two years or even every year. Most staff members mentioned two reasons for the decrease of training: (1) less funds and (2) less time to take further training, which, in the end, is also a result of the reduction of funds, which generally meant more work for the staff.

Another difficult issue for the corporate identity of the GTZ is that *rotation* between the field and the HQs is *not* the rule. Many managers from the HQs have either *never* worked in the field or only for a *few* months. Within the GTZ, it is known that as of 2005 some years of work in the field still meant a *setback* in one's career. About 80% of the entire GTZ personnel have stated in an internal study that they were *not* willing to work in the other part of the structure, the HQs or the field respectively. This lack of rotation is one of the main reasons why the understanding between the HQs and the field is relatively *low* and definitely needs in improvement.

The GTZ employees utilise the words '*inside*' (the German term is *drinnen*) and '*outside*' (the German term is *draußen*) when they talk about the HQs and the field and sometimes even doubt the right of the respective other faction to *exist* in its *current* shape. This clearly underlines the differences between those working in the HQs and those in the field. There is hardly a '*we, the GTZ*', but more a clear separation between '*us*' and '*them*'. One could divide the GTZ employees into *two* groups accordingly. Until the wage reform in 2005, this division was also visible in the wage system of the GTZ: it consisted of *two* systems, one for the GTZ-Headquarter-staff and one for the *field* staff.

Prejudices against the other 'group' are (still) quite common. Partly, the HQs-staff believe that the field staff has a nice life abroad with a high amount of extra pay. Those staff members are not aware of the difficulties the field staff often have to face, both on the personal and professional level. The field staff, on the other side, also partly thinks that the HQs-staff has an easy nine-to-five-job and do not take into consideration the problems the staff there have to face because of the ongoing budget reduction and because of the complex bureaucracy to be followed in the HQs. It is interesting that, despite these remarks, those stating them do not want to *change sides* and work with the respective other group.

Since early 2005, only *one* wage system is applied which should facilitate the rotation between the HQs and the field and *improve* the sense of community and the corporate identity. Only after some years will it be possible to judge the *success* or *failure* of this wage reform, whether it had the intended effects, but a first conjecture will be made: Being a first step to facilitate rotation within the GTZ, it must be *doubted* that change in the wage system *by itself* can result in significant changes. The GTZ needs to set *more* incentives for the rotation of staff members; it must be a *career-boost* for all staff, but for management personnel in particular, to have long-term experience in both sections, in the HQs and in the field.

Besides the difficulties among the *German* personnel of the GTZ because of the separation of the HQs and the field, another source of *friction* can be observed, especially in the field: the friction between the seconded experts (mostly Germans) *and* the local personnel.

Over the last years, the HQs of the GTZ, like many multinational and bilateral development cooperation institutions, promoted the strategy to implement the programmes/projects with *more local staff*. While before local staff was more hired for auxiliary activities, they more and more got jobs in managerial functions. The idea behind the increase of local staff is to *utilise* the existing human resources, to thereby *increase* the technical know-how and capability in the country and to *facilitate* the long-term sustainability of the programmes/projects because of this.

The new *standing* of the local personnel was acknowledged by the demand of the Country Offices Directors in 1999 to formulate a new *policy* for local staff. The local employees should become a more visible part of the GTZ personnel, their commitment to the GTZ should be increased and their knowledge should be better utilised. Such a new policy was formulated and shortly afterwards introductory courses for the local personnel were developed and implemented by the GTZ in all countries. These introductory courses are carried out on a regular basis. Every new local employee should get the information s/he needs to understand the *vision*, *values* and *objectives* of the GTZ as such and to get a first overview on her/his job. Local staff in managing positions of course go through a more intensive introduction as they have to know about the corporate objectives, certain procedures and processes such as financial accounting, etc.

To a certain degree both the HQs and the field staff have agreed on the usefulness of employing more local staff, but having passed a certain point, the seconded German GTZ staff in the

field started to emphasise their *impression* that the HQs top management in future would fill every position except the programme manager with local personnel.⁵²⁴ The following two arguments were expressed by various German employees in Bolivia *against* this possibility (IV):

- In some cases, only *international*, in this case mostly German, personnel are in a position to support the viewpoints of German technical cooperation. They do not have to take the risk of facing social problems because of this as might be the case for *local* personnel under specific *political* circumstances.⁵²⁵
- German is still the language needed for *reporting* to the HQs in Eschborn and to the BMZ. This means that a sufficient number of personnel must be able to communicate in German very well. If the local staff is not as fluent in German as necessary, this means more work for their German colleagues as they then have to work out the reports, etc. Besides the language, Germans are also needed because of their knowledge of the GTZ, the BMZ and their contacts in Germany in general. If only the programme managers were German this would mean a significant problem.

The relationship between the German seconded experts and the local staff in Bolivia is good, but for the following reasons the GTZ staff in Bolivia, and in other countries as well, is not a *homogenous* group:

- All programme/project managers are Germans. Overall, the *few* Germans have the say even though some Bolivian employees can be found in management positions, for example, two components of PADEP are managed by Bolivians .
- The German GTZ staff *know* the HQs, the changes taking place in the organisation and have personal contacts with the HQs and with GTZ staff in various countries. The Bolivian staff know little about changes in the HQs and personal contacts are mostly concentrated among the GTZ personnel in Bolivia. The lack of *internal knowledge* on the organisation result in an *exclusion* of the Bolivian staff.
- Some Bolivian GTZ professionals think that even *more* management positions should be held by Bolivians and that this would not result in insoluble problems, but in more efficiency and cost-effectiveness for the GTZ. On the other hand, most German seconded experts doubt that

⁵²⁴ While the management in the HQs wants to make the work in the field more efficient – i.e. less expensive, but with a constant high quality – the German employees in the field worry about their personal stake, but also about the quality of their work. The mutual understanding between the HQs and the field in Bolivia – and certainly in other countries as well - needs improvement in this point. Both sides should more explicitly explain their objectives, doubts, worries and then work out a solution. While personal issues in such a situation of cost-reducing changes cannot be entirely neglected, an organisation such as the GTZ needs to focus primarily on two things: (1) what is best for the company in economic terms, but also (2) what ensures the best quality and allows the GTZ to comply with their public obligations. Whether one of these two objectives should come before the other is an often discussed question. At best, both can be taken into consideration and attached with an equal importance.

⁵²⁵ Behind closed doors, the argument to have German managers sometimes is also based in the anxiety that the local staff could take advantage of the German technical assistance to support their own objectives/political goals.

the work could be accomplished if more Bolivians with the shortcomings concerning the German and English languages were in management positions.

Though some staff might have some *negative connotations* concerning the differences among the GTZ personnel in Bolivia, the existence of different contract modalities is *normal* and must be accepted. And if the GTZ as a German company continues its policy of having Germans or at least German-speaking managers this is also an *understandable* precondition. However, the GTZ may want to *reconsider* whether more and higher positions could be opened to local personnel *if* the requirements are met by the qualifications of local candidates.

Overall, it can be summarised that the corporate identity in the GTZ has *decreased* and that the efforts to, for example, make the entire GTZ personnel a more *homogenous* group had not had the intended results as of 2005. The *tensions* between the three groups (1) staff in the HQs, (2) German seconded experts in the field and (3) local personnel in the field continue to exist. However, especially the identification of the German staff with the organisation, both in the HQs and in the field, continue to be *relatively* high, especially among the more senior employees.

5.3.4.4.5 Decentralisation

Decentralisation was already mentioned above when its meaning for the relationship of the Director of the Bolivian Country Office with the programme leaders and the other GTZ employees was investigated. As the decentralisation has led to further changes for the work of the PDR/PROAGRO and the entire GTZ in Bolivia, these will be analysed in this section.

Since the decentralisation was implemented, the responsibility for the commission is no longer to be found in the HQs, but in the field. The staff in Bolivia has perceived this as a very positive change. The officer responsible for the commission, i.e. the programme manager⁵²⁶, is entitled to have a say in the *selection* of personnel for his programme. While before the HQs was in a position to decide by itself who would become a new employee of the programme manager, it is now impossible to take such a decision without her/his consent. This is due to the budget responsibility the programme manager has. The increase of *responsibilities* needed to be accompanied by an increase of *influence*.

With the transfer of the responsibility for the commission, decisions are taken *closer* to the problematic issue and much *faster*. On the spot, a more effective *decision-taking-process* has been developed. This has made the GTZ more flexible and quicker than other institutions, for example, than the KfW which always has to go back to its HQs before a decision is taken.

One slightly *negative* aspect of the decentralisation mentioned by a few seconded experts in Bolivia was that the task of acquiring business for International Services (IS) was also decentralised. Every GTZ employee in the field is expected to acquire business whenever possible; the problem is

⁵²⁶ Years ago, the responsibility for a commission always remained in the HQs and the personnel in the field only had an implementing function with much fewer responsibilities than nowadays. One must take into consideration that in the 1980s, it was of much less importance who was responsible for a commission. Because *enough* funds were available, usually the projects suggested by the personnel from the field were accepted and implemented anyway.

that a great uncertainty exists concerning how to do it because no specific training or clear instructions were given from the HQs. Because of the lack of assistance from the HQs or more specifically IS, in Bolivia the feeling has increased that the HQs has simply passed on this task to the field.

That the GTZ Bolivia has a need for more *information* from the HQs is underlined by the results of the questionnaire concerning the decentralisation process. 38% of the interviewees answered that they know nothing about the decentralisation and another 45% indicated only having an idea about what had happened. Only 17% knew well or very well what the decentralisation process was.⁵²⁷ 40% were not sure if the decentralisation had affected their work.⁵²⁸

Whether the decentralisation has made the organisation more cost efficient has remained unknown to the field staff, and to staff in the HQs as well, but severe *doubts* seem to exist: About *two thirds* of the interviewees answered that they did not know (1) what effects the decentralisation had had⁵²⁹, (2) if the GTZ had become more or less efficient⁵³⁰ or (3) if the costs had increased or decreased⁵³¹. This was probably due to *two* reasons: the lack of information on the decentralisation in general and a lack of information concerning its results.

5.3.4.4.5.1 Is the decentralisation already far-reaching enough?

In the sub-chapter on the origin and the structure of the GTZ HQs, the question was already raised if the decentralisation of the GTZ has gone far enough or if *further* aspects can and should be decentralised. The assumption was made that the decentralisation could go further: the next step could be to install a *direct communication* between the GTZ field staff and the BMZ which would mean more responsibilities for the field staff and less tasks for the HQs- staff.⁵³² One of the objectives of the field study in Bolivia, was to discuss this *option* with the field staff and possibly *verify* or *falsify* the assumption.

The GTZ field staff in Bolivia identified the following *problems* that needed to be solved if a direct communication between the BMZ and the field structure of the GTZ became the rule:

- Communication: If the communication between the GTZ and the BMZ basically takes place between the GTZ HQs and the BMZ, was usually the case as of 2005, the respective officers of both institutions can have private discussions. With the GTZ HQs being located near Frankfurt am Main and the BMZ mainly in Bonn, the GTZ officer responsible for Bolivia regularly visits the respective BMZ country advisor. Because of the physical proximity, the BMZ and the GTZ thereby can take advantage of *all* means of communication on a regular basis: email, telephone, meetings. If the communication between the GTZ and the BMZ were changed to take place directly between the GTZ field staff in Bolivia, usually the Director of

⁵²⁷ This refers to question 11 of the questionnaire.

⁵²⁸ This refers to question 12 of the questionnaire.

⁵²⁹ This refers to question 13 of the questionnaire.

⁵³⁰ This refers to question 14 of the questionnaire.

⁵³¹ This refers to question 15 of the questionnaire.

⁵³² See section 3.2.6.2 pages 106ff.

the Country Office and the programme/project managers, and the BMZ, it would have to be ensured that modern technical facilities such as online communication are available and that staff on both sides are willing to make up for the *physical* distance.

- Guideline from the BMZ: when the BMZ agreed to the decentralisation of responsibilities to the field within the GTZ, one of the demands was that the GTZ would continue to have a country officer in its HQs who would be responsible for the country specific cooperation with the BMZ. This guideline needs to be *modified* if the GTZ officially agrees to direct communication between its field staff and the BMZ.
- Personal interests: those officers of the country departments in the GTZ HQs who are responsible for the communication/cooperation with the BMZ for a specific country or a group of countries would *lose* even more of their responsibilities⁵³³ to the field. Moreover, the *regional* managers would become superfluous. Both groups are quite aware that this would result not only in a reduction of their influence, but in the end even in a cutting of posts.⁵³⁴ Some of the employees in these positions therefore see their professional future *at stake* and try to defend as much of their power as possible.⁵³⁵ The GTZ top management has to find out what the needs of the organisation are and act accordingly, but for a good change management process it also has to *counterbalance* negative aspects for certain employees as much as possible.

The GTZ field staff not only identified problems but also *advantages of* and *reasons for* a direct communication of the field with the BMZ:

- Practice: As a matter of fact, some BMZ country advisors *already* preferred to directly contact the GTZ staff in the respective country in 2005. Also in Bolivia, the general *ban* on direct communication with the BMZ had partly been ignored and communication between the BMZ and the field staff had taken place – the HQs was always informed, of course, by the GTZ field staff. The top management of the BMZ and the GTZ have to think about the sense of such a ban if *in practice* it does not result in the most effective way to communicate.
- GTZ Country Directors: The GTZ Country Directors have usually been high-ranking managers in the HQs as well. With this *background*, their *knowledge* and *expertise* of and network within the GTZ and the BMZ, they would represent an appropriate *communication partner* for the BMZ. The Directors would know how to deal with the BMZ and how to convey the guidelines of the GTZ HQs. If the communication of the BMZ was focused on the

⁵³³ The responsibility for the budget has already been transferred to the programme/project managers in the field and came hand in hand with a change concerning the selection of personnel for the field: the programme/project manager now plays an important, if not *decisive*, role in this process.

⁵³⁴ Although staff in the field would continue to need a contact in the HQs, the current role of the officer in the HQs could and would be significantly modified, i.e. reduced.

⁵³⁵ The different *attitudes* become obvious if one takes into consideration how differently the regional managers, for example, deal with the 'ban' of a direct communication between the BMZ and the field: some are quite *open-minded* and let the field communicate directly with the BMZ; others are *strictly* against such a communication and have a *watchful eye* on what is going on concerning this issue.

Director⁵³⁶, the GTZ would continue to speak with *one* voice and would not suffer from this further decentralisation. In the long run, the GTZ could become more efficient. It might be that the personnel in the field would need to be slightly increased, but this would be more than counterbalanced by a possible reduction of posts in the HQs. Overall, the decentralisation of one management level, the function of the Director of the Country Office, to the field, can be interpreted as an important precondition for the next step, the decentralisation of the communication with the BMZ.

Some seconded experts in Bolivia underlined that in their view the HQs often only has a ‘postman-function’ between the field structure of the GTZ and the BMZ. To go through the HQs was described as a ‘*detour which does not add any value whatsoever*’ (IV; translation: CS). In another interview the following statement was made (IV; translation: CS):

“The ban on contacting the BMZ directly is a relic from the old times when the responsibility for the commission was still with the HQs and therefore one naturally had to go through the HQs to communicate with the BMZ. Today, it is just a burden, a bureaucratisation which can hardly be justified. It is an artificial requirement to go through the HQs.”

