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Guidelines for Impact Monitoring in Economic and Employment Promotion Projects with Special Reference to Poverty Reduction Impacts

Part I: Why Do Impact Monitoring? - A Guide

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PREFACE

Today in development co-operation demands on the quality of projects are increasing while at the same time means are becoming scarce. Thus, organisations have to arrange their work particularly efficient and sustainable. The pressure to provide “empirical proof” of results and impacts is increasing as well and the reference to achievements as activities and results is not sufficient, the focus lies on the actual impacts of these achievements. Unfortunately, regular monitoring of impacts still is exceptional in today’s development co-operation.

One aim in publishing this paper is to help closing this gap between demands and reality. Already now, it can be stated that these guidelines are an important completion to the range of instruments of the project-internal monitoring and evaluation system of the GTZ.

The working group of the sector project “Poverty Reduction through Economic and Employment Promotion (EEP)” developed these guidelines in a participatory process and succeeded in maintaining this procedure up to the application of impact monitoring. Those involved understand impact monitoring as an activity

- that meets the interests and needs of the stakeholders
- whose know-how and experience is taken into account and
- that in the long-term makes it possible to carry out impact monitoring without the support of the project.

“Best practices” from projects and various publications, in particular qualitative methods of impact observation, analysis and evaluation, are hereby made available to AP/advisors in the projects, partner experts and planners in the field of EEP who have decided to implement impact monitoring in their respective projects or those who have implemented it already.

These guidelines provide them with a comprehensive and systematic description how to develop a participatory impact monitoring system. Also clear definitions of monitoring, impacts and impact monitoring are included. Finally, six methodical steps for structuring and implementing impact monitoring are outlined. In Part II these steps are described in detail quoting examples from the day-to-day work of projects in the field of EEP and at the very end a broad range of methods and instruments is presented.

This paper was written for projects in the field of EEP with special reference to poverty reduction in particular, nevertheless, the concept it is based on allows for a broader field of application.

Günter Schröter

1. INTRODUCTION

A precise understanding of results and impacts throughout the course of a project contributes towards improving controlling and thus to the success of the project. At the same time it provides reliable accountability to the commissioners of the project and the general public. The guidelines at hand provide practical help for implementing and enforcing poverty reduction impact observations as well as for analysing in Economic and Employment Promotion projects. It provides answers to the requirements of one department, but is at the same time a part of the GTZ's reorientation in terms of management policy.

The topic "Impact Observation" has become impressively popular at the GTZ over the past two years. On the leadership level, strategic decisions have been taken to create the necessary room to develop the initiatives for observing impacts.

The sector project in the Department of Economic and Employment Promotion has initiated and operationalised these guidelines for poverty-related impact monitoring which are valid for the whole of the GTZ.

1.1 Poverty Reduction through Economic and Employment Promotion

It is our understanding that economic and employment promotion encompasses the promotion of the smallest, small and medium-sized enterprises (SSMEs), the development of a financial system, vocational training, as well as job market policies, for example, job placement.

By strengthening the competitiveness of the SMEs with growth potential by means of financial and non-financial services, as well as vocational training measures, medium- and long-term growth impulses are initiated in the political economics that initiate both positive income and employment effects and also increase the room for redistribution in favour of the poor.

The income and employment impacts achieved in this manner do not, however, in most cases automatically reach the poor in the short- and medium-term. Targeted strategies, approaches and measures are necessary so that the poor gain qualifications and develop their ability to articulate and organise themselves. They are then in a better position to find employment or to be-

come self-employed in order to be able to co-operate in economic life and also to stand up for their own interests as equal partners and in some cases to use the possibilities that still have to be created. Systematic approaches are required with intervention on the micro, meso and macro level. Within the framework of these approaches, reasonable basic conditions are created, a connection between a peoples' economy and the modern sector is made easier and strategic alliances of different actors from the state, private economy and civil society, on the communal or regional level, are initiated. The goal is to secure and create employment and income for the poor. The strategies to be followed in co-operation with the poor and instruments and measures to be employed must, on the grounds of the differing initial prerequisites of poor target groups, be adapted to their requirements and adequately differentiated.

Against this background, the aim of the sector project is to achieve positive income and employment effects in poor population groups through measures to alleviate poverty. Naturally, poverty does not only express itself in terms of poverty of income due to lack of employment or under-employment, but

also in the lack of access to infrastructure, educational opportunities, health, in malnutrition, high infant mortality rates, inadequate living conditions, etc., as well as particularly in the lack of a share and participation in the political, social and economic life of the country.

Measures implemented as part of economic and employment promotion can and should not cover all areas. In some cases measures in other areas, for example, basic education and health are prerequisites for a successful promotion in the field of economic and employment promotion.

The indicators against which successful poverty alleviating economic and employment promotion can be measured are certainly the stabilisation and increase in employment and income of poor target groups and improved working conditions. Prospering undertakings can provide indications of possible improvements in the economic and employment situation of the poor, but are not sufficient as the only indicators. The poor often cite, for example, better nourishment and living conditions as well as children attending school as a result of improved income as indicators for their improved situation.

Against the background of a mostly limited share and participation of the poor in the decision-making processes, greater significance is attached to the goal of increasing occupational and enterprising competence, as well as building up the frequent lack of self-confidence in dealings with the government and non-government institutions, i.e., the poor's capacity to articulate and organise themselves.

In order to be able to assess which impacts are actually attained by implementing various measures, they have to be observed and analysed continuously throughout the course of the project.

We can differentiate between projects to directly alleviate poverty, which reach the poor target groups via short impact chains, and projects aimed at overall

poverty reduction, which reach the poor target groups via longer impact chains. In accordance with the Guidelines for Assessing Poverty Reduction of Co-operation Projects of 24 November 1997, the following criteria must be met to varying degrees:

- The poor are a part of the target group.
- The project improves the living conditions of the poor and promotes their productive potentials.
- The poor participate in the project.
- The project is embedded in a poverty alleviating environment.

Beyond that, there are projects which are oriented to common development policy, in which, however, these criteria of poverty reduction are not fulfilled.

Identifying Poverty Reduction Projects

<u>Immediate Poverty Reduction</u> Projects with target groups which are delimitable and can be reached directly (via short impact chain)	<u>Overall Poverty Reduction</u> Projects with target groups which are not delimitable and cannot be directly reached (via longer impact chain)
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Criteria	SHA	SUA	MSA	EPA
	Self-help oriented poverty reduction	Other immediate poverty reduction, esp. basic social services	Overall poverty reduction on a macro and sector level	General development policy
1. Are the poor part of the target groups?	The proportion of poor in the target groups equals – least 50% – at least the same share as that of the poor in the population in the corresponding region (lower limit 30%)		Poor in the region or in the country benefit from the indirect impacts of the project to an appreciable extent	Criteria are not or only partly fulfilled: Projects are worthy of promotion based on general development considerations.
2. Does the project improve the living conditions of the poor and promote their productive potentials?	X	X	X	
3. Are the poor involved?	Personally responsible and organising themselves	Involvement in and identification with the project	Important mechanisms towards participation of the poor in political and social process are basically available	
4. Is the project embedded in a poverty-oriented project?	Local basic conditions in the project area are favourable		Plausible impact chain between project and improvement of living conditions of the poor	
	Room for NGOs guaranteed			

Source: BMZ, Dept. 411, 24 November 1997

Depending on their targets and basic impact chains, projects will thus contribute to poverty alleviation to varying degrees. Poverty will be seen to be reduced to correspondingly different degrees.

