



# STRATEGIC PORTFOLIO MANAGEMENT IN GERMAN BILATERAL DEVELOPMENT COOPERATION

*Executive Summary*  
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## Authors

Kirsten Vorwerk  
Mirjana Köder

## Responsible team leader

Kirsten Vorwerk

## Responsible head of department

Dr. Stefan Leiderer

## Design and graphics

Zlatka Dimitrova, Katharina Mayer, DEval

## Editing

Britta Grell, TEXT-ARBEIT Berlin

## Translation

GlobalSprachTeam Sassenberg & Kollegen

## Photo credits

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

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

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

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# EXECUTIVE SUMMARY

## Background, objectives, and questions

Global challenges, the increase in cross-border conflicts, and ever more complex framework conditions have led to growing demands being placed on development cooperation. This presents the Federal Ministry for Economic Cooperation and Development (BMZ) with great challenges in managing and controlling its bilateral official development cooperation (DC). The context in which DC takes place has changed considerably over the last two decades. Global crises, such as the Covid-19 pandemic and the increase in geopolitical challenges along the line of conflict between democratic and authoritarian regimes, have led to a further rise in the already high demands on DC and to the introduction of new rationales for structuring development work at the country level. In light of the ever more complex framework conditions, DC is a key lever for the establishment of global cooperation to tackle challenges that transcend national borders. DC is also crucial for structuring international relations with partner countries in the Global South. In this regard, it is necessary to both react appropriately to dynamic changes and achieve long-term development objectives. In light of these demanding framework conditions and manifold goals, the BMZ's task is to strategically deploy and manage the resources available for bilateral official DC.

The objective of the evaluation is to provide findings on the strategic management and design of the BMZ's bilateral country portfolios. Over the last few years, the BMZ has made efforts to strengthen its management capacity as well as to increase the efficiency and effectiveness of its work. In this respect, the evaluation supports the BMZ's reforms in that it examines how successful the BMZ is in designing and strategically managing its bilateral country portfolios in line with its own priorities and requirements. The Country Portfolio Reviews (CPRs) that the German Institute for Development Evaluation (DEval) carried out for the BMZ between 2017 and 2022 form an important basis to this end. The results of the evaluation are to be used by the BMZ to continually develop and improve the directives and procedures of strategic portfolio management.

The object of the evaluation is the BMZ's country-based strategic portfolio management. The analysis was carried out using three evaluation questions.

**Evaluation Question 1:** To what extent is the BMZ successful in politically controlling and strategically managing its country portfolios according to its directives and priorities?

**Evaluation Question 2:** To what extent is the BMZ able to use evidence provided by tools such as CPRs for strategic management on the country portfolio level?

**Evaluation Question 3:** To what extent are the current management directives and procedures appropriate for ensuring that the regional divisions carry out the strategic management of country portfolios in line with the defined priorities and requirements?

## Methodological approach

For an appropriate consideration of the evaluation object, the design and strategic management of the country portfolios were analysed in practice and the conception of management directives and procedures were examined. At the implementation level, a synthesis of the CPRs conducted by DEval was used to analyse how the strategic design and management of BMZ bilateral country portfolios work in practice. The extent to which evidence for strategic portfolio management provided by the CPRs was used and how this could be further improved was also examined. On the conceptual level, it was further examined how appropriately the BMZ structures, directives, and procedures support the evidence-based strategic management of the country portfolios.

Various data sources were drawn on in the evaluation to answer these questions: (1) the eight CPRs carried out by DEval between 2017 and 2022, (2) semi-structured interviews with BMZ actors from the regional, policy, and sector divisions as well as those involved in the CPRs, (3) an online survey of country officers in the regional divisions, (4) a brief survey of

BMZ divisions of the core areas, initiative areas, and quality criteria, (5) internal BMZ documents on strategies, management directives, and procedures, and (6) supplementary scientific literature and evidence on specific topics of the analysis.

While it is not possible to make any representative statements applicable for all of the BMZ's country portfolios based on the eight case studies used for the CPR synthesis, the analysis does allow for general conclusions regarding the overarching challenges of strategic portfolio management, which prevent the implementation of the directives from succeeding across all countries. The CPR synthesis results were further supplemented with findings from other methods and data sources in order to increase the validity of the analysis. Although no evaluation of the CPRs performed took place, the analysis of the use of the evidence provided by the CPRs also included a critical examination of the CPR tool itself.