How the direct communication between the field and the BMZ would be organised best⁵³⁷ and what consequences this would mean for the structure of the GTZ certainly needs an intensive discussion with the relevant actors. But it seems *unavoidable* that the GTZ and the BMZ sooner or later will take the *next step* concerning the decentralisation. This will be the natural consequence of the responsibilities/management functions that have already been transferred to the field and will lead to a *further streamlining* of the HQs.

5.3.4.4.6 Programmes instead of projects

In general, the GTZ staff in Bolivia has a positive opinion concerning the change from implementing *projects* to *programmes* and mentioned many *positive aspects*:

- The implementation of programmes is the *logical continuation* of the concentration on focal areas and on selected countries.
- The implementation of programmes allows a more *efficient use* of the decreasing financial means and thereby a relatively higher impact. The coordination *within* a programme is significantly less costly than *between* various projects. Personnel can be deployed efficiently with a programme structure.
- In Bolivia, the programmes have proven their high degree of *flexibility* to react to changes in the political and/social circumstances. As the components of the programmes cooperate with

⁵³⁶ As of 2005, the BMZ officer also directly contacted the programme managers in Bolivia. The number of direct contacts between the BMZ and GTZ staff in Bolivia was increased because of the introduction of programmes. This led to a significant concentration of managers the BMZ officer could contact and facilitated the process for him. It is simply easier to communicate with three programme managers and/or the Director of the GTZ Office than with 20 different project managers.

⁵³⁷ Aspects such as cost-reduction and efficiency will certainly play a big role in this decision-taking-process. The central question could be: ‘What is more effective and less expensive at the same time?’

different partners and on different levels, it is possible at relatively short notice to *change* the focus of the implementation. If one partner, for example, becomes extremely *weak* because of many personnel changes, the programme manager can *react* accordingly and increase the cooperation with another partner.⁵³⁸ Thereby, resources can be more easily shifted to where they are allocated best.

- If the GTZ programmes in one country all concentrate on the same regions as is the case in Bolivia, operative costs can be *reduced* by sharing offices, vehicles, auxiliary personnel, etc.
- With the implementation of programmes, the GTZ has become much more *visible* and has gained more importance among the different international organisations.

Of course, the change from projects to programmes was not always easy and *positive*.

- One of the problems was the *formation* of programmes itself. The PDR which was formed as a programme from the very beginning was an *exception*. Most of the programmes were based on already existing projects; generally, they had to merge various projects into one programme and some of the projects were ended. Such a process takes time, energy and money and also may produce frustration among the employees that lose certain responsibilities. Moreover, it was difficult to involve the partner in this process and to deal with his anxiety about having less influence on the new large-scale programmes than on the smaller projects.⁵³⁹
- An important objective of the formation of programmes was to facilitate the reduction of *costs* by reducing *personnel*. While this may be a positive aspect for the top management in the HQs it was/is not perceived like that by the personnel in the field, because their posts might be affected.
- It is necessary that big programmes not only work on the national level, but continue to work on all *three* levels. Experiences on the local level need to be generated to be transferred to the national level. One should not be under the illusion that because of the large scale the programme is able to have an influence on the national level and therefore *only* work on that level.
- In Bolivia, the experience with the PADEP was that programmes can become too big and therefore *unmanageable*. With about 130 employees working for PADEP, many resources were needed for the *coordination* and *management* of the programme; in the end, it was decided to reduce the size of the programme and the size of its staff. Generally speaking, the

⁵³⁸ The necessity to be free to choose between the partner institutions and concentrate on those with which good cooperation is possible is also reflected by the fact that the new programmes of the GTZ in Bolivia do not *share offices* with the counterpart anymore. Some years ago, the GTZ staff generally were *based* in the *same* office as the partner institution which was supposed to be the *main* or the *only* partner for that project. The idea was (1) that the physical proximity would result in a more intensive and better communication and cooperation and (2) that this would increase the ownership of the partner for the project. But in reality, various problems occurred. In 2005, this system was already *obsolete* and the programmes that were initiated recently had their own offices. This enables the GTZ in Bolivia to work with several institutions and to concentrate their cooperation on those they expect the best results with.

⁵³⁹ 36% of the employees interviewed with the questionnaire stated that sometimes the formation of programmes was problematic.

size of the programmes results in higher demands on the manager. It is difficult for the GTZ to find *appropriate* personnel for these positions as the person – amongst other qualifications - needs to know the country very well, must be politically sensitive, and have a talent for or an education in management. The *complexity* of managing these programmes is much higher than in managing projects. The GTZ must be or become aware of that and has to respond with an appropriate *staff policy*.

5.3.4.4.7 AURA

The new, simplified framework for commissions - AURA - that was introduced in 2003 is considered as a success by the seconded GTZ experts in Bolivia.⁵⁴⁰ The main objectives of (1) giving the GTZ officer responsible for a commission more *flexibility* and (2) focussing more on *impacts* were achieved. Before, a detailed specification of inputs and costs needed to be added to the GTZ offer. During the implementation of the programme/project, this specification had to be followed 100%. Even for the *slightest* changes, which are natural during the implementation phase, a modification application had to be prepared for the BMZ. This bureaucratic process was often out of all proportion to the modifications needed. The programme and project managers in Bolivia are quite satisfied with the *new* framework in which they have to indicate only *essential* facts and *rough* numbers concerning personnel and equipment and which leaves them with more *freedom* of decision-making.

But some *difficulties/problems* that have come along with AURA were observed as well. Sometimes the GTZ staff in the HQs and in Bolivia is confronted and has to deal with a certain *anxiety* of the BMZ about not knowing every detail, which is the logical consequence of AURA as it does not include all the detailed information as the framework before. The GTZ seconded experts who usually formulate the offer and conceptualise AURA are also aware of the difficulty to include all the important information of an entire programme in just 10 to 15 pages. The indicators have to be named as precisely as possible and numbers have to be given. This allows one to concentrate on *impacts*.

Another issue is that the officer responsible for the commission promises that the impacts that are laid down in the respective AURA will be achieved and thereby has a *legal commitment* towards the BMZ. Therefore, a tendency can be noted that objectives are overall not put *as high as* before to ensure that the officer does not get into '*trouble*'⁵⁴¹ if certain objectives are not achieved.⁵⁴² While the

⁵⁴⁰ The seconded experts and only a few Bolivians in managerial functions could report on experiences with AURA. The main reason for the fact that about 50% of the interviewees in the quantitative questionnaire, as stated in the answers from question 17, were not working with AURA is the following: AURA is taken care of by the personnel in managerial functions and, moreover, written in German.

⁵⁴¹ As of 2005, no judicial precedent was known at the GTZ from which one could say what kind of '*trouble*' that could be.

⁵⁴² Formulating the objectives has become a difficult process because every word is weighed up and the GTZ staff has to find objectives that can still be achieved if significant changes of the circumstances have to be faced – which is often the case not only in Bolivia, but also in other developing countries. In the case of the PROAGRO for example, in mid-2005, i.e. only one year after the offer was formulated, the political situation had changed so much that the programme manager was considering making adjustments to that offer as he is not sure if certain objectives are still achievable.

objectives should not be formulated too high, they should still be *ambitious* and not downsized to the *minimum*. This difficulty was acknowledged by the respective officers in Bolivia themselves, but a solution had not been found as of mid-2005.

5.3.4.4.8 Evaluation

In the interviews with the various GTZ programme and project managers in Bolivia it became obvious that they rarely perceived evaluation as a control, but more as a helpful instrument from which the manager can learn for the further implementation. The GTZ seconded experts have a high opinion concerning evaluation at the GTZ. The *comments* on the criticism concerning the low degree of external evaluation at the GTZ were basically the two following:

1. A significant problem for external evaluations is that an external evaluator does not *know* the GTZ well enough which may result in severe problems. Usually the evaluator does not have the *time* to learn about the organisation as such, but must already know it from beforehand to then effectively carry out the evaluation. Therefore, the evaluator should be someone who has already been working with or for the GTZ.⁵⁴³
2. The evaluations by the BMZ *are* external because the evaluators have no obligation towards the GTZ.⁵⁴⁴

Critical voices concerning the *quality* of evaluation of GTZ programmes/projects also could be found (IV; translation: CS):

“The BMZ has transferred evaluations to a great extent to the implementing organisations KfW and GTZ; evaluations by the BMZ are rare. Therefore, evaluation at the GTZ sometimes is nothing more than self-adulation because the GTZ has a big influence on the results. The programmes and projects to be evaluated are not chosen at random; the unit for evaluation can influence which projects are evaluated and this selection contributes to results such as ‘89% of the evaluated projects were successful’.”

An interesting observation was made concerning the evaluations in the Bolivian context. Because of a different *culture* concerning criticism, Bolivian GTZ employees have *difficulties* in dealing with direct criticism. Such cultural-specific differences have to be acknowledged, of course, by any evaluation be it external or internal.

5.3.4.4.8.1 E-VAL

While AURA was invented together with the BMZ to *simplify* the complicated framework for commissions, e-VAL was introduced as a new *evaluation instrument* that was to measure the *impact* of the GTZ projects/programmes and whether the impacts listed in AURA were achieved. E-VAL is also supposed to be a more *objective* evaluation instrument than others because the partner and the

⁵⁴³ This means that s/he is not external; even if s/he does not work for the GTZ (anymore) s/he hopes for follow-up commissions and usually is in constant contact with the GTZ concerning new evaluations.

⁵⁴⁴ However, often evaluators hired by the BMZ also work for the GTZ and hope for further commissions from the GTZ so that they are not as external and independent as stated.

target group are *included* in the interviews. In Bolivia, the application of e-VAL was started in 2004. Interviews were carried out by one seconded expert who was previously trained in e-VAL procedures.

Several problems were mentioned in 2005 by the seconded experts in Bolivia which had had their first experience with e-VAL:

- E-VAL is a reliable instrument, but it was developed for the evaluation of product success at, for example, Daimler Chrysler. The idea was to achieve a inter-subjective objectivity by interviewing the different groups that have anything to do with the product – be it the consumer, the marketing manager or the various technicians involved. It was/is difficult to transfer E-VAL to the needs of development cooperation.⁵⁴⁵
- While in AURA the indicators to use later to measure the degree of compliance with the objectives are listed in great detail, e-VAL measures *anything* and not what was specified by those indicators. E-VAL works with open interviews; the interviewee can choose any topic that he thinks to be of importance. Therefore, the results from e-VAL can hardly be utilised to find out if the objectives formulated in AURA were achieved. This was perceived as a severe shortcoming by the staff in Bolivia.
- With interviews of only 12 persons, four from each of the three following groups: GTZ staff, partner, target group, an entire component or project is evaluated. Often, the interviewees are not chosen at random, but persons are chosen which are expected to be positive about the respective component or project.
- Target groups are confronted with the same wording etc. as the partner and the GTZ staff. Because of the high intellectual requirements⁵⁴⁶ of e-VAL it is very difficult for the interviewer to *assist* the target group to provide answers and data needed without *manipulating* the interviewees.⁵⁴⁷
- The aggregated results from e-VAL do not allow one to understand how they were produced. One cannot have a look at the individual interviews. The expenditure of time and money for e-VAL is perceived as high while it is not much use to the programme/project managers. Most seconded experts in managing positions in Bolivia stated that they have not utilised the data and results from e-VAL to plan a new phase, for a PPR, etc.

Of course, *positive* aspects of e-VAL were also mentioned:

- E-VAL serves as a good instrument to get an answer to the question how the GTZ is perceived by the target group and the partner and whether there is a considerable discrepancy with the image the GTZ has of itself.

⁵⁴⁵ Certain requirements and procedures have been modified since the introduction of E-VAL at the GTZ, but some of the issues that needed improvement have not been solved so far, i.e. as of 2005.

⁵⁴⁶ The target group often has difficulties with the technical terms of development cooperation. Another problem is the high degree of abstraction the interviewee needs to think in.

⁵⁴⁷ In some cases, a translator is needed to carry out the interviews with the target group, which makes the procedure even more difficult as in every translation important information may be lost.

- Because the target group and the partner are included in this evaluation instrument, a higher degree of objectivity is obtainable.
- Because of the open structure of the e-VAL-interviews, the interviewees have the possibility to mention the topics they think to be of importance.
- The target group has a positive opinion towards the e-VAL because (1) they know that their points of view are included in the evaluation without having been changed⁵⁴⁸ and because (2) the target group is represented by the same number as the partner and the GTZ employees.
- E-VAL is a valid instrument to generate data from all programme components and projects the GTZ is carrying out worldwide and then aggregate them. This is important for the image and the presentation of the GTZ. At the end of one e-VAL process, a report for the entire organisation is worked out.

E-VAL is better known among the GTZ employees in Bolivia than AURA, but still about 50% stated in the questionnaire that they did not know if e-VAL was an useful instrument.⁵⁴⁹ To a great extent these were the same interviewees that had stated that they either were not trained (20%) in e-VAL or did not work with it (34%).⁵⁵⁰

As of 2005, the GTZ employees in Bolivia concluded that e-VAL needed *improvement*, especially because its main objective, to point out need for action for the evaluated programme components/projects, has not been achieved so far.

5.3.4.4.8.2 Project Progress Review (PPR)

The internal evaluation instrument PPR was described mainly as *effective* by the GTZ staff in Bolivia. Some programme/project managers underlined the positive impact of the change to the *new* PPR in 1999 which does not have to be carried out as a regulatory instrument anymore, but is asked for by the officer responsible for the commission in response to a *specific* event. Various GTZ seconded experts underlined that 10 to 15 years ago, the PPR was much more perceived as an instrument of control than nowadays.

As the new PPR means more freedom for the programme/project managers, some preconditions should be fulfilled to ensure a certain degree of '*control*'. The most important one is that the GTZ Country Director knows the programmes/projects very well and has a good overview of the implementation process and its impact.

The *recommendations* of a PPR have to be *acknowledged* not only by the officer responsible for the commission, but also by the partner. At best, the PPR is carried out together with the partner and the partner also contributes an evaluator. But in Bolivia – and certainly not only in Bolivia – this

⁵⁴⁸ Right after the interview, the interviewee and the interviewer have a look together at the three-dimensional presentation of the interviewee's answers to see if this reflects the actual opinion of the interviewee. Once, the interview is bolt, no changes are possible anymore.

⁵⁴⁹ This refers to question 20 of the questionnaire.

⁵⁵⁰ This refers to question 19 of the questionnaire.

often proves to be *difficult*. At least, however, the final recommendations are discussed with the partner and a document is signed in which the agreement is written down.

In my opinion, the GTZ in the coming years has to *critically* analyse whether the combination of AURA and the PPR in their current form do not give *too much* freedom and flexibility to the programme/project managers. A few seconded experts also stated that, working the AURA, a regularly and routinely carried out PPR with more independent evaluators⁵⁵¹ might be reasonable.

⁵⁵¹ With the new PPR, the officer responsible for the commission does not only decides *if* and *when* a PPR is carried out, but also who will evaluate her/his project/programme. It therefore depends on the personality of the officer which evaluators s/he chooses: if s/he can deal with criticism and actually wants to *learn* from the PPR for the future implementation of the project/programme s/he will ask different people to carry out the PPR than if s/he prefers not to be criticised.