Nevertheless, we believe that it is important that projects that make no explicit reference to poverty also observe the projects' impacts on the poor. Less-qualified poor population groups or greater pressure on working conditions, for example, can emerge due to the promotion of SMEs. These could be unintended impacts. When impacts have actually been observed and analysed, the next step is to decide whether measures should be taken up in the project itself or in the project environment which can cushion the impact or compensate the observed effects. Those responsible for the project require adequate instruments and methods to do this.

The procedures, instruments and methods described in these Guidelines indicate both general steps for implementing and enforcing impact monitoring, as well as more specific suggestions for monitoring poverty alleviating impacts in Economic and Employment Promotion projects.

1.2 Goal of the Guidelines

Our¹ aim in publishing these Guidelines was to animate you, together with those responsible for the project, to continuously observe the project impacts in order to learn more about project implementation. We would like to provide you with ideas, methods and instruments with which to carry out impact monitoring with the available human and financial resources in a sustainable way.

Our special concern is the monitoring of poverty alleviating impacts. In order to do justice to the different type of economic and employment promotion projects, we have selected a procedure which is flexible enough to allow it to be integrated into the different projects. These projects can work with differing goals, strategies and clusters of measures and, depending on the intervention level, pass along impact chains of varying lengths until the goal of poverty reduction is achieved.

Impact monitoring should support those involved in the project in observing intended and unintended, especially pov-

¹ The Sector Project "Poverty Reduction through Economic and Employment Promotion" and the Staff Section 04

erty-related impacts, to analyse and represent, as well as to (re)orient project planning and implementation around the effects of project intervention and thus to improve the quality of project services.

In the first part, we address AP/advisors in Economic and Employment Promotion projects, partner experts and planners who have not implemented impact monitoring as yet, as they, for example, believe that the time or cost would be too high or the impacts of their project are such that they can neither be observed nor measured.

Point 2 shows why impact monitoring is important, how it can help you and on which concepts the result- and impact-oriented monitoring and evaluation system are based in the GTZ today.

Point 3 describes what our definition of monitoring, impacts and impact monitoring and, especially, how poverty alleviating impacts can be incorporated.²

Point 4 briefly describes six methodical steps for structuring and implementing

impact monitoring. The steps are described in detail in Part II in relation to the different areas of employment.

In order to understand Part II you do not necessarily have to have read Part I.

Part II, which is considerably longer, addresses AP/advisors in Economic and Employment Promotion projects, partner experts, planners and experts who have decided to introduce impact monitoring in their respective projects or have implemented it already. We want to provide you with concrete tools.

For this purpose point 1 describes in detail six steps for implementing and enforcing impact monitoring, quoting examples from the day-to-day work of projects in the field of economic and employment promotion. Based on short descriptions, point 2 introduces examples from day-to-day project management practice, the procedures of which we have attributed to individual steps in order to indicate the different possibilities of applying the six steps in practice. Point 2 presents different methods and instruments which you can apply.

² We are here strictly following the GTZ publication of the Staff Section 04 "Monitoring im Projekt", as well as Department 45 and a Swiss Development Organisation "Guidelines for Impact Monitoring – Sustainable Land Management".

2. WHY DO WE NEED IMPACT MONITORING AND WHAT FOR?

2.1 What is the Purpose of Impact Monitoring?

Impact monitoring enables you and others involved in the project to observe, as well as to learn about the positive and negative changes in participating institutions, target groups and in the project environment.

For example, you can experience

- which desired or undesired changes set in where;
- how these changes come about;
- why some desired changes do not set in.

Observing changes and “learning” from experience gained enables you, together with those involved, to find answers to questions such as: Can we proceed further in the present form? What can and should we do differently in order to achieve the desired changes?

Impact monitoring consequently creates the basis on which to adapt project planning and implementation in the course of the project in such a way that they can be oriented towards the in-

tended, especially poverty alleviating impacts, and hence improve the quality of project services.

Furthermore, impact monitoring supports the project participants in their accountability to your commissioners and financiers (BMZ / national governments / international organisations), by providing you with the necessary information to describe what the stakeholders achieved by means of the project work and how they have achieved it.

2.2 Impact Monitoring as Part of the GTZ’s Quality Management

The GTZ already has many institutions, instruments and procedures for guaranteeing the quality of its work with respect to content and administration. The assessment of current and completed technical co-operation (TC) projects of the past years has shown that, in view of the objective difficulties of development co-operation, the work carried out on location, is of an increasingly satisfying standard.³

In view of the challenge to secure the quality of its world-wide development

³ Cf. “Erreicht die Technische Zusammenarbeit die gesetzten Ziele”, GTZ 1998.

work, under conditions of decentralisation and flexibility, too, the GTZ must follow a new course and adapt its range of instruments.

Up to now quality assurance was above all based on “quality at entry”. First of all, the prerequisites for a project were thoroughly explained. Then, all the steps were planned logically and in a target-oriented manner. This method of procedure seemed to guarantee quality and success. However, project practice over many years has shown us that this does not always hold true – at any rate not when we define “success” as positive results of development.

Through planning, coupled with monitoring orientated to a target-performance comparison, “project implementation according to plan” becomes possible. Nevertheless, this is not necessarily identical with actual development success. There is evidence to suggest that the extent to which we invest in the exact preplanning of individual projects does not adequately correlate with the advancement of economic and social development processes in partner countries. More planning does not automatically lead to more success. If, today, in times of very dynamic development co-operation, there is any con-

nection between detailed planning and development success at all, it seems to be moving rather in the opposite direction. Project practice shows us time and again that planning, by establishing more and more details, does not become more realistic, as has been assumed for so long, but rather the opposite is true: it becomes more “unrealistic”. Guided by plans, with often ambitious overall goals and targets, as well as an imposing list of activities, our possibilities in everyday project implementation of grasping unexpected opportunities with both hands and elegantly circumnavigating unexpected obstacles rapidly diminish.

In order to escape this “logic of failure”, we must change decisive aspects of our methods – established routines with which we approach, implement and observe a project. The central point is that we want to turn our backs on planning and move towards results and impacts. We must reduce the amount of effort put into planning to a necessary minimum and decisively invest the remaining energy in the systematic observation and analysis of results and impacts. This information gives us clues, if need be, to the required changes on the different levels of project work.

