

Central project evaluation – executive summary

CONNEX Support Unit

Country/region/global	Global project		
Sector and creditor reporting system code	32210 - Mineral resources / mining policy and administration		
Project number	2017.2123.2		
Commissioning party/cofinancing	German Federal Ministry for Economic Cooperation and Development (BMZ)/ European Union (EU)		
Lead executing agency/partner organisations	Government institutions and structures involved in contract negotiations (such as responsible line ministries, ministries of finance, presidential offices)		
Project value	EUR 4,600,000 (EUR 1,000,000 of which are co-financed by the EU)		
Project term	August 2017 - April 2021		
Reporting year CPE	2021	Sample year CPE	2018

Context of the project

Mining is a key economic sector for many developing countries and economies in transition. Resource extraction accounts for more than 20% of gross domestic product (GDP) in at least 20 of these countries. From 2000 to 2012, foreign governments invested between USD 10 and 50 billion in Africa's extractive sector. As a result, extractive sectors have tremendous prospects for economic growth.

The economic benefits deriving from natural resource wealth are largely determined by complex commercial agreements between the host country and foreign investors. These agreements regulate the allocation of costs, risks, profits and benefits. They may remain in place for decades and have significant fiscal, economic, environmental and social impacts. Well-crafted and carefully negotiated foreign investment contracts can generate revenues, boost development and protect the interests of both the host country and foreign investors.

Through fair and stable contracts, these investments can mobilise the revenues that partner countries need to achieve their Sustainable Development Goals (SDGs), build their infrastructure and create employment opportunities.

With strong support from Germany, the CONNEX Initiative was founded at the G7 Summit in Brussels in 2014 to support resource-rich developing countries in contract negotiations on extractives. In 2017, Germany increased its commitment to developing the CONNEX Initiative by setting up the CONNEX Support Unit, which is implementing the CONNEX I project under review, as an implementation structure for the initiative in the form of a GIZ global project. The project could build upon activities and processes established as part of the Extractives and Development sector programme (PN 2015.2042.8), which has been ongoing since 2015 and served as an incubator for the CONNEX I global project.

Brief description of the project

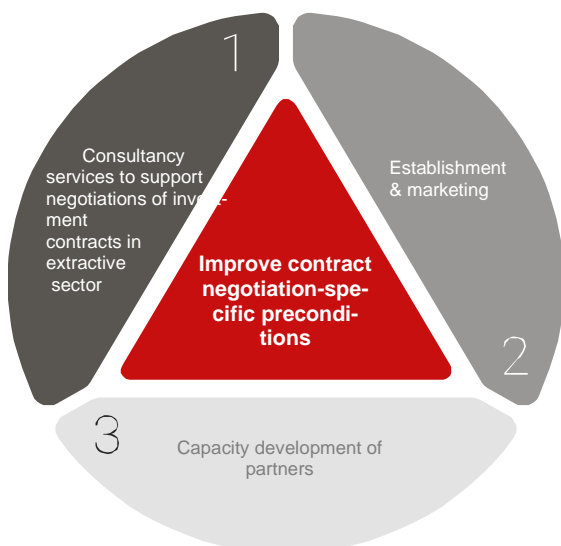
The objective was to improve the contract negotiation-specific preconditions in resource-rich developing countries for the development-oriented use of investments in the extractive sector. The CONNEX Support Unit operates globally, providing governments of developing countries and economies in transition with independent, demand-oriented, multi-disciplinary external expertise to support local negotiation teams to prepare for and implement large-scale, complex investment contract negotiations in the extractive sector.

The direct target group of the project consisted of government representatives and other officials from ministries and subordinate authorities in partner countries who are involved in contract negotiations. The indirect target group consisted of the populations of the respective countries.

The project encompassed the following outputs:

- **Output A:** The CONNEX Support Unit has the necessary tools to offer ad hoc experts who can provide high-quality support for contract negotiations.
- **Output B:** The CONNEX Support Unit is further established by continuing the international dialogue process to agree guidelines for fair commodity contracts and to expand its supporter and partner network.
- **Output C:** Partner governments in commodity-rich countries have increased their knowledge of contract negotiation processes.

Figure 2: Project objective/areas of intervention



CONNEX I was considered to be an initial phase of the CONNEX Support Unit during which the project focused on establishing and marketing itself internationally (output B) and providing its core service (output A). Output C (capacity development and knowledge sharing) was added in October 2020 as part of a co-financing arrangement with the EU and is further prioritised for the second phase, CONNEX II, which began.

Assessment according to DAC criteria

Relevance

The relevance of the project was rated as Level 1: highly successful, with 92 out of 100 points.

