

# **PROJECT'S MANAGEMENT QUALITY IN DEVELOPMENT COOPERATION**

DOCTORAL DISSERTATION

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## ABSTRACT

In light of the debate on the consequences of competitive contracting out of traditionally public services, this research compares two mechanisms used to allocate funds in development cooperation—direct awarding and competitive contracting out—aiming to identify their potential advantages and disadvantages.

The agency theory is applied within the framework of rational-choice institutionalism to study the institutional arrangements that surround two different money allocation mechanisms, identify the incentives they create for the behavior of individual actors in the field, and examine how these then transfer into measurable differences in managerial quality of development aid projects. In this work, project management quality is seen as an important determinant of the overall project success.

For data-gathering purposes, the German development agency, the Gesellschaft für Internationale Zusammenarbeit (GIZ), is used due to its unique way of work. Whereas the majority of projects receive funds via direct-award mechanism, there is a commercial department, GIZ International Services (GIZ IS) that has to compete for project funds.

The data concerning project management practices on the GIZ and GIZ IS projects was gathered via a web-based, self-administered survey of project team leaders. Principal component analysis was applied to reduce the dimensionality of the independent variable to total of five components of project management. Furthermore, multiple regression analysis identified the differences between the separate components on these two project types. Enriched by qualitative data gathered via interviews, this thesis offers insights into everyday managerial practices in development cooperation and identifies the advantages and disadvantages of the two allocation mechanisms.

The thesis first reiterates the responsibility of donors and implementers for overall aid effectiveness. It shows that the mechanism of competitive contracting out leads to better oversight and control of implementers, fosters deeper cooperation between the implementers and beneficiaries, and has a potential to strengthen ownership of recipient countries. On the other hand, it shows that the evaluation quality does not tremendously benefit from the competitive allocation mechanism and that the quality of the component knowledge management and learning is better when direct-award mechanisms are used. This raises questions about the lacking possibilities of actors in the field to learn about past mistakes and incorporate the findings into the future interventions, which is one of the fundamental issues of aid effectiveness. Finally, the findings show immense deficiencies in regard to oversight and control of individual projects in German development cooperation.

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## ABBREVIATIONS

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AA	Auswertiges Amt Federal Foreign Office
BfE	Bundesstelle für Entwicklungshilfe
BMUB	Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
BMWi	Bundesministerium für Wirtschaft und Energie Federal Ministry for Economic Affairs and Energy
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung Federal Ministry for Economic Cooperation and Development
CSF	Critical Success Factors
DAC	Development Assistance Committee
DED	Deutscher Entwicklungsdienst
DFID	The Department for International Development
DSE	Deutsche Stiftung für internationale Entwicklung
EU	European Union
FA	Factor analysis
FPC	Finite population correction
FRG	Federal Republic of Germany
GDP	Gross domestic product
GDR	German Democratic Republic
DFG	Deutsche Forschungsgemeinschaft German Research Foundation
GIZ	Gesellschaft für Internationale Zusammenarbeit German Development Agency
GIZ IS	Gesellschaft für Internationale Zusammenarbeit International Services
GNI	Gross national income
GTZ	Gesellschaft für Technische Zusammenarbeit
IATI	International Aid Transparency Initiative
ID	International development
IBRD	International Bank for Reconstruction and Development

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ILO	International Labor Organization
InWEnt	Internationale Weiterbildung und Entwicklung Continued International Education and Development
IOM	International Office for Migration
IPR	Intellectual property rights
KfW	Kreditanstalt für Wiederaufbau
KMO	Kaiser-Meyer-Olkin
M&E	Monitoring and Evaluation
NGO	Nongovernmental organization
NPM	New Public Management
PFM	Public financial management
PM	Project management
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
P-A Model	Principal-Agent Model
PCA	Principal Component Analysis
PIU	Project implementing unit
PMBOK	Project Management Body of Knowledge
PMI	Project Management Institute
RCI	Rational Choice Institutionalism
Sida	Swedish International Development Cooperation Agency
UN	United Nations
UNHCR	The Office of the UN High Commissioner for Refugees
U.S.	United States
USAID	United States Agency for International Development
QuODA	Quality of Official Development Assistance
WB	World Bank
WIPCAD	Wicked Problems, Contested Administrations: Knowledge, Coordination, Strategy

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## Chapter 1 INTRODUCTION

### 1.1 Background Information

The practice of contracting out for service implementation within the public sector became popular in the 1980s, as new public management (NPM) spread throughout the public administrations across continents. The core idea of the NPM is that the public sector should become more business-like and that public administration would function more efficiently if they borrowed tools and techniques from private-sector management, bringing more efficient, high-quality public service delivery (Osborne & Gaebler, 1992; Savas, 1987). Contracting out has been seen as one of the main tools in achieving the goals of NPM and as a panacea to almost all governmental problems (Boyne, 1998).

Empirical assessments of consequences of contracting out have been conducted in many sectors, but in development cooperation, there are only few analyses focusing on the way funds are allocated as a factor that plays a significant role in the entire process. This probably lies with the fact that donor countries' behaviors while providing aid had initially not been connected with aid outcomes. It was the developing countries and their policies that were constantly put under scrutiny and blamed for lack of results. Burnside and Dollar (2000) found aid had better impact on growth in recipient countries with good fiscal, trade, and monetary policies. Besides that, high corruption levels (Ayittey, 2005; Baland, Moene & Robinson, 2010; Boone, 1996; Collier & Dollar, 2002; Hansen & Tarp, 2001; Knutsen, 2009; Meredith, 2006) are also considered to diminish aid effectiveness.

To a much lesser extent, researchers dealt with behaviors of donors and implementing companies. The first analytic works that have grappled with the actual practices of different donors that are likely to affect long-run effectiveness of aid were conducted by Mosley (1985) and White and Woestman (1994). They focused strictly on donor policies (e.g., the amount of aid given, the

terms and conditions under which it is given, the extent to which it is tied, allocations to recipients) as determinants of aid quality. Deininger et al. (1998), Kilby (2000), Tierney et al. (2011), and Wane (2004) convincingly demonstrated donor efforts and the nature of organisations implementing aid can improve aid effectiveness. Several authors followed up on these findings and created assessments of aid quality based solely on donor policies (Knack, Rogers, & Eubank, 2010; Roodman, 2006). The most notable indexes are by Easterly and Williamson *Best and Worst Aid Practices* (Easterly & Williamson, 2011) and *Quality of Official Development Assistance* (QuODA; Birdsall & Kharas, 2010, 2014; Birdsall, Kharas & Perakis, 2012).

The approach and findings that followed have laid the foundation for the assertion that there is a strong connection between donor behaviors and aid outcomes. Indeed, weak or missing institutions in aid-recipient countries hamper development efforts, but it is nonetheless the presence of a donor that changes the existing incentives (Gibson, Andersson, Ostrom, & Shivakumar, 2005). Aid quantity, geographical distribution of aid, type of aid (i.e., budget support or project/programme-aid), the level to which aid is tied, transparency, aid fragmentation, and conditioning policy are just some of choices that policy makers in donor countries face that influence, to a higher or lower extent, aid outcomes and lives of people in recipient countries. The choice whether to contract service delivery out or to use governmental agencies to deliver aid projects is also one of policy options that has attracted major attention of researchers in other industries. Development aid, with an exception of few studies, has remained deprived of similar exploration in this direction.

## **1.2 Focus of the Study**

This research is inherently interested in the connection between donor behaviors and aid effectiveness. Nonetheless, to accommodate the existing research gaps, it is narrowed down across several streams: choosing the particular research level, choosing one determinant of aid quality and by limiting the focus on a particular institutional settings.

### **1.2.1 Project-Level Research**

Project-level research in the development cooperation industry is relatively rare. Previous attempts to measure aid quality covered only country or agency levels. This indeed allows for discovery of a great deal of how project practices might look, but there is a significant difference between the rules and mechanisms prescribed by a headquarters and the way these rules are practiced in the field. That is why scientific approaches to assess development assistance effects slowly turn towards micro-level research, and impact evaluation of individual interventions is becoming more and more present (Birdsall, Savedoff, Mahgoub & Vyborny, 2011; Stockmann, 1997; White, 1992, 1999). This thesis strongly supports the idea that micro-level research can help understand how institutional settings translate in the field and how rules are understood and used on particular projects.

### **1.2.2 Determinant of Aid Quality on the Project Level**

Being aware of the complexity of measuring success of projects in the international development (ID) sector and practical impediments connected to it, the research focuses on the quality of project management as a proxy for the overall success of actions and as an important measurement on its own. On these grounds, an important stream of research for this thesis is the influence of management practices on the increase of productivity and effectiveness. This idea has rarely been contested; the empirical evidence has reported consistent findings (Nicholson-Crotty & O'Toole, 2004; O'Toole & Meier, 2003, 2004) and has confirmed that although it is not the only determinant of performance, it is a very substantial one. This indicates that if project management practices can be operationalized in a way that they can be measured, the possibility exists to compare them in different projects while they are in implementation phase and to assess which type of project allocation mechanism translates into higher quality of project management. Based on these findings, assumptions can be made concerning the overall effectiveness of actions.

While the positive effects of high quality management have long been emphasized by the media, business schools, and policymakers, economists have typically been skeptical about its importance, mostly for two reasons. First, the insights usually come from case studies, not large quantitative studies, which hinders systematic comparison (Bloom & Van Reenen, 2010). The second reason lies in the fact that management practices are hard to measure (Bloom, McKenzie, Benn, Mahajan & Roberts, 2011).

In the last 10 years, immense progress has been made in ways to measure and compare management practices across sectors and industries. A series of large, quantitative, cross-country studies, which have tested management practices in over 10,000 entities, including schools, hospitals, manufacturing and retail, has shown that the source of increased performance lies in increased management quality (Bloom, Genakos, Sadun & Van Reenen, 2011; Bloom et al., 2011; Bloom & Van Reenen, 2007, 2010; Lemos & Scur, 2012; Propper, Bloom, Seiler, & Reenan, 2010). Also, on the project-management level, numerous studies have confirmed the positive relationship between project management performance and the overall project success (Bryde, 2008; De Wit, 1988; Jugdev & Müller, 2005; Mir & Pinnington, 2014; Morris, 1998; Munns & Bjeirmi, 1996). Therefore, the value of high quality practices has been confirmed and significance has been established, which lays ground for the approach used in this thesis.

### **1.2.3 Institutional Setting**

To compare quality in project management while keeping other determinants as stable as possible, the empirical data should be collected within one organization. In reality, it is relatively rare that one organization operates with both types of projects-award mechanisms: direct-award projects and competitively contracted ones. One particular aspect of the organization of German development cooperation is the main reason why it was taken for this study. Namely, within the *Gesellschaft für Internationale Zusammenarbeit* (GIZ), since 2001, there is a department called GIZ International Services (IS), which operates like a private implementer. As it is only a single

department within the GIZ, it is also owned by the German government, but the way it operates is unique. While the regular GIZ receives money from the *Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung* (BMZ; the Federal Ministry for Economic Cooperation and Development) and other German ministries, to implement projects as agreed upon. GIZ IS applies for funds from different donors (i.e., multilateral organizations and banks, private companies, and third governments) and therefore has to participate in competitive bidding procedures. These two different allocation mechanisms create different incentives, in both donor and implementing institutions. Therefore, this specific institutional setup offers a unique opportunity to compare the quality of project management in these two types of projects.

By narrowing down of the initial research interests, the exact topic of this research is formulated. This thesis focuses on the quality of project's management in development cooperation and compares projects that receive funds through direct award (the GIZ) with those that receive project means through competitive tender mechanisms (the GIZ IS) with the aim to assess what projects achieve higher quality in project management and what possible advantages and disadvantages of the both allocation mechanisms can be identified.

### **1.3 Disciplinary Basis**

The overarching theoretical framework guiding this research is rational choice institutionalism (RCI). For the analysis of the development cooperation system, agency theory is used to identify the main actors and examine their mutual interactions. The principal-agent (P-A) model has already been widely used in studies finding the best form of organizational arrangements, especially in the context of task delegation and contractual arrangements. The P-A model seeks to discover best mechanisms that help cope with and avoid common agency problems. This approach has been also used in the development aid field to discover what the incentives of particular players may be and to identify the tensions that exist between, or even within, the official institutions of donor countries. It has laid ground to an understanding of differences of the development aid field

and other fields of service provision. Aid agencies strikingly differ from all other agency forms: the people for whom they are supposed to work are not the same people that pay their revenues (Seabright, 2002). Foreign aid beneficiaries are not voters in donor countries, and they cannot influence or shape governments of donor countries. This broken feedback loop is considered to be one of the most distinctive and important aspects of developing assistance (Martens, Mummert, Murrell, & Seabright, 2001); therefore, its meaning and consequences will be thoroughly discussed.

With the help of the P-A model applied within the framework of RCI, focus is centered on the main actors within this rather complex system of development cooperation. The model offers an explanation about how the existing institutional structure shapes the incentives of individual actors, what kind of behaviors they further and, moreover, how they may influence the quality of project management.

#### **1.4 Value of the Research**

In the history of development aid, different instruments for aid delivery have been used. Project aid, nonetheless, has remained very widespread and present in the field as the major aid modality since the 1950s (Jelovac & Vandeninden, 2008; Landoni & Corti, 2011). Although budgetary support is considered to have the potential to become a promising aid modality (The World Bank, 2005), its percentage in comparison to project aid is still insignificant. The fact that the project aid has remained a dominant modality of provision of services reiterates the importance of the project delivery methods for aid outcomes. By putting light on daily practices of development aid projects, this work intends to help practitioners and decision makers understand consequences of their actions and to underline the big influence that institutional structures have on aid quality.

Secondly, the research identifies specific practices on development aid projects that are proven to have an impact on the overall project success. It does so by relying on previous studies that have dealt with factors of project success in development aid (Diallo & Thuillier, 2005; Ika, 2015; Ika, Diallo, & Thuillier, 2012; Khang & Moe, 2008; Yalegama, Chileshe, & Ma, 2016;



Yasmin & Sim, 2016) and on the internationally agreed-upon criteria for improving aid efficiency (e.g. Paris Declaration on Aid Effectiveness [OECD, 2005] and the Accra Agenda for Action [OECD/DAC, 2008]). These are then combined to accommodate the purpose of this study.

Furthermore, the specific value of this research is that it develops a unique tool to measure quality of managerial practices. With minor adaptations, this questionnaire can have broad application on other agencies and for cross-agency comparisons, which offers immense opportunities for future research.

Last but not least, this work partially concerns all the donors who engage in competitive outsourcing. At the same time, the great deal concerns solely German development cooperation. Therefore, this thesis presents an attempt to build upon two previous studies that have already examined the practice of contracting out of two big donors, namely the United States (Berrios, 2000) and Great Britain (Huysentruyt, 2011). In 2016, Germany's Official Development Assistance (ODA) expenditures reached 0,7% of its gross national income (GNI), thereby reaching the target generally set by the Development Assistance Committee (DAC) members. This made Germany the second largest donor in absolute terms, preceded only by the United States (Organization for Economic Cooperation and Development [OECD], 2018).