The GTZ has already made good headway in reorganising itself into a modern service provider. The working group has already taken up the subject of "Impact Monitoring" under its own initiative with great enthusiasm. At the same time, the GTZ's highest management level has made basic decisions mandatory for this change in vision.

2.3 A New Quality Management

Milestones for implementing quality assurance at the GTZ have been the introduction of ZOPP in 1983, the project "Planning and Sustainability" in 1992, the creation of a "Quality Assurance of Offers" in 1993, the new version of the "Decision-Making Patterns for Preparing and Implementing Projects" in 1996, the optimisation of internal service providers in 1996, the analysis of the GTZ's key tasks and the establishment of inter-departmental "Quality Advisory Services" team in 1997. If one looks at the entire process, one can detect a move in terms of quality criteria away from "doing" towards "advising". Methods of procedure which, although they describe the project conception in detail, but do not adequately assess the project success, are increasingly being criticised.

Against this background, the management of the GTZ made a far-reaching decision in November 1997 on quality management, by formulating the following three guiding principles:

- a) "For the GTZ, quality means matching its services with the aspirations of the client."
- b) "The most conspicuous basis for the general high quality of GTZ services is a business culture directed entirely towards quality."
- c) "At the end of the day the GTZ can only satisfy its clients by means of the usefulness of its service results."

Up until now, quality had an absolute and normative character at the GTZ. It was to be measured, amongst others, by means of the degree of poverty reduction, the promotion of women, the protection of environment. New challenges were continuously being added to these, putting staff in projects and at Headquarters under increasing pressure, but little changed the course and result of the work.

The above-mentioned new orientation towards quality opens up new vistas. Based on the recognition of the fact that in our development co-operation we can

only achieve what our “clients” want, the GTZ now sees that matching its services with the wishes of the client is not the only, but the most significant criteria for quality.

The criteria of quality are no longer absolute, but relative!

But who is the client? Clients of the GTZ are the commissioners, the counterparts and the target groups, hence a broad spectrum of actors, who normally have at least partially differing interests.

Consequently, one cannot speak of the aspirations of clients, but rather of partly diverging interests of the individual actors participating in a project.

One of the most important tasks of the GTZ is to define the commission. Based on requests for support, the different targets and aspirations are worked out and, if possible, consolidated as part of an advisory process with the different stakeholders and interest groups.

This work includes an advisory service. Should the GTZ estimate the target or the suggested action areas as inadequate or in contradiction to the professional ethics of its development work, it will try, during the advisory process, for

all actors to reach a common denominator, i.e., the GTZ itself too. Should this not work, it can, if need be, withdraw from the commission.

How does the GTZ recognise whether its different clients are satisfied with the services or not?

As already stated, good prospects and precisely formulated plans are not sufficient. For our clients – commissioners, counterparts and target groups – it is above all the results of the work that count and also what has actually been accomplished under the real-life development conditions. If we take the satisfaction of our clients as a standard for quality and know at the same time that this satisfaction is based on useful results and impacts, then that means that we must

- create prerequisites for good services, but also
- assess time and again how successful our activities actually are.

2.3.1 Creating prerequisites for good services

The GTZ has already taken important steps to improve the prerequisites for good services. The Reform of Human Resources Management was guided by

the recognition that GTZ staff are by far the most important support for providing good quality services. The adjustments made to selection procedures have been influenced by the experience that it is a matter of employing the “right people” from the beginning and not of overestimating the corrections which are possible by means of further training. Without suitable human resources, good services are not possible, but that is not even the whole picture.

Another important pillar of good services are suitable organisational and implementing structures. The best staff cannot work to their fullest potential if the wings of their ability and motivation are clipped through out-dated organisation and procedures. The GTZ has clearly improved the prerequisites for maintaining high-quality standards through decentralisation and flexibility, as well as through the accompanying new rules.

A further condition for high quality still remains, namely systematic assessment of the actual success of our efforts. A new approach to evaluation based on learning was required for that.

2.4 A New Approach to Evaluation

How and from what do we learn? Numerous analyses of individual and institutional learning have been carried out and many books written on the subject, all of which have considerably extended our understanding of the learning process. A more detailed analysis of this topic would go beyond the scope of this report. However, it is generally recognised that one must look at one's own results and impacts in order to be able to act correctly and appropriately. Engineers differentiate in this connection between the terms “controlling” and “regulation”. If all the details of a production process are determined and cannot be disturbed by external influences, then it can be “controlled” successfully by means of a fixed programme. However, when production is subject to fluctuating conditions, certain targets are attained only through “regulation”. Controlling is always based on the same execution of the predetermined orders, during which regulation orients itself to its results and flexibly corrects the observed decisions. The symbol for control is a straight arrow; the symbol for regulation a bow, also known as “feedback”. Learning is based on such feedback bows: the observation and assessment of results and impacts

of one's own activities are its most important source.

In order to strengthen the learning method of monitoring and evaluation (M&E), we must find new ways in these areas too. The methods of target-performance comparison which form the core of our M&E process are inadequate for acquiring the required "feedback" for successful activities. We have repeatedly experienced in development cooperation the phenomenon that the results and impacts of a project always deviate from what was actually intended, or that what was achieved was not intended, i.e., that many results and impacts of our actions go far beyond what can be recorded by the target-oriented observation of the actual conditions.

The decisive question for assessing success is not, therefore, whether the planned results were achieved. Instead it asks which results were achieved. The question of whether the arising impacts correspond to the planned targets is less important than the answering of the question: which impacts have actually occurred?

2.4.1 A paradigmatic change

This leads to a paradigmatic change in planning and evaluation, which especially increases the chances of a demand-oriented project practice in the rather complex approaches of poverty-oriented economic and employment promotion.

The traditional method of procedure is characterised by linear thinking and division of labour. "In a systematically structured learning process (...) however, an iterative method of procedure dominates in which each solved problem throws up new questions and creates new problems (...) The project does not plan in detail and ex ante a complex development process, but reacts flexibly to an actually arising need – obviously against the background of the ex ante defined common targets. Flexibility and demand-orientation should not be mistaken for aimlessness and popularity"⁴. Learning from feedback leads to a different approach to plans, targets and deviations registered by them in the course of the project:

⁴ Meyer- Stamer, Qualmann, "Wirtschafts- und Beschäftigungsförderung in systemischer Perspektive: KMU-Förderung, Förderung des Subsistenz-Kleingewerbes und Beschäftigungsförderung – Ansatzpunkte und Komplementaritäten", 1999, page 25.

“Previously, a deviation from the plan, from the envisaged goal or the intended impacts, were experienced as something negative, leading to opposition and frustration amongst the stakeholders. But what happens when the project target and plan are consciously seen as variables which not only change during the course of the project, but should also develop?”⁵

As usual, we must obviously be accountable to the employers and the public as to whether and to what extent the project has obtained its target, if need be also why the originally planned targets could not be achieved and, accordingly, how the project concept has changed. For that reason and for our own quality management, we, therefore, also need information on the unintended results and impacts of a positive as well as of a negative kind.