6 Results of the comparison UNOPS - GTZ

In this section UNOPS and the GTZ are compared on the basis of the field research in Peru and Bolivia as well as the research carried out in both HQs.⁵⁵² This means that not only the work in the field is in the focus, but also the relationship with the HQs and the general functioning of the entire organisation. As in sub-chapter 3.3 in which both HQs were compared, this more comprehensive comparison is illustrated with first the *common grounds* and then the *differences* that exist between UNOPS and the GTZ. Are they structured similarly in the field? Do they both work on the same levels? Do they have to deal with the same or different problems? How can the common grounds and differences be explained and is there a connection with the structure in the HQs?

The findings of 3.3 are, of course, not to be repeated, but shall be mentioned only in cases when the findings of research in Peru and Bolivia have allowed new insights. This chapter presents the *overall* results of this study concerning the research undertaken at UNOPS and the GTZ, before in the final Chapter 7, the future of both organisations and development cooperation in general are discussed.

6.1 Common grounds

6.1.1 Duration of projects/programmes

Both organisations agree that an *appropriate* duration of a project/programme should be not less than eight to ten years. This is the timeframe they judge as necessary to achieve not only a *short-term* impact, but a *sustainable* development with the implementation of a project/programme. Neither the GTZ in Bolivia nor UNOPS in Peru have *planned* projects/programmes for only two to three years. If complex projects/programmes are planned for such a short period it seems better not to implement them at all because (1) success and sustainability are highly unlikely, (2) it means spending funds that could be better used for other projects, and (3) such projects/programmes may create mistrust among the beneficiaries concerning future projects and other organisations.

However, in reality both organisations are not always in a position to *implement* the projects/programmes as *planned*. In some cases, the GTZ in Bolivia and also UNOPS in Peru had to end a project or a programme *before* the date it was supposed to be ended. Mainly *two* reasons can be identified for such changes concerning the duration of a project/programme or parts of it: Either (1) the funds projected decrease during the implementation or (2) a decision by the commissioning party leads to a change of the focus of the project/programme so that certain measures are not carried out as planned.⁵⁵³ Both organisations have tried to *adjust* to such difficult

⁵⁵² The field research in Peru and Bolivia was focused on the UNOPS projects in alternative development and the GTZ programme PDR/PROAGRO. However, I decided to speak of 'UNOPS Peru' and the 'GTZ Bolivia' in this chapter as many of the findings can be generalised to the situation of the entire organisation in the respective country.

⁵⁵³ One example of such a change is the transformation from the PDR into the PROAGRO in Bolivia. The commissioning party, the BMZ, decided to change the focus from *rural* to *agricultural* development and the GTZ had to end certain measures.

situations, to achieve as many objectives as possible and to end the respective projects/programmes as smoothly as possible. However, staff from both organisations stated that to end a project before the date that was set in the planning usually means that it will *not* be sustainable.

6.1.2 Decreasing funds

As already mentioned in the investigation of the two HQs, both organisations have to face decreasing funds because of the *change* of the ODA and of *more competition* with other institutions, etc. UNOPS in Peru and the GTZ in Bolivia, of course, are confronted with more and more difficulties concerning their financial situation as well.

Despite the often acknowledged success of its projects in alternative development, UNOPS Peru had to get used to situations in which neither the personnel received their salary nor procurements were done and/or paid for *on time* because of a severe shortage of funds. As the personnel is very dedicated to their work and because the Chief Technical Adviser is very imaginative concerning how to secure new funds for the projects, these financial difficulties, until 2005, were always overcome.

The GTZ in Bolivia had to deal with the fact that for some years Latin America in general has received each year a smaller amount of funds. The GTZ in Bolivia was also affected by decreasing funds for its programmes and projects. This meant less funds for investments which was pointed out by several staff members. The GTZ in Bolivia had to concentrate more and more on *advising* because it did not receive enough funds to *support* its advising services with appropriate investments.

Senior staff from both UNOPS Peru and the GTZ Bolivia acknowledged that up to a certain point *less* funds even had *positive* effects. One had to ensure that the *most* important measures were carried out and the most important projects were implemented while the *less* important ones were postponed or cancelled. This means that the budgetary restrictions led to a *prioritisation* that made projects more effective and increased the *quality* of the implemented projects. However, both organisations also emphasised that the point to which the decreasing funds had positive effects has been *reached* and *passed* a long time ago. As of 2005, the shortage of funds was described as *painful* and it was underlined that it resulted in negative effects on the projects and also on the personnel who feared for their professional future.

6.1.3 Focus on the regional/local level

UNOPS Peru as well as the GTZ Bolivia have put a strong focus on their work on the *regional* and *local* level in the respective countries.

UNOPS Peru gave up its hope of having a *substantial* and *sustainable impact* on the *national* level some years ago. Because of the political and institutional *instability* on the national level in Peru, which has resulted and still results in a significant number of changes of personnel in the ministries, UNOPS prefers to *concentrate* its resources on the regional and local level. Its

experiences have proven that on this level, with the implementation of very *concrete* projects and a very *close cooperation* with the target group, good results are achievable. UNOPS, of course, also has a certain influence on the national level and cooperates with the institutions and ministries that are important for the alternative development in Peru; but it concentrates its limited resources on implementation and leaves the more *political* work to UNODC.

The GTZ generally follows a *multi-level* approach. Its objective is to work on the *meta*, *mezzo* and the *micro* level, in other words, on the national, regional and local level. This approach was and is pursued in Bolivia as well. A few years ago a *focus* on the national level became visible because (1) the GTZ, like many other institutions in development cooperation, emphasised the need to change something on the national level and to have more *political* impact, and (2) because of the decreasing funds, the *implementation* of projects on the regional and local level, which requires large funds, was reduced. This, however, has changed since 2002. Because of its multi-level approach, the GTZ continues to work on the national level; but with the *growing* social and political instability in Bolivia, which made the cooperation with the partner on the national level much more difficult, the *focus* of the GTZ has also shifted towards the regional and local level.

The above clearly shows that both organisations have *reacted* to the political instability on the *national* level in both countries, Peru and Bolivia, and have opted to focus more on the regional and local level. The *degree* of this focus on the lower levels, however, is different. While the GTZ at the national level continues to be of *high* relevance, UNOPS is satisfied with the currently low degree of cooperation at the national level.

Those criticising development cooperation might feel tempted to take the above as an argument which *strengthens* their position. Especially J.H.WOLFF, who admits that some individual projects/programmes might be successful, but doubts that these achievements would result in the *overall* development of a country could feel supported (2005: 214ff). But UNOPS and the GTZ would respond by saying that the effects of the bottom-up approach should not be underestimated; by *empowering* the target group on the regional and local level, changes on the national level can be achieved as well and become *more* probable. Once a critical mass has benefited from individual projects/programmes on the local or regional level and has learnt how to organise itself to voice its interests, politicians and institutions on the national level might be forced to react *accordingly*. Experiences from both organisations show that positive results on the national level have often been facilitated by successful projects/programmes on the regional and local level. Certainly, such processes take time.

6.1.4 Relationship with the partner

In the previous section, the difficult political situation on the national level was mentioned as one reason for the focus of both organisations on the regional and local level. More concretely, it was the relationship with the *partner* on the national level that was reviewed as *difficult* for both organisations in both countries. UNOPS as well as the GTZ still cooperate with the partner on the

national level, but both favour the decentralisation process underway in Peru and Bolivia and prefer to *increase* the cooperation with the partner on the *regional* and *local* level. However, both organisations state that on these levels as well, corruption and instability are issues that hinder a better and more efficient relationship with the partner. This underlines that in both countries, in Peru as well as in Bolivia, the concept of *good governance* could not be established thus far. Overall, the relationship of UNOPS Peru and the GTZ Bolivia with the various partners, would improve if the two countries obtained more *institutional stability* and if the *rule of law*⁵⁵⁴ were widely respected. This would be an important precondition for more success of any development cooperation activities in Peru and Bolivia.

6.1.5 Hybrids

Both organisations are *public-private-hybrids*. Both are commissioned by clients from the *public* sector, the GTZ mainly from the BMZ, a German ministry, and UNOPS mainly from UNDP or other UN agencies; but both are set up as companies from the *private* sector. This means that they have to generate enough income to cover their expenditure. If this is not the case, action has to be taken. Therefore, both organisations have to make sure that their clients, especially their main clients, are *satisfied* with their services. This attitude also becomes obvious in the field.

UNOPS Peru usually does not receive commissions acquired by the HQs in New York, but has to contact possible donors and clients *itself*. This is the case because not *UNDP* is the main client of UNOPS Peru, but *UNODC*, several other donors and the Peruvian government. One of the most important tasks of the Chief Technical Advisor is to secure new funds from current or new donors. Therefore, he has to *market* his product and the implementation of projects in alternative development. Once a new commission is acquired, funds received and a new project implemented, the *needs* of the client concerning monitoring, etc. have to be satisfied. UNOPS Peru is organised as a *cost-centre* within the organisation. If it is not able to cover its costs and to contribute to the overhead costs of the HQs, it will be *closed* down. As UNOPS Peru only works with two UNOPS staff members, it would not be difficult to dismiss the other employees working on other contracts.

The GTZ in Bolivia is in a slightly *better* situation as the commissions still come from its main client, the BMZ, and on a *regular* basis as Bolivia is a priority partner country. However, the

⁵⁵⁴ The problematic issue of the rule of law in Latin America and the need for *further* judicial reforms is analysed by, amongst others, NOLTE (1999) and WERZ (1999). In most Latin American countries, judicial reforms were initiated in the late 1990s and were/are supported by numerous bilateral and international organisations. Those reforms affect the criminal law, the selection process of judges and the political independence of justice (NOLTE 1999: 23). A certain progress can be recorded due to these reforms, but because of the complexity of the necessary social and political processes much *remains* to be done. In the Latinobarómetro from 1996, only 25% of the interviewees in Peru and Bolivia stated that they had confidence in justice in their country (NOLTE 1999: 20). WERZ underlines the *contradiction* between the constitution and the constitutional *reality* in Latin America: the often modern content of the constitution contrasts with the social and political reality (1999: 93ff).

The rule of law is not only important for *consolidating* democracy but also to allow a more *effective* development cooperation. For further information concerning judicial reforms in Latin America see also MADLENER (1996).

GTZ as well, has to make sure that the needs of the BMZ are satisfied and has to point out why Bolivia, for example, should receive new or follow-up commissions. The PDR/PROAGRO, together with the other programmes and projects of the GTZ in Bolivia, is organised like a cost-centre and has to cover its costs by the funds received. However, compared to UNOPS the GTZ is *less* flexible concerning a reduction of personnel if needed. Many of the seconded experts and some of the local staff have unlimited contracts so that the GTZ cannot dismiss them if a project/programme is ended, but has to find them a new job within the organisation. This, however, is changing as well because the vast majority of the *new* employees only get *limited* contracts, limited for the duration of the respective project/programme.

6.2 Differences

6.2.1 Personnel

Concerning the *personnel* of both organisations in Peru and Bolivia, some differences were identified.

UNOPS has a significantly higher share of *local* and *long-term* employees for the projects it implements in the sector of alternative development in Peru. Out of the 70 UNOPS employees, only the Chief Technical Advisor is an *international* expert who has a contract as a UNOPS staff member. All the other employees, including the second person with a contract as a UNOPS staff member, are Peruvians and therefore, *local* staff (equalling 98.6%). 47% of the interviewees had been working for various UNOPS projects for ten years or more, 13% for seven years or more.⁵⁵⁵ Because of the vast majority of local staff and because of the long time many employees have already worked for UNOPS Peru, the staff forms a quite *homogenous* group.

The GTZ in Bolivia has steadily *increased* the share of *local* staff over recent years and as of 2005, only about 11% were seconded experts (23 out of 213 employees in 2004) but this was still considerably more than at UNOPS Peru. 8% of the interviewees had been working for the GTZ in Bolivia for ten years or more, 19% for seven years or more. Because of the existing *differences* between the seconded German experts and the local staff, concerning contract modalities, positions, etc., the GTZ staff in the field is a more *heterogeneous* group than at UNOPS.

Homogenous and *heterogeneous* concerning the structure of the personnel of both organisations in the field is a mere *classification*, but does not include an *interpretation*. What do the differences concerning the personnel actually mean? Are there advantages and disadvantages of

⁵⁵⁵ It must be underlined once again that this situation of UNOPS Peru is *special* within UNOPS and cannot be generalised. Usually, UNOPS implements its projects with more international consultants and most employees are hired for a few months or years for a *specific* project that then comes to an end. They may be hired again but usually for another project. In Peru, the situation is *different* because for more than two decades projects have been implemented in the *same* sector, in alternative development, and new funds for new projects within this sector could be secured so far. Therefore, UNOPS Peru works with so many long-term employees.

having more local or more international staff? Are there advantages and disadvantages of working with the same project staff for more than seven or even ten years?

For the GTZ in Bolivia, as well as in other countries, it is important to have a certain number of German seconded experts within its staff, because they know the structures in the HQs of the GTZ and of the BMZ and because they are able to set up the reports in German as required. Apart from that, *international* experts, in general, have the advantage of approaching situations in a developing country differently than *local* experts. Therefore, the percentage of 11% of international, which in the case of the GTZ mostly means German, experts adds a certain value to the GTZ projects and programmes because these contribute to the implementation process with their different background. Moreover, *valuable knowledge* about the respective country, in this case Bolivia, knowledge that otherwise would not be accessible to German institutions, is generated and conveyed to Germany by the experts. On the other hand, if even fewer seconded experts were to work for the GTZ in Bolivia this would mean a *further benefit* to local experts who are qualified well enough as they could apply for positions so far taken by Germans.⁵⁵⁶

UNOPS Peru argues that local staff in general is not only much *less* expensive, but in the case of alternative development often can contribute *more* than international experts.⁵⁵⁷ As most of UNOPS' Peru staff work in the field and under extremely difficult conditions, it may be an advantage to be Peruvian and, more important, to know the source of the problems in the respective areas. Of course, international experts may also have this knowledge, but nonetheless it remains questionable whether they would be willing to *live* under these circumstances for several years.

Acknowledging the fact that local experts are less expensive and that it might be difficult to find international experts willing to live in dangerous areas for some years, the most important *disadvantage* of *not* working more with international experts still needs to be mentioned. It would be helpful for UNOPS Peru to also work with experts who have an *international* background and have gained experience in other countries that may be transferred to the UNOPS projects in Peru. This would result in *new ideas* and *different approaches* that simply cannot be generated with only local experts with very similar and, therefore, limited experiences. UNOPS Peru tries to *minimise* this disadvantage by hiring international experts on a short-term basis, usually some weeks to some months, for very specific purposes.

⁵⁵⁶ Some GTZ seconded experts argued that *local* experts lack the required management skills to take over such positions. The correctness of this point of view, however, can be *doubted* as quite a few Bolivian experts have studied abroad and therefore often have gained the same skills as seconded experts. Another argument of the GTZ against more local experts in management positions that was already mentioned above, may also be criticised. The argument that under difficult circumstances it might be *easier* for an international expert to '*defend*' German development cooperation than for a local expert who might get offended is not too convincing.