## Findings of the evaluation

### *Design of BMZ country portfolios*

**The BMZ country portfolios address important development policy objectives. In light of the diverse demands of bilateral official DC, however, the country portfolios are lacking in strategic focus and management.** Due to the number of often conflicting objectives, and due to limited resources, it is not possible for portfolio management to meet all development policy demands. The necessary strategic focus in portfolio management is thus overall insufficient and presented a great challenge in most of the cases examined.

**The various areas of activity of German bilateral DC address relevant development needs in the partner countries. However, the strategic examination of the heterogeneous needs of the population, political risks, and context changes is not sufficient.** In terms of the development needs identified in the partner countries, the CPRs mostly confirmed the relevance of the implemented priority areas in the partner countries. However, requirements for needs-orientation, particularly regarding vulnerable population groups, were not fully met in the analysed country portfolios. In addition, the analysis of

negative effects and risks of political obstacles to development often appeared to be insufficient. Path dependencies in the country portfolios also hampered strategic redirection processes as a reaction to context changes. Overall, it becomes clear that structuring the portfolios in a context-specific manner is barely achievable given the current framework conditions and the information available to the country officers in the regional divisions.

### **While the partner government's priorities are formally considered, overall partner orientation presents a challenge.**

In all countries analysed, the bilateral country portfolios were consistent with the partner government's development strategies. The CPR results confirm that the individual responsibility of the partners is an important factor for the successful implementation of measures. The structures and procedures of German DC do not, however, ensure an equal partnership. At the same time, democracy deficits, political instability, and lacking reform efforts on the part of governments in a high number of partner countries increasingly put cooperation to the test. This context renders the implementation of the overarching goal of partner orientation challenging. While efforts are being made at country level to respond appropriately to the demand of partner orientation, clear orientation guidelines are lacking on the organisational level of the BMZ.

### **Demands regarding the external coherence of the BMZ country portfolios and coordination with other actors are only met to a limited extent and play a smaller role in comparison to other objectives in portfolio design.**

German bilateral DC actively participates in joint political initiatives with donors, in particular European coordination. On the project level, opportunities for cooperation with other donors are sometimes taken up, yet this only improves donor harmonisation to a limited extent. In the countries analysed, DC mostly appeared to be highly fragmented. In addition, particularly in German DC but also regarding other donors, transparent and active external communication of portfolio information is lacking, which makes the harmonisation of DC more difficult.

The harmonisation of European partners is also low despite the existing instruments. European initiatives such as “Team Europe” or “Joint Programming” are supported by German DC’s active participation. As part of the “Team Europe Initiative” it was possible to create specific thematic cooperation and synergy potential in the analysed country portfolios. In practice however, European agreement procedures are often extremely slow and only make limited contributions to stronger harmonisation. However, the BMZ can only influence this to a limited extent.

Coordination between the BMZ and other German federal ministries is not systematically successful on the country level. In the analysed country portfolios there was a low degree of coordination between the different federal ministries. The various departments primarily carried out their projects independently of one another and often made little use of synergy potential.

**The BMZ’s political priorities strongly influence portfolio design. However, the number of objectives and the resulting high complexity of the country portfolios place significant limitations on strategic management.** The specific objectives defined by the BMZ are generally very complex and cover a wide range of issues. Both the overarching strategies and the thematic priorities of the BMZ provide a broad framework when it comes to designing the country portfolios. Specific political priorities, such as the demand for feminist development policy or topics addressed by special initiatives, have strong effects on portfolio structuring. Changing political priorities lead to restructuring challenges. The number of objectives and the resulting variety of instruments increase the complexity of the country portfolios. As a result, internal coherence of the country portfolios is often low, overarching objective frameworks are missing, and the strategic manageability of the country portfolios is made significantly more difficult.