The new, approach to evaluation which is geared towards impact paves the way for further possibilities. It not only goes above and beyond target-performance comparison, but can also go beyond the consideration of the individual case. It

has now been established that the individual project is very seldomly the decisive “unit of account”. The success of a project is not always an immediate development success. Projects can be successfully completed without having promoted the social and economic development in their environment; they can even have had a negative influence on the development process. These impacts cannot then be put down to individual projects, but rather to project-independent impact monitoring, such as described under point 3.3.3 below.

2.5 The GTZ’s New System of Evaluation

At present the GTZ is in the process of establishing a new system of evaluation according to the above-mentioned approach and in consultation with its commissioners.

This system of evaluation must correspond to the following two fundamental requirements in order to unfold the expected benefit, as well as to be accepted both internally and externally:

- It must fit into the assessment of success of German technical cooperation (TC) as newly classified by the BMZ, and

⁵ Quotation, Mueller-Glodde, Rainer “Wie plant man, was sich nicht denken lässt”, in Drehscheibe, GTZ, OE 4206, Edition no. 9, October 1997, Pages 3-6.

- It must correspond to the GTZ's basic requirements of decentralisation.

Correspondingly, the GTZ's new system of evaluation has been classified in a new way. As the external evaluation of the GTZ is increasingly targeted towards bigger assessment units which go beyond the bounds of individual projects, such as cross-section topics, sectors and instruments, the evaluation tasks which the GTZ has to take on have been extended. The catalogue of tasks assigned to the GTZ today not only includes regular course of the project and impact monitoring and special project supervision, such as Project Progress Review (PPR) and final assessment, but also the observation of offers and project preparation. The GTZ was also entrusted with a large proportion of individual project assessment (which has up to now been carried out by the BMZ), under the condition that it respect the BMZ's evaluation model and the principles of evaluation formulated by the DAC⁶.

⁶ Independence, credibility and utility are the decisive quality characteristics of each evaluating project. As per the requirement that independence must result after each step of the evaluation process, i.e., both during the planning of the entire evaluation programme, as well as in the formulation of the terms of reference and the selection of evaluation team. Evaluation tasks should be always be observed separately from operative management. Nevertheless, the institu-

In this manner, the GTZ's system of evaluation becomes part of the system of progress review of German TC which has been redesigned by the BMZ.

The second requirement relates to the consideration of the basic principles of decentralisation. Decentralisation is based on the trust in the competence and the readiness of the staff to take on responsibility for quality at their own place of work. This is the prerequisite for client-oriented services. Quality assurance should not, therefore, be delegated to the central supervision and assessment units. A consistently high level of quality can be realised only on the basis of an overall business culture geared towards quality.

One can deduce from this that monitoring and self-evaluation of the projects and programmes must form the basis of the GTZ's overall system of evaluation. Whether quality assurance places its trust in control or autonomy makes an immense difference. Experience has taught us that self-evaluation, as a rule, is more critical and cost-effective than

tional separation should not be carried so far as to lose the connection between evaluation results and operative decisions. One possibility, for guaranteeing the required balance is to transfer the evaluation function to a special organisational unit placed directly under the highest management organ.

external controlling and that it contributes to learning both in the project as well as within the GTZ as an organisation.

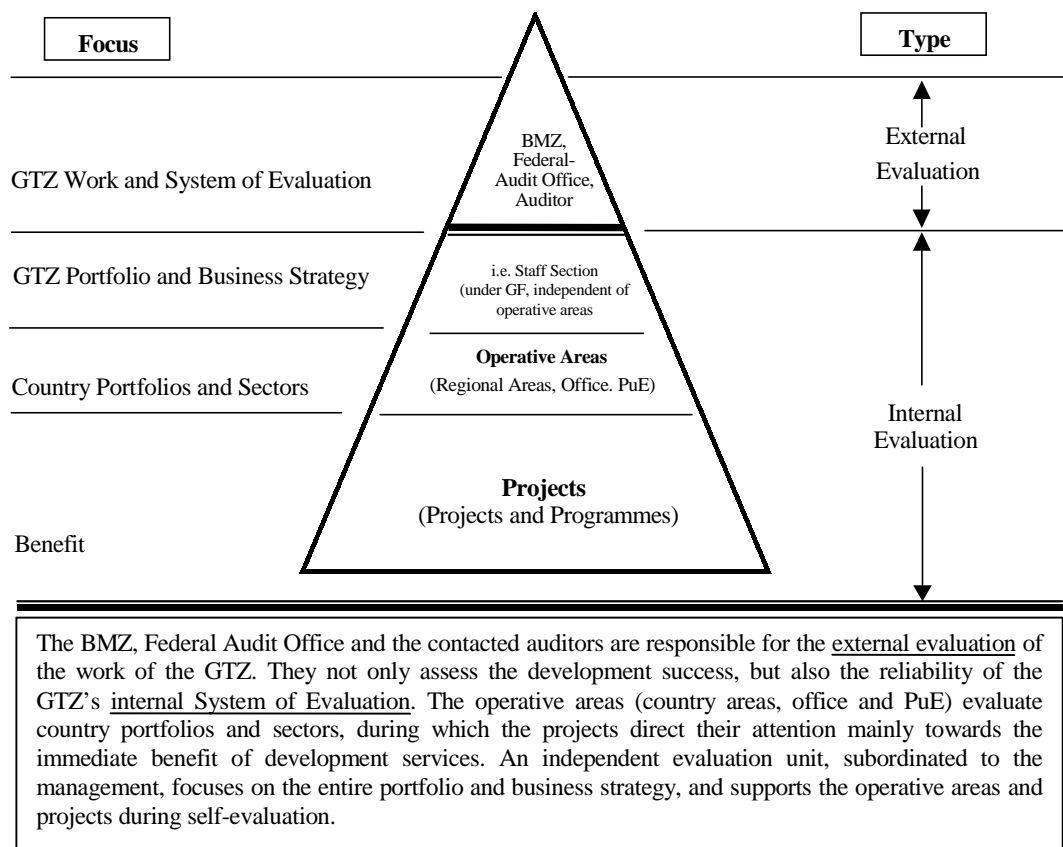
Nevertheless, the GTZ's system of evaluation cannot only support itself by means of the two pillars of evaluation through external units and self-evaluation of projects and operative areas. Although approaches are integral parts of a modern system of evaluation, they do not fulfil all the requirements. External evaluation measures in the first instance serve accountability; the operative areas can learn only minimally from them. The opposite, however, applies, in that learning is at the forefront of self-evaluation measures, whilst intermediary steps are required for accountability, with which the individual piece of information has to be aggregated and condensed.