⁵⁵⁷ Usually the following four points are stated as *advantages* of local employees:

1. less expensive than international experts;
2. work longer for the same project/programme, build up experience and can learn from mistakes made in the specific environment;
3. better knowledge of the country/ less time needed for settling in;
4. utilisation and promotion of local human resources increases the know-how in the country.

Concerning the *duration* for which the same personnel work for one project/one programme, the GTZ has an *ambiguous* policy and draws a clear line *between* seconded (German) experts and local staff:

- For its *seconded experts*, the guideline exists that these should not stay in the same country for more than about six years.⁵⁵⁸ If they stay in one country for a much longer period, the GTZ fears that the seconded experts might become *blind* to certain changes in the respective country, because they might maintain the opinion that they have gained in their first years, even if this has become *antiquated*. Also, the seconded experts might simply rely on certain structures and contacts they have got used to and thereby *overlook* new important institutions or persons. The *disadvantage* of this rule for the seconded experts is, of course, that experiences undergone in one country may be *lost* to the organisation, because the person has left the country. The GTZ should try to *minimise* this disadvantage by transferring experts to countries with the same cultural background so that the experiences made may be utilised successfully in a similar environment.
- For its *local staff*, the GTZ obviously does not have such a guideline, because local staff usually only works for the GTZ in the country where they are from. So it may well be that a Bolivian expert works for one project/programme for 10 to 12 years from its beginning to its end. Afterwards it might be that s/he is hired by another GTZ project/programme if her/his qualifications can be useful to it.

Half of the interviewees from UNOPS Peru answered that they had been with UNOPS for more than ten years. Many have been working for the UNOPS projects in alternative development for 15 to 20 years, including the Chief Technical Adviser. UNOPS Peru underlines the advantage that thereby *invaluable* long-term experience was obtained that now can be taken advantage of because the employees have 'learnt their lessons' and know what works and what does not in alternative development in Peru. This advantage of having many employees working for UNOPS projects for such a long time, at the same time, represents a *disadvantage*, as, therefore, UNOPS does not hire new employees. Even acknowledging the success of the *methodology* worked out and used by UNOPS Peru it must be emphasised that *new* employees would bring new ideas with them and would prevent UNOPS Peru from *stagnating*.

In the comparison of the two HQs in section 3.3, the question was raised whether the GTZ seconded experts are better prepared for their work in the field than the UNOPS consultants. If so, it remained *questionable* whether the costs of the preparation procedures for the GTZ seconded experts were proportionate and/or appropriate to the advantage gained. As UNOPS Peru only works with one international expert, these questions could not be answered by the findings of the case studies. It can only be *assumed* from the experiences undergone that the GTZ seconded

⁵⁵⁸ As it is only a guideline and not a rule, it is not always followed.

experts *need* more intensive preparation because the GTZ is much more *complex*⁵⁵⁹ than UNOPS. Most GTZ seconded experts in Bolivia, therefore, stated that the preparation classes taken in Germany were quite useful and even necessary for their work in the field. Those who, for various reasons, were not able to take these preparation classes or only parts of them, much regretted it because they had to face difficulties that could have been avoided.

Overall it must be stated that *both* organisations have good *reasons* for their respective personnel structure in Peru and Bolivia, UNOPS for its very high share of local staff and long term employees, and the GTZ with its lower share of local staff and shorter periods of working for one project/programme. But in all cases, *disadvantages* have been underlined and can be best confronted if both UNOPS Peru and the GTZ in Bolivia remain *open* to other approaches and *reconsider* a change in their personnel structure.

6.2.2 Knowledge management

The GTZ has a much better system for *knowledge management* at its disposal than UNOPS. This already becomes obvious if one takes a look at the organisation of the HQs where the GTZ has an entire division, Planning & Development (P&D), in which sectoral knowledge is generated, managed and made available to the staff working in the field around the world. The GTZ staff in the field therefore not only has a *regional* unit in the HQs it belongs to, but moreover has the possibility to contact the unit of P&D which works in the respective *sectoral* field.⁵⁶⁰

The GTZ acknowledges that its knowledge management needs to be improved so that the knowledge created by its *in-house think tank*⁵⁶¹ can be better *utilised*. It must be recognised, however, that it is much further *advanced* than at UNOPS. This can also be explained by the *different approach* of UNOPS. UNOPS does not *generate* sectoral knowledge within its HQs, with the exception of the few thematic units, but *buys* it by hiring consultants that have the required sectoral knowledge needed for the projects to be implemented.

The GTZ, in general, puts a strong focus on sectoral knowledge and generates it not only in the HQs, but also in the field where experiences are undergone and numerous studies are undertaken. While the GTZ is sometimes reproached for being too *theoretical*, one must acknowledge that it *systemises* its experience well and tries to make it *available* to other GTZ colleagues working in the same field. The GTZ has to deal more with the problem that it generates so much knowledge and information that it is questionable whether these are actually *utilised*. Some GTZ employees stated that most studies are put on the intranet but, because of the enormous number of studies, many of them are *never* utilised.

⁵⁵⁹ The GTZ is more complex due to its size, the functions in its HQs and the intensive cooperation between the HQs and the field.

⁵⁶⁰ As P&D is also structured as a cost-centre, the projects/programmes in the field have to pay P&D for any services like an external consultant. However, a lot of information is available in the GTZ intranet 'for free'.

⁵⁶¹ This term was not taken from the official language of the GTZ, but was created by myself.

An important deficit concerning UNOPS' work in the alternative development in Peru is that hardly any *systematisation* has been undertaken in the last 20 years. Since 1984, UNOPS has generated an enormous amount of data and knowledge in this sector. Valuable information based on years of experience in which different methods were tried before the methodology UNOPS applied as of 2005 was chosen as the most suitable, was *not* entered into a knowledge management system and *not* written down in a manual. No technical concepts have become available that could be utilised by others working in alternative development in, for example, Bolivia and Columbia. The experiences undergone by UNOPS in Peru are not accessible for others and mistakes are repeated *unnecessarily* in other projects/programmes. Because of the long duration of UNOPS activities in this sector in Peru it is particularly lamentable that the knowledge only exists *orally* and can be transferred only by talking to the project staff.

This *deficit* is acknowledged by UNOPS Peru as well as by UNODC Peru and both emphasise that they would undertake a systematisation of the UNOPS methodology if only funds were available for it. In my view, as mentioned above, UNOPS and UNODC have to strengthen their efforts to get such a systematisation done. This would allow other institutions working in alternative development to *discuss* the UNOPS methodology and to take advantage of its experience. Maybe even the UNOPS HQs could gain from this *managed knowledge* and implement more projects in similar situations. For UNOPS Peru, it would be helpful to get input from other experts and to include *new* ideas in their methodology. Moreover, with a manual at hand it would be easier for UNOPS Peru to implement its projects with new employees as these would have another source of information besides the long-term employees.

6.2.3 Project approaches

Analysing the projects of UNOPS in alternative development in Peru and the GTZ programme PDR/PROAGRO in Bolivia, some differences in the *approaches* of the two have become apparent.

UNOPS Peru works with very *concrete* measures in a very *specific* field and concentrates most of its resources on the implementation on the *regional* and *local* level. The methodology utilised has *proven* its success and is *repeated* in the four main production lines UNOPS offers as an alternative to the coca farmers. UNOPS Peru strongly emphasises the importance of the *market* for the sustainability of any project. It states that projects are undertaken which have a good chance to become *economically viable* and, therefore, *sustainable*. Therefore, UNOPS identifies crops that can be produced at nationally and/or internationally competitive prices and not only assists the target group with the industrialisation process of the production, but also with the *commercialisation*. *Paternalism* is avoided at all costs and UNOPS makes it clear from the very beginning that the beneficiaries work for their *own* future and the future of their families. UNOPS offers the necessary assistance, but does not pay salaries, etc.

During my field research, the *objectives* of the UNOPS projects and the *methodology* used were easier to identify and to understand than those of the PDR/PROAGRO in Bolivia. The

approach of the GTZ in general and also of the PDR/PROAGRO is much *broadier* than the one followed by UNOPS Peru. The main reasons are the following:

- The PDR/PROAGRO continues to work on three *different* levels (national, regional, local) and cooperates with a significant number of Bolivian partners. This means that the formulation of national strategies and their implementation are assisted as well as the projects on the lower levels.
- The PDR/PROAGRO moreover has to *coordinate* its work not only with the other GTZ programmes/projects, but also with the various German and international institutions active in development cooperation in Bolivia.
- The PDR/PROAGRO comprises many *different* topics such as tourism, agriculture, youth networks, gender, craftwork etc within *one* programme and even within *one* component (the regional component in the Chaco). The GTZ has great in-house sectoral knowledge at its disposal; it prefers not to focus on a *few* topics, but tries to take advantage of its knowledge and to work out *comprehensive* programmes.

Talking to the target group and other people in the street in the Chaco where the PDR/PROAGRO operates, I found out that particularly for them it was difficult to understand what the GTZ programme and the GTZ itself stand for. The UNOPS projects in alternative development are easier to understand, because they are simply more *visible* than the GTZ programme which works more on the *institutional* level.

The two approaches are different, the one from UNOPS is very *concrete*, the one from the GTZ more *diverse* and on an *institutional* basis. It must not necessarily be judged that either one is *better* than the other, *but* considering the situation with decreasing funds it might be helpful for the GTZ to *concentrate* its resources more on *selected* issues so that the results of their projects/programmes become more visible and sustainable.

Besides the differences mentioned above, UNOPS and the GTZ *share* one important principle: none of them pays salaries to the target group. Both want to *avoid* the promotion of *paternalism*.

6.2.4 Relationship with the target group

UNOPS has a *closer* relationship with the final beneficiaries, with the target group, than the GTZ. As described above, the UNOPS project staff are perceived by the target group as very *accessible* and *open* for any questions, doubts, and complaints. The main reasons are (1) that the UNOPS project staff *live* under the same often not only difficult but even dangerous conditions as the target group and, (2) that mostly the staff stays for several years with the project so that the target group can *slowly* develop *confidence*, (3) that the UNOPS' offices in the jungle are simple and follow an *open-door policy* so that the beneficiaries feel free to drop by spontaneously, (4) that UNOPS Peru *believes* in the potential of their beneficiaries and this is not only *felt* by the target group, but highly *valued*.

The relationship of the GTZ with the final beneficiaries is more *distant*. This is due to the fact that the GTZ often works through *institutions* and *not directly* with the target group. Moreover, the office of the PDR/PROAGRO in Camiri/Chaco, for example, was much *less* open than the UNOPS' offices I have visited. Despite this distance, the relationship of the GTZ with the target group is far from being bad. Compared to the relationship UNOPS has with its target group, however, *less* confidence can be observed between the GTZ and its target group.

In the introduction, the assumption was made that the target groups might *differentiate* between a *bilateral* organisation, such as the GTZ, and a *multinational* organisation, such as UNOPS. In Peru, UNOPS being a UN agency was very much welcomed by the target group, and it was *preferred* to the bilateral assistance of the USAID. This was due to the tough political influence of the USA on Peru concerning the *forced eradication* of coca, which clearly reflects the USA's national interests. Towards the GTZ which also carried out a project in alternative development, in cooperation with UNOPS, the beneficiaries in the Peruvian jungle were *as open as* towards UNOPS. In Bolivia as well, the beneficiaries interviewed stated that they did not prefer a multinational organisation towards a bilateral or the other way around. Therefore, the assumption seems to be *correct* only if a bilateral organisation, like USAID, is strongly linked by the target group with *unpopular political* objectives of the respective donor but in the case of UNOPS and the GTZ, this was not the case. The target groups were *open* to assistance from both of them and no preferences were stated.

6.2.5 Relationship with the HQs

The GTZ in Bolivia has a much *more* intensive relationship with its HQs in Germany than UNOPS in Peru with its HQs in New York.

The seconded GTZ experts have usually attended preparation courses in the HQs or have even worked in the HQs. This means that they generally have a good overview of what the *philosophy* and what the current *objectives* of the GTZ are, what the organisational structure is like, etc. Moreover, most of them have *personal contacts* with GTZ staff members in the HQs and around the world. This and modern communication means, such as the intranet, enable the seconded expert in the field to individually inform herself/himself about any changes, etc. Also, the Director of the GTZ Office *regularly* provides the staff and especially the seconded experts with internal news. For a few years, the Bolivian employees participate at least in one or two day courses on the GTZ so that they have a *basic knowledge* about the origin, structure and the objectives of the organisation. Some of them who are in managerial positions have a more intensive training on the GTZ as they have to work with various GTZ methods and instruments.

Besides the good level of information concerning the entire organisation especially the German seconded experts have, the *cooperation* between the offices in the field and the HQs is very intensive and *communication* takes place regularly. 24% of the GTZ employees in Bolivia who answered the quantitative questionnaire, communicate at least once per week with the HQs in

Germany. Changes in the HQs and in the structure of the GTZ often also affect the work in the field, which makes it necessary that they are not only *announced* in the field, but are also *implemented*. Moreover, the staff in the field is usually in close contact with *two* divisions in the HQs, the regional division it belongs to, and the unit in P&D which works in the respective sector, for example, *rural development* or *democratisation*. This also ensures regular communication with various GTZ staff members in the HQs.

Compared to UNOPS, the GTZ field has a more intensive relationship with the HQs, but investigating the GTZ it became obvious that nonetheless an *improvement* is needed and also wanted by the management. The GTZ is working on a closer relationship between the field and the HQs and a better understanding between the field staff and the staff in the HQs, as explained above. Even though the personnel especially in the field, stated in interviews that this was not too successful as of 2005, it must be acknowledged that the GTZ has an eye on this relationship and tries to improve it.

At UNOPS, the ties between the HQs in New York and the field in Peru are very *loose*. The HQs in many cases is not aware of what UNOPS is doing in Peru; *only* the Portfolio Manager is in *regular* contact with the UNOPS employees working there in alternative development. For the field staff in Peru, the situation is difficult concerning the level of information on what is going on in the HQs. A majority stated in the quantitative questionnaire that they were not aware of any problems between UNOPS and UNDP (92%) and that they did not know anything (50%) or only more or less (37%) about the restructuring process in the HQs.⁵⁶² Only 8% of the UNOPS interviewees in the field had communication with the HQs at least once per month.⁵⁶³ Except the Chief Technical Advisor, *none* of the UNOPS employees in the alternative development projects in Peru has ever been to the HQs so that no personal contacts exist between the UNOPS staff in the field and in the HQs. Any knowledge of the field staff in Peru about the organisation UNOPS as such, its origin, structure and objectives was not acquired in any courses, but more or less picked up *by chance* - for example, if the Chief Technical Advisor communicates some information he receives from the HQs.

For the management of UNOPS, the relationship between the HQs and the employees in the field was not an important issue as of 2005. It was *not* an *objective* to make this relationship closer or more intensive. This is due to the lean structure of UNOPS and to the fact that in the field it generally works with consultants and not with UNOPS staff members. Moreover, UNOPS is not *meant* to *build up knowledge* in the various sectors it works in around the world, but to *implement* projects that usually are planned (1) by an organisation with the respective knowledge or (2) by experts who *have* the knowledge needed and who are hired by UNOPS for individual projects.