The relevance was assessed in the dimensions: a) alignment with policies and priorities, b) alignment with the needs and capacities of the beneficiaries and stakeholders, c) appropriateness of the design and d) adaptability – response to change.

The objectives were aligned with the relevant global, regional and country-specific policies and priorities of BMZ and development partners. A G7 initiative, CONNEX was mentioned in the German Federal Government's former raw materials strategy (2011): 'Through BMZ, the German Government therefore continues to support the G7 CONNEX Initiative'.

The CONNEX team developed an innovative and unique approach in German development cooperation from scratch and embarked on a steep learning curve. The project has gone through a continuous learning journey, developing the necessary structures and processes along the way.

Since the project provided its services based purely on partner demand, it was generally in line with the needs of its target group.

All stakeholders interviewed agreed that the project design was appropriate and realistic with regard to achieving the project objective and that the project adapted well to changing circumstances and constantly incorporated lessons learned. Most referred to the project as being 'innovative', 'exotic', 'unconventional' or 'special' due to its demand-based services that were deployed by a relatively small

team, reacting relatively fast to partner requests without having its own project structures in the partner countries.

The main issues for improvement raised regarding relevance were the partners' further needs for capacity building beyond the individual consultancies and the missed opportunities to address the social and environmental aspects of the contract negotiations beyond what was compulsory under international or national standards and laws.

Coherence

The coherence of the project was rated as Level 1: highly successful, with 92 out of 100 points.

Coherence was assessed in the dimensions: a) internal coherence and b) external coherence.

The internal coherence of the project was found to be very high. Stakeholders and partners agreed that there was no duplication of efforts within German development cooperation. The project seemed to coordinate its activities sufficiently with relevant GIZ projects aiming at leveraging synergies.

When GIZ had relevant projects in the partner countries, these seemed to have played a crucial role in preparing the ground during CONNEX's early scoping missions: contacting local political stakeholders, aiding with partner requests and finding and contracting local experts and supporting the implementation of CONNEX projects with capacity building or consultancy. This internal coordination was found to be a contributing factor to the project's success.

The project also showed high external coherence as it was found to complement and support partner efforts. Almost all partners mentioned that the necessary expertise would not have been available locally or regionally – one partner expressed a wish to include more local experts, which seemed to be given greater consideration in more recent projects.

All stakeholders agreed that the project offered innovative and unique services and that it coordinated and exchanged well with other actors.

The project made use of other stakeholders' existing structures, engaged in various forms of joint exchanges and shared reports and information to the extent that this was within the project's mandate.

The main learning areas under this criterion are a more systematic mainstreaming of the 2030 Agenda for Sustainable Development and human rights into the consulting projects and the fostering of cooperation to facilitate complementary capacity building and legal system development in the partner countries.

Effectiveness

The effectiveness of the project is rated Level 3: moderately successful, with 77 out of 100 points.

Effectiveness was assessed in the dimensions: a) achievement of the (intended) objectives, b) contribution to achievement of objectives, c) quality of implementation and d) unintended results.

The evaluation team found that two project objective indicators were fully achieved and documented by the end of the project while one indicator was achieved by September 2021.

Results hypothesis 1 postulates that, thanks to CONNEX's main services, partner countries are in a position to negotiate deals in a more professional and transparent way that could be more oriented towards development. Contracts negotiated in this way open up an opportunity for the country to obtain more public revenues from the extractive sector (impact 1) and to provide better protection for economic, social and cultural human rights in the extractive sector (impact 3). In addition, such contracts are more robust against attempts to renegotiate them. This enhances legal security, thereby improving the investment climate (impact 2). The hypothesis can be fully confirmed. The other hypotheses, which address capacity development, peer exchanges and the diversification of financing, cannot be fully confirmed because the outputs have not yet been fully implemented.

The evaluation team concludes that the innovative approach employed by the project is an effective and efficient approach that helps partners develop

their countries in the 'driver's seat'. It could well serve as a role model for other new technical cooperation initiatives, significantly enhancing partners' mobilisation of domestic resources with comparably limited resources (return on investment). On the other hand, the project showed shortcomings in terms of results-oriented planning and monitoring which might be due to its innovative approach in a private business environment.

Figure 3: Achievement of the project's objective indicators

State-investor negotiations supported successfully	100%
Peer review conducted	100%
Guidelines for fair commodity contracts established in international dialogue	100%

Impact

The impact of the project was rated Level 3: moderately successful, with 75 out of 100 points.

Impacts were assessed in the dimensions: a) higher-level (intended) development changes/results, b) contribution to higher-level (intended) development results/changes and c) contribution to higher-level (unintended) development results/changes.