Therefore, a third element of internal evaluation is required, namely, an evaluation unit which is independent of the

operative management. The evaluation unit should support the self-evaluation measures of the operative units and carry out the aggregation of individual information, should do the necessary groundwork for the external evaluation and for the overall smooth functioning of the entire system. At the moment, these tasks are implemented by the Internal Evaluation Team in Staff Section 04. In autumn 1999, the GTZ will decide on how to reorganise its internal evaluation capacity.

The GTZ's system of evaluation which is at presently being established is, as shown below, based on a pyramid structure and creates a connection to the external evaluation by means of its own evaluation unit. Important parts of the system are already operational and are to be fully functional by mid-2000.

The GTZ System of Evaluation



3. OUR DEFINITION OF IMPACT MONITORING

3.1 Monitoring as an Instrument and a Process

In accordance with the general understanding within the GTZ, we define monitoring as an⁷

- instrument of programme management which helps those responsible

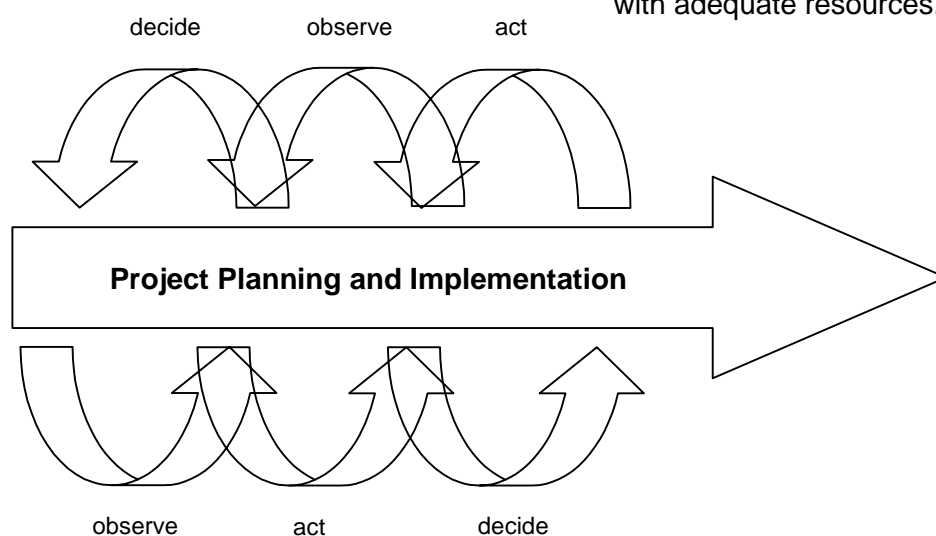
⁷ Cf. "Monitoring im Projekt".

for the project, i.e., our "counterparts"⁸ and their advisors to continually direct their work towards the desired project results and project targets, to document these and to present them and to improve the quality of the project performances;

⁸ We define "counterpart" as those organisations or units in partner countries which we work directly with. They are the clients of the GTZ advisory services and the recipient of GTZ services.

- organised communication and understanding process between the different stakeholders concerning the following questions: What do we want? Where do we stand? Where are going? Which corrections need to be made?
- instrument of organisational development with which a learning and development process is initiated and carried out autonomously by the stakeholders in a project.

Monitoring is an integral part of *“Project Cycle Management”*. Monitoring activities must also be planned and equipped with adequate resources.



<p>“Monitoring is concerned with consciously selecting questions which we follow systematically and in a target-oriented manner. The insights gained serve the stakeholders during decision-making processes, in controlling and shaping their project, thus leading to the best possible achievement of targets.”</p>	<p>Monitoring is not only the acquisition of information and the handling (measuring, describing, evaluating, discussing and furthering) of information.</p> <p>Monitoring is also allowing the results to be integrated into planning and implementation to improve, adapt and to change them.</p> <p>“Monitoring not only needs instruments; monitoring also requires the readiness to talk.”⁹</p>
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⁹ Quotation from “Monitoring – mit der Realität in Kontakt bleiben”, “Monitoring in the Project”.

3.2 Different Levels of Monitoring

We differentiate three levels of monitoring.¹⁰

Activity Monitoring:

Which activities have we planned?

Which activities have we carried out?

(target-performance comparison)

Result Monitoring:

What have we achieved?

Impact Monitoring:

What impact does our work have?

These guidelines concentrate on the monitoring of impacts.

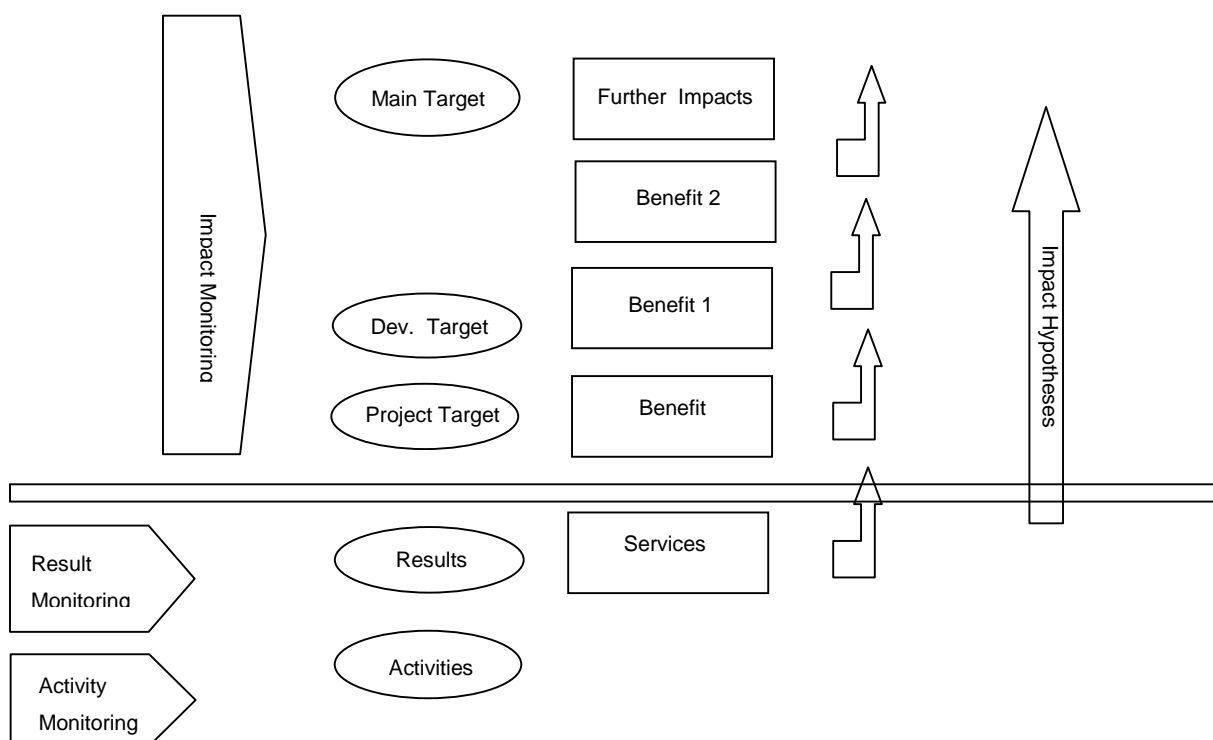
As mentioned above, impact monitoring provides the basis for orienting project and programme implementation towards the intended impacts. Naturally, making corrections to a project which does not achieve the intended impacts means changing its concept, and/or its organisation and/or environment and/or its target relationship, etc., i.e., its strategic parameters. This, however, does not

mean that the project stakeholders have to continuously observe all these strategic parameters.