There have been only a few studies conducted in cooperation with the GIZ, and the agency has the reputation of being closed for external researchers (Sye, 2007). Hence, this thesis offers insights in the GIZ daily managerial practices and might therefore be of interest to everyone curious about this particular agency.

## **1.5 Aims and Objectives**

The overall aim of the study is to compare the quality of project's management of two types of projects—those that receive funds through a direct-award mechanism and those that receive funds through competitive tendering—to identify differences in project management. The objectives of the study are:

- To identify project management practices in ID projects that have effects on the overall project success;
- To develop an instrument that measures project's management quality;
- To compare project management practices between GIZ and GIZ IS projects;
- To identify differences and determine advantages and disadvantages of the two allocation mechanisms;
- To make practical recommendations for practitioners and policymakers.

## **1.6 Structure of the Thesis**

The thesis begins with a literature overview in Chapter 2, which summarizes relevant literature concerning the process of contracting out and its consequences. Furthermore, it explores the theoretical bases and empirical findings that deal with connection between competitive contracting and variations in managerial quality. Finally, it investigates potentials of the empirical findings of the project management school of thought and identifies a comprehensive list of factors contributing to project success, which are later used as a basis for creation of the data-gathering instrument.

As the concept of project's management quality is not universally accepted, Chapter 3 establishes the basis for this term. It first reviews terms that have previously been used in aid-quality research and furthermore elaborates on project management quality, emphasizing the importance of the concept of overall aid effectiveness.

Chapter 4 outlines the structure of German development cooperation and prepares the reader for the application of P-A model within the framework of RCI. The P-A model identifies the main players and their goals, and it explores how the institutional setting constrains and shapes strategies that actors pursue to achieve their own preferences. This supports the formulation of the research hypothesis.

Chapter 5 describes the actions taken to investigate the research question and the rationale for the application of the chosen methods. It describes the process of data collection, provides justification for sampling procedure, and elaborates on potential limitations of this study.

Chapter 6 offers a comprehensive summary of the research results. It starts with the process of data preparation, namely, data weighting, used to accommodate for a unit-nonresponse and data reduction, which is used to reduce the entire data set to a few comparable components of project management. In that way, data are prepared for multiple regression analysis, which is applied with the aim to determine the differences in individual components of project's management between the two types of projects.

Chapter 7 discusses the results in light of theory and broadens the quantitative findings with data from qualitative interviews with BMZ, GIZ, and GIZ IS employees to offer potential explanation of the results and their meaning for the practice. It closes with suggestions for future research.

Chapter 8 synthesizes key points of this study.

## Chapter 2

## LITERATURE REVIEW

Exposing governments to competition either by outsourcing service delivery to external service providers or by fostering competition among governmental units (Tullock, Seldon, & Brady, 2002) was a response of public choice theorists to the threat of reduced social welfare (Huff, 2007). Empirical findings testing the path between competition and increased performance paved the way for the idea that it is the increased managerial quality that improves performance, leaving enough evidence to support that the improved managerial quality is what improves the overall performance. This can be extremely relevant, in particular for industries where performance measurement is not straightforward. In for-profit companies, one could measure company performance based on revenues. In development aid, measuring successful performance is quite more complex. A common way to measure it is to rely on macro indicators, such as increased gross domestic product (GDP). This approach has shown to be highly problematic, as economic growth in a recipient country is dependent on too many different factors besides successful development cooperation operations. That is why the empirical findings that prove the connection between management quality and overall performance are extremely significant in industries where measuring managerial quality is less problematic than measuring the overall performance. The underlying thought behind this research is that management matters for the overall performance and effectiveness, and projects with higher quality of management tend to achieve better results.

Therefore, Chapter 2 provides major findings of the three topics, which are important for the overall research question. The first part focuses on a crucial change that has taken part in the 1980s and 1990s in the way governmental services are delivered. Namely, the delivery of services had initially been in the hands of states until the new public management became the leading idea behind public sector reforms. These reforms related to the way governments all over the world function and how they deliver services. The idea of NPM was that governments have to become more market oriented and, among other strategies, outsource service provision through competitive

contracting. This phenomenon has reached the foreign aid sector as well. After universities and research institutions were at the beginning commonly contracted, nongovernmental organizations (NGOs) and private companies are now predominantly the implementers. The first part of this chapter is dedicated to contracting out; it summarizes the findings on the effects of contracting out and it reiterates the important role given to the implementing organization in this context.

The second part of the chapter focuses on the phenomenon of competition, which is commonly interrelated with outsourcing, as the outsourcing is usually done through competitive tendering. In the process of competitive tendering, providers compete for contracts, giving them exclusive but temporary rights to provide specific public services. This chapter provides main empirical works that connect the competition with increased performance and, in particular, focuses on the mechanisms that, as will be shown, can also lead over improved managerial practices. These allow for the conclusion that, just like competition may cause better management quality in a hospital, school, or manufacturing plant, we can expect to see the same effects on project management.

The last part of the chapter focuses narrowly on the field of project management. Although the projects have remained important instruments for international development (ID) assistance, this field of research belongs to the non-traditional field of project management, and it is under-researched, with scanty theoretical bases. One particular school of thought of project management, success factors, offers at least a rich empirical foundation. From this we can learn which factors, circumstances and practices of project's management lead to better results and which are crucial for the overall project success. This research benefits from the findings and uses them to operationalize the concept of project management quality in the following chapter.

## **2.1 New Public Management**

Between the outbreak of the Second World War and the early 1970s, the Keynesian economics of Keynes was a dominant force of economic thinking and an inspiration for many

policy makers. States had a multitude of tasks on their hands, from creating conditions for economic prosperity to correcting leadership in those areas where the private sector had appeared as ineffective (Dwivedi, 2002). Nonetheless, in the 1970s, the dissatisfaction with big, Weberian hierarchical public administrations grew, and they were often described as old fashioned and dysfunctional (Kapucu, 2007). The writings of Peter Drucker from the late 1960s and 1970s have strongly popularized the idea of the omnipotence of the market in comparison to public sector. An additional impetus was enabled through the election victories of Margaret Thatcher in Great Britain and Ronald Regan in the United States as they furthered the implementation of policies based on neoliberal ideas (Domberger & Rimmer, 1994). Both countries were world leaders in privatization in 1980s, and the wave has spread further through western democracies. Privatization of government-owned enterprises, shrinking the role of the state, and increased contracting out for public services were very popular moves that were believed to lead to improved quality of service delivery and cost savings.

A strong belief in the market and in the idea that private is better than public led to widespread and deep changes in public administrations worldwide. Keynesian economics was attacked by three alternatives: monetarism, supply-side economics, and public choice theories. The combination of these ideas is collectively known as neoliberalism. It spread the ideas of privatization, deregulation, and reductions in government spending all around the western world. The movement, which came as an off-spring of neoliberalism, particularly aimed at changing the way administration function, became known as NPM. This set of ideas was theoretically rooted in public choice theory and transaction cost theory (Hood, 1991). It was introduced with the idea to make the public sector more similar to private one and, therefore, to bring to more efficient, high-quality public service delivery (Savas, 1987). Osborne and Gaebler (1992) referred to this change in public functions as “steering not rowing,” suggesting that public organizations are not always the best-equipped providers (p. 35). Contracting out has been seen as one of the main tools in achieving

the goals of the NPM and as a panacea to almost all governmental problems (Boyne, 1998). It promotes the idea that contracting out for services by the public sector, through encouraging competition and increasing clarity between providers and purchasers, will eventually lead to more efficient service provision (Walsh, 1995).

Contracting out can be seen as a form of liberalization, as liberalization essentially means the abolishment of public sector monopolies and the creation of public service markets with at least two providers competing for customers (Coen & Doyle, 2000). A specific form of liberalization is competitive tendering, where providers compete for temporary rights to provide certain public services in specific jurisdictions (Hermann & Verhoest, 2012). As customers cannot actually choose between different service providers, the providers compete for the market rather than in the market (Funnell, Jupe, & Andrew, 2009). Competitive tendering can be found in public service areas where continuous competition in the market between different providers would undermine the effectiveness of the services.

In this work, the terms *contracting out* and *outsourcing* are used interchangeably and refer to arrangements when an entity, chosen through a process of competitive tendering, is entrusted with a task, whereas the task implementation remains under public supervision (Auby, 2009).

## **2.2 Governmental Contractual Arrangements**

Government contracting out has become commonplace. Governments all over the world contract for the purchase of tangible goods, such as diverse equipment, machines, and facilities; the practice is also to contract for *output services*, those provided directly by contracted companies to the general public, such as street sweeping, waste collection, forestry, maintenance of parks, postal services, and local transportation. Many social care and health services, such as care for elderly and clinical services, are being increasingly contracted out. In addition to this, governments also contract for *input services*, such as accounting and clerical work. Governments can contract with other governmental departments, with private, for-profit organizations, or with the not-for-profit

sector. Kettl (1993) noticed that almost every type of service has been contracted out somewhere in the world. In most countries, some core administrative services are legally non-contractible services, such as functions that could interfere with individual liberties or significantly affect the life or property of private persons (Auby, 2009).

Most of governments of OECD countries have delegated the provision of domestic services to non-state actors. There are big differences in the extent to which these market-type mechanisms in service delivery have been adopted (Bloechinger, 2008; Blondal, 2005). In the United States over 80% of city government services are provided either in-house or through contracts with private sector firms (Levin & Tadelis, 2010). A small part is provided through governmental agencies. Outsourced services include public works and transportation (e.g., road construction, street cleaning, residential and commercial waste collection), safety services (fire, police, and emergency services), health and human services, parks and recreation, cultural programs, and administrative support functions (Levin & Tadelis, 2010).

In Europe, the privatization movement started spreading from the Great Britain, but it was the European Union (EU) that enforced the liberalization process across the member states (Coen & Doyle, 2000). The European Single Act, which was put in force in 1987, has pushed for an expansion of market and competition mechanisms in those areas of social and economic activities that have previously been protected from competition (Hermann & Flecker, 2012). Previously, many countries have had a very strong tradition of relying on state provision of services and monopolistic state companies. In the private sector, monopolies have always been considered as being inefficient and bad for customers. In the public sector, they have been more accepted, for practical reasons, as governmental departments are administratively more efficient and rational in terms of management, if functions of different department actually do not overlap and if they hold unique rights of specific service provision. Savas (2005) warned any monopolies, being public or



private, have a tendency to take advantage of their position, and it would be naive to believe that only because a monopoly is state run, it will operate in the public interest.

The NPM reform movement in Germany started 10 years later than in Great Britain and its influence has not been very strong. The NPM reforms taking place have been more focused on the modernization of internal structures of the public sector rather than on marketization and competition (Reichard, 2002). The public sector in Germany has traditionally had strong collaborative relations with private providers in the social service sector (i.e., child and health care) with a large number of non-profit organizations as service providers. Nonetheless, competition between the actors has not been strong as market shares have been distributed based on negotiations (Reichard, 2001). Although growth of domestic outsourcing in Germany since the early 1990s can be tracked (Goldschmidt & Schmieder, 2015), Germany still outsources less than the average of the OECD countries (OECD, 2017). When it comes to development cooperation, there is robust evidence that shows that the countries that in general do not outsource high percentage of their GDP, will also outsource less for aid delivery (Dietrich, 2013).

The liberalization wave spread from western democracies to post-socialist countries of Eastern Europe and China, which also have followed this trend. Furthermore, the wave spread to newly created states, ex-colonies in Africa and Asia, mostly pushed for by the International Monetary Fund (IMF), World Bank (WB), and bilateral donors. It seems widely used in low and middle-income countries, which severely suffer from bad government service provisions. In many areas, there is an increasing number of services that are provided by the private sector, contracted by the government. This policy was particularly strongly pushed for by the WB and other international and bilateral donors, which increasingly focused on privatization and outsourcing, believing that it will reduce government costs and improve quality of services being delivered.

At the international level, foreign aid is most commonly contracted, especially food aid. Organizations that have a long history of contracting their services out are the WB, the Office of the

United Nations High Commissioner for Refugees (UNHCR), and other United Nations (UN) agencies, as well as the EU.

The next section outlines the main literature findings concerning the consequences of competitive contracting out. As there are not many studies focusing in particular on the field of development cooperation, the literature from other fields was also reviewed with the aim to draw plausible conclusions for the process of contracting out in development aid.

### **2.3 Contracting Out Effects**

Supporters of the NPM have argued in favor of the liberalization of the market and believe in the power of competition. Benefits of contracting out are considered to be cost effectiveness, flexibility, and expertise in delivery (Levin & Tadelis, 2010). Empirical assessments of consequences of contracting out, therefore, mostly focus on changes in price and quality of the delivered services.

These assessment studies can be conducted through before-and-after comparisons and as cross-sectional econometric studies. The first type of studies takes the additional costs into account, namely transaction and conversion costs (Domberger & Jensen, 1997; Smirnova & Leland, 2014) which occur due to the decision to contract out a service. The cross-sectional econometric studies compare in-house and contract services across samples of randomly chosen jurisdictions.

Various studies' results, independent of the study type, done before 2000 showed cost savings between 15% and 30% (Borcherding, Pommerehne, & Schneider, 1982; Domberger & Jensen, 1997; Savas, 1987; Thompson & Elling, 2000; Villalonga, 2000). These findings corresponded with policy maker expectations. Nonetheless, more recent studies show mixed results with varying, less significant savings (Iseki, 2010; Scheffler, Hartwig, & Malina, 2013; Walter, 2011), over nonsignificant differences (Bel & Costas, 2006; Brudney, Fernandez, Ryu, & Wright, 2005; Kuhlmann, 2008; Pina & Torres, 2006; Stanley et al., 2013), or even increases in costs when outsourcing (Le Lannier & Porcher, 2014; Tiemann & Schreyögg, 2009).

As far as quality is concerned, accurate assessments are harder to produce and scarcer. In the first place, because detailed descriptions of services that are delivered, in most cases, did not exist when the government was in charge of service delivery. Another problem lies in the absence of generally accepted measures of quality (Rimmer & Hall, 1994). There is a lack of accurate data of change of quality over time as several different techniques have been used to measure quality, such as surveys of satisfaction of users, changes in inputs, numbers of outputs, and performance indicators (e.g., users' complaints) (Domberger & Rimmer, 1994). Additional problems with comparisons of in-house service provisions and provisions when services are outsourced are that competition and ownership effects can hardly be objectively separated as these two usually occur coincidentally.

These are some of the reasons why the choice between in-house provisions and contracting out has proved to be rather controversial than straightforward (Hart, Shleifer, & Vishny, 1997). The effects seem to be highly dependent on countries as savings are twice as large in Anglo-Saxon countries compared with the others and savings are higher for technical than for social services (Petersen, Hjelmar, & Vrangbæk, 2018).