⁵⁶² This refers to questions eight and nine of the quantitative questionnaire.

⁵⁶³ This refers to question four of the quantitative questionnaire.

Therefore, the communication between the UNOPS HQs and the field is focused on *administrative* issues necessary for an effective implementation of the projects in the field.

Because of the *different orientation* of UNOPS explained above, the degree of communication and cooperation between its HQs and the field, which is lower than at the GTZ, is *usually* sufficient for the needs of the organisation. In the case of the alternative development projects in Peru, this is slightly different. The majority of the UNOPS employees have worked for these projects for so many years already that they would like to have a *better communication* and *relationship* in general with the HQs as they want to obtain a different standing within the organisation and become UNOPS staff members if possible. Because of the UNOPS business model, this is not an option and some UNOPS employees in Peru may feel frustrated. On the other hand, however, the UNOPS project personnel underline that they can work *more* effectively on the implementation of the projects than many other organisations because they can focus more on their work in the field. They do not have to report so much to the HQs or react to changes that have taken place there.

Because of the higher intensity and the more formalised cooperation, the influence of the GTZ HQs on the work in the field is *higher* than in the case of UNOPS. This also means that the connection between the success and difficulties of the GTZ in Bolivia can be more easily *traced back* to any changes in the HQs than in the case of UNOPS (Peru).

It was pointed out above that the relationship of the GTZ HQs with the field in Bolivia and elsewhere is *different* and much more intensive than the relationship the UNOPS HQs has with the field. Overall, this *reflects* the *needs* of both organisations which are *different* as well and can be summarised as follows:

- The GTZ is a much larger organisation with many *different* functions. It not only *generates knowledge* in the various sectors of development cooperation, but also *implements* projects/programmes accordingly with a certain contingent of German seconded experts. Because of its main client being the BMZ, it also has to communicate the *political* objectives of German development cooperation. The numerous tasks of the GTZ not only result in a large HQs, but also in an *intensive* relationship between the HQs and the field. This relationship is very important because the field needs to be aware of the important changes, discussions and developments not only *within* the GTZ, but also concerning German development cooperation. Therefore, the GTZ would like and needs to further improve this relationship.
- UNOPS can and must concentrate its work on *one* main function, to *implement* projects effectively for its clients. The main objective of the HQs, therefore, is to be as *lean* and *cost-effective* as possible and to enable the project personnel in the field to concentrate on their job which is the *implementation* of the projects. The HQs needs a certain structure to coordinate the administrative processes and to manage the entire organisation and develop business strategies. Unlike the GTZ, it does not need staff working in the HQs that

generate sectoral knowledge and organise the information transferred to the HQs from the field. This *reduces* the need for communication between the HQs and the field.

This means that both organisations have a relationship between the HQs and the field that is *appropriate* to its *needs*.

6.2.6 Identification with the organisation

The corporate identity within the GTZ is *higher* than within UNOPS though the staff of the GTZ, both in the HQs and in the field in Bolivia, stated that the identification with the organisation has *decreased* over the last years. Despite the *gap* that continues to exist between the staff in the field and in the HQs, the significant number of seconded experts in the field has a *positive* influence on the identification of the entire staff with the organisation. The GTZ in general ensures that it is perceived as the GTZ, both in the HQs and in Bolivia. The policy of having long-term employees has resulted in a high identification with the organisation. For some years, the GTZ has gone through a difficult financial time. The number of unlimited contracts is *decreasing*, the benefits for the staff are *reduced*, and the workload for most employees *increased* etc. Many GTZ employees stated that they do not feel as appreciated by the organisation as before and that this also resulted in *less* identification with the GTZ.

At UNOPS, one has to point out the differences between the HQs and the field concerning the corporate identity. *In* the HQs, a *strong* corporate identity exists. For years, the staff in the HQs was very proud to work for UNOPS and a strong '*we can do it*' mentality prevailed. With the financial difficulties since 2000/2001, conditions at UNOPS for the staff became difficult as well. Job insecurity and severe personnel cuts resulted in a *decreasing* identification with the organisation, but as of 2004, the corporate identity in the HQs continued to be at a good level.

In Peru, hardly *any* identification with UNOPS exists. As pointed out above, the UNOPS employees identify themselves much more with *UNODC* than with their own organisation. The main reasons are that only two out of 70 employees are UNOPS staff and that the field staff receive little communication or information from the HQs. Moreover, the HQs is perceived as being *only* interested in the income generated by the alternative development projects and not at all in the *outcome*. This means that the UNOPS employees do not feel appreciated by the HQs for their work. The case of Peru, again, is special because most of the project personnel have been employed by UNOPS for more than ten years. Generally, a lack of corporate identity in the field is *normal* for UNOPS as the consultants are hired for individual projects and sometimes work only a short period for UNOPS. However, for UNOPS it would be *positive* to increase the corporate identity of its field staff as it might result in a better image of UNOPS to the outside if the staff identified itself more with the organisation.

6.3 Now - who is the winner?

Has the investigation of the HQs and the field work of UNOPS and the GTZ led to the justified decision that one is *better* than the other? Do the common grounds and differences presented in this section and in section 3.3, give a clear answer to the question whether *one* organisation has an *overall* comparative advantage towards the other?

Though these two questions were not formulated as central questions for the present thesis, this type of question obviously tends to come up if two organisations that are active in the same sector, in development cooperation, are *compared*. The answer to both questions is *no*.

This study has investigated the origin, the structure and the development of the HQs and it has analysed changes and processes, the implementation of projects in the field and the cooperation between the HQs and the field. Thereby, it has *contributed* to defining what common difficulties and possibilities UNOPS and the GTZ share and where the differences are. This analysis allows an elaborated *distinction* between the two organisations, but the results do *not* justify a judgement that either UNOPS or the GTZ are *overall* more *effective* and *better* than the other.⁵⁶⁴

The main objective of this study was a different one: to find out what works and what does not in development cooperation. To contribute to this difficult question, it is not necessary to come to a judgement that UNOPS and/or the GTZ are bad or good or one better than the other.⁵⁶⁵

Both organisations have achieved and continue to achieve positive results as outlined above. This study has focused on the *description* and the *analysis* of how the two organisations work and where they have success or face difficulties. Thereby, it has become possible to point out what makes UNOPS and the GTZ successful, but also what could be improved on the level of the two organisations and in development cooperation in general. This is done in the final chapter, Chapter 7.

⁵⁶⁴ Both organisations achieve positive results in specific and sometimes different areas. UNOPS Peru has a very good relationship with its target group as it is, in general, able to establish a high degree of confidence between its employees and the target group. Moreover, UNOPS Peru focuses on very concrete projects in a specific field, alternative development, and implements four lines of products that represent an economically viable alternative to the cultivation of coca. Therefore, it is also easier for UNOPS to demonstrate the results achieved than for the GTZ with its more diverse work on the institutional level. The GTZ, on the other hand, has an impressive knowledge management system and an intensive cooperation between the HQs and the field.

These comparative advantages in specific fields could be further outlined, based on the common grounds and differences summarised above.

⁵⁶⁵ Moreover, such an overall judgement could not be obtained by a study carried out in slightly more than two years and by one individual researcher. It would require more case studies and the participation of various researchers.

7 Lessons learnt and future outlooks

7.1 Lessons learnt

The present study aims to contribute to finding an answer to the question of what works and what does not work in development cooperation and what makes the difference between success and failure. Therefore, an empirical study was undertaken. Two organisations were selected for a comparison, UNOPS and the GTZ. Both HQs were investigated and case studies carried out in Peru (UNOPS) and Bolivia (GTZ). The result was an independent evaluation of the structure, the implementation of projects/programmes, the possibilities and problems *of* and the common grounds and differences *between* the two organisations.

In the first section of this study's final chapter, an *improved design* for future evaluations in development cooperation is recommended which is based on the experiences undergone when evaluating UNOPS and the GTZ.

In the second section, the *lessons learnt* from the study's results are outlined. In the first two sub-sections, desirable changes for UNOPS and the GTZ are recommended. In the third sub-section, based on the lessons learnt through the investigation of the UNOPS projects in Peru and the GTZ programme in Bolivia, recommendations for *future* projects and programmes in development cooperation are formulated.

In the third and last section, reference is once again made to the discussion on the sense and nonsense of development cooperation, which was already mentioned in the introduction. Further relevant studies and the results of the present thesis are utilised to formulate *future outlooks* for development cooperation.

7.1.1 Evaluation (research) in development cooperation

In Chapter 2 of this study, the origin of evaluation research in general as well as the origin of evaluation research specifically in development cooperation was presented and analysed. Thereby, a detailed understanding of the reasons *for* and objectives *of* evaluations was facilitated. Moreover, the scientific discussion was illustrated by the categorisation of important theories and by outlining the variety of methods, instruments and standards. This theoretical chapter on evaluation research was needed as a precondition to make transparent which methods and instruments were chosen for the evaluation actually carried out and why.

The evaluation undertaken in this study was carried out quite *independently* as the author was not paid by any organisation. As pointed out above, this differentiates it from most evaluations carried out in development cooperation. Another main advantage of this evaluation is that the researcher familiarised herself with a great variety of *instruments* to gather and analyse data and applied them accordingly. A *triangulation* of the most important quantitative and qualitative *methods* was undertaken.

However, one must acknowledge certain *constraints* and *limitations* this evaluation had to face. Staying with the organisations as a 'researching intern' means that much information was

made available – and some, most probably, remained *hidden* despite the various methods applied. The budget available and the time frame were somewhat restricted. Finally, an evaluation carried out by a single researcher has to face certain limitations.⁵⁶⁶

Despite these restrictions, the results from this evaluation not only led to specific recommendations for the two organisations investigated and development cooperation in general, but also to findings and recommendations regarding *evaluation* in development cooperation. Evaluation will need a further *systematisation* to actually have an impact on the improvement of this policy field. It has become evident that the evaluation standards and guidelines are often not applied for evaluations in development cooperation. The following recommendations to attain necessary *improvements* were *derived* from the experiences undergone during the research though, to some extent, they may read quite similar to the standards pointed out in Chapter 2.

- Evaluations should be carried out more *independently*. The evaluators should not have any *personal* interest in the results of their findings.
- Evaluations should be carried out more *professionally* and *transparently*. The evaluators should be more familiar with the great variety of methods available and more aware of the often diverse interests of the stakeholders.
- Evaluations carried out should be *utilised* more. This should facilitate a bigger impact on future projects – both for the organisation that was responsible for the respective project/programme and its evaluations as well as for other organisations. Therefore, the *institutional memory* of each organisation should be improved and the *exchange* of results between the various organisations active in development cooperation should be increased.
- *Partner* institutions should be more *involved* in the evaluation process as well as in the implementation of its results.
- Evaluations of projects/programmes should be made *accessible* not only to other organisations, i.e. to other practitioners, as mentioned above, but also to the *scientific* community.

7.1.2 Recommendations for UNOPS (and the UN)

UNOPS has gone through difficult times within the last five years. Important changes in the structure were undertaken and the relationship with its major client, UNDP, was improved at the highest level. However, as of 2005, UNOPS' difficulties were not yet overcome. The findings of the present study led to the following recommendations for UNOPS:

- UNOPS should make sure that its clients or future clients know *exactly* who to contact at the HQs or any other level. The organisational structure must become even more

⁵⁶⁶ Despite the best intentions, one's personal point of view, for example, cannot be avoided 100% by any researcher. Working with a group of researchers, the possibilities to discuss findings, etc., are naturally wider than if one researcher works by him-/herself.

transparent and any *relics* of the unhealthy *competition* between the individual divisions should be eliminated.

- Working mostly with short-term employees, with experts of a specific sector employed only for the duration of individual projects/programmes, UNOPS should more underline the advantages of this process and its *core competences* in procurement and project management in general.
- UNOPS should generate a minimum of *corporate identity* within its staff in the field. It is important that this process is done very efficiently and with a minimum of resources as otherwise UNOPS' advantage of having lean structures might be lost.
- UNOPS should improve its *knowledge management* system. It should cooperate with other UN agencies or international institutions that are competent in the various sectors to make sure that the knowledge in the respective sectors is *not* lost. This would allow a better utilisation of experiences undergone.
- UNOPS should take advantage of *and* increase its knowledge in emergency and post-conflict or transition activities. This might become *the* field for UNOPS in the coming years. At the same time, UNOPS should not neglect its traditional core competences and activities.
- UNOPS should monitor its *revenue* and *expenditures* more closely and take the necessary action. One important step could be a further decentralisation of the corporate functions to lower cost-duty stations. Otherwise, the organisation might not remain sustainable.

The recommendations above can be categorised as *internal* as the UNOPS management could implement them itself. However, especially in the section on the UNOPS HQs, it was pointed out that the UNOPS *business model* needs some important changes as well. Such decisions cannot be made by the UNOPS management, but by external institutions such as the Executive Board. The following recommendations, therefore, are of an *external* nature as UNOPS depends on *external actors* to act on them. If the UN system wants UNOPS to continue its work as a separate entity,

- UNOPS should be allowed to *directly* collaborate with its clients, i.e. it should not be obliged to go through UNDP or another UN agency.
- UNOPS should be allowed to work not only for other UN and the Bretton Woods Agencies, but also for bilateral donors, governments and other development banks.

If the UN system, i.e. the donors, does not believe in the *sustainability* of UNOPS anymore, decisions should be made accordingly:

- In close cooperation of the EB, the MCC and UNOPS senior management, a merger with possible partners, i.e. other UN agencies, should be considered, discussed and implemented.

7.1.3 Recommendations for the GTZ (and the BMZ)

The investigation of the GTZ in the HQs and in the field, the evaluation of the organisation and the comparison with another organisation, the UNOPS, resulted in *valuable insights* which are the basis for the following recommendations:

- The GTZ should proceed with its *decentralisation* process. *Direct* communication between its staff in the field and the commissioning party, in most cases the BMZ, should become the rule. This would allow a more effective communication process and a reduction of personnel at the GTZ HQs.
- The GTZ should not overload its projects/programmes with *too many objectives*, but rather concentrate on a few. Otherwise, the impact on the various topics may be too small.
- More qualified *local* personnel should be allowed to take over management functions for GTZ projects/programmes in the field. Only the minimum number of German seconded experts should be employed in the field.
- The GTZ should *cooperate* (more) with *banks*, for example, the Inter-American Development Bank. The banks have large funds at their disposal. The GTZ, on the other hand, has the technical know-how necessary to implement capital-intensive projects and programmes.
- More *rotation* of the GTZ personnel between the HQs and the field should become the rule. This would allow a better cooperation and understanding within the GTZ which would improve the effectiveness of its work.
- The GTZ should become more *open* and better cooperation with scientists should become an objective. Though it is organised as a private company, as a GmbH, it is *financed* mostly by German taxpayers' money, which means that information on its success and failure should become more accessible. With a more *open-minded* attitude towards criticism from the outside based on insights into the GTZ's structure and work, the GTZ could consider these neutral recommendations and eventually take advantage of them.
- Having carried out a feasibility study, the GTZ should become *faster* at starting with the implementation of the project/programme. The respective coordination with the partner and the commissioning party, in most cases the BMZ, should be further simplified.
- The GTZ should make sure that not too many (expensive) studies are carried out or it should improve its knowledge management system so that the results of these reports can be *utilised* more often and more efficiently.