**The strategic analysis of tensions between different development policy demands and objectives is not yet sufficient.** There are unresolvable tensions between the diverse development policy demands. These lead to conflicting objectives of portfolio management, for example when priorities of partner governments do not align with the development

needs of vulnerable population groups in the country, or when the BMZ’s objectives regarding the protection of global goods do not serve the partners’ economic development interests. While such tensions and subsequent conflicting objectives are often known, the reflection, strategic assessment, and transparent prioritisation process required in such situations are rarely sufficiently addressed in the portfolio management of the BMZ. This is due to the lack of orientation on the BMZ’s organisational level. Furthermore, complex procedures and portfolios as well as short-term management requirements often sideline strategic examination. This happens at the expense of effectiveness, as the opportunities for synergy are not exhausted and there is a risk that differing measures may present obstacles to one another. Long-term objectives are not sufficiently pursued in a systematic and context-specific manner.

#### *Use of CPR for strategic management on the country level*

**The CPR instrument is a potentially useful tool for supporting the BMZ’s strategic portfolio management. However, the BMZ’s regional divisions have limited absorption capacity for the use of evidence provided by the CPR.** Via tailored provision of information and support of reflection procedures, the CPRs encourage the strategic examination of the respective country portfolio. Yet transferring the CPR results to the procedures for designing and reviewing a country strategy and the further development of the country portfolios has not been sufficiently successful in the past. It has not yet been possible to conclusively verify the relevant use of the CPRs, as up until the time of the evaluation a country strategy had not been created for any of the analysed country portfolios. The assessments show that the CPRs, despite the country strategies which are still lacking, delivered relevant ideas for future portfolio design. At the same time it is clear that the regional divisions have a limited absorption capacity regarding the use of the evidence provided by the CPRs.

**The use of CPRs is primarily limited by obstacles in the German DC system.** In view of often extremely complex management specifications and procedures and multifarious portfolio management directives, low prioritisation of the procedures for handling strategic questions on the country levels presents a significant obstacle for the use of the CPRs. Use of the provided evidence is also limited by deficits in knowledge management,



which is exacerbated by the high fluctuations in the BMZ regional divisions (due to rotations). Changing political priorities, path dependencies, and changing framework conditions also have negative effects. Potential improvements of the tool itself relate primarily to the targeted preparation of the CPR results, timely embedding of CPRs in creating country strategies, and an improved commitment to using the instrument.

**The BMZ has already initiated important procedures to strengthen evidence-oriented approaches on the various management levels, but this has not been sufficiently implemented in practice.** Strengthening evidence-based policy is a declared objective of the BMZ. The establishment of evaluation guidelines, the improvement of data management, and measures from DEval and the implementing agencies for conducting evaluations on the programme and portfolio levels were all important steps in this regard. The increased demands on using evidence were also anchored in the directives for portfolio management and design. In this respect the BMZ has, especially in comparison to other policy fields, a structured and specialised evaluation system for strengthening evidence-based policymaking. At the same time, a culture of learning and impact orientation is still not sufficiently anchored in practice and is often bypassed by political pressure to act.

#### ***Portfolio management at the BMZ: Structures, directives, procedures***

The development policy objectives of the BMZ are comprehensively addressed by the corresponding directives of portfolio management. Past reforms have to date hardly contributed to a stronger focus and consolidation in portfolio management. The various portfolio management directives reflect the broad range of development policy objectives and thematic priorities of the BMZ. Although the BMZ has made efforts in recent years to focus its engagement, it is clear that there is still a broad spectrum of directives and strategies to be considered in strategic portfolio management.

Due to the number of requirements and comprehensive participation and agreement procedures, the directives are very complex, thus limiting process efficiency and the practicality of said directives for portfolio management. While the directives constitute an important foundation for

strategic portfolio management, their number and complexity mean they only fulfil their respective functions to a limited extent in practice. Additionally, comprehensive agreement and participation procedures within the BMZ make strategic planning and management very complicated and ultimately lead to reduced clarity and cogency of the directives and instruments. Conflicting objectives between different priorities and requirements for portfolio management are also reflected in the directives and reduce their coherence. Sufficient clarification of roles and responsibilities is also sometimes lacking when it comes to the actors involved in strategic portfolio planning and management.

**Overall, there is a discrepancy between the high demands of the BMZ on strategic portfolio management and the practical implementation of the directives.** The comprehensive tasks and demands posed to the portfolio management of the regional divisions cannot realistically be implemented in an ideal manner. The handling of urgent enquiries as well as detailed restructuring procedures also use up a lot of resources. As a consequence, strategic planning and management procedures are often deprioritised in favour of ad-hoc management.