The team found robust anecdotal evidence of a contribution to more public revenues from the extractive sector (impact 1) and some evidence of a contribution to contracts that are more robust against attempts to renegotiate them. This enhances legal security, thereby improving the investment climate (impact 2). With regard to impact 3 – safeguarding economic, social and cultural human rights in the extractive sector – the contribution seems to depend mainly on national legislation and the nature of the particular support request. The project provides guidance through the contracted short-term experts in this regard but does not promote this issue systematically.

For most of its establishing phase, the project did not focus specifically on capacity development among partners. Capacities were increased as an integral part of the support offered by the external experts and the close cooperation with them. As part of the co-financing agreement with the EU, capacity development grew in relevance for CONNEX and resulted in the development of an online modular training course on contract negotiation, which complemented other training offers on the market and is being implemented in the follow-on project. Capacity development will be implemented also in the follow-on project.

The supported negotiation processes yield potential social and environmental risks but the project did not assess or monitor these risks sufficiently. However, since those risks will effectively materialise only with the implementation and enforcement of the contract, and thus years if not decades after the project's involvement, the project should concentrate on the assessment part.

Efficiency

The efficiency of the project was rated Level 1: highly successful, with 97 out of 100 points.

Efficiency was assessed in the dimensions: a) production efficiency and b) allocation efficiency.

The project fully achieved two out of three outcome indicators; one outcome indicator was achieved with a 66% success rate. It did not fully meet all output indicators, because the related outputs were not implemented. This was due mainly to a focus on the implementation of output A under CONNEX I. It was also due to the COVID-19 pandemic and the fact that CONNEX I was in the establishing phase. The pandemic led to delays with regard to output C (capacity development).

However, the available resources were attributed to the outputs in a sensible way and used economically and efficiently. The project had a lean structure with a small project team that worked efficiently despite having to deal with cumbersome procedures for its uncommon contracts within GIZ structures, including high daily rates for highly qualified experts, which are capped within GIZ. The team travelled a lot to promote the initiative and to

prepare the experts' interventions while keeping the individual costs of the missions low.

The project introduced several mechanisms to constantly supervise the efficiency of its work: multi-annual meetings with its Advisory Committee, feedback questionnaires for partners and experts, a tailored quality assurance and risk management system, and the final peer group meetings.

The fact that the project might not yet have found the most efficient procedure can be attributed to the fact that it has been in a phase of establishing innovative structures and processes and delayed the implementation of some activities to the CONNEX II follow-on project.

Sustainability

The sustainability of the project was rated Level 3: moderately successful, with 80 out of 100 points.

Sustainability was assessed in the dimensions: a) capacities of the beneficiaries and stakeholders, b) contribution to supporting sustainable capacities and c) durability of results over time.

Regarding the partners' capacities to sustain results, the project substituted partners' limited resources with demand-based expert services. The project decided to implement capacity development for partners mainly in the CONNEX II follow-on project: it did start an online course by the end of the CONNEX I project, however, and this will be continued in the follow-on project. While the contracts themselves are a potentially durable result (if they are not contested), it would be worthwhile having a more thorough look at how products and processes could be better anchored in the partner structures (not individual staff members) and planning what to 'leave behind'. The project team is aware of this and intends to address it more strategically in the follow-on project. In addition to improved contracts, some sustainable effects of the project were identified. However, they were not systematically monitored nor was there a plan to achieve more of these as intended impacts. This was because, due to the life span of the underlying investment contracts, these impacts only materialise after a significant delay and beyond the term of the project.

For the time being, it can be stated that the project concentrated on getting established as a service provider under CONNEX I and has so far not focused on systematically gearing the project's activities sufficiently towards sustainability in terms of the social and environmental impacts of investment contracts.

Overall rating

The project is rated as successful. The CONNEX team developed a rather innovative and unique approach from scratch and embarked on a steep learning curve. This type of project – providing demand-based, comprehensive and comparably quick and efficient consultancy services to partners who could not build this capacity on their own – shows the potential of leveraging huge domestic revenues at a comparably low cost and without structures in the partner country through an effective and efficient approach that helps partners develop their countries in the 'driver's seat'. It could well serve as a role model for other new technical cooperation initiatives, significantly enhancing providing a huge level for increasing partners' mobilisation of domestic resources with comparably limited resources (return on investment). Having said that, the project showed some shortcomings in terms of results-oriented planning and monitoring as well as in terms of planning for and monitoring sustainable impacts and safeguarding vulnerable groups against social and environmental risks.