The recommendations above address the management of the GTZ. However, some observations during my investigation of the GTZ and the German development cooperation in

general led to certain recommendations that are more suitably addressed to the relevant *German ministries*, especially the BMZ⁵⁶⁷:

- The BMZ should *contribute* to the *further* decentralisation of the GTZ by, amongst other measures, accepting *direct* communication between the GTZ staff in the field and the BMZ.
- *Better cooperation* between the BMZ and the Federal Ministry of Foreign Affairs (AA) as well as between development cooperation and foreign trade policy is needed.
- The BMZ should *merge* the various German institutions such as the GTZ, KfW, and the DED into *one* institution to make German development assistance more effective. This, of course, is a political decision which initially would require a considerable amount of time and money. Moreover, various difficulties would have to be overcome. But I expect that, in the *long run*, the positive results would become visible and justify the efforts made.

7.1.4 Recommendations for future projects/programmes

By evaluating the alternative development projects of UNOPS Peru and the programme PDR/PROAGRO of the GTZ in Bolivia and investigating the organisations' HQs and structures, certain *recommendations* can be derived. Most of the recommendations below are well known to scientists as well as to practitioners. However, their implementation remains *insufficient* so that it is appropriate to point them out again and, to some extent, refer to the experiences undergone by investigating UNOPS and the GTZ.

Future projects or programmes in development cooperation should take into consideration and possibly *implement* the following points to become as efficient and effective as possible:

- The case studies have shown that *feasibility studies* should be carried out. Moreover, it has become obvious that the project/programme needs to be started quickly after the feasibility report has been finalised. Otherwise, the conditions may have already changed so that the project/programme would not be *appropriate* or *appropriately planned* anymore.
- The needs of the *target group* (demand and *participation*⁵⁶⁸), the possibilities to include the *partner* (*ownership, accountability*) and the *general conditions* should be clearly analysed so that realistic objectives can be formulated. UNOPS has demonstrated that the success of its projects in Peru much depends on these preconditions.

⁵⁶⁷ Brüne has also pointed out some critical arguments concerning the role of the BMZ. In general, Brüne favours the *abolition* of the national administrative institutions for development cooperation that continue to exist in the European Union. In his view, a European Ministry for development cooperation should be set up to allow more efficient assistance by the members of the EU of the developing countries (BRÜNE 2004: 36ff).

⁵⁶⁸ All *four* basic principles for development cooperation that MESSNER/SCHOLZ point out are included in these recommendations, participation, ownership, transparency and accountability (2005: 35).

- The *political conditions* of the respective country should be considered. The experiences of the GTZ in Bolivia documented above have shown how important it is that changes are reflected in flexible adjustments of the project/programme.
- Especially bilateral donors should be careful that their *national interests* do not influence their development cooperation activities too obviously as this makes the partner and the target group sceptical about any *hidden* objectives of their assistance, as was the case of USAID in alternative development in Peru.⁵⁶⁹ Also, donors should not enter into competition with each other.
- The project/programme should be planned and implemented with as many *local* personnel as possible. However, *international* staff or consultants should be utilised as well to ensure that *new ideas* and *best practices* become available and can be adjusted to the specific needs of the respective country.
- Considering that *paternalism* usually slows down or prevents learning processes and has counterproductive effects, its promotion should be avoided.
- *Monitoring* and *evaluations* of the project/programme should be carried out on a *regular* basis and by experts which are as *independent* as possible. The results of their reports should be more utilised for the future design of the project/programme investigated, but also for future projects and programmes. Moreover, the evaluations should become available to other organisations as well so that new knowledge becomes known to other relevant actors in the same sector of development cooperation. Also, the evaluation reports should be made accessible for scientists. It can be expected that this *transparency* would allow much better cooperation between practitioners and scientists and lead to new approaches, etc.
- The research of UNOPS Peru and the GTZ in Bolivia has shown that it is very important to find an *appropriate* size of studies and documentations and a *system* to deal with the knowledge generated. Studies carried out should *focus* on sectors the respective organisation wants to implement projects/programmes in. The costs should be *appropriate* and *proportionate* to the benefits. An organisation should not carry out more studies than it can *actually* take advantage of and it should be able to manage the knowledge generated effectively. Organisations must be held *accountable* for the results achieved.
- The objective of the project/programme should be very *concrete* and *measurable*. The present study has pointed out the advantages of a focused approach of a project/programme.

⁵⁶⁹ Valuable suggestions how to improve development *partnerships* and, for example, how to prevent donors from undermining the ownership of recipient governments, are offered by Theisohn/ Courttnadge. Based on experiences undergone in Tanzania, the two authors present an independent monitoring model which could “*induce dynamics for an incremental change in aid relations that will deliver a more conducive partnership for attaining the MDGs*” (THEISOHN/ COURTNNADGE 2005: 257).

- The *sustainability* of the project/programme should be the focus from the beginning on. In general, the following four factors are important to make the sustainability of a project/programme probable:
 1. An suitable *duration* of eight to ten years,⁵⁷⁰
 2. A *financing structure* which ensures that after the termination of the project/programme necessary investments can be realised,
 3. The partner and/or the target group take over more and more *management responsibilities* over time so that the termination of the project/programme does not bring an abrupt change.
 4. *Genuine interest* and *confidence* of the target group and the partner as well in the project/programme and its success.
- Any project/programme that assists in the production of certain goods or services should be sure that a *domestic* and/or *international demand* exist for the respective product. Moreover, not only should competitive production structures and competitive prices be aimed for, but the beneficiaries should also be assisted in the *commercialisation* of their products. If a project/programme becomes commercially viable and the income of the target group grows, the general living conditions, such as education, health, etc. will start to improve as well.
- The project/programme should have an influence on the local, regional *and* national level. If this is not possible or not successful because of the often *difficult* political situation on the national level, the implementation should concentrate on the local or regional level. A transfer of success on the regional/local level should be aimed at by facilitating bottom-up effects whenever and wherever possible.
- To focus on the implementation of the project/programme, the staff from the respective organisation in the field should not be *overloaded* with tasks from the HQs. The communication between the field and the HQs should be very focused.
- The project/programme should not be implemented in an *isolated* manner, but the implementing organisation should remain in contact with other institutions that are active in the same sector and/or the same region. The communication of the different organisations in development cooperation in the respective country should be well-organised, but, again, it should not require too many resources.⁵⁷¹

⁵⁷⁰ Some projects and programmes that are less complex may, of course, need less time.

⁵⁷¹ The effectiveness of development cooperation much depends on an improved *harmonising* of donor practices. More coordination accompanied by stable or even decreasing administrative costs is needed to efficiently allocate the funds of the various donors and to appropriately take into consideration the different regions and sectors (OSWALD/ BÄSE/ MEYER 2004: 76). In many developing countries, numerous development cooperation institutions are implementing projects and programmes. This results in considerable problems for the *administration* of these countries. Funds are often not allocated as efficiently as possible because of *high transaction costs* on both sides, the donor and the beneficiary.

7.2 Development cooperation – sense or nonsense? Future outlooks

In the introduction, the scientific discussion about the *sense* and *nonsense*, *success* and *failure* of development cooperation in general, was already referred to. While some authors are confident about the achievements of development cooperation, others are sceptical and ask for changes to improve its impact. A few scientists completely deny *any* success of development cooperation and even accuse it of having a *negative* impact on the developing countries.

Besides Bauer and Biermann, Hancock is one of the most harsh critics of development cooperation. He explicitly states that he does not want to question specific parts of it, but questions it *altogether* (HANCOCK 1989: 12). Though his main study is of a sharply *polemical* nature⁵⁷² and *exaggerates* the depiction of the weaknesses of development cooperation, one must acknowledge the *core of truth* in many of his arguments. Hancock lists many examples in different sectors and different countries where the development aid was not successful or even harmful. Some of the most important reasons he identifies for the *failure*, in his view, of development cooperation are the following:

- The organisations employ too many *international* experts who are very *expensive*. Too much money is spent on the personnel of the organisations and does not reach the target group.⁵⁷³
- The target group is *not* involved.
- The donors take advantage of development aid as their *exports* are *stimulated* by the procurement activities in this sector.
- *Corruption* within the organisation and on the partner's side represents a strong obstacle.

During the course of this study, several weaknesses have been identified as well. It has become obvious that, *partly*, some of the arguments that Hancock published in 1989, are still *valid*. For example, two of his arguments mentioned above: (1) Though *ownership* is nowadays identified as an important precondition for the success of a project/programme, the *participation* of the target group (and the partner) often remains *deficient*. (2) *Corruption* continues to be a problem for the success of development cooperation. Therefore, after more than 15 years *some* of the views expressed in Hancock's work are still referred to nowadays.

But it must be taken into consideration that some of his one-sided arguments are not tenable anymore. The problems criticised by other arguments, such as the ones concerning procurement and the employment of international experts, have been improved on to a great extent and are not quoted anymore in the present scientific discussion.

⁵⁷² The entire UN staff, for example, he titles as 'free-loaders' (HANCOCK 1989: 13).

⁵⁷³ Hancock, as mentioned above, goes much further and points out that the international experts were not committed to their work, but only interested in their personal benefits. In my view, however, his arguments obtained more significance if these polemical remarks were avoided as much as possible.

The empirical research in the present thesis has *confirmed difficulties* and *weaknesses* for both organisations and for the implementation of projects/programmes in both countries Peru and Bolivia. However, it has also shown *positive* examples, *achievements* and *success* of development cooperation. This means that the findings of this study *cannot* be utilised by Bauer, Biermann or Hancock to declare development cooperation as *useless* or even *harmful* altogether.

The results underline the need for an *ongoing* discussion followed by action about possibly better *methods*, better *implementation strategies* and better *procedures*, etc., as was initiated by MYRDAL in 1971. He does not question development aid *as such*, but criticises *parts* of it, the use of the means, for example. Nunnenkamp also criticises development aid. He questions its efficiency and demands that aid is actually targeted more to the 'needy and deserving'. Referring to a World Bank study from 1998⁵⁷⁴, Nunnenkamp mentions two criteria as important for more efficient development cooperation: (1) the economic development of the aid receiving countries and (2) the basic conditions relating to economic policy (NUNNENKAMP 2004: 47). He concludes that development aid should be more *selective* and the donors should *react* to institutional and political improvements or deterioration in a developing country with *more* or *less* aid (NUNNENKAMP 2004: 53f). In his new study, SACHS states his very *optimistic* view concerning the success of development cooperation (2005). He believes (1) that the methods of fighting poverty are known and (2) that the 'only' remaining problem is that the governments of the industrialised countries lack the *political will* to support the developing countries with the necessary *financial* means.⁵⁷⁵

The present study with its empirical research wants to *contribute* to this *ongoing process* which aims to improve development cooperation by (1) identifying weaknesses and then (2) acting accordingly, if possible. Apart from the very concrete recommendations that were formulated in the first section of this chapter, what else needs to be targeted for a more successful future of development cooperation?

In my view, the following *three* measures should be concentrated on to *more successfully* support the countries of the Third World in their development:

- Improving the *efficiency* of development cooperation. Some of the most important topics are good governance⁵⁷⁶ in the partner country, harmonisation of the donors' activities, *ownership*⁵⁷⁷ of the partner for the projects/programmes, *participation* of the target group.

⁵⁷⁴ The title of this study is 'Assessing Aid. What Works, What Doesn't and Why'.

⁵⁷⁵ Sachs is sure that with about *three* times as much funds, 180 billion USD instead of only 60 billion USD annually, poverty could be *abolished* worldwide by 2025 (cited after TETZLAFF 2005: 229f).

⁵⁷⁶ Many scientists believe that political reforms within the developing countries, leading to good governance, are a very important *endogenous* factor that, combined with *exogenous* factors such as liberalisation of world trade and more effective development cooperation, are needed for a significant reduction of poverty (BELLERS 2000: 221; HEMMER 1998: 25,38; TETZLAFF 2005: 233f).

⁵⁷⁷ Biallas criticises the fact that the principle of ownership has not had the expected success so far. The partner is *officially* responsible for the project appraisal and design and for its results. However, it is well known that in *reality*, the choice of projects is largely dominated by the donors. The partner often only has a *marginal* influence. For the implementation, again, *officially* the partner institutions have a say and are

Moreover, bilateral and multilateral institutions should *focus* their activities more on *selected* countries and sectors⁵⁷⁸ and the OECD states should stick to their vague promises to spend 0.7% of their GNPs on development cooperation.

- Improving the *reduction* of *indebtedness*. The World Bank and the IMF have to reconsider their measures, for example the HIPC- initiatives, and work out new approaches.
- Improving *global economic policy*. The world trade of goods such as agricultural products and textiles needs to be *liberalised* so that the developing countries have realistic opportunities to find their position in the global economy.

Reducing the indebtedness of the Third World countries and improving the efficiency of development cooperation are important but, in my view, the last point is *crucial*. In its World Development Report of 2001, the WORLD BANK identified the *expansion* of the access of goods and services from developing countries to the *markets* of wealthy countries as one of four international measures to reduce poverty (219). The report points out two arguments in favour of such a liberalisation: (1) Poor countries that are involved in the international markets have a growth rate *as strong as* or even *stronger* than rich countries. (2) Trade with *richer* countries can speed up the process of catching up, because trade can be an effective driving force behind the reduction of poverty.

This is especially true for *agricultural products* as 2/3 of the poor of the developing countries live in *rural* areas. Faster economic growth would be possible if the markets of the richer countries were more accessible. The WORLD BANK underlines it as disturbing that the trade in agricultural products increased only by 1.8% per year while the trade in industrial products increased by 5.8% per year from 1985-1994 (2001: 220). One reason for the slow growth rate for agricultural products is the ongoing *protection* of these by the industrialised countries. They protect their own agricultural production by customs duties, import restrictions

responsible for the control. But in *reality*, the donor, though often with good reason, constantly influences the decisions.

Therefore, Biallas proposes a new model. The basic principle is that the partner and the donor really *share* the responsibility for the success of a project. This can be achieved by *jointly* administering funds. In some already existing cases, joint-stock companies were created in which the partner and/or the target group were members of the management and supervisory boards. Initially, the management may be led by the donor, but over time the share of the partner and/or the target group becomes the decisive factor. Cooperation in such a structure means more influence for the participating national institutions and their personnel and decisions, at least, cannot be taken *without* them. This would encourage the staff of the international implementing organisations to *actually coordinate* with the national/local partner. BIALLAS concludes that such new forms of real partnership would not result in a loss of ownership, but in positive changes within development cooperation and in more investments of private capital in developing countries (2001: 69). This or other models might be taken into consideration when the question of ownership is discussed in the future.

⁵⁷⁸ The Netherlands, for example, in 1998, reduced the number of countries which they support with official development cooperation from 119 to 17. Selection criteria were the degree of poverty, the socio-economic policy of the government and good governance. On a thematic level, for example environment, human rights, good governance, and the Netherlands cooperated with additional 30 countries. This concentration on a *few* countries is expected to allow a better knowledge about each of them and therefore, a *more effective* implementation of projects and programmes.

and subsidies.⁵⁷⁹ In 1995, the customs duties high-income countries put on agricultural products, especially basic food such as meat, sugar and dairy products, were *five* times as high as on industrial products and since then not too much has changed. It is estimated that the *deadweight loss* for the developing countries stood at 19.8 billion USD which equalled about 40% of the ODA in 1998 (WORLD BANK 2001: 220).