More importantly, as a result project staff should observe whether the intended results and impacts, or which results and impacts, have been achieved in order, in the case of deviations, to be able to look for the causes and to make corrections in the respective areas. The projects should reach an agreement with the stakeholders on the question of which type of monitoring they can additionally implement under consideration of their targets and as well as temporal and financial resources. More information is available on the other levels of monitoring. We can particularly recommend the publications "Monitoring im Projekt – Eine Orientierung für Vorhaben in der Technischen Zusammenarbeit", "Monitoring – der Realität in Kontakt bleiben", as well as "Processmonitoring – Eine Arbeitshilfe für Projektmitarbeiter/-innen".¹¹

¹⁰ In addition, one can differentiate two additional levels: 1. Area Monitoring: Which external factors promote or hinder our work? 2. Process Monitoring: How have we attained something? Why have we not attained something?

¹¹ See Bibliography (in Part II).



3.3 Which Impacts are We Dealing With?

“Projects are effective if the target groups require the project services, if they benefit from them and develop further in the direction they desire.”¹²

We define impacts as the desired and undesired, intentional and unintentional impacts of project interventions or project services.

In accordance with the generally accepted GTZ understanding, we differen-

tiate between benefit, direct benefit and extensive impacts:

- Benefit – the first impact level – describes whether and how the project services are used by the target groups.
- Direct Benefit – the second impact level – describes the benefit for the target group achieved directly from a benefit.
- Extensive indirect impacts and highest-aggregated development progress – the additional impact levels – describe the changes that affect our work beyond the direct benefit in the area or also long-term

¹² Cf. “Monitoring im Projekt”.

impacts, which appear only after the project has ended.

3.3.1 The difficulties in measuring impact

Up until now, projects and programmes were over-burdened with requirements made of their success monitoring. Most M&E systems are directed towards target-performance comparisons. They should, however, still provide proof of what they have contributed towards the attainment of the highest-aggregated development progress (e.g., poverty reduction in a region, in the country). Experience has shown that only few projects are in a position to do that. Reliable performance levels are rarely available and if a relationship to highly-aggregated development progress can be established at all, then it is often via long, usually incomprehensible impact hypotheses which should explain that and why the project, for example, has not alleviated poverty in a given area.

The persuasive power of this “impact evidence” is meagre. In the past, one quite often heard the opinion that the corresponding project management was not carrying out its M&E tasks sufficiently and with insufficient professionalism.

Of late, the insight has, however, arisen more and more that, as a rule, it is not the programme management which fails, but instead that the project is usually being asked to do the impossible. Although many TC projects certainly do contribute towards economic and social development, this can hardly be statistically isolated in the network of real development processes – given an average endowment of DM 5 million. In technical terms this is known as a too low “factor weight”.

Today's pressure to provide proof of results and impacts appears to aggravate the problem even further. Because the commissioners and the public have to be reliably informed with regard to what was actually achieved with the tax money invested in development co-operation, now “empirical proof” has to be presented, where up to now one rather worked with declarations of intent.

But how are we to carry out impact monitoring if the experience of two years of M&E practice show that the impacts of TC projects can only be reliably traced for a short time and, more significantly, when we are striving to link the German contribution to other development initiatives in the counterpart country? How is the contribution of an indi-

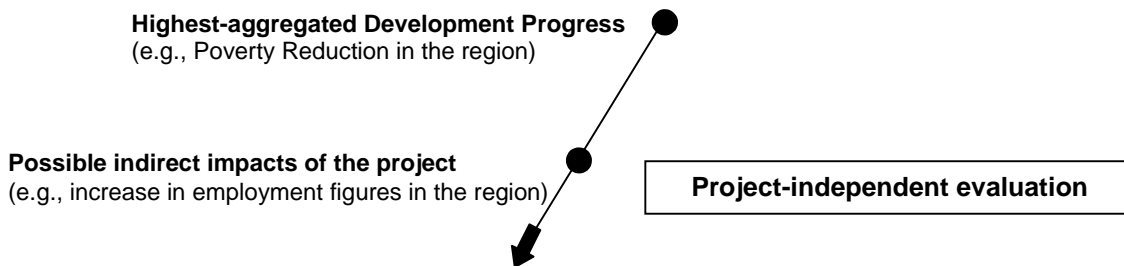
vidual project to be isolated in the complex development system?

3.3.2 The GTZ's Impact Model

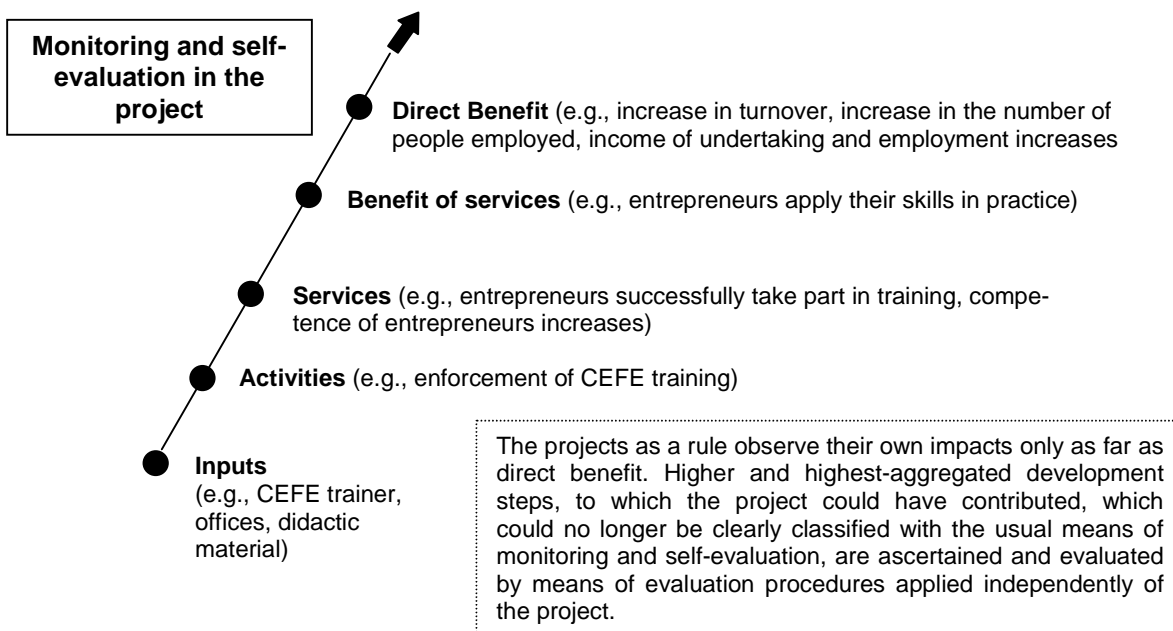
The GTZ's Impact Model provides an answer to these questions. This model is being used (as far as is known, for the first time in an evaluation concept of international development co-operation), to concede that a "classification gap" exists and to recognise it as a fundamental methodical problem of impact analysis. If at all, then the time is right