Sectoral belonging of the organizations providing services remains to be an important concern of researchers (Baarspul & Wilderom, 2011; Nutt & Backoff, 1993; Rainey, 1989; Ranson & Stewart, 1989; Williamson, 1999). Large numbers of scholars increased interest in examining this issue with the increase of services provided by so-called third sector. Not-for-profits are in generally considered to have some comparative advantages in comparison to the for-profit sector (Hansmann, 1980). On the other hand, ample research shows the change in quality and price coming from ownership change is negligible relative to that of competition (Domberger & Jensen, 1997; Savas, 2000). Donahue (1989, p. 218) claimed, "Most of the kick in privatization comes from the greater scope for rivalry when functions are contracted out, not from private provision per se".

The research about sectoral belonging of institutions, despite all the attention received, has not offered clear answers. Most of the commentators have agreed that sectoral belonging does not have decisive influence on quality of services being provided nor on its costs. Assessments are much more complex and other determinants, such as conditions under which the contracting is taking place, are receiving increasing attention.

Besides the mixed effects of contracting out, concerning cost-savings and quality improvement, relevant literature has also identified numerous pitfalls associated with the processes of outsourcing. One broadly discussed problem is a potential loss of control and accountability in service delivery (Hirsch, 1995). An additional hardship is performance monitoring, where limiting non-altruistic behavior has to be closely monitored, especially in the absence of competitive market (Kelly, 2007). Further risks also not to be forgotten are all forms of financial and reputational risks for governments when engaging with private service providers (Padovani & Young, 2008; Schwartz, 2005).

The general conclusions that can be made are that the decisions to contract or not to contract depend on a very complex set of factors, which tend to strongly depend on various circumstances. Conditions that predominantly seem to play an important role for the outcomes of contractual arrangements are (a) the nature of the service being contracted (Lane, 2000), (b) the internal capacity of the agency regarding performance monitoring capacities, possibilities, and the process of agreeing to the contract (Brown & Potoski, 2003; Kettl, 1993), (c) the level of development of private sector and level of competition (Hart, Shleifer, & Vishny, 1997; Lane, 2000), and (d) size and nature of the firm (Williamson, 1985). This evidence shows the complexity of the factors that stand behind a deceptively simple decision and how many different situational circumstances influence the outcomes of the decision.

## 2.4 Contracting for Development

In the field of development aid, although the contracting out of project delivery to non-governmental and for-profit organizations has massively taken place, scarce studies offer assessments of the effects. One reason why this may be the case is that it was rather late that the behaviors of donors were brought in connection with results in development aid industry. It has been mostly recipient countries that were put under the scrutiny. One of the major studies, which had far-reaching policy consequences (Burnside & Dollar, 2000), stated that aid had better impact on growth in recipient countries with good fiscal, trade, and monetary policies. Besides that, high corruption levels and the ignorance of autocratic leaders were also considered to diminish aid effectiveness (Ayittey, 2005; Baland, Moene, & Robinson, 2010; Knutsen, 2009; Meredith, 2006). Some further empirical studies have even shown that aid can have detrimental effects on citizens' welfare in countries with autocratic regimes (Easterly, 2003; Van de Walle, 2001). These works go in line with the policy of conditioning, which is common within many donor countries. In return to foreign aid, donor countries demand macroeconomic stability, non-interference with market pricing, openness to international trade and some policies generally prescribed by the NPM, such as privatization of state-owned industries (Easterly, 2003). In that way, donors feel secure that their money is not wasted due to inadequate in-country policy environment.

All these investigations have predominantly focused on the behaviors of recipients, whereas the behaviors of donors and implementing bodies had been of much less concern in the existing development aid research. The first analytic works that have grappled with the actual practices of different donors—those over which donor organizations have control that are likely to affect long-run effectiveness of aid—were conducted by Mosley (1985) and White and Woestman (1994). They focused strictly on donor policies (i.e., the amount of aid given, the terms and conditions under which it is given, the extent to which it is tied, and its allocation to recipients) as determinants of aid quality. Deininger et al. (1998) and Kilby (2000) studied WB projects and convincingly

demonstrated that donor efforts can improve aid effectiveness. Later on, Wane's (2004) empirical research dealing with determinants of foreign aid quality confirmed the results of Burnside and Dollar (2000)—aid works in countries with good governance and reasonable economic policies—but also provided evidence that aid is not donor neutral, and its effectiveness is not exclusively determined by the characteristics of the recipients. Tierney et al. (2011) proved that the nature of the organization implementing aid can also influence aid effectiveness. Similarly, a study by (Denizer, Kaufmann, & Kraay, 2013) confirmed the quality of donor country politics and institutions is strongly connected with project outcomes.

Quite a few authors focused on the institutional settings of aid (Bräutigam & Knack, 2004; Easterly, 2003; Gibson, Andersson, Ostrom, & Shivakumar, 2005). A pioneer study by Martens et al. (2001) sought to explain the set of incentives inside the aid delivery process on the side of the donor, rather than recipient country policy performance and challenges. They studied type of the institutional setup in donor countries, which is required for credible delivery of aid in recipient countries. In a similar fashion, Gibson et al. (2005) offered an in-depth analysis of a myriad of actors, their collective-action situations, and incentives of all involved and how these factors predicted the effects on sustainability of aid. Furthermore, they discussed how modalities (i.e., different instruments), means (i.e., grants or credits), and conditions (i.e., donor imposed constraints) of aid produce different kind of incentives. This contribution focuses predominantly on the discovery of the incentives that drive contractors' behavior, puts contractors as key actors in aid industry, and examines their influence over aid processes and outcomes. It follows the changes in incentive structure caused by a decision to contract or not to contract. "...an inviolable fact remains: aid contractors are key players in the development and the delivery of aid and their choices and actions determine aid outcomes for recipient governments, recipient organizations, and the World's poor" (Andersson & Auer, 2005, p. 160).

Later attempts to focus on specific policies of donor agencies assumed to have powerful impact on aid outcomes are made by Birdsall (2004), Easterly and Pfütze (2008), and Easterly and Williamson (2011). Continued efforts to measure changes in donor quality over time is QuODA, which assesses aid quality according to four dimensions: maximizing efficiency, fostering institutions, reducing burden, and transparency and learning (Birdsall & Kharas, 2010, 2014; Birdsall, Kharas, & Perakis, 2012).

These works have laid the foundation for the assertion that there is a strong connection between donor behaviors and aid outcomes. The following donor policies were identified as having the power to influence aid outcomes: aid quantity, geographical distribution of aid, type of aid (i.e., budget support, project/program aid), the level to which aid is tied, transparency, aid fragmentation, conditioning policy, etc. These are just some of the choices that policymakers in donor countries face and that might, to a higher or lower extent, influence aid outcomes. The choice whether to contract service delivery out or to use governmental agency to deliver aid project is also one of policy options, which has caused major attention of researchers in other industries. Development aid has remained deprived of similar exploration in this direction. Without disputing the previous research that stipulated that donor policies such as aid allocation or aid fragmentation influence aid outcomes, this thesis emphasizes the importance of implementing organizations, so called implementers, for the entire aid delivery process, by looking at how rules embedded within allocation mechanisms affect the actors' behaviors and create incentives that affect aid outcomes.

#### **2.4.1 Contracting Out in the Development Aid Industry: Main Findings**

The tendency to commonly rely on private firms for aid project delivery and to do so through contracting out is now present in almost all development aid agencies. The decision makers in most donor countries, enthusiastic about the potential cost reductions and quality improvement outsourcing could bring, thought that this might help improve the bad image that the international

aid industry already had. The idea behind the decision to outsource was that awarding contracts based on good past performances should be high incentive for private firms to focus on results.

Looking at the reasons why most development aid agencies started contracting out implementation of projects, it is clear that the austerity combined with discontent over results achieved, has fostered changes that followed the global trend of outsourcing implementation of services (Berrios, 2000; Gibson, Andersson, Ostrom, & Shivakumar, 2005; Sida, 1989). Sources of increased effectiveness are believed to come from competitive forces that generate enough momentum to pressure agencies to develop quality competencies that furthermore push changes in organizational work practices (Chandler, 1991).

Contracting out in development aid has caught attention of few authors. Some of them simply called attention to the degree of involvement of private entities in delivery of foreign aid services (Klein & Harford, 2005; Werker & Ahmed, 2008), while others pointed out that the massive contracting out can evade government accountability (Dickinson, 2005; Freeman, 2000; Minow, 2003). Two major contributions focusing on contracting out in development aid by scrutinizing one specific implementing agency are Berrios (2000), focusing on the United States Agency for International Development (USAID) and Huysentruyt (2011) on the Department for International Development (DFID) in Great Britain.

During the 1990s, the U.S. government restructured the USAID, with the objective of making it more efficient and business-like. Instead of having the U.S. government personnel implement development activities, the USAID started contracting projects out and therefore heavily relying on private contractors.

Berrios (2000) analyzed 116 contracts that the USAID signed with for-profit providers. The study was done some years after USAID made a decision to outsource delivery of almost all development aid projects. The aim of the study was, in the first place, to make a typology of the



existing contractual arrangements and, in the second place, discover how these different types of contracts influence potential cost reduction and efficiency.

Berrios' conclusion brings out concerns that in practice, in the case of USAID, contracting out with private firms has not brought satisfactory changes. The study shows the evidence that types of contracts employed and characteristics of the market may play a decisive role in the process and eventually bring to outcomes that are far less than optimal.

The study focusing on DFID reiterated the importance of the organizational form of bidding agents (Huysentruyt, 2011) for aid outcomes. This study, which included 457 competitive contracts between DFID and for-profit and not-for-profit contractors, discovered several differences between these two entities. NGOs tend to focus more on its own agendas and tend to adhere less to the terms of references given by the government. On the other hand, when contracting out with for-profit firms, ex-post costs tend to be substantially higher, than when contracting with NGOs. This shed new light on particular strategies that governments should be aware of when contracting out with different organizational types.

Governments contract out for most of services due to expectations in increased innovation, flexibility, superior productivity and cost reductions (Salamon, 2002; Smith & Lipsky, 1993; Stein, 2001; Weisbrod, 1998). Numerous studies show mixed results concerning price reduction and quality improvements. In development aid this phenomenon remained highly unexamined, despite the fact that it has been routinely done. The findings so far have undoubtedly shown that contracting out for delivery of development cooperation projects is an important determinant of foreign aid and effectiveness and justifies further investigation in this direction.

Having summarized the existing literature evidence about the consequences of contractual outsourcing, in the next part I focus on the influence of competition on management process management quality.

## 2.5 Competition, Management and Performance

Monopolies have long been considered as being great enemies to good management (Smith, 1776). These thoughts stemming from Adam Smith were later confirmed by some influential econometric works (Nickell, 1996; Olley & Pakes, 1996; Syverson, 2004), which emphasized that competition can effectively improve management and therefore enhance productivity. The belief that competition provides incentives for efficient organization of production and that it drives innovation has been the driving force behind important policy changes, despite the lack of strong theoretical basis and a lack of hard empirical evidence.

The idea that competition leads to increased performance is present in many theories: economics, ecological, and strategy tradition. Nonetheless, these theories differ when it comes to mechanisms that lead to improvement of performance. The ecological view argues that competition works primarily through forcing the exit of firms that do not fit the environment (Carroll & Hannan, 1992; Hannan & Freeman, 1977). Traditional strategy research argues that many firms are able to adopt strategies and capabilities in a competitive environment. In neo-classical economics, it is assumed that harsh competition forces firms to adopt best-practice techniques, and the inefficient players either adapt or exit the market; therefore, both mechanisms operate.

Several assumptions about the mechanisms that might be at stake are present, but there is no leading workhorse model that fully fleshes mechanisms through which exposure to competition leads to increased performance (Holmes & Schmitz, 2010) which reveals a lack of strong theoretical basis explaining the correlation between competition and increased productivity and performance.

In empirical works, the correlation between competition and improved performance is commonly found, although the mechanisms at stake remain questionable. One simplistic but rather widely spread belief is that existence of monopoly rents (as common of public companies) results in lack of effort. Works of Holmstrom (1982), Mookherje (1983), and Nalebuff and Stiglitz (1983)

confirmed this mechanism. Besides, there is evidence that competition fosters technical efficiency, total factor productivity, and innovation (Nickell, 1996).

In a large-scale study across industries, it was confirmed that competition stimulated development of high-involvement work practices (Das, Handfield, Calantone & Ghosh, 2000). Besides, it drives improvement in quality training, evaluation practices, and customer commitment. Stewart and Walsh (1992) reported local government compulsory contracting brought increases in productivity and changes in management processes. The rigor of competition made firms adopt best-practice techniques (Henderson & Mitchell, 1997). In a debate about the sources of efficiency gains when contracting out takes place, where one of potential explanations was that savings are accounted for by better management (Domberger & Jensen, 1997).

Recent empirical works show that the positive competition effects on productivity enhancement actually works through improvement of management practices (Bloom, Genakos, Sadun, & Van Reenen, 2011; Bloom et al., 2011; Bloom & Van Reenen, 2007, 2010; Lemos & Scur, 2012; Propper, Bloom, Seiler & Reenan, 2010). The goal of this research series was to investigate effects of competition and mechanisms that may be leading to improved performance. For this purpose, a special tool for measuring the quality of management has been developed. Using the same tool, multiple quantitative studies that compared the quality of project management across countries, across industries (e.g., schools, hospitals, manufacturing, retail) and across sectors (e.g., private ownership, public ownership, family ownership) have been implemented. The findings show that the competition does appear to improve a core set of management practices, which matter for the overall performance. They furthermore claimed the incentives to improve practices, which are sharper when competition is present, are most certainly how competition improves management quality (Bloom et al., 2011).

Table 1 summarizes findings of important empirical studies that find that competition positively influences productivity. The left column lists the mechanisms that have been identified as having an important role for this process.

Table 1

*How Competition Improves Productivity*

Mechanism	Literature Source
Competition fosters innovation	Nickell (1996)
Incentives to improve practices	Bloom et al. (2012)
Increased (managerial) effort	Schmidt (1997), Holmstrom (1982), Nalebleuff and Stieglitz (1983), and Moohherje (1984)
High involvement work practices	Das et al. (2000)
Better management quality	Bloom and Van Reenen (2010)
Cost savings	Ferri and Graddy (1986)
Changes in management process	Steward and Walsch (1992)
Adoption of best practice techniques	Henderson and Mitchell (1997)

## 2.6 Why Management Matters

The general belief that management matters for the overall performance has rarely been contested; the evidence displays consistent findings (Nicholson-Crotty & O'Toole, 2004; O'Toole & Meier, 2003, 2004) and confirms that although it is not the only determinant of performance, it is a very substantial one. Furthermore, management literature has suggested that management imperfections are actually to blame for poor service delivery and poor impact, and most such problems (around 70–90%) are recurrent and built into defective internal service processes (Edvardsson & Olsson, 1996). Measuring management practices is not very straightforward, and authors regularly use proxies, such as students' performance to measure the quality of school management or salary levels of managers to measure management quality (Johansen, 2013; Kahn, 1993). As they may be excellent proxies for studying particular industries, they are not universally

applicable and cannot be used across sectors and industries. Luckily, an immense progress has been made in ways to measure and compare management practices across sector and industries.