For industrial products, including food products, which make up $\frac{3}{4}$ of the exports of the developing countries, the customs duty of high-income countries for imports from developing countries is, on the average, *four* times as high as for imports from industrialised countries into the same market. Moreover, the customs duties are not only higher but *increase* gradually proportionately to the processing level. This rise may *hinder* the industrialisation efforts of the developing countries (WORLD BANK 2001: 220).

The respective section in the report from the World Bank ends with the conclusion that these *trade barriers* need to be abolished as this would massively help to improve the situation in the developing countries. For such a change, *political* decisions at the *highest* level are necessary. The high-income countries themselves have considerable deadweight losses due to their protective trade policy⁵⁸⁰. Therefore, it should be possible to find *compensation mechanisms* for the producers that would be affected by a more liberalised world trade⁵⁸¹ to facilitate an agreement on the reduction of trade barriers. The WORLD BANK states that a reduction of the protection of agricultural products, labour-intensive industrial products and services should be *prioritised* (2001: 221).

The above clearly underlines the importance of liberalising world trade so that the developing countries find their position in the global economy. As of 2005, the WTO, for example, was still *dominated* by the objectives of the industrialised countries. Because of a lack of expertise and capacity, the developing countries are often not in a position to effectively represent their interests (ZATTLER 2000: 108). In the Uruguay Round, in which the GATT was replaced by the WTO, a reform of the agricultural sector was started in 2000. Agricultural reforms are also on the Doha Development Agenda started in 2001 and, in 2004, some advances were made, but this was only the first step (FAZ 2005: 12). As of 2005, no agreements had been achieved and it was only *hoped* that the Doha Round could be terminated by the end of 2006. Whether the changes actually would be according to the wishes of the developing countries, remained to be seen. The reduction of trade barriers requires, above all, the *true political intention* of the leaders of the industrialised countries. WIEMANN states that

⁵⁷⁹ The amount of these protective measures becomes clear if one takes into consideration, that, in 2004, 44% of the budget of the European Union, about 44 billion Euro, was spent on agricultural subsidies. RIBERA estimates that all OECD countries together annually spend 100 billion USD on agricultural subsidies (2005). This means that just the amount spent on agricultural subsidies by OECD countries by far *exceeds* the annual amount of about 60 billion USD spent by the same countries on development cooperation.

⁵⁸⁰ In the agricultural sector alone, a deadweight loss of 63 billion USD was estimated by the World Bank

⁵⁸¹ These producers are, amongst others, the farmers in the USA and the EU.

an adjustment of the WTO system would be necessary to improve the integration of the developing countries into a more *symmetrical* world trade order (2005: 263ff). However, to achieve positive effects of a further liberalisation of world trade for the developing countries, the trade reforms need to be accompanied by a comprehensive strategy in terms of development policy (ZATTLER 2000: 105). Liberalisation by itself is as unable to improve the situation of most developing countries as is development cooperation by itself.⁵⁸²

In my view, the future success of development cooperation depends not only on a *better implementation*, etc., but on the above mentioned *true will* of the industrialised countries to actually support the developing countries. Development cooperation needs to be more than just a means to ‘*ease the bad conscience*’ of the industrialised countries. What is the use of successful projects/programmes that result, for example, in products that could compete on the world market if this market remains closed? Those who sharply criticise development cooperation and question its *existence*, should keep in mind that one cannot hold it responsible for everything. However, much remains to be improved in development cooperation itself.

Actors like UNOPS and the GTZ set an example by demonstrating *responsibility* with their methods utilised for their activities in the developing countries. Both organisations try to make the beneficiaries understand that they *themselves* are *responsible* for changing their living conditions, with the *assistance* of UNOPS, the GTZ and others. This behaviour is passed on the actors in situ, the partner and the target group. It is a valuable insight that development cooperation should be done in that way: organisations have to take responsibility to thereby *demonstrate political* and *ethical morals* which, at best and over time, *spread out* to the actors on the spot.

A more efficient development cooperation, combined with the measures mentioned above, if possible, could *contribute* (more) to the Millenium Development Goal of halving global poverty until 2015.

Despite the deficits pointed out and the improvements needed, the present study concludes that development cooperation *is* useful. Learning processes in developing countries are *fastened* and/or *enriched* by development cooperation. Moreover, the beneficiaries are often *encouraged* because of the presence of (international) organisations and their staff whose goal it is to assist them in their development. They often take advantage of the opportunities offered to improve their living conditions. Rural development encourages the rural population to *stay* in the country. Thereby, further *migration* to the cities (or even to other countries) which often means more poverty can be prevented. The value of development cooperation should not be judged only in relation to the transfer of *technical* knowledge, but also in an *emotional-psychological* sense.

⁵⁸² In the scientific discussion, a different trade policy is one of various policies identified to improve the *policy coherence for development*. See ASHOFF 2005: 42 or UNITED NATIONS 2002: 52ff for details.

8 Abbreviations

AA	Federal Ministry of Foreign Affairs (<i>Auswärtiges Amt</i>)
ACABQ	UN Advisory Committee on Administrative and Budget Questions
ACM	All Chiefs Meeting
AEA	American Evaluation Association
AERA	American Evaluation Research Association
a.i.	ad interim
BfE	<i>Bundesanstalt für Entwicklungshilfe</i>
BID	Banco Interamericano de Desarrollo
BKM	<i>Beauftragte der Bundesregierung für Kultur und Medien</i> (Federal Commissioner for Cultural and Media Affairs)
BMF	<i>Bundesministerium der Finanzen</i> (Federal Ministry of Finance)
BMI	<i>Bundesministerium des Innern</i> (Federal Ministry of Interior)
BMU	<i>Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit</i> (Federal Ministry for Environment, Nature Conservation and Nuclear Safety)
BMVEL	<i>Bundesministerium für Verbraucherschutz, Ernährung und Landwirtschaft</i> (Federal Ministry of Consumer Protection, Food and Agriculture)
BMVg	<i>Bundesministerium der Verteidigung</i> (Federal Ministry of Defence)
BMZ	<i>Bundesministerium für wirtschaftliche Entwicklung und Zusammenarbeit</i> (Federal Ministry of Economic Cooperation and Development)
BP	Business Plan
Bs	Boliviano (Bolivian currency)
COCLA	Centre for Coffee-Producer Cooperatives of La Convención and Lares
CRP	Conference Room Paper
DESA	UN Department of Economic and Social Affairs
DESD	UN Department of Economic and Social Development
DEVIDA	Comisión Nacional para el Desarrollo y Vida sin Drogas
DEX	Direct Execution
DFID	Department for International Development
DHA	Department of Humanitarian Affairs (since 1998: Office for the Coordination of Humanitarian Affairs)
DM	<i>Deutsche Mark</i> (German Mark)
DPKO	UN Department of Peacekeeping Operations
EB	Executive Board
EBRP	<i>Estrategia Boliviana de Reducción de la Pobreza</i> (Bolivian Strategy for Poverty Reduction)
ECOSOC	Economic and Social Council
ED	Executive Director

EFQM	European Foundation of Quality Management
ENDAR	<i>Estrategia Nacional de Desarrollo Rural y Agropecuario</i> (National Strategy for Rural and Agricultural Development)
ENVP	Division for Environmental Programmes
ERS	Evaluation Research Society
EU	European Union
FC	Financial Cooperation
FEL	Fellowship and Training Section
GA	General Assembly
GAWI	<i>Garantie-Abwicklungsgesellschaft</i>
GEF	Global Environment Facility
GTZ	<i>Gesellschaft für Technische Zusammenarbeit</i>
GTZ IS	GTZ International Services
ha	hectares
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HQs	Headquarters
ID	Internal Document
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IV	Interview
JIU	Joint Inspection Unit
JPP	Japanese Procurement Programme
KfW	<i>Kreditanstalt für Wiederaufbau</i> (German Financial Cooperation)
LAC	UNOPS Division for Latin America and the Caribbean
MCC	Management Coordination Committee
MCLCP	<i>Mesas de Concertación para la Lucha Contra la Pobreza</i> (Round tables for a joint fight against poverty)
NEX	National Execution
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
ODC	Operations Divisions Chiefs
OIOS	UN Office of Internal Oversight Services
OLA	Office of Legal Affairs
OPE	Office for Project Execution
OPS	Office for Project Services
ORG	Operations Review Group
P&D	Planning and Development

PADEP	<i>Programa de Apoyo a la Gestión Pública Descentralizada y Lucha Contra la Pobreza</i> (Programme Support of a Decentralised Governance and the Fight against Poverty)
PDR	<i>Programa Desarrollo Rural en Zonas Secas del Sur</i> (Programme Rural Development in the Dry Zones of the South)
PED	Project Execution Division
PPP	Public Private Partnership
PPP	Purchasing Power Parity
PROAGRO	<i>Programa de Desarrollo Agropecuario Sostenible</i> (Programme Development Sustainable Agricultura)
PROAPAC	<i>Programa Agua Potable y Alcantarillado Sanitario en pequeñas y medianas ciudades</i> (Programme Drinking Water and Sewerage Systems in small and middle-size Cities)
PRONAR	<i>Programa Nacional de Riego</i> (National Irrigation Program)
PRP	Division for Procurement Services
PRSP	Poverty Reduction Strategy Papers
Res. Rep.	Resident Representative
RESS	Division for Rehabilitation and Social Sustainability
SAP	Structural Adjustment Program
SFF	<i>Studien- und Fachkräftefond</i>
SIBTA	<i>Sistema Boliviano de Tecnología Agropecuaria</i> (Bolivian System of Agricultural Technology)
SMF	Staff Management Forum
SPD	Division for Special Programs Development
SLT	Strategic Leadership Team
TC	Technical Cooperation
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Populations Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNODC	UN Office on Drugs and Crime
UNOIP	United Nations Office of the Iraq Programme
UNOPS	United Nations Office for Project Services
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
WAASE	UNOPS Division for Western Asia, Arab States and Europe

WIPO	World Intellectual Property Organisation
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9 Tables, maps, diagrams

9.1 Tables

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10.2 Summary index of main UN documents⁵⁸³

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11 Questionnaires

11.1 UNOPS Headquarters – questionnaire for semi-structured interviews

1. When and why did you come to work with UNOPS?
2. How would you describe your main tasks? How does your work contribute to the functioning of UNOPS?
3. Did you receive training or other orientation when you started working for UNOPS?
4. Since you joined UNOPS: how has the level of training developed within UNOPS?
5. How has UNOPS' management and organisation been shaped by the self-financing principle? And by its fast growth?
6. Moving to the Chrysler Building: who decided this? What did you think of it then/now? How expensive was it? Is the rent today appropriate?
7. In recent years, UNOPS has been experiencing difficult times. What changes has this brought to you personally: your work? Your work environment? Your division?
8. 2002 was the most difficult year, so many cuts in staff. What was the feeling about that?
9. How were the staff cuts made? Did you have the feeling that it was done in the best possible way?
10. The relationship with UNDP – how do you see it? Changes in the last years? What problems? How do you see the future relationship?
11. Concerning the efforts of UNOPS to do business with the private sector – how did the senior management promote the idea? What was the outcome?
12. UNOPS was famous for its flexibility and the attitude 'we can do it'. In your opinion, is UNOPS still as flexible as it was/is considered to be? If yes, could you give me an example? If no, what are the reasons?
13. What problems in internal communication do you see?
14. Any ideas how to change/improve it? (e.g. new bulletin from Directorate?)
15. How was the last reform process in 2001 started? Who was involved? What was the intention? What was the outcome?
16. Were you satisfied with the way the reform process was prepared and its results were presented?
17. The Independent Review will have a look at the business model and the structure of UNOPS. What input could you give on this topic? What do you think about whether the structure should be changed?
18. What change do you expect concerning divisions, structures, decentralised offices?
19. Is the cost centre approach a good, practicable thing? Are the divisions working effectively?
20. What are your expectations from the Independent Review?
21. Do you see any difference to the reviews done so far?
22. What do you expect from the new Executive Director?
23. ERP will start in January 2004. Do you have the feeling that it will start well?
24. Any hopes how the work could be done more efficiently with the new system?
25. Any fears what could go wrong?
26. Comparison with the start of IMIS. How was the introduction of IMIS? How long did it take until you could work well with IMIS?
27. What do you know about the new performance management system and the pilots in Kuala Lumpur and Copenhagen?
28. What do you think of the old and the new system?
29. What changes would you like to see?
30. Is UNOPS special in the UN system? If yes, in a positive or negative way? Can any of UNOPS' experiences/practices be useful for other UN agencies, NGO, other countries?
31. UNOPS: less bureaucracy than in other UN agencies?
32. What do you think about UNOPS being self-financing? What are the advantages/disadvantages?

33. What problems/chances does the self financing principle cause/offer?
34. Can UNOPS survive as it is structured today?
35. Is there anything that should be changed to enable UNOPS to be self-financing?
36. What could other UN agencies learn from UNOPS?
37. What are the strong/weak points (project methodology, the organisation on the whole)?
38. Do you think UNOPS is out of its difficulties?
39. Where do you see UNOPS in 5 years?
40. What changes should be made in the future?
41. What else do you have on your mind? What else should I ask, either you or other staff members?

11.2 GTZ Headquarters – questionnaire for semi-structured interviews

1. When did you join the GTZ?
2. Why did you choose the GTZ as employer?
3. Did you have any training when you started to work for the GTZ?
4. How are staff members prepared for the work in the field?
5. Are you satisfied with further education facilities at the GTZ?
6. How is the project management of projects/programmes done? Any changes within recent years?
7. Since March 2003, AURA has existed. How are your experiences with it?
8. What do you think of the evaluation system e-VAL?
9. What do you think of evaluations at GTZ? (internal v external? Advantages/disadvantages?)
10. Please describe the restructuring of the GTZ which has taken place in recent years.
11. How were the changes initiated, prepared and implemented? Who was involved in the process?
12. What changed after the decentralisation of the GTZ? (Where do problems still exist in the cooperation with the HQs? What has improved?)
13. In the evaluation of the decentralisation from 1999, the gap between the HQs and the structure in the field is mentioned. Has this gap been closed?
14. Should the decentralisation go any further?
15. Please describe the internal communication at the GTZ HQs.
16. Is there any competition between any departments and/or units at the HQs?
17. What are the main problems of the GTZ (less funds from the BMZ)?
18. What works well, what doesn't at the GTZ?
19. How do you see development cooperation nowadays? What should be changed in your view- if anything?
20. Could you think of organisations that are doing development cooperation more effective than others? Either in Peru or worldwide? If so, what are the reasons?
21. Are there differences between bilateral and multilateral development cooperation activities?
22. What else do you have on your mind? What else should I ask – either you or other staff members?