today to end mere the good intentions of impact analysis. In order not to suffer a setback during the first steps of implementation, but rather to achieve a practicable solution, one must know that, although necessary, it is difficult to evaluate results and impacts. Although determining development progress is difficult, it is still possible. The actual difficulties lie in the "attribution", i.e., in the classification of a highly-aggregated development progress for individual projects.

The Impact Model of the GTZ



CLASSIFICATION GAP



Source, GTZ, Staff Section 04, 1999

In order to understand the difficulties, it is helpful to look at a typical impact chain of economic and employment promotion on the basis of the model described.

Equipped with certain inputs (here CEFE trainer, offices, didactic material),

the project unfolds "activities" (e.g., CEFE training for the smallest businesses in the informal sector) and produces services and results (entrepreneurs take part in training). These services are used by the stakeholders in such a way that they apply the knowledge acquired (e.g., developing new

product ideas or up-to-date cost observation) in their small business (benefit). Their direct benefit would then, for example, be the stabilisation of the business and, thus, the sources of income for small entrepreneurs or an increase in income, which contributes to being able to better feed the family (a poverty alleviating impact relating to an individual).

In this lower part of the impact chain, the classification is still relatively simple, as the analysis is closely linked to the project. Nevertheless, causalities cannot necessarily be proved here, as there is a whole series of other influencing factors which are rarely known to everyone and normally cannot be isolated.

The further we progress along the impact chain (and thus distance ourselves from the project), the more difficult the classification becomes. Therefore, before we reach the higher-aggregated development progress, in practically every case we come across a classification gap which a project can hardly bridge using its own funds.

The impact model adopted for the GTZ's system of evaluation locates the classification gap on the basis of a typical impact chain and based on this classifica-

tion gap it limits the tasks to be undertaken by the project itself.

3.3.3 Consequences of the impact model for impact monitoring in projects

When they are based on this model, the projects are expected to:

- a) observe their impacts themselves up to the level of direct benefit;
- b) use the results of observation for self-control; and
- c) be able to provide up-to-date information at any time.¹³

In accordance with the impact hypothesis and impact model underlying the project, it is expected that the projects will understand the poverty alleviating impacts of their work up to the level of direct benefit as defined in the impact chain.

According to this model, establishing possible project impacts beyond the direct benefit, however, is not one of the tasks which have to be completed by the projects alone (in our model, e.g., the increase in the number of poor women

¹³ If projects want to go further than the direct benefit, of course they can do so, but they should attempt to remain within a cost framework of about 5% of the entire budget.

who are in adequate employment and have sufficient income in a region and thus poverty alleviating impacts in their region). Evaluation procedures which are independent of the project are used for this purpose, procedures which take larger “units of account”, such as a region or a sector into account. Furthermore, they establish what has changed in their development status (this limitation is of great significance for the realisation of the approach), without simultaneously trying to attribute the established changes to specific projects.¹⁴

Ascertaining the higher-aggregated development progresses and their classification are two separate steps. The third step consists in establishing a plausible bridge between the results of project-internal monitoring and project-independent consideration of development progress.

Project-independent evaluations have up until now been implemented only in a few individual cases and still require considerable organisational and me-

thodical preparation in order to become a reliably functioning element in the GTZ’s system of evaluation. However, it is already clear today that the differentiation between “monitoring and self-evaluation in the projects” and “project-independent evaluation” is a very promising, realisable concept for extending the GTZ’s system of evaluation. The projects can make what is surely the most significant contribution towards this extension by developing their own impact analysis limited to the direct benefit and, thereby, withstanding the attempts to risk their professional evaluation of proximal areas on speculations at the distant end of the impact chain.

The second part of the guidelines thus concentrates on project-internal impact monitoring.

There is not always a provable causal connection between project services and impacts. The more we distance ourselves from the activities, the bigger the classification gap becomes, as the influence of other factors increases, i.e., we cannot prove in each case that the observed changes have occurred on the grounds of our activities. Nevertheless, we can always use various pieces of information from monitoring and evalua-

¹⁴ Such procedures have been, e.g., carried out many times already within the framework of the World Bank’s poverty analysis. However, donor-counterpart alliances are required in order to yield their full potentials, which have not yet gone beyond modest beginnings. See also T. Kuby, “Making Evaluation Alliances Work”, GTZ, May 1997.

tion to conclude that a plausible connection exists between activity and change.

3.4 Conventional and Participatory Monitoring¹⁵

As the following table shows, we define conventional monitoring in its pure form to be “experts” at a certain point in time measuring and assessing the progress of a project, on the basis of the predetermined indicators. The focus during conventional monitoring thus lies in obtaining as “neutral” and “objective” an assessment as possible in order to be able to be accountable to the financiers or other entitled groups of the project.

In contrast, stakeholders have a central and active role in participatory monitoring. They are responsible for creating and assessing information, as well as preparing recommendations for changes in planning and implementation. The role of the external experts during participatory monitoring is not to assess the monitoring results, but rather to participate in the process and to support continuing learning of the stakeholders.

The focus during participatory monitoring is on building up the capacity and the will of the stakeholders to reflect, to analyse and to take over the responsibility for implementation of the recommended changes.

¹⁵ Deepa Narayan in “Participatory Monitoring and Evaluation – Module VI”.

	Conventional Monitoring	Participatory Monitoring
Who?	External experts	Stakeholders, incl. target groups, project staff, external moderators
When?	At intervals determined by the project management	Continuously throughout the course of the project (decisions on information collection made by the stakeholders)
How?	Indicators which measure inputs and outputs – developed in workshops or by those responsible for the project Questionnaires/interviews of external “neutral” evaluators not associated with the project	Indicators which were identified or developed by those involved in order to observe the results and impacts Simple, qualitative and quantitative methods, applied by the stakeholders themselves (if necessary with external support, moderation and information collection)
Why?	So that project and staff remain accountable to the commissioner	In order to enable stakeholders to initiate changes

In accordance with our understanding of impact monitoring, we do not consider a purely conventional method of procedure for implementing and enforcing impact monitoring to be sensible.