The already mentioned series of large quantitative cross-country studies (Bloom & Van Reenen 2007, 2010; Bloom et al., 2011a; Bloom et al., 2011b; Lemos & Scur, 2012; Propper, et al., 2010) have tested management practices in over 10,000 entities, including schools, hospitals, manufacturing, and retail. They did so by using a specific survey specially designed to measure quality of management independent of the sector and industry. Both the methodology applied and the findings are of great importance for this thesis for two reasons. First, their results showed there is a narrow set of management practices that are very likely to increase performance across fields and sectors. The initial idea that some bundles of management practices are better than the others was motivated by ample research confirming large differences in productivity, which could not be explained in any other way:

The patterns within our large samples of management data across firms and countries have led us to believe that one important explanation for the large differences in productivity between firms and countries—differences that cannot be readily explained by other factors—is variations in management practices. (Bloom et al., 2011 p. 222)

Second, they have shown that the basic set of managerial practices can be defined, measured, and compared without the need to solely rely on proxies such as salaries, performance in schools, or mortality rates in hospitals. Instead, they combine proxies with internal practices that are proven to have influence on the overall performance. They do not encompass all the aspects of management but rather focus on basic, smaller set of measurable practices that matter for the overall performance.

The next relevant issue to be explored is the extent to which these findings about management are relevant for the project management level and to see if there are project management practices that tend lead to the overall success of projects. To increase productivity or performance, organizations increasingly use various project management tools (Frame, 1995). The

link between project management performance and overall project success is hard to establish, due to different understanding and definitions of both terms (Abd-Hamid, & Bryde, 2011). Nonetheless, a lot of studies confirmed positive relationships between the project management performance and the overall project success (Bryde, 2008; De Wit, 1988; Jugdev & Müller, 2005; Mir & Pinnington, 2014; Morris, 1998; Munns & Bjeirmi, 1996). These are extremely valuable as they prove the value of project management performance for the overall success and justify the employment of the approach that treats the quality of managerial practices as the main dependent variable, and as an element, which has a value on its own, without the need to concentrate on the output and the overall project effectiveness, as measuring these in development cooperation may be extremely challenging.

In project management research, the success factor school of thought is the one that has provided fruitful basis of the generic factors that determine the overall project success. Numerous works have emerged in the last 10 years, with very consistent findings, despite different local and sectoral settings of the development aid industry that they have referred to. The remaining part of the chapter will outline these findings and furthermore explain how this research benefits from them.

### **2.6.1 Project Management**

The previous section outlined the main findings concerning positive influence of the competitive environment on overall organizational performance. Some of the outlined mechanisms that are found to be playing a decisive role in the process are the increase in managerial effort, high-involvement work practices, and better management quality. These findings allow for the assumption that competition could also foster higher management quality at the project level as well. The field of project management has already benefited from findings in organizational and management science and vice versa. Söderlund (2011) asserted project management studies should be not too distinct from the study of management and organization as building upon what is already known is an important act of knowledge development.

Project management can be defined independently of the field in which projects are implemented as the application of knowledge, skills, tools, and techniques of project activities to meet the project requirements (Project Management Institute [PMI], 2000). Similarly, Young (2013) defined project management as a dynamic process that utilizes the appropriate resources in a controlled and structured manner to achieve some clearly defined objectives. A significant part of project management literature sees it as a method or a technique for organizational problems (Söderlund, 2011). Besides this tradition, there is also the one rooted in the social sciences and organizational theory, which is interested in behavioral aspects of project organization.

Historical origin of project management studies can be found in different fields: organization and management studies, operations research, and also engineering. Project management research and project research grew very fast as most of the industries after the Second World War were highly project intensive (Mintzberg, 1983). Traditionally the field was focused on issues such as planning and organization of single projects, risk management, and team management (Pinto, 2002); techniques for time management and scheduling activities; and how to organize and manage a single project. It was later broadened to encompass multi-firm and multi-project settings (Söderlund, 2004).

Project management research initially focused on only several industries, such as: construction, automobile, power generation and transmission, and aerospace (Betts & Lansley, 1995; Morris, 1994; Packendorff, 1995; Söderlund, 2002). Later on, project management expanded its influence to other areas, sectors, and fields (Cicmil, Hodgson, Lindgren, & Packendorff, 2009). Nonetheless, a review of the main contributions written in the project management field has shown that approximately two thirds of all project management articles continue to emphasize the traditional areas from which project management emerged (Kloppenborg & Opfer, 2002).

The classical project management approach, which dates from the 1940s and 1950s, (Morris, 1994) advocated a universal approach to project management. It encouraged a development of a

universal theory of project management, which could be applied to every project. The approach does not assume that all projects are the same but instead explains the very basic features of the general organizational form that can be called project, respecting at the same time different project types (Winch, 2000).

On the other hand, after the spectrum of research in different industries quickly spread and projects seem to have become a cornerstone for organizational form, completely independently of industry or sector, differences between types and sectors have contributed to empirical research applicable only to certain fields. As project management has broadened to explain all the different contexts and techniques that were to be implemented for variety of fields and sectors, the need for plurality of models needed to study the entire field emerged (Morris, 2013; Shenhar & Dvir, 2007).

At the same time, the lack of a unique typology hinders the sharing of knowledge and communication between researchers involved in different industries. As a result, the field is shaped by the existence of middle-range theories that are only applicable for specific types of projects as no ideal model could be found suitable for all the project types (Cicmil & Hodgson, 2006; Packendorff, 1995).

The overview of the current state of affairs of theory development reveals scanty theoretical basis (Shenhar & Dvir, 2007), and despite long tradition in this field of research, its theoretical development is still in early stage, as it shows lack of unified, vigorous and reliable theories. The reasons for this modest basis could lie in the lack of consistent typology (Niknazar & Bourgault, 2017) or fragmentation of the field which hinders the communication among scholars (Söderlund, 2004).

The existing theoretical contributions can be grouped in several schools of thought, as identified by Söderlund (2011): optimization, factor, contingency, behavior, governance, relationships, and decisions. These schools of thought have different foci and vary in the use of project management, major research questions, and methodologies they employ for their research



(Hanisch & Wald, 2012; Söderlund, 2011). As the factor of school of thought plays an important role for this research, its main contributions will be reviewed in the next subchapter.

### **2.6.2 Factor School of Thought in Project Management**

The factor school of thought is also called the success school or critical success factor school (Jugdev & Müller, 2005; Söderlund, 2002), and it is the school that offers the most research. Motivation for this type of research was a high failure rate of project-based actions noticed in the 1980s in practice. It investigates criteria of project success and factors leading to success and failure in projects and determines what a successful project is. It is mostly concerned with the generic factors that determine project success, and the most commonly used methodology approach is quantitative, through large sample surveys. The studies belonging to this school of thought are usually focused on detailed investigations in specific types of projects or within particular context, such as location, sector, or industry. The idea behind this research is that project implementation can be improved for practitioners. They aim at offering prescriptions about what works and what does not. Some of the most influential works are Baker, Murphy, & Fisher (1983), Cooke-Davies (2002), Morris (1983), Pinto & Kharabanda (1995), Pinto & Mantel (1990) and Pinto & Slevin (1987).

### **2.6.3 Project Management in Development Aid Field**

ID projects can be defined as projects that intend to deliver economic growth or poverty reduction in the global South with the financial help from the North (Ika & Hodgson, 2014). The development aid industry has used projects as the main vehicle for its activities since the 1950s, which makes the foreign aid as old as conventional project management. The ID sector is dominated by project-type interventions, totaling to nearly 30,000 projects only in year 2003 (Roodman, 2006).

Despite that, Project Management Body of Knowledge (PMBOK; PMI, 2000) has officially recognized ID as a field of application of project management in the edition from 2000. Similarly,

conventional project management literature has paid insufficient attention to international development projects, with some noticeable exceptions (Diallo & Thuillier, 2004; Ika, 2012; Ika, Diallo, & Thuillier, 2010; Khang & Moe, 2008; Landoni & Corti, 2011; Themistocleous & Wearne, 2000; Youker, 1999).

These contributions from the factor school of thought focusing on development cooperation projects outline major differences between conventional project management and ID project management. At the same time, they deter the initial belief that general project management theory could be applied to all types of projects, as outlined in the PMBOK (Project Management Institute, 2004) that “knowledge and practices are applicable to most projects most of the time” (p. 2). They have added to the understanding that this field has many characteristics that make standard tools of project management simply inapplicable and have identified the need to determine issues and challenges that are industry specific.

The number of reasons why ID projects are different than other project types is abundant, and therefore a short summary:

- Their environment is undoubtedly unique as they face political, economic, sociocultural, and institutional challenges, such as corruption and capacity building setbacks (Collier, 2007; European Commission, 2007; Gow & Morss, 1988; Ika et al., 2010; Moyo, 2009).
- Project goals in international cooperation industries are usually connected to social transformation and human development which makes project performance measurement notionally complex (Crawford & Bryce, 2003);
- Due to specific impacts of aid interventions, projects contain political components, and stakeholders demand high levels of accountability (Britton, 1998);
- Development aid projects usually take place in environments of diverse and even contradictory expectations, which makes traditional project management approaches less appropriate (Diallo & Thuillier, 2004, 2005);

- These projects are international, which implies cultural complexity, different languages, time-zones, customs, and local ways of life (Grisham, 2010).

After outlining the existing uniqueness or features of these types of interventions, it is clear that in search for success factors and criteria, one must rely on type-specific research and not on general findings.

The last decade has seen an increase in research focusing specially on success factors in development aid field in particular. Discovering and defining factors that contribute to the overall project success is valuable, as it enables researchers to use these factors as proxy for the overall project success or as criteria for measuring project (management) success. This research relied on these success factors for the creation of criteria to measure project's management quality. As a lot of empirical studies in different locations show extremely similar results, the success factors seem quite reliable to create a unique list of practices that are beneficial for project success in this particular industry.

#### 2.6.4 Project Management Success Factors from the ID Industry

I chose to rely on the findings from the factor school of thought as a basis for development of criteria used to compare project's management quality across the two GIZ departments for these three reasons:

- In Table 2, it is visible that different studies and authors repeatedly obtain similar findings despite different methodologies they are using;

Table 2

##### *Critical Success Factors in Development Cooperation Projects*

Author(s)	Factors	Location
Khang and Moe (2008)	Understanding of project environment, competencies of project staff, effective stakeholder consultations, compatibility of rules and procedures, adequate resources, commitment to goals, sustained government policy, adequate local capacity, and strong local	NA

Diallo and Thuillier (2005)	ownership Trust and communication	NA
Ika et al. (2012)	Monitoring, coordination, design, training, and institutional environment	NA
Ika (2015)	Project supervision; design and monitoring	NA
Yalegama et al. (2016)	Enabling community environment; measuring project management outcomes; and community project management engagement	Sri Lanka
Yasmin and Sim (2016)	Supervision; monitoring, design, coordination, training, institutional environment	Maldiven

- Results are similar despite different locations used to gather the data;
- The results correspond with some of the previous findings stemming from previous research studies and go in line with Paris Declaration partnership commitments.

This chapter provided a literature overview of the phenomenon of contracting out and presented the findings of the pioneer studies about contracting out in development cooperation industry. Furthermore, it outlined theoretical and empirical works that bring competition in correlation with improved performance and better managerial practices. There are enough empirical works that indicate competition may have positive impact on the overall managerial performance. The mechanisms that are at stake allow for the similar implications in the field of project management. This last part of the chapter reviewed project management success factors school, which will be used in the next chapter to define the concept of the quality of project's management.

As the concept of project's management quality as such is not known in literature and relies on other, similar and already existing concepts, the main purpose of this chapter is to define this term and explain its meaning as used in this dissertation. For that purpose, the chapter starts with the definition of project management to continue with a vague and relational term of quality and outlines its previous conceptualization. Furthermore, previous attempts to measure the quality of aid and similar constructs such as good or effective aid are described. Finally, Chapter 3 clarifies differences between already established terms like *project success*, *project success factors*, *criteria*, and *project's management quality*. Last but not least, this chapter outlines how the project's management quality has been operationalized and justifies its application for the purpose of this research.

### 3.1 Unit of Analysis

The main units of analysis are projects in the field of development cooperation. The way projects are understood and defined varies greatly, depending on project categorization, type, and the school of thought: "A simple and clear-cut definition of projects and project management would be a difficult feat" (Söderlund, 2011, p. 165). Nonetheless, some universal definitions exist. For example, Wysocki (2017) defined project management as a sequence of unique, complex, and connected activities that have one goal or purpose and that must be completed by a specific time, within budget, and according to specification.

In ID, a project's purpose is laid in foreground: intention to deliver economic growth or poverty reduction in the global South with the financial help from the North (Ika & Hundgson, 2014). These projects are considered to be different, on several criteria, than all other project types, as already explained in section 2.6.3. Ika and Hudgson (2014) and Ika (2012) argued development cooperation projects are not necessarily different but have many extreme characteristics of

conventional projects. In that sense, they need to be implemented in a special way and unique benchmarks are used to measure their success.

### 3.2 Defining Quality

Quality is a relative (Harvey & Green, 1993), multi-faceted (Frazer, 1992), elusive (Neave, 1994), slippery and value-laden term (Harvey & Green, 1993), and trying to define it is a waste of time (Vroeijenstun, 1991). Although the previous statements do not help understand the term, they indeed substantiate the complexity of it and the difficulty connected to its definition. As there are many different conceptualizations of the term quality, understanding and usage in this research will be presented and situated in between the myriad of existing approaches.

In some of the concepts, quality is regarded as an absolute, uncompromising, and universally recognizable term, similar to truth or beauty (Husserl, 1969). More often though the term is referred to as a relative concept (Harvey & Green, 1993): relative to process, relative to outcomes, and relative to stakeholders. Understanding it as a relative term, quality always has to do with expectations of those involved. Not only in foreign assistance, but also in many other fields, there are different interest groups with different priorities, which add to the hardship of defining the term.

Harvey and Green (1993) grouped the term in five different categorizations: exception, perfection, fitness for purpose, value for money, and transformation. The understanding and definition of the term, therefore, varies between exclusive definitions of quality as exception and perfection to more inclusive ones, relating quality to the purpose of a certain product or service, which are highly functional. There is also quality as value for money, judged against monetary costs and related mostly to the notion of accountability. Quality as transformation has to do with qualitative change in parties involved.