Table 1: Rating of OECD/DAC evaluation criteria

Criteria	Score (Max. 100)	Rating 1 (highly successful) to 6 (highly unsuccessful)
Relevance	92	Level 1: highly successful
Coherence	92	Level 1: highly successful
Effectiveness	77	Level 3: moderately successful
Impact	75	Level 3: moderately successful
Efficiency	97	Level 1: highly successful
Sustainability	80	Level 3: moderately successful
Overall	86	Level 2: successful

Conclusions and factors of success and failure

Success factors:

- ☑ Providing demand-based technical consultancy services without project structures on the ground can increase relevance and efficiency.
- ☑ Coordinating with relevant GIZ projects and development partners can leverage valuable synergies and foster sustainability.
- ☑ Building trust with partners is important for the effective implementation of this kind of project.

Failure factors:

- ☒ Results-oriented planning and monitoring were not sufficiently used.
- ☒ A lack of accompanying capacity building and staff turnover limit the sustainability of results.
- ☒ A lack of consideration for the social and environmental effects of the supported contracts poses long-term risks that are not being monitored.

Recommendations

To CONNEX II (follow-on project)

- 1) **Results-oriented monitoring:** The project should use GIZ's standards and tools for results-oriented planning and monitoring to ensure that the implementation contributes to goal achievement and to use the results-based monitoring system (including KOMPASS) continuously for project steering.
- 2) **Strategy:** The project should discuss and align strategies with the project's Advisory Committee and the Governance Board, both of which expressed a wish to continue to work mainly on mining. However, the project seems to have already embarked on seizing new opportunities.
- 3) **Cooperation:** Dovetailing with bilateral and regional projects could help the project to open doors with stakeholders, prepare and

support missions and support CONNEX activities with complementary capacity building or legal system development.

4) **Processes:**

- The incorporation of social and environmental dimensions (a project's contribution to the 2030 Agenda and human rights) in partner countries should be made a compulsory part of the project's activities whenever possible.
- The anticipation of political risks (change of government) should be made part of the risk assessment.

- 5) **Steering structure:** A clarification of the roles played by BMZ and the Advisory Committee might help the Advisory Committee to understand its role and mandate.

To GIZ GloBe

Approach: Experimenting with similar approaches to provide partners with lean, demand-based services is recommended.

Approach and methods of the evaluation

The project was assessed based on standardised evaluation criteria and questions to ensure comparability by GIZ. The criteria are defined by the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) evaluation criteria (updated in 2020) for international cooperation and the evaluation criteria for German bilateral cooperation (in German): relevance, coherence, efficiency, effectiveness, impact and sustainability. The specific assessment dimensions and analytical questions have been derived from this framework.

In addition, contributions to the 2030 Agenda and its principles are taken into account, as are cross-cutting issues such as gender, the environment, conflict sensitivity and human rights.

The evaluation deployed a mixed methods design consisting of a desk review of strategic documents, as well as two focus group discussions, one workshop and interviews with 54 people. Whenever possible, interviews were conducted with two evaluators to allow one person to conduct the interview and the other person to take notes; this also allowed for the triangulation of data (four eyes principle). The data collected was analysed in a structured content analysis using MAXQDA.

The evaluation team ensured that key stakeholders, like the project team, the commissioning parties and GIZ's Corporate Unit Evaluation were continuously involved in the evaluation process.

Due to COVID-19-induced restrictions and the global nature of the programme, the evaluation mission was implemented remotely.

Rating system

Projects are rated based on the OECD/DAC criteria of relevance, coherence, effectiveness, impact, sustainability and efficiency. Each of the five criteria is rated on a scale of 1 to 100 (percentage system).

The project's overall score is derived from the average points awarded for the individual DAC criteria. The average value for the overall score is rounded according to mathematical convention. All DAC criteria are equally weighted for the overall score. Compared with the predecessor systems (6-point scale, 16-point scale), a 100-point scale has a number of advantages in that it allows differentiation, is commonly used internationally, is easy to understand and can readily be converted into other assessment systems.

Table 2: Rating and score scales

100-point scale (score)	6-level scale (rating)
92–100	Level 1: highly successful
81–91	Level 2: successful
67–80	Level 3: moderately successful
50–66	Level 4: moderately unsuccessful
30–49	Level 5: unsuccessful
0–29	Level 6: highly unsuccessful
Overall rating: The criteria of effectiveness, impact and sustainability are knock-out criteria: If one of the criteria is rated at level 4 or lower, the overall rating cannot go beyond level 4 although the mean score may be higher.	

Both the assessment dimensions within the OECD/DAC criteria and the determination of the overall score using a points system serve to increase the transparency of ratings while enabling better comparability between individual projects.

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