The reason is that different actors have various interests and perceptions, but also different knowledge and experiences, harbouring a large potential for impact monitoring.

By involving the different actors during the establishing and implementing of impact monitoring, one increases the probability that impact monitoring will correspond to the interests and needs of the stakeholders and, therefore, that it will

- be implemented (in the long-term also without the support of the project);
- provide reliable or realistic information; as well as
- where necessary, lead to changes in planning and implementation of the activities; and
- lead to the improvement of the quality of project services.

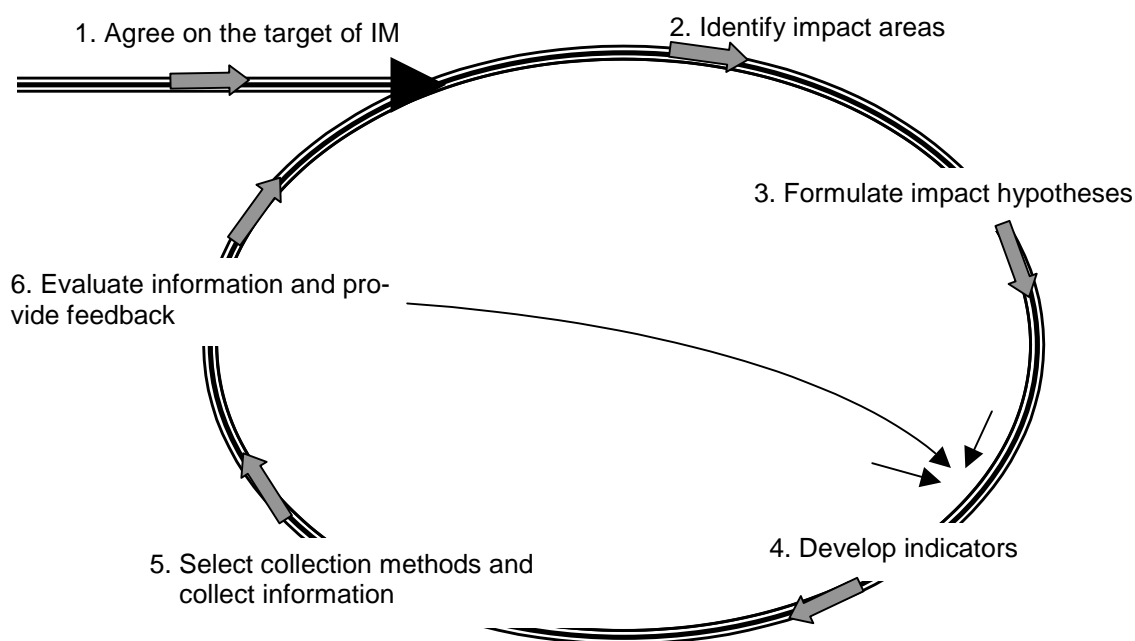
To what extent and how the stakeholders are involved in a basic participatory procedure can take on very different forms and must above all be directed by the expectations stakeholders have of impact monitoring.

4. SIX STEPS FOR IMPLEMENTING AND CARRYING OUT IMPACT MONITORING

In analogy with the publication “Guidelines for Impact Monitoring – Sustainable Land Management”¹⁶, the following provides an overview of six methodical steps towards participatory implementation and enforcement of impact monitoring.¹⁷ Above all, this is a matter of methodologically separating individual steps.

The chronological sequence of steps is appropriate for understanding and implementing impact monitoring. However, we are by no means suggesting that the individual steps can only be carried out in this order. It is more important and sensible to go back over a step preceding the one you are carrying out. For example, it is to be recommended that, after you have already formulated impact hypotheses, you reconsider which impact areas are to be observed.

The Six Steps of Establishing and Carrying Out Impact Monitoring (IM)



¹⁶ GTZ, Department 25. The publication describes seven steps, whereby we have here summarised step 6 “Inform” and step 7 “Evaluate and Feedback” in one step, as we find it difficult to understand the methodical separation of these steps.

¹⁷ These steps are thoroughly explained in relation to the respective area of tasks in Part II.

STEP 1

Agreeing on the goals of impact monitoring

It is usually advisors who initiate impact monitoring. Therefore, the first step is to identify the stakeholders in impact monitoring and clarify their respective interests in and expectations of it. Building on that, the stakeholders should determine the goals of impact monitoring. They should agree upon the methods and instruments with which they want to create the steps for structuring and enforcing impact monitoring. One person should be selected to be responsible for the process.

STEP 2

Identifying impact areas

In a second step, the most important stakeholders should identify possible impact areas on different levels. It is helpful to formulate guidelines: Which changes, for example, in the awareness or actions of which organisations, groups and individuals are the stakeholders aiming at or which do they expect? Together with the stakeholders you should then select the most important and the most relevant impact areas which you want to observe together throughout the course of the project. At

the beginning of impact monitoring it is often sensible to concentrate on one or a few impact areas.

STEP 3

Formulating impact hypotheses

In a third step, together with the others involved, you should establish hypotheses concerning which project services will effect what changes on the various levels and in various areas. This initiates reflection of possible impacts and creates an awareness of the numerous desired and undesired impacts of project interventions.

STEP 4

Developing indicators

In order to recognise whether and to what extent the impact hypotheses hold true and the project attains the intentional and unintentional changes, the project stakeholders need indicators or “milestones”. Before you develop new indicators together with the rest of the stakeholders, you should assess whether already functioning monitoring system with indicators exist with the help of which you can recognise the desired changes. If this is not the case, you should identify and formulate possible indicators together with the rest of the

stakeholders, i.e., also with users/target groups.

STEP 5

Selecting methods of data collection and collecting the corresponding information

In a fifth step, you should first of all, against the background of available materials, human and financial resources, clarify the expectations of those involved regarding the quality and quantity of data, such as, for example, accuracy, reliability and representativity of information, as well as the relevant requirements of information-gathering methods. On the basis of expectations and requirements, you should prepare a mixture of methods and instrument together with other stakeholders (full or partial collection of information, before-and-after comparison and/or comparison with control groups, qualitative, quantitative and/or semi-quantitative methods, written or oral questionnaires and/or observation). You can and should also develop your own methods and instruments which correspond to the specific requirements of the project and stakeholders. Furthermore, you should determine who will gather the information (project staff or the external experts).

STEP 6

Evaluating information and feedback

The sixth step, the continuous feedback of information from monitoring in project planning and implementation and introduction of corrections is the most important one, as the enforcement of the earlier steps alone would make little sense and satisfy only your interest in gaining more insights. The goals of impact monitoring should, however, be to direct the project planning and implementation towards their desired impacts, to learn from the experience gained and to improve the quality of project services. In this step you should, therefore, agree on when, how and by whom the information gained from observation is to be analysed and evaluated. It should also be determined when and how the resulting decisions are to be made and corrections introduced.