Understanding quality for the purpose of this research corresponds mostly to the last notion of quality as transformation, as the rhetoric of development discourse corresponds to the one

surrounding the notion of quality as transformation (Cheng, 2014; Elton, 1992). Namely, quality aid should advance changes in the participants and enhance knowledge, abilities, and skills of the beneficiaries and should empower them to help their own transformations. As opposed to the notion of quality as fitness for purpose, which suggests that the service providers must be accountable to consumers and where the control over decision-making processes and over policy creation remains solely within the service providers. The understanding of quality as transformation strongly opposes this view and assumes that the empowering of beneficiaries presumes they are involved in decision making, taking ownership, and providing opportunities for self-empowerment (Müller & Funnell, 1992).

Understanding quality in this way means that when labeling certain activities as having high managerial quality, they will be those that aim at self-empowerment of beneficiaries, their strong involvement in decision making, and opportunities to truly take over ownership over activity implementation.

### **3.2.1 Previous Concepts to Measure Quality of Aid**

This thesis inherently focuses on better results and improvements of aid effectiveness, by focusing on projects, as the most common implementation unit and it does so by scrutinizing donors' policies and actions. There has been, by now, several different ways to measure and compare developmental policies of donors and their implementing agencies, in terms of their effectiveness and quality. Concepts as used in the previous research and the criteria used to operationalize them are outlined in the Table 3.

Roodman's (2006, 2009) index of commitment to development was created with the purpose of rating rich countries based on how much their governmental policies facilitate development in poor countries. It is not narrowly focused only on foreign aid policies but rather captures a broad spectrum of strategies applied in other areas such as emigration and trade. It was meaningful to

provoke debate on importance of policies of rich countries for the development of the poor South and a pioneer attempt to quantify and measure them.

Dollar and Levin (2006) measured so-called selectivity of the countries, where they rated donors' policies according to the choice of the partner countries to which they delivered aid. In that way, the importance of circumstances and sound policies within the recipient countries is emphasized for the overall effectiveness of aid.

Easterly (2011) used a somewhat changed approach and took a closer look into policies of development agencies under assumption that some delivery channels provide worse impact on beneficiaries than the others (e.g., tied aid and technical assistance). The instrument measures changes of agencies' policies in time and discrepancies between rhetoric and real policies of specific agencies.

Table 3

*Previous Concepts to Measure Quality of Aid*

Concept name	Indicators	Explanation of the indicators
<u>Dollar and Levin (2006)</u>		
<b>Selectivity of foreign aid</b>	Policy selectivity index	Index measures the extent to which a donor's assistance is targeted to countries with sound institutions and policies, controlling for per capita income and population.
	Poverty selectivity index	Index analogously looks at how well a donor's assistance is targeted to poor countries, controlling for institutional and policy environment
<u>OECD (DAC, 2006, 2008, 2009, 2011)</u>		
<b>Progress in implementing the Paris Declaration against progress on Paris Declaration Indicators</b>	Ownership	Developing countries set their own development strategies and improve their institutions and tackle corruption.
	Alignment	Donor countries and organizations bring their support in line with these strategies and use local systems.
	Harmonization	Donor countries and organizations coordinate their actions, simplify procedures, and share information to avoid duplication.
	Managing for results	Developing countries and donors focus on producing and measuring results.
	Mutual accountability	Donors and developing countries are accountable for development results.
<u>Roodman (2006, 2009)</u>		
<b>Commitment</b>	Aid	Aid quantity



<b>to Development Index measures development friendliness</b>		Tying
		Selectivity
		Project proliferation
	Trade	Aggregate measure of protection revealed openness
	Investment	Political risk insurance
		Preventing double taxation
		Preventing bribery and other corrupt practices abroad
		Other measures to support foreign direct investors in developing countries
		policies that affect portfolio flows
	Migration	Financial contributions to the IOM and UNHCR
		Membership in various UN and International Labor Organization (ILO) conventions
		Foreign-born people with tertiary education
		Plans regarding skilled immigration flows
		allocation of aid to countries that immigrants come from
	Environment	Global climate
		Fisheries
		Biodiversity and global ecosystems
Security	Contributions to the U.N. peacekeeping budget	
	Maintaining capacity for contributing personnel to U.N.- run Peacekeeping operations	
	Deploying personnel in U.N.-run peacekeeping operations	
	Maintaining capacity for contributing personnel to non- UN Peacekeeping operations	
	Technology	Patent coverage (20% weight) Lack of certain limitations on patent rights (rights loss provisions) Other IPR extensions
<b>Knack et al. (2010)</b>		
<b>Aid quality</b>	Selectivity	Policy
		Poverty
	Alignment	Untied tied
		Aid predictability
		Use of PFM systems
		Use of procurement systems
		Use of project implementing units (PIUs)
		Technical cooperation coordinated with country programs
	Harmonization (in country)	Use of program-based approaches
		Coordinated missions as share of all missions
		Coordinated country analytic reports as share of all reports
	Specialization	Contributions to multilaterals
		Administrative costs
		Average project size
		Geographic concentration
		Number of recipients
		Sectoral concentration

Average number of sectors per recipient		
<u>Easterly and Williamson (2011)</u>		
<b>Best and worst of aid practices</b>	Transparency	Based on the ability to gather information such as employment numbers, budgetary data, and overhead costs
	Specialization/fragmentation	Fragmentation is measured with Herfindahl coefficients that are used in industrial organization as a measure of market concentration
	Selectivity	Share of aid going to low-income countries, free countries (based on democracy scores), and less corrupt governments
	Ineffective aid channels	Ineffective channels includes share of aid that is tied, food aid, and aid allocated as technical assistance
	overhead costs	ratio of administrative costs to official development assistance for multilaterals that also do significant non-ODA activities), ratio of salaries and benefits to ODA (bilaterals), and total ODA disbursements per employee.
<u>Birdsall and Kharas (2010)</u>		
<u>Birdsall, Kharas and Perakis (2012)</u>		
<u>Birdsall and Kharas (2014)</u>		
<b>QuODA</b>	Maximizing efficiency	Share of allocation to poor countries
		Share of allocation to well-governed countries
		Low administrative unit costs
		High country programmable aid share
		Focus/specialization by recipient country
		Focus/specialization by sector
		Support of select global public good facilities
	Fostering institutions	Share of untied aid
		Share of aid to recipients' top development priorities
		Avoidance of project implementation units
		Share of aid recorded in recipient budgets
		Share of aid to partners with good operational strategies
		Use of recipient country systems
		Coordination of technical cooperation
	Reducing burden	Share of scheduled aid recorded as received by recipients
		Coverage of forward spending plans/Aid predictability
		Significance of aid relationships
		Fragmentation across agencies
		Median project size
		Contribution to multilaterals
		Coordinated missions
	Transparency and learning	Coordinated analytical work
		Use of programmatic aid
		Member of International Aid Transparency Initiative
		Recording of project title and descriptions
		Detail of project descriptions
		Reporting of aid delivery channel
		Share of projects reporting disbursements
	Completeness of project- level commitment data	

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Aid to partners with good monitoring and evaluation  
frameworks

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QuODA strives to advance the pioneer efforts, already made by Roodman (2006, 2009), in investigating comparative advantages of particular agencies by grappling with the actual practices of different donors. Using the constructs *quality of aid* and *aid agency effectiveness*, they defined aid quality through measurements over which the official donor agencies have control: maximizing efficiency, fostering institutions, reducing burden and transparency and learning. This instrument has been used to capture changes over time.

OECD developed an instrument to monitor progress of countries in implementing the Paris Declaration (OECD/DAC, 2005) indicators. For the series *Better Aid*, (e.g. OECD, 2012) progress against many indicators requires joint efforts by both donors and recipient countries, which again emphasizes common responsibility of both donors and recipients for aid outcomes.

Besides this index, there is another one called *Practices of DAC Member Countries*, which analyses the practices and the complex structure that donors use to manage their foreign assistance to development cooperation, including legal frameworks; promotion of coherent development policies; organization of work at headquarters; in partner countries, human resource management; aid channels that the countries use; sectors and countries to which they allocate funds; monitoring and evaluation systems; and humanitarian actions.

All of these ways to assess and measure aid quality are to a lesser or larger extent concerned with aid efficiency and the impact of donor countries' policies, which shows that the focus is put on donors' actions. Although the responsibility of recipient countries is acknowledged in all the previous concepts that assess aid quality, they also share the understanding that much of the aid outcomes is also shaped by donors' behavior. These rankings were also meaningful as they raised media attention on internal donor policies and in that way influenced performance improvement (Easterly & Williamson, 2011).

The approach used in this dissertation is similar to almost all existing assessments as it also focuses on donors' practices. At the same time, what differentiates it from all the existing approaches is that the proposed concept of project's management quality measures practices of individual projects, captures real everyday activities that generally differ from the guiding rules, regulations, and prescribed actions. In that way, the actual practices are measured. Finally, in line with the overall aim of the study, these practices are then compared within a single implementing agency, while varying the allocation mechanisms these projects used while obtaining the funds, which corresponds with the main objectives of the study.

### **3.2.2 Project Success Criteria, Conditions, and Factors**

To arrive at the definition of project's management quality, some similar concepts that are already well established in the literature are reviewed here, such as project success, project success criteria and conditions, project success factors, and management quality.

Success criteria of a project are measures for determining whether a project is successful or not. Project success can be conceptualized as a strict and narrow construct concerned solely with meeting budgetary constraints, time and scope of the project (Brown & Adams, 2000; Bryde, 2008; Fortune, White, Jugdev, & Walker, 2011; Müller & Turner, 2007). This way, it includes the obvious indicators of satisfying the project schedule, adequate quality standards, respecting budgetary constraints, and meeting the project goal. Time, cost, and quality, traditionally known as *the iron triangle*, have long time been leading criteria over which the project success has been evaluated.

Nonetheless, nowadays most authors have accepted that the term of project success is much more complex (Shenhar, Dvir, Levy, & Maltz, 2001) and have emphasized the need to broaden the definition, as the iron triangle has turned out to be ineffective as a single standard used to determine project success (Bourne, Mills, Wilcox, Neely, & Platts, 2000).

From the late 1990s project success has usually been defined as a multi-dimensional concept with many attributes (Atkinson, 1999; Dvir, Lipovetsky, Shenhar, & Tishler, 1998; Jugdev & Müller, 2005; Lim & Mohamed, 1999; Shenhar et al., 2001). Understandably so, as areas in which project management as a tool is employed has been extremely broadened. Therefore, one single concept could no longer encompass everything that could be meaningful for the overall success of all projects. That is why criteria used to measure project success greatly vary, as they have been developed to accommodate needs of very different project types and cannot be reduced to a general concept fitting all projects (Müller & Turner, 2002).

In development industry, there seems to be a certain consensus that project success criteria encompass relevance, efficiency, effectiveness, impact, and sustainability (Ika, 2012; Ika & Donnelly, 2017). Work of the OECD has highly contributed to this consensual interpretation and understanding of the success measurement in the entire field.

Nonetheless, this understanding of project success criteria in development cooperation does not allow for accommodation of perspectives of different stakeholders. One could assume that a donor might primarily be interested in effectiveness and efficiency, and end beneficiaries would probably more appreciate long-term sustainable solutions that bring the desired impact. Diallo and Thuillier (2005) defined project success as project's long-term impact on the prosperity of the local population. This definition of project success will be used as orientation when defining high-quality project management practices.

### **3.2.3 Project success factors.**

Abundant studies have dealt with project failure, determinants, performance, projects success criteria, factors, and antecedents, all with the aim to learn from past actions and prevent future failures. Fortune and White (2002) reviewed publications that focused on critical success factors from many different fields and showed that the agreement among authors on the success factors is very limited. Nonetheless, looking at the research focusing on one single field of research,

namely development aid, reveals astonishingly similar list of factors which assists with understanding of the phenomenon of project success. They are summarized in the Table 2.

In this thesis, the project success factors are operationalized, measured and used as a proxy measure and a predictor for the overall project success.

### **3.2.3.1 Project success conditions.**

Project success conditions can be defined as circumstances or prerequisites (Turner, 2004) that must exist for project success to occur. They are of contextual nature but are far from being the only essentiality for desired project outcomes. Some studies in the ID field blur this difference between conditions and factors (Ika, 2015; Ika, Diallo & Thuillier, 2012) as they have defined factors as conditions, events, and even circumstances that contribute to overall project results.

Some studies have defined project management conditions at the agency level as one of the dimensions of success factors (Baser & Morgan, 2008; Ika, 2012; Söderlund, 2004). Project leadership, design, monitoring, and stakeholder coordination are main project management conditions that are necessary prerequisites that enable project success.

This thesis does not necessarily need to differentiate between factors and circumstances but it relies on previous findings on circumstances, factors, conditions, and practices that are proven to positively influence project success.

## **3.3 Management Quality**

Review of management literature shows that the concept of managerial quality itself, although it is often used in both research and practice, is difficult to define. Its precise characterization and measuring remains challenging (Meier & O'Toole, 2003). Besides the term *management quality*, concepts such as *good management*, *high-quality management practices*, and *managerial quality* are all used to describe a similar phenomenon but rarely clarified in a way that would facilitates systematic investigation. Wolf (1993) defined good management as whatever seems retrospectively to have produced good results. Meier and O'Toole (2004), on the other hand,

saw it as broad managerial effort, which is critical for delivering performance with difficult-to-define dimensions. These two definitions exemplarily unveil the complexity of the term and the difficulty connected to its conceptualization and measuring.

The term project management quality is often in use, but its understanding was commonly determined by its meaning from the iron triangle. As this research sees project success criteria differently than the iron triangle, and in order to avoid the confusion with the already established term, it creates the new term *project's management quality*.

### **3.4 Project's Management Quality**

Having a concrete purpose in mind, this research was in a need of a concept that captured the essence of what needed to be measured. Therefore the term project's management quality was created specifically for this research. It encompasses practices, circumstances, events in all project phases over which donor and the implementing agency have influence on and which are considered to have positive effect on the overall project success.

Project success, for the purpose of this research, relies on the understanding of it as suggested by Diallo and Thuiller (2005), focusing on long-term impact, and distances itself from the view which directs attention on efficiency, budgetary constraints, and strict time limitations.

To operationalize project's management quality and derive specific dimensions and the ways to measure them, I use two main sources. The first source is the previous research done in the field of development cooperation and focused on project management success factors and conditions (see Table 2). It was striking that the research done in different environments, financed by numerous donors in diverse sectors, have brought to surprisingly similar results, and I therefore argue that it is quite safe to rely on the findings. The second source of information in the creation of the specific dimensions the author relies on the Paris Declaration (OECD/DAC, 2005) and Accra Agenda for Action (OECD, 2008) as they reflect the areas of management to which a mutual agreement between both recipient and donors exists. These two sources are then reduced to accommodate the

purpose of this research. In the first place, it is limited to practices, events, and circumstances affected by donor organizations and implementers but not those that are dependent on the recipient side. Secondly, they are strictly reduced to project-management elements and not overall development policy of the respective donor. Reducing elements of success in this way leaves us with a quite comprehensive term and that clearly does not encompass all the determinants of project success but rather a smaller part of everyday activities that can be operationalized, measured and compared between projects. Project's management quality is initially for the purpose of operationalization divided in three dimensions: monitoring and evaluation (M&E), ownership, and knowledge management and learning.