11.3 UNOPS Peru

11.3.1 Questionnaire for semi-structured interviews

1. When did you join UNOPS?

2. Are you local or international staff/ a consultant?
3. Please describe the programme and your function/main tasks.
4. Have you ever been to the HQs in NYC? Any regular contact with the HQs? If so, please describe it.
5. Could you suggest what could/should be changed concerning the relationship field Peru – HQs NYC?
6. What do you think about the communication/information flow between the field and the HQs?
7. Did you receive any training or other orientation when you started working for UNOPS?
8. The GTZ, for example, trains its staff about 3 months before they are sent to their duty station in the field. What do you think about this? (Would this be a good idea for UNOPS too? Do you think it would be desirable/necessary/not necessary?)
9. What do you know about UNOPS' development in the last few years? (if interviewee does not mention it, ask further questions: financial difficulties? Restructuring? Downsizing of staff?)
10. Did the changes at the UNOPS' HQs have an influence on the work in the field and/or on the programme in Peru?
11. Please describe the relationship with the partner (problems? What works? Why difficulties?).
12. What needs to be changed in this relationship?
13. In your view: what does the partner think about UNOPS and its programme?
14. Please describe the relationship with the target group (problems? What works? Why difficulties? What is the communication like – can problems be discussed openly?).
15. In your view: what does the target group think about UNOPS and its work?
16. How are the programmes evaluated? When was the last evaluation? How many evaluators participated? What do you think of the report (useful/not useful)?
17. Which problems do you identify regarding this programme? What works? What doesn't? Why?
18. What are the lessons learnt? For the development cooperation in this sector, in Peru and in general?
19. Have you worked for other UN entities, NGOs or bilateral development cooperation organisations? If yes, kindly compare UNOPS with them. What are the differences? What do they have in common? Bureaucracy an issue?
20. Is UNOPS special in the UN system? If yes, in a positive or negative way?
21. What could be useful for other UN agencies and/or other organisations active in development cooperation?
22. Is UNOPS viable as a self-financing entity- what do you think? What advantages and disadvantages does the self-financing principle offer?
23. How do you see development cooperation nowadays? What should be changed in your view- if anything?
24. Could you think of organisations that are doing development cooperation more effective than others? Either in Peru or worldwide? If so, what are the reasons?
25. Are there differences between bilateral and multilateral development cooperation activities?
26. Where do you see UNOPS in 5 years?
27. What changes do you expect/hope for?
28. What else do you have on your mind? What else should I ask – either you or other staff members?

11.3.2 Quantitative questionnaire

Please answer the following questions. Let me know if you have any questions/difficulties. Do not hesitate to contact me. Thanks a lot for your help!

1. Since when have you been working for this programme?(Please select only one item.)

-
- less than one year
 - 1-3 years
 - 4-6 years
 - 7-10 years
 - longer than 10 years
 -
2. How much time do you spend in Lima, how much in the field? (Please select only one item.)
- only in Lima
 - 3/4 of time in Lima
 - half Lima, half field
 - 3/4 of time in the field
 - only in the field
3. Would you like to spend more time in the field /in Lima? (Please select only one item.)
- more time in the field
 - more time in Lima
 - no changes necessary/desired
4. How often do you communicate with the Headquarters (HQs) in New York?(by email, telephone, letters) (Please select only one item.)
- every day
 - at least 3 times per week
 - at least once per week
 - at least twice per month
 - once per month or less
 - no communication at all
5. Do you yourself usually communicate with the HQs or via a third person? (Please select only one item.)
- communicate myself/directly with HQs
 - communicate via a superior/colleague
 - communicate via assistant
 - communicate sometimes myself, sometimes via a third person
 - no communication with HQs
6. Would you like to have more/less communication with the HQs? (Please select only one item.)
- more communication with HQs
 - less communication with HQs
 - no changes
7. Would you be interested in emails sent from the HQs to inform all UNOPS staff about important changes at the HQs? (Please select only one item.)
- yes
 - no
 - don't know

8. What do you know about any problems UNOPS has had/has with its mother organisation UNDP in the last few years? (Please select only one item.)

- was not aware of any problems
- know more or less what was/is going on
- I am totally aware of these problems

9. What do you know about the restructuring process that was taking place in the HQs last year? (Please select only one item.)

- I do not know anything about this
- I know more or less what is going on
- I know very well what changes took place
- it had no effects on my work in Peru
- had effects on my work in Peru

10. How often do you communicate with the partner (the counterpart from the Peruvian government)- phone, email, meetings? (Please select only one item.)

- every day
- at least 3 times per week
- at least once per week
- at least twice per month
- once per month or less
- no communication at all

11. Would you like to communicate more/less with the partner?(Please select only one item.)

- more
- less
- no changes

12. How do you assess identification of the target group(s) with the project? (A target group is the group of individuals on which the project is intended to have an impact.) (Please select only one item.)

- very high
- high
- with minor reservations
- with significant reservations
- low
- absent

13. How do you assess the project's target-group orientation? The project's target-group orientation overall was/is...

- very high
- high
- with minor reservations
- with significant reservations
- low
- absent

14. Does the target group(s) perceive the implementing organisation as legitimate?(Please choose only one category.)

- very great
- great
- with minor reservations
- with significant reservations
- low
- absent

15. How successful is the programme?(please select only one item)

- very successful
- successful
- successful with reservations
- successful with severe reservations
- no success

16. What makes the programme successful (if this is the case)?(More than one item may be selected.)

- good knowledge of the problems of the country, the target group and the partner
- good cooperation with partner
- good strategy/well defined and realistic goals
- good personnel for this programme
- mutual trust between target group and UNOPS
- good equipment for this programme
- good cooperation with HQs

17. What is the reason for any difficulties (if any)?(More than one item may be selected.)

- insufficient knowledge of the problems of the country, the target group and the partner
- insufficient cooperation with partner
- insufficient strategy/not well defined and unrealistic goals
- inappropriate personnel for this programme (qualitative and/or quantitative)
- insufficient trust between target group and UNOPS
- inappropriate equipment for this programme (qualitative and/or quantitative)
- insufficient cooperation with HQs

18. What is your overall assessment of the project's impacts for reducing poverty?...also if the project was not expressly aimed at poverty reduction.(Please select only one item.)

- very high
- high
- moderate
- low
- very low
- none

19. Can UNOPS learn from the experiences of this project for future projects? If so, in which of the areas listed below? (More than one item may be selected.)

- issues related to specific fields/sector
- promotion of women/gender
- incorporation of local know-how
- poverty alleviation
- methods, instruments
- environmental protection and resource conservation
- self-help/participation
- appropriateness of technologies
- others:

20. Has the experience gained from this project been documented in writing?

- yes
- don't know
- no

21. If so, how and where was the experience documented in writing? (More than one item may be selected.)

- Specialist publications, books
- specialist journals, articles
- studies, reports
- manuals, guides, etc.
- audiovisual media (video, slides, etc.)
- unpublished documents, papers, minutes, etc
- don't know

22. Do you consider the project to be a "model demonstration project"?

- yes
- no

23. Is there anything you would like to mention that you perceive as very important? Please write it down or contact me.

11.4 GTZ Bolivia

11.4.1 Questionnaire for semi-structured interviews

1. When did you join the GTZ?
2. Why did you choose the GTZ as employer?
3. Have you worked only in the field so far or also in the HQs of the GTZ? Please describe your career at the GTZ.
4. Please describe your main function in your current position.
5. What do you think about training facilities offered by the GTZ? Did you receive any training when you started to work for the GTZ or since then?
6. What changed after the decentralisation of the GTZ? (Where do problems still exist in the cooperation with the HQs? What has improved?)
7. In the evaluation of the decentralisation from 1999, the gap between the HQs and the structure in the field is mentioned. Has this gap been closed?
8. Should the decentralisation go any further?

9. What do you think about direct communication between the BMZ and the GTZ field staff? (Useful or not useful? Possible or not possible?)
10. For a few years, programmes have been implemented instead of projects. Since when have programmes existed in Bolivia? How were they created? (any problems? Advantages/disadvantages?)
11. Since March 2003, AURA has existed. How are your experiences with it?
12. What do you think of the evaluation system e-VAL?
13. What do you think of evaluations at GTZ? (internal v external? Advantages/disadvantages?)
14. In recent years, the GTZ has received less funds from the BMZ. Do you feel this change in Bolivia as well? What changes have occurred because of the decreasing funds, if any? How does the GTZ Bolivia deal with this situation?
15. Please describe the project/programme you are working for. What are the positive/negative results? What are the reasons?
16. What are the lessons learnt – for the specific sector, for Bolivia and for development cooperation in general?
17. What do you think of the cooperation with the HQs? Please describe the relationship.
18. What do you think of the cooperation with the GTZ Office in La Paz? Please describe the relationship.
19. How does the cooperation with the partner function? Successful? Problems?
20. How does the cooperation with the target group function? Successful? Problems?
21. How do you see development cooperation nowadays? What should be changed in your view- if anything?
22. Could you think of organisations that are doing development cooperation more effectively than others? Either in Peru or worldwide? If so, what are the reasons?
23. Are there differences between bilateral and multilateral development cooperation activities?
24. Where do you see the GTZ in 5 years?
25. What changes do you expect/hope for?
26. What else do you have on your mind? What else should I ask – either you or other staff members?

11.4.2 Quantitative questionnaire

Please answer the following questions. Let me know if you have any questions/difficulties. Do not hesitate to contact me. Thanks a lot for your help!

1. Since when have you been working for the GTZ?(Please select only one item.)
 - less than one year
 - 1-3 years
 - 4-6 years
 - 7-10 years
 - longer than 10 years
2. Since when have you been working for the GTZ in Bolivia?(Please select only one item.)
 - less than one year
 - 1-3 years
 - 4-6 years
 - 7-10 years
 - longer than 10 years

3. What type of contract do you have? (Please select only one item.)

- limited
- unlimited

4. What type of contract do you have? (Please select only one item.)

- local
- seconded expert
- international expert

5. What nationality do you have? (Please select only one item.)

- Bolivian
- German
- other

6. How much time do you spend in La Paz, how much in the field? (Please select only one item.)

- only in La Paz
- 3/4 of time in La Paz
- half La Paz, half field
- 3/4 of time in the field
- only in the field

7. Would you like to spend more time in the field /in La Paz? (Please select only one item.)

- more time in the field
- more time in La Paz
- no changes necessary/desired

8. How often do you communicate with the HQs in Eschborn?(by email, telephone, letters) (Please select only one item.)

- every day
- at least 3 times per week
- at least once per week
- at least twice per month
- once per month or less
- no communication at all

9. Would you like to have more/less communication with the HQs? (Please select only one item.)

- more communication with HQs
- less communication with HQs
- no changes

10. In general, do you feel well informed regarding changes/reorganisations in the HQs? (Please select only one item.)

- very well informed
- well informed
- more or less informed
- lack of information

- I don't feel informed at all

11. What do you know about the decentralisation process of the GTZ which was started in the 1990s? (Please select only one item.)

- I don't know anything
- I have an idea of what happened
- I know well what happened
- I know the changes very well

12. Did the decentralisation have an impact on your work? (Please select only one item.)

- it had no effects on my work
- had effects on my work

13. What do you think of the effects of the decentralisation – if you have become aware of any? (Please select only one item.)

- only positive effects
- mostly positive effects
- no effects
- mostly negative effects
- only negative effects
- I don't know

14. Did the decentralisation have an influence on the efficiency of the GTZ? Today, it is more ... (Please select only one item.)

- much more efficient
- more efficient
- as efficient as before
- less efficient
- much less efficient
- I don't know

15. Did the decentralisation have any effects on the costs of the GTZ? (Please select only one item.)

- the costs are much less
- the costs are less
- no difference
- the costs are higher
- the costs are much higher
- I don't know

16. Today, programmes are implemented instead of projects. How do you see the process of forming programmes? (Please select only one item.)

- there weren't any problems in formulating programmes
- sometimes, there were problems in formulating programmes
- often, there were problems in formulating programmes
- always, there were problems in formulating programmes

- I don't know

17. How did you get to know AURA? (Please select only one item.)

- trained in a class
- trained by internet
- trained by a colleague
- still have not been trained
- I don't work with AURA

18. What do you think of AURA? (Please select only one item.)

- initially, I thought it to be very complicated
- AURA is a very useful instrument
- I prefer the system we had before
- I don't work with AURA
- I don't know

19. How did you get to know e-VAL? (Please select only one item.)

- trained in a class
- trained by internet
- trained by a colleague
- still have not been trained
- I don't work with e-VAL

20. The instrument e-VAL is... (Please select only one item.)

- very useful
- useful
- more or less useful
- not useful
- I don't know

21. For which programme do you work in Bolivia? (Please select only one item.)

- PROAGRO
- PROAPAC
- PADEP
- Proyecto
- GTZ Office (in this case, please continue with question 34)

22. How do you assess the identification of the beneficiaries with the project? (Please select only one item.)

- very high
- high
- with minor reservations
- with significant reservations
- low
- absent

23. How do you assess the project's target-group orientation? The project's target-group orientation overall was/is... (Please select only one item.)

- very high
- high
- with minor reservations
- with significant reservations
- low
- absent

24. Does the target group(s) perceive the implementing organisation as legitimate? (Please select only one item.)

- very great
- great
- with minor reservations
- with significant reservations
- low
- absent

25. How often do you communicate with the Bolivian partner (national, regional and/or local) - phone, email, meetings? (Please select only one item.)

- every day
- at least 3 times per week
- at least once per week
- at least twice per month
- once per month or less
- no communication at all

26. Would you like to communicate more/less with the partner?(Please select only one item.)

- more
- less
- no changes

27. How successful is the programme?(please select only one item)

- very successful
- successful
- successful with reservations
- successful with severe reservations
- no success
- I don't know

28. What makes the programme successful (if this is the case)?(More than one item may be selected.)

- good knowledge of the problems of the country, the target group and the partner
- good cooperation with partner
- good strategy/well defined and realistic goals
- good personnel for this programme
- mutual trust between target group and UNOPS

- good equipment for this programme
- good cooperation with HQs
- others:
- I don't know

29. What is the reason for any difficulties (if any)?(More than one item may be selected.)

- insufficient knowledge of the problems of the country, the target group and the partner
- insufficient cooperation with partner
- insufficient strategy/not well defined and unrealistic goals
- inappropriate personnel for this programme (qualitative and/or quantitative)
- insufficient trust between target group and UNOPS
- inappropriate equipment for this programme (qualitative and/or quantitative)
- insufficient cooperation with HQs
- others:
- I don't know

30. What is your overall assessment of the project's impacts for reducing poverty?(Please select only one item.)

- very high
- high
- moderate
- low
- very low
- none
- I don't know

31. Can the GTZ learn from the experiences of this programme for future programmes? If so, in which of the areas listed below? (More than one item may be selected.)

- issues related to specific fields/sector
- promotion of women/gender
- incorporation of local know-how
- poverty alleviation
- methods, instruments
- environmental protection and resource conservation
- self-help/participation
- appropriateness of technologies
- others:

32. Has the experience gained from this project been documented in writing?

- yes, sufficiently
- yes, some of them
- no
- I don't know

33. If so, how and where was the experience documented in writing? (More than one item may be selected.)

- Specialist publications, books

-
- specialist journals, articles
 - studies, reports
 - manuals, guides, etc.
 - audiovisual media (video, slides, etc.)
 - unpublished documents, papers, minutes, etc
 - I don't know

34. Is there anything you would like to mention that you perceive as very important? Please write it down or contact me.