#### **Conclusions**

***Evaluation Question 1: To what extent is the BMZ successful in politically controlling and strategically managing its country portfolios according to its directives and priorities?***

Under the existing framework conditions, the BMZ is only successful to a limited extent in strategically managing and designing its country portfolios in alignment with the various development policy demands.

**Considering the complex context in which DC takes place, a clearer positioning regarding the development policy objectives is necessary, both on the BMZ's organisational level and on the country level, to ensure the manageability of the country portfolios. This includes**

- strategically analysing tensions between the various development policy demands and objectives, and, based on this, comprehensible and coherent decision making when structuring the country portfolios, and

- implementing measures for a stronger strategic focus of the bilateral official DC in alignment with specific objectives.

It should be ensured that the regional divisions have the necessary capacities and flexibility in order to politically control and strategically manage the country portfolios in alignment with the specific requirements in each country context.

***Evaluation Question 2: To what extent is the BMZ able to use evidence provided by tools such as CPRs for strategic management on the country portfolio level?***

The intended function of using the CPRs regarding the strategic management and planning of the country portfolios has been limited to date and formulated objectives in this respect have been barely met. The use of the evidence provided by the CPR is predominantly prevented by systemic obstacles such as insufficient capacities in the regional divisions, the de-prioritisation of strategic procedures, and deficits in knowledge management.

**Improvements of the instrument can only increase the use of CPR to a limited extent. For improved use of evidence in portfolio design and management, structures are required that**

- ensure a tailored provision of the required evidence and the embedding of relevant evidence-instruments in the planning and management cycles of the country portfolios and
- promote a culture of learning and support capacity building in the regional divisions.

***Evaluation Question 3: To what extent are the current management directives and procedures appropriate for ensuring that the regional divisions carry out the strategic management of country portfolios in line with the defined priorities and requirements?***

With regard to the respective objectives, the individual directives are predominantly of good quality, yet implementing the numerous directives and procedures is hardly manageable in practice and the available management tools only fulfil their functions to a limited extent.

**In order to ensure effective strategic portfolio management,**

- a reduction of directives and regulations and a streamlining of procedures and processes in portfolio design is required, as well as
- further clarification of the roles and tasks within the different units involved in the planning, management, and structuring of the country portfolios at the BMZ and in the partner countries, taking into account each unit's capacities.

This requires restructuring procedures on the BMZ's organisational level, which go hand in hand with measures for more focused tasks as well as a decentralisation of decision-making procedures in the regional divisions.

## Recommendations

### Recommendation 1: Make tensions between different objectives explicit

The BMZ should make the tensions between its different development policy objectives and demands more transparent and provide clear orientation for dealing with these. This requires the explicit examination of potentially conflicting objectives between the offers and objectives of the bilateral official DC on the one hand and the demand for specific support from the partner countries on the other, as well as grounded and coherent decision making on both the level of general organisation and the level of individual country portfolios.

### Recommendation 2: Reinforce strategic reflection procedures and improve knowledge management

In order to enhance strategic portfolio management, the BMZ should reinforce the procedures and capacities for the strategic examination of the country portfolios in the regional divisions and establish structures to improve internal knowledge management. Tools for the provision of evidence on the country level should be integrated in the strategic planning procedures such that these can be optimally used for portfolio management and political control.

### Recommendation 3: Continue reforms regarding portfolio focus and consolidate directives

The BMZ should ensure that repeatedly launched reforms regarding the focusing of the bilateral official DC are continued and consistently implemented. In this context, existing directives and procedures of portfolio management should be checked in regards to their practice suitability and, where possible, consolidated. In addition, implementation of the agreed measures and the changes these aim for should be continuously monitored and reflected on.

### Recommendation 4: Check responsibilities and tasks, strengthen country competence

The BMZ should critically reflect on task distribution and the roles of the actors involved in strategic portfolio management and bring the tasks of the regional divisions further in line with the requirements of strategic portfolio management. In order to ensure that the competences and resources needed for portfolio management and political control are available in the regional divisions, possibilities in terms of reducing other tasks should be examined and rotation times should be extended.