### **3.4.1 Monitoring and Evaluation**

M&E systems are the most commonly used management information system in development aid, and it has been used in this field since the 1970s (Cracknell, 2000). Monitoring is a process of using systematic data collection on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds (OECD/DAC, 2002). Evaluation is the systematic and objective assessment of an ongoing or completed project, program, or policy and its design, implementation, and results (OECD/DAC, 2000). The fields of monitoring and evaluation overlap, but whereas monitoring refers to continuous measurement of specified indicators, comprehensive and detailed assessment of its subject is understood under evaluation. There is generally a wide agreement that M&E should form an important component of any aid project (Earl, 2002). However, while much of the rhetoric concerning M&E affirms this view, the practice of M&E appears to oppose it (Crawford, 2004). Most of the literature dealing with this topic reproach that most of the monitoring resources are directed toward monitoring of the usage of funds, but relatively little is spent to rigorously assess whether programs are having the desired impact (Savedoff, Levine, & Birdsall, 2005). The quality in which evaluation is done is



usually criticized, around half of the agencies reported concerns over inadequate resourcing for high quality as local staff lacks the time as well as specific knowledge on how to implement evaluation systems on the spot (Müller, 2011). The assessment here will concentrate on capacities of donor to overview activities of implementing organizations, practices of external evaluators, inclusion of partner organization in the process of M&E and knowledge of team members about M&E systems.

### **3.4.2 Ownership**

Project stakeholders are individuals and organizations that are actively involved in the project or whose interests may be affected as a result of project execution or completion (PMI, 2013). One of big distinctions between standard projects and aid industry projects is in the understanding of stakeholders (Diallo & Thuillier, 2004; Diallo & Thuillier, 2005). In standard projects stakeholders are investors (who pay and at the same time benefit from the results) and those who are contracted to delivery services or products. In ID projects, the simplest constellation consists of three separate groups of stakeholders: donors (who do not benefit from deliverables of the project), implementing units (e.g., aid agencies, NGOs, for-profit companies), and target beneficiaries (who are end users of the project's results; Khang & Moe; 2008). There are also other stakeholder maps of higher complexity in development aid, identifying up to eight different types of stakeholders (Diallo & Thuillier, 2004; Diallo & Thuillier, 2005). The international community has many times called for strengthening of ownership by partner countries, which is, in other words, an attempt to involve recipient countries' institutions and allow them to play a significant role in implementation of development aid, as they are at the end, benefiting from final results (Khang & Moe, 2008). This was a big change in the approach as until early 1990s, development was solely focused on achieving goals desired by donors (Morss, 1984). The approach used in this work emphasizes the needs of beneficiaries and sees partner organizations in recipient countries as by far the most important stakeholders of a project. The previous studies detecting success factors of development aid projects have identified *effective consultation with stakeholders* and *strong local*

*ownership of the project* as success factors. The Paris Declaration (OECD/DAC, 2005), to which over 100 countries adhered, has identified ownership as the first principle of effective aid. Nonetheless, how ownership is understood across donors remains unclear and becomes even murkier when confronted with reality in the field (Gibson, Andersson, Ostrom, & Shivakumar, 2005). Swedish International Development Cooperation Agency (SIDA), for example, emphasizes that target groups should be allowed some role in the design or implementation of the assistance (SIDA, 1997). In practice, the beneficiary organizations are rarely accorded any of the privileges of ownership (Gibson, Andersson, Ostrom, & Shivakumar, 2005).

The assessment of ownership quality will accordingly focus on the level of inclusion of beneficiaries in the initial steps of project inception, and their level of participation in project implementation, M&E, and project steering and reporting.

### **3.4.3 Knowledge Management and Learning**

Knowledge management is the process of converting raw information into relevant knowledge and using this knowledge to achieve the aims (Hovland, 2003). The literature on organizational learning initially derived from the for-profit sector, where organizational ability to learn was directly linked to organizational performance and its survival (Garrett, 2000). The topic became increasingly important for the non-profit sector and especially the development aid sector (Roche, 1999). Roche (2002) argued knowledge management must be considered as central to everything that aid agencies do. Continuous demands for improvement of organizational efficiency in the development aid sector require knowledge management system, which should not only contribute to internal efficiency but also to improved responsiveness, partnership, and policy influence (Roche, 1999). Development agencies are beginning to pay attention to the importance of knowledge management as part of results-based management, particularly for organizational learning (Bester, 2012).

The questionnaire is based on the abridged version of one developed by Liebowitz and Chen (2004). It captures essential segments of a knowledge management cycle. It has been specially adapted to the purpose of this study and focuses on the general interest and effort of the donor organization to capture information and knowledge that evolved during the project and the effort to encourage positive learning environment and knowledge sharing.

### **3.5 Measuring Project's Management Quality**

This proposed separation of the project management into three specific dimensions is partially consistent with the literature and has partially evolved during the focus groups and in-depth interviews, aimed at refinement of the instrument, and, at the same time, to develop an instrument that precisely captures internal GIZ and GIZ IS peculiarities. This classification in the three project dimensions is only transitional and with a purpose to allow topical organization of the data-gathering instrument. This classification evolved further after data had been gathered, dependent on the answers of the survey participants. Each of the project management dimensions was naturally measured through multiple indicators due to complexity of each of the dimensions.

#### **3.5.1 Connection Between Quality of Project's Management and the Project Success**

Mir and Pinnington (2014) emphasized there is still insufficient understanding of the relationship between project management performance/quality and project success. In a similar vein, Easterly and Williamson (2011) acknowledged the existing frameworks (see Table 3) to measure aid quality cannot include any unambiguous and convincing proof of the direct connection between the measured policies and positive impact on beneficiaries.

This conceptual framework proposed in this thesis and used to measure project's management quality relies on solid empirical findings and consensus that exist among the donor community (as expressed in Paris Declaration and Accra Agenda for Action), but also pledges on common sense consensus that improvement in managerial effort and good project management will eventually lead to better results.

### **3.5.2 Deficiencies of the Conceptual Framework**

Project's management quality as operationalized for the purpose of this research, does not include a team-leader component. A lot has been written about project managers as a success factor. Studies produced in the 1980s usually do not mention project managers as a success factor (Baker, Murphey, & Fisher, 1988; Pinto & Slevin, 1988), except some (Morris, 1998) which have found that leadership is important for the overall success of projects. This is also in line with human resource management view and organizational behavioral literature.

More recent works usually emphasize that appointment of a competent team leader, the project manager's competence, and characteristics of the project team leader are critical success factors (Belassi & Tukel, 1996). Development aid literature on project success also mentions leadership styles and the commitment of team leaders as being of great importance for successful project implementation (Steinfort, 2010).

Initially, this study intended to include project managers as a special component of project's management quality by questioning team members, but as the only contact data publicly available were referring to team leaders, and not their team members, it was technically not possible to approach team members directly via an online survey. This is a deficiency of the approach used, and it is quite possible that a certain part of variation that could not be explained by other factors belongs to the team leader characteristics.

## **3.6 Conclusion**

For the purpose of this research, the term project's management quality has been developed. It relies on critical success factors from the previous research in development industry and a consensual principles of development cooperation (e.g., the Paris Declaration). It resembles the previous endeavors to measure quality of aid (Birsdal & Kharas, 2014; Easterly & Williamson, 2011; Knach et al., 2010; Roodman, 2006, 2009) in so far that it is concerned with the policies,

rules, and their application, which is shaped by donors and implementing agencies. Nevertheless, there are two notable features that differentiate it from the existing frameworks.

Firstly, the focus here is on the project-level research, which is a novelty among the research endeavors that have measured aid quality of donors, although it is commonly pledged (Birdsall, Savedoff, Mahgoub, & Vyborny, 2011; Stockmann, 1997; White, 1992, 1999). Secondly, the data gathered are not from the existing formal rules and publicly available sources, but instead the assessment relies on the views and opinions of the team leaders of projects, who are involved in the reality of aid. The assessment furthermore explores how official procedures are put in practice.

The next chapter lays out the theoretical foundation of the thesis and formulates the research hypothesis.

The purpose of this chapter is to lay the theoretical foundation for this thesis. It first identifies the arena that is of direct relevance for the problem to be examined: the institutional setup of German development assistance. Furthermore, a history of German development cooperation is briefly presented with the aim to depict main institutions and actors present in the field. It outlines main characteristics of German development cooperation and describes institutional framework, competencies of particular organizations, and depicts the variation that is present in two funds allocation mechanisms (with or without competition) that are further used as a main independent variable in the empirical part of the thesis. It also sets the path for the application of the P-A model in the second part of the chapter. This part identifies main actors who will be viewed through prism of principal agent layers, depicts main problems of such relationship, discusses incentives shaped by the institutional solutions, and, finally, formulates the research hypothesis.

#### **4.1 Early History of Development Cooperation**

Development aid systems started to develop in the aftermath of the Second World War, led by newly formed institutions that were responsible for the new monetary order. The Bretton Woods Agreements from 1944 created the International Bank for Reconstruction and Development (IBRD), which was the part of the WB group. The WB was initially created with the main purpose to help reconstruction in Europe, but an abrupt change in policy followed almost immediately after its foundation. The cause of it was the launch of the European Recovery Plan, better known as Marshall Plan, in 1948 (Rist, 1969) that helped rebuild destroyed Europe. The basis for this plan was set in 1947 in a commencement speech by George C. Marshall, the U.S. Secretary of State, held at the Harvard University. He depicted the situation in Europe, where the economy was unable to recover from the massive catastrophe caused by the Second World War and offered U.S. economic assistance to help the reconstruction of the continent. The United States represented the plan as open to all countries, including former and present allies of the United States enemies,

former enemies, and neutral states (Harper, 1994). A conference in Paris followed in July 1947 and as the outcome, 15 European countries benefited from \$13 billion in economic aid between 1948 and 1952 (Whelan, 2006). This was much more than the initial funds that the WB provided in forms of credits for the countries of Europe to accelerate post-war development. With this new development, the WB's loans to European countries have become redundant (Alacevich, 2009) and as the results of the events the WB started promoting development in poorer countries.

The entire aid financial system to Europe was initially based on an idea that a lack of capital is the main cause of poverty, and poverty can be eradicated if countries were supplied with additional funds (Gieler, 2011). The Marshall Plan showed excellent results in Europe and it was believed that financial means in form of grants and credits could help in the fight against poverty in Africa, South America, and Asia. Other well-off countries followed the trend of development aid, and built their own programs, Japan in 1954, Germany in 1955, France and the United Kingdom in 1961.

The basis for German development cooperation was an American program called Point Four. The German Parliament allowed an amount of 50 million Deutschmark to the German Foreign Office for the purpose of technical cooperation (Gieler, 2011, p. 10). In Germany this cooperation served the purpose of the foreign policy of the Hallstein Doctrine<sup>1</sup>, which explains how the new policy instrument served strategic foreign and economic interests and as a contribution to the fight against the communism at the time of Cold War (Grünbacher, 2010). Claims that the technical cooperation had a strong economic character can also be found in the rhetoric of the Minister for Economics, Ludwig Erhard, who spoke of huge potential markets where German industry should also find its way to profit from the services that are provided through development aid in these

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1 Following the Hallstein Doctrine, the Federal Republic of Germany (FRG) would stop cooperation with any country that has recognized German Democratic Republic (GDR)

countries (Bellers, 2000). Germany did not have vastly spread colonies, so the allocation was led by foreign political and economic interests. Therefore, a very bright base of partner countries had been set. The reputation that German development cooperation was led by *Giesskanneprinzip*<sup>2</sup> (Haftendor, Lothar, & Wörmann, 1982). It is generally acknowledged by most of observers that it is not always the interest of the poorest that guides the development cooperation. During the Cold War, the political interests of the United States helped determine how foreign aid was distributed, and it continues to be so with the War on Terror (Easterly, 2013). The interests of the EU used to be strongly driven by commercial interests, but the recipients' interests are gaining importance (Enzo & Riess, 1992). There are also noticeable differences between European donors, as Scandinavian countries allocate their aid based on the needs of recipient countries (Dreher, Nunnenkamp & Thiele, 2008). It is considered that Germany, together with Italy and the U.K., holds the middle ground as it takes both own economic interests as well as the interests of recipient countries into consideration (Dreher, Nunnenkamp & Thiele, 2008).

Germany has always been a big donor in terms of volume (Alesina & Dollar 2000). According to the OECD/DAC report (OECD/DAC, 2017), Germany is the second largest donor in absolute terms, preceded only by the United States and followed by the U.K., Japan, and France. In relative terms, Germany has just joined the five countries (Denmark, Luxembourg, Norway, Sweden, and the U.K.) that met the ODA/GNI target of 0.7% of GNI by investing 22 billion euros in development assistance policies (OECD/DAC, 2017). This increase of 36% is partially caused by the doubling of in-donor refugee costs. The biggest consideration of Germany is currently the wave of immigrants trying to come from Africa to Europe. As a response to the situation, a Compact with Africa and Marshall Plan with Africa were developed. Both plans aim at fostering prosperity and

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2 *Giesskannenprinzip* refers to the method of subsidy distribution, which does not consider the principal of subsidy urgency. It is characteristic of scattershot approach which does not examine the real needs in detail, but evenly spreads the subsidies over the entire target group, without taking urgency of individual cases into considerations.



development of Africa, suggesting, more or less that this might help stop African migrants from crossing over to Europe.

In its peer evaluations, the OECD/DAC evaluates Germany as a prominent player in promoting sustainable development, who is prepared to address the universal and integrated *2030 Agenda*. In previous reports, the main critique was put on the large number of recipient countries and over the past years Germany has shortened the number of international organizations it supports and reduced the number of recipient countries in order to improve effectiveness and efficiency of the aid (Frymark, 2015). Some of the remarks from the last report were that despite measures already taken, there is still a need to reinforce steering function of the BMZ, and that approach to results and performance management need to be improved (OECD, 2015). Nuschleler (2007) saw this lack of capacity within BMZ and the constant need to rely upon implementing organizations as the most problematic feature of German development assistance.

#### **4.2 Institutional Framework of German Development Cooperation**

The first efforts in German development cooperation were made multilaterally in 1952, through German financial contributions to a UN Program of Technical Assistance, intended to support under-developed countries. A few years later, Germany initiated its own bilateral policies, the first one being the already mentioned Program Point Five, which was coordinated by the Foreign Office (Auswärtiges Amt, [AA]). The AA and the Ministry of Economics were initially in charge of the coordination of all measures for the purpose of development assistance. Their implementation was done by several different organizations: Carl-Duisberg Gesellschaft, der Deutscher Entwicklungsdienst (DED), and the German Foundation for International Development (Deutsche Stiftung für internationale Entwicklung, [DSE]). Two important players, Bundesstelle für Entwicklungshilfe (BfE), which was in charge of sectoral planing and execution of projects in technical development cooperation, and Deutsche Förderungsgesellschaft für Entwicklungsländer,

in charge of personnel, were in a constant, unhealthy competition (Köhler, 1994), resulting in ineffective project management of German development cooperation.

In 1961, a special Ministry for Economic Cooperation (BMZ) was founded in order to coordinate efforts in this field. At the beginning, the Ministry did not have the sectoral competencies to independently lead the resort. It rather shared it with the Federal Press Office, Ministry for Economy, and Ministry of Agriculture (Cernicky, 2008; Stockhausen, 1986). In 1964, it got competencies to steer technical cooperation. In 1972, it also became responsible for bilateral and multilateral financial cooperation, which meant partial consolidation of development cooperation as a distinguishable political area (Ashoff, 1996).

Nonetheless, development cooperation as a field is significantly broader than the policies that are under direct supervision of the BMZ. There are a few other institutions which have responsibilities in the field of development cooperation. The AA is responsible for humanitarian aid, cultural cooperation, and contributions to the UN institutions. The Federal Ministry of Education and Research and the Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie, [BMWi]) also have some smaller responsibilities within German official development assistance. Each of the German federal states contribute their own funds for development cooperation, mainly for costs of the studies for the students from developing countries. Further contributions come in form of contributions to the EU development cooperation, debt relief, and contributions to refugees that have come to Germany, which has now reached a significant part of the entire ODA contributions (OECD/DAC, 2017). Still, the BMZ is the institution with the largest budget co-deciding on German development policy as 70% of the German ODA is contributed to by the BMZ (Frymark, 2015).

Development cooperation can take the form of bilateral cooperation or multilateral cooperation. Bilateral cooperation is the most important part of German development contributions, totaling to 48.3% of the BMZ budget for 2017 (BMZ, 2017). When accounting for the funds from

German federal states and other ministries, the total amount given to bilateral cooperation takes up around two thirds of the total ODA sum (OECD/DAC, 2017).

Implementation of bilateral development cooperation is enforced using two main instruments: technical and financial cooperation. German technical development cooperation in narrow sense includes actions agreed upon with the partner countries and implemented mainly by the GIZ. The goal of this type of cooperation is capacity development in recipient countries, done through consulting, financial support for consulting, equipment supplies by providing advisory services, and know-how. In the broader sense it also includes activities implemented by the NGOs and political foundations.

Financial development cooperation is coordinated by a state-controlled bank Kreditanstalt für Wiederaufbau (KfW), which grants loans in form of non-returnable support and loans with small interest rates. Through the financial cooperation Germany supports partner countries in financing investments in education, water supply, energy sector, or similar areas that are of importance for the overall development of the country.

In the following section, the focus is more narrowly on three actors that bare special importance for this thesis: BMZ, GIZ and GIZ IS.

#### **4.2.1 Ministry for Economic Cooperation and Development**

Existence of the special ministry responsible for development cooperation is somewhat unusual in comparison with other countries. Some countries have a special minister for development cooperation, who is than responsible to the Foreign Ministry (e.g., Finland, Sweden, the Netherlands), but in most cases there is only a special department or an agency organizationally subordinated to the foreign affairs ministry (e.g., Australia, Austria, Belgium, Denmark, Great Britain, Japan, Norway).

The German government has the overall political responsibility for the funding of the development cooperation measures and takes over steering and control. The responsibility within

the government for these tasks lays within the BMZ Guidelines<sup>3</sup> (BMZ, 2007). These guidelines also regulate general rules, goals, tasks, and priorities of German development cooperation. In the area of responsibility of the BMZ are the formulation of the goals of development cooperation, choice of focus areas, formulation of strategies, and instruments for cooperation with partner, provision of financial means, conclusion of agreements, overview and control based on reports of implementing organizations, and their evaluations (BMZ, 2007). The BMZ, together with the Chancellor's Office, the AA, the Ministry of Defense, and the BMWi co-decide on exports of German weapons and participate in developing guidelines for the German government on strategies to be adopted with regard to unstable countries and regions (Frymark, 2015).

For the implementation of projects and programs within the bilateral technical cooperation, all commissioners including BMZ, the main contributor, and the AA, the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit, [BMUB]) and the BMWi, smaller commissioners, rely on the main implementing organization in the area of bilateral technical development cooperation, namely the GIZ.

#### 4.2.2 GIZ

Initially, there had been several institutions in charge of the implementation of German bilateral technical development cooperation: Carl-Duisberg Gesellschaft, DED, DSE, InWEnt (*Internationale Weiterbildung und Entwicklung: Continued International Education and Development*) and the *Gesellschaft für Technische Zusammenarbeit* (GTZ). The GTZ had been established as the most significant implementer in the area of technical cooperation. Its foundation in January 1975 was a result of merger of BfE and Deutsche Förderungsgesellschaft für Entwicklungsländer.

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3 „Leitlinien für die bilaterale finanzielle und technische Zusammenarbeit“, BMZ, 2007

GTZ was founded in 1975 under civil law and organized as a limited liability company. Its aim is to implement actions in the field of bilateral technical cooperation and was, from the beginning, the biggest of all organization in charge of implementation of the development policy. In 2011 with a merger of the GTZ, InWEnt, and DED into the GIZ, the new and bigger agency for implementation of technical development assistance was founded. The merger aimed to improve efficiency of the technical development cooperation by abolishing double structures and secondly, to improve steering capacity<sup>4</sup> (*Gestaltungsfähigkeit*) of the BMZ over the implementing organizations (Meyer, Oltsch, Freund, & Polak, 2016).

The GIZ is owned by the German government and accountable to the BMZ. The relationship between the BMZ and GIZ is regulated by the General Agreement (*Generalvertrag*)<sup>5</sup> from 1975. According to the General Agreement, the GIZ is commissioned with responsibility to overview and implement technical development cooperation. Besides, implementation overview, expert steering, reporting, and evaluation also form its main responsibilities (*Generalvertrag*, 1975). GIZ is controlled by different bodies, including Budget Committee of the Federal Parliament, Federal Court of Audit, and Supervisory Board of the GIZ. It is subject to a fivefold control of its budgetary planning (Köhler, 1994).

Additionally, it also supports the BMZ in the following tasks:

- further development of principles and instruments of development cooperation, in particular of technical cooperation;
- preparation of the measures of technical development cooperation and also of other forms;
- overview of the measures of technical development cooperation (Ibid, 1975).

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4 Author's translation.

5 Author's translation.

BMZ is by far the main commissioning party of the GIZ. Around 70% of the total volume comes from the BMZ (BMZ, Facts and Figures). Besides the BMZ, other Ministries also commission the GIZ: the BMUB and the AA. Officially, the GIZ is a service enterprise of the German Federal Government and its services are available to all federal ministries. However, despite attempts to broaden the business area with other federal ministries, it is still perceived as a company of the BMZ and not of the entire German Government (Sye, 2007).

This puts GIZ in a monopoly position when it comes to implementation of technical development cooperation. In this arrangement, not only does GIZ not have to compete for the funds, but BMZ as a donating institution does not have a choice. There are no many other channels that BMZ could use to disburse the money allocated to bilateral technical cooperation. In 2012, it was total of 2.277 billion euro that were spent for the technical development cooperation (Frymark, 2015).

Allocation of the funds functions in the following way: in discussion with partner countries and based on country strategies formulated by the German Government, GIZ may implement a project as agreed upon with BMZ and the partner country. BMZ and GIZ sign an official document which outlines duration, goals, and financial framework of the particular project. BMZ is in charge of steering, whereas the GIZ has the responsibility for project implementation.

Beside the German state and local ministries, GIZ is commissioned by international organizations, foreign governments, and private businesses. For this line of business, a special commercial department, GIZ IS, was founded in 2003. Sye (2007) notes that GIZ expected that the flexibility and competitiveness of GIZ IS could be transferred to the rest of GTZ to better prepare the organization as a whole for the future.

#### **4.2.3 GIZ IS**

GIZ, as a government-owned enterprise, has a non-profit status. Besides lying in the public-benefit sector, GIZ can also generate income by offering technical cooperation services to private

actors and third countries' governments. This has been acceptable as these for-profit activities have formed a very small part of their total business. As the for-profit businesses have threatened to endanger the non-profit status of the entire state company, a special department, GIZ IS, was founded in 2003. This department operates as a for-profit company and does not receive any funds from BMZ or other German ministries. It competes with other for-profit actors and implements projects for three main types of clients. In the first place it works for international institutions and banks (about 50% of commissions), governments from all over the world (40%), and private companies (10%). In order to get a possibility to implement projects for international institutions, governments or private businesses, GIZ IS, in most cases, has to participate in an open tender and competes against other private companies.

GIZ IS within GIZ is defined as an independent corporate field of activity, using solely third-party funds to cover its own overhead costs. It pays GIZ for the administrative services that they do for GIZ IS department.

As far as the relationship between GIZ IS department and BMZ is concerned, GIZ IS has the responsibility to get the planned projects approved by BMZ as to assure the compatibility with the overall goals with German development policy, and BMZ requires a comprehensive list of all the projects.

Unlike within the GIZ, where the allocation of project funds functions through direct award, and no competition is involved, donors who commission GIZ IS outsource the funds through public tenders. A good previous performance increases chances for future project allocations. These two different allocation mechanisms embedded in different institutional designs create different incentives for actors in the field, both within donor and within implementing organizations. They will be further discussed in the next part of this chapter and the conclusions will be used for hypothesis formulation.

The relationships between BMZ and GIZ and between the international and national donors working with GIZ and GIZ IS have all of the elements of a typical P-A relationship: a principal, who has assets and delegates a task to an agent. The agent has specific knowledge, and performance and the effects of the performance cannot be fully checked by the principal.

The theoretical model suggests development aid projects that are implemented by a tender-winning organization and projects that are delivered by a governmental official aid agency are likely to be different, due to very different set of incentives created for the individual agents responsible for project implementation. Incentives of the principals to control and oversee the agents are different as well. Applying the agency theory within the framework of rational choice institutionalism helps in understanding how preferences and incentives of actors in these two types of projects differ, as well as the consequences of the interaction of actors within to different institutional settings.

### **4.3 Rational Choice Institutionalism**

This section briefly describes the basic postulates of rational choice institutionalism and how the P-A model is applied within its framework. Furthermore, by applying the P-A model on the actors in German development cooperation, the goal is in particular, to discover the way allocation of funds constrains and shapes behavior of actors involved and what effects it might have on the project management of individual project. The chapter ends with the clear formulation of the research hypothesis.

This research is guided by the rational choice institutionalism. The rational choice approach can be broadly defined as a family of theories that explain social phenomena as outcomes of individual actions that can be constructed as rational (Goldthrope, 2007). The canonical, neoclassical, rational-choice model assumes that individuals act completely rationally so that their choices are made according to cost-benefit criteria, and they are fully informed about decision alternatives. Furthermore, actors always seek maximization of their own utility, most commonly



defined as tangible, material goods. Explanation of the phenomena can only be done by analyses on the individual level and the choices of individuals generate the outcomes on the macro level.

Nevertheless, there is a great variety of interpretations of these basic postulations, and they differ in the level of relaxation of some of the assumptions made in the core rational choice approach.

*“First principles public choice”* (Dunleavy, 1991, p. 1-2), *institutional rational choice* (Keman, 1996), or *actor-centered institutionalism* (Scharpf, 1997) are all names used for the variation of rational-choice, canonical approach. In this work, the term rational choice institutionalism is used, as this term has been well-established (Lowndes & Roberts, 2013; Peters, 2005; Shepsle, 2008; Wittek, Snijders & Nee, 2013). The focus of the approach is on individual actors and their behavior, but it is accepted that the behavior of actors is constrained by institutions. Institutions are understood as rules of the game, or the humanly devised constraints that shape human interaction (North, 1990). That makes the behavior of individuals a function of rules and incentives that are provided by institutions (Shepsle, 2008). In that way, the institutions affect sequence of interaction, choices available to particular actors and the structure of available information (Weingast, 1996). Individuals attempt to maximize their own utilities, seen as both material goods or prestige, capabilities, competences, or well-being (Weingast, 2002), but they accept rules of the game (Milgrom & Roberts, 1992).

As Wittek et al. (2013) noticed, accepting that most of political life happens within the institutions is not the only change acknowledged by the rational choice institutionalist. Many relaxations to the canonical model can be found in the development of the approach. For example, in understanding utility as not necessarily maximization of tangible goods, but it can also be capabilities, competencies or different types of social goals, for example, status, prestige, and affection. Another difference can be noticed in how rationality is understood and operationalized. Rational choice institutionalism accepts cognitive limitations and biases in perceiving information and operates with a concept of bounded rationality (Rubinstein, 1998; Simon, 1957).

In rational choice institutionalism, some of the assumptions of the canonical, neoclassical, rational-choice theories are relaxed. It accepts that institutions create rules that guide and affect the behavior of actors and therefore affect the outcomes. By applying the P-A model on the layers of delegation chains taking place between donors, implementing agencies, and service suppliers helps in understanding the kind of incentives that are created for individual actors by the rules dictated by development cooperation institutions and the effects that these might have on the quality of project's management.

#### **4.4 Principal-Agent Model**

Agency theory, also called the P-A model, was shaped by Ross (1973) in the field of economics and independently by Mitnick (1975) in the field of political science. Initially, the model shared basic characteristics, such as the idea of rational utility, actors that seek to further own self-interest, and utility maximization with a broader theoretical framework of rational choice and new institutional economics (Williamson, 1985). Nonetheless, the model itself does not bare assumptions about the preferences of actors. As the preferences strongly determine outcomes of individual P-A models, these play a crucial role and are filled in by different theories which assume actors' preferences.

In its basic form, agency theory is applied on two actors: one, the principal, who delegates task execution to another actor, called an agent. Besides task delegation from one actor who has the assets, it assumes that agents have specialized knowledge and that the principal always has imperfect information about the performance of the agent and can never be able to check his performance (Laffont & Martimort, 2002). The model has found very broad application in many fields where delegation of tasks plays a dominant role in organizing activities: owners and managers inside a firm and task delegation within bureaucratic organizations. Principals and agents can be individuals or organizations or institutions (Kassim & Menon, 2003). The framework has given a fruitful analysis of bureaucracy as agent and congress as principal (Fiorina, 1981) and international

organizations or EU institutions. It can relate to marketed and non-marketed services, in the public or private sectors. It is a mid-level theory about the dyadic relationship between a principal and an agent, almost entirely abstracting third parties, and therefore, it has remarkably wide array of delegation situations.

Applied within the framework of rational choice institutionalism, the model allows the acknowledgement of the importance of institutional rules that provide incentives that shape actors' behaviors, and strategic choices of individual actors are influenced by their institutional embeddedness.

Ample research of development cooperation done within a rational actor perspective has shown how useful the agency theory model has been in understanding the entire field. Authors have most commonly used it to explain the failures in effectiveness of measures undertaken within the development cooperation, emphasizing perverse incentives of both principals and agents (Easterly, 2006; Rashid, 2005; Williamson, 2010). On the donor side, Easterly (2007) identified lobbying companies and rent-seeking bureaucrats, and on the recipient side, corrupted dictators, both only seeking to further own self-interests, leaving little chance for successful, sustainable cooperation. Gibson et al. (2005) emphasized the key lies in the hands of donor institutions that need determination to create rules that generate good incentives and positive outcomes.

Using the P-A model, Martens et al. (2002) provided an analysis of the major players of the European development cooperation, which is nonetheless applicable to many bilateral and multilateral donors. They claimed aid program performance is not only determined by the particular circumstances of individual project managers and recipient countries but, perhaps predominantly, by the incentives embedded in the institutional environment of the aid agency and its aid delivery process (Martens et al., 2001).

An excellent overview of the Swedish development assistance system, which outlined complexity of relations using this framework, is offered by Gibson et al. (2005). They analyzed

every level of P-A relations occurring during the delivery of aid and aimed to provide best possible solutions for sustainable implementation of funds.

All these works have emphasized that development cooperation is particularly prone to agency problems due to separate political and geographical constituencies inherent in this area (Aerni, 2006; Gibson et al., 2005; Martens et al., 2001) and is therefore in need of special solutions to overcome the P-A problems.

This research focuses on donor countries that make the rules of the game in development cooperation and accepts the assertions made by relevant observers that the donating institutions also bare a great deal of responsibility for the aid outcomes (Berios, 2000; Gibson et al., 2005; Martens et al., 2001). Choices that donor countries make while delivering aid programs, rules that guide this cooperation and ways of aid delivery make up part of this formal institutional setup.

In this sense, two types of allocation mechanisms are compared by using the P-A model: competitive awarding and direct awarding mechanism. The P-A model identifies possibilities for the opportunistic behavior of individual agents as present within the two different ways of money allocation. The theory explains why the contract terms may differ, what kind of external incentives the donor institutions create for the individual actors, identifies motives for low or high delivery effort and most importantly, uses the findings to formulate the main research hypothesis.

#### **4.4.1 Principals and Agents**

Development aid cooperation is traditionally an area with many decision makers. It starts from the voters in the donor country, who choose the government. They, nonetheless, have very little information about what development cooperation achieves, what it could do, and the results it produces in developing countries. Within the chosen government, there is a special department in charge of development cooperation that formulates guiding principles, goals, and objectives of such cooperation. It also chooses less developed countries that it cooperates with, a percentage of money to be given through multilateral funds, the way of allocation, sectors, and implementing

organizations. In addition, there is a development agency, with its headquarters, head offices in recipient countries, and single project offices. These different instances can be understood as multiple layers of principals and agents. Furthermore, the P-A relationship also exists in development agencies between the board of directors, management and staff. Likewise, there is a multi-layered P-A constellation in the recipient country as well, containing the recipient government, partner organization, and the intervention beneficiaries. This is extremely long chain of delegation and P-A problems may appear between each of these layers, resulting in outcomes that are far from optimal.

This is a simplified view could be applied to most of institutional settings in different countries. It is also visible from the description above that there is a vast number of decisions that the donor country has to make, which have a direct influence of the outcomes in the field. This emphasizes the high level of responsibility of the donor country in the process of development cooperation as the choices that are made on the donor-country level bare consequences for aid results.

There has been enough research to establish the importance of the focus on donors' actions and policies. Initially, corrupt recipient governments and low-capacity recipient institutions were to blame for unsatisfactory aid outcomes. Some initial research by Barder (2009), Berrios (2000), Chauvet et al. (2006), Gibson et al. (2005), Martens et al. (2002) and Reinikka (2008) have put donor institutions under scrutiny to show that aid results are also influenced by donor internal policies.

This work continues the trend of concentrating on donors and implementers, emphasizing in the role they have in the process. Therefore, from the long chain of P-A relations, stretching from the voters of donor countries all the way to the beneficiaries in recipient countries, this work puts light on two main characters: donor organizations and project implementers. If strict individualism is applied, then the principal would be an individual, who is employed by the ministry or

department in charge of development cooperation and in charge of this particular project. An agent would be an individual in charge of project implementation, usually called team leader.

The approach used in this dissertation is in line with a softened version of individualism, typical for rational-choice perspective, which aims to explain societal phenomena by descending to individual level and specifying micro-mechanisms. Based on the degree to which institutions are incorporated as part of explanatory premises, (Udehn, 2001) distinguished between stronger and weaker versions of individualism. In the version applied in this work, labeled as institutional individualism, institutions are understood as objective phenomena that constrain the behaviors of actors. Institutional embeddedness refers to rules that impute opportunities, constraints, and incentives for individual actors (Witteck, Snijders & Nee, 2013). This is also a dominant mode of explanation in new institutional economics.

Applied on this specific research problem of German bilateral development cooperation, one can differentiate between two constellations, depending on the allocation mechanism in use: direct award mechanism and the competitive award process.

With a direct-award mechanism, a principal is an employee of one of the institutions that is a commissioning party of the GIZ, the one who is in charge of oversight and control of this particular project. Even an entire donor organization can be regarded as a principal, as usually complex structures and many departments have different competencies over an ongoing development action. As already mentioned, it is most commonly BMZ, but can be AA, BMUB or other commissioning parties. An agent is a GIZ employee in charge of a particular project, usually called team leader<sup>6</sup>.

The competitive award process is commonly used as an award mechanism by the EU, UNO, WB, and other international organizations or development banks. The principal is one of these

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6 *Auftragsverantwortlicher.*

institutions and an agent is a person in charge of implementation of a project that has competitively been awarded to the GIZ IS. This person is a freelancer who is not in a permanent contractual relationship with the GIZ IS but rather engaged for the purpose of the project.

In the next part, it will be identified how institutional rules create incentives that influence behavior and preferences of individual actors and actions that are at their disposal in a particular situation.

#### **4.4.2 Actor Preferences**

Preferences in the P-A model are crucial as they strongly influence model outcomes. Nonetheless, the model itself does not assume preferences of actors. The preferences are rather implied by the given theoretical framework, and the approach is compatible with theories that posit rational, egoistic, and wealth-maximizing actors and those that assume boundedly rational or altruistic behavior of actors (Hawkins, Lake, Nielsen, & Tierney, 2006). The preferences can be imputed by a theory as given, stable, and precise, but authors can also rely on previous writings to induce preferences (Katznelson & Weingast, 2005).

In the canonical, neoclassical, rational-choice theories, individuals are seen as egoists striving toward the maximization of material gain. Different forms of rational choice institutionalism broaden concept of selfishness of actors and operate with concepts of preferences such as linked utility or even solidarity (Wittek, Snijders & Nee, 2013), where individuals vary on how much they take goals of others into considerations when acting (Keohane, 1984; Margolis, 1982). Still this work posits strong assumption on individual rationality as it has shown to be a promising approach for understanding the behavior of individual actors of development cooperation. At the same time, as in line with rational choice institutionalism, institutions are seen as constraining individual actors or offering them opportunities for action (Nakaska, 2010).

Preferences have a crucial role in P-A models, so meaning needs to be clarified. Clark (1998) pointed to a common semantic confusion of terms preferences and strategies. Preferences refer to

the way an actor values different outcomes, and strategies define what an actor can do in a given situation: “Strategies are means, preferences are ends” (Clark, 1998, p. 252).

As there is not general theory of preference formation and no model of social behavior that is universally applicable, goal-oriented behaviors are shaped depending on the context, and it might be a rather problematic task for a rational choice institutionalist (Clark, 1998). Here, I rely on previous research from development cooperation field (Barder, 2009; Easterly, 2006, 2007; Martens et al., 2001; Williamson, 2010). A key objective of employees of an organization would be to stay employed and preferably advance in a hierarchy (Easterly, 2007). This corresponds with understanding of goals of individuals provided by Martens et al. (2001) as pursuing carriers and incomes. As in most political institutions, political survivability is the over-riding concern of actors. As this work in particular focuses on one P-A layer, namely a principal from a donor institution and an agent who is a project team leader working for an implementing organization. The assumptions concerning preferences holds true for both the principal and the agent. But the strategies that the actors have to use achieve their goals is different and highly dependent on the different institutional framework they are embedded in.

#### **4.4.3 Principal-Agent Problems**

First, special characteristics of development cooperation, relevant for the application of P-A model will be outlined. This establishes the basis for the discussion of most common problems that occur in contractual relationships, as seen through the lens of agency theory. Common P-A problems will be identified, presented, and discussed within the light of special conditions that prevail in development cooperation. Furthermore P-A problems will be comparatively observed in the relationships between the two types of principals and agents, as defined above. I argue these two types of relationships are inherently different, as actors face different incentives, which eventually leads to variations in management quality on the project level.



The P-A relationship exists in a contractual interaction<sup>7</sup>, when one entity (a principal) delegates tasks to another entity (an agent). There are several characteristics of this relationship. Besides task allocation, the theoretical framework foresees divergent interests of the entities, as well as asymmetric information. A principal has decided to delegate a task to an agent due to its specialized knowledge. It is also assumed that the principal cannot observe the behaviors of the agent the entire time. In this situation, several problems may occur, and none of them is particularly unique to development aid. P-A problems can be observed in many relationships that we all are part of, including doctor-patient, insurance-insured, client-lawyer, and many other relationships. Nonetheless, there are some characteristics of the development industry that make these problems, when they occur, more severe and appear to be harder to combat than in other fields.

- The end user of a particular service does not pay for them. This differs to a great extent from a typical P-A relationship where a client (a principal) himself chooses and pays for his lawyer (the agent). The aid recipients in partner countries have something being done for them, without actually having neither their voice heard nor the actual power to decide about it. Additionally, these final beneficiaries in developing countries are represented by their governments, who may or may not negotiate and act in their best interests.
- Action outcomes are highly uncertain. How and whether the actions of development agencies convert into development outcomes is extremely unclear. In the development industry, a chain that links efforts of development agencies to the final outcomes is a very complex one. Bourgoignon and Sundberg (2007) referred to it as *the black box*. That is a reason why the recipient governments and donor countries negotiate inputs and outputs, but not the actual outcomes (Gaarder & Bartsch, 2014; see Figure 1).

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7 The term contractual interaction can be interpreted very broadly (Rees, 1985a, 1985b)

- The beneficiaries of development actions are not located in the donor country, they do not have any voting rights and cannot influence policy-making processes. They cannot register dissatisfaction through voting (Easterly, 2007; Martens et al., 2001). This is quite different from all domestically provided services, where governments, acting as a principal, outsource a task implementation to a public or private entity (an agent), which provides a service that citizens are benefiting from. In this constellation, there are several channels that citizens can use to express their satisfaction or dissatisfaction, most commonly, the elections.

The governments, aiming to be re-elected, want to keep the services high quality and citizens satisfied. In development cooperation, this feedback loop is broken. There are no consequences donors have to bare due to less than optimal outcomes in development programs.

The concept of utility in the development industry differs greatly from other industries. In a regular P-A relationship, the principal pays the agent to execute a certain task and maximization of utility plays a dominant role in choosing an agent who will be able to perform a task and maximize the utility of the principal.

In profit industries, utility maximization is commonly equal to profit maximization. In governmentally provided services, re-election of a government plays an important role. In development aid, national and international reputation of a donor country may play a role, but the initial principal, the voters of the donor country, have very limited information about aid delivery and successful outcomes (Gardner & Waller, 2005).

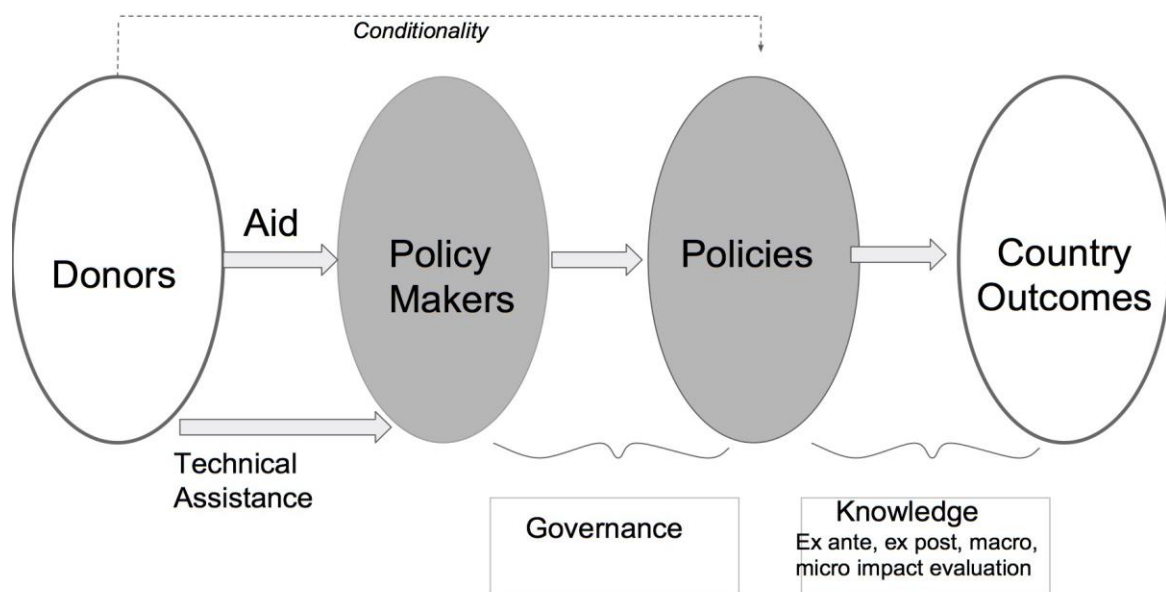


Figure 1. The "black box", taken from Bourgoignon and Sundberg (2007).

#### 4.4.3.1 The broken information loop.

One feature that separates foreign aid from other service provision activities done by any country, is the political and geographical separation of the two constituencies. The beneficiaries are not in the donor country and they have no voting rights there, so they cannot influence either political decisions nor policy-making processes of the donor country. There is no mechanism that makes donors suffer consequences because of the dissatisfied customers. This problem is known as a *broken feedback loop* or *broken information loop*.

The broken information loop is one of the most distinctive—and important—aspects of developing assistance (Martens, 2005). This problem is also present in other areas of service provision that do not respond to free market forces and where redistribution of funds is needed, such as medical services, unemployment, and other social services. Nonetheless, in these domestically funded and provided services, both donors and beneficiaries have a possibility to influence policies through usage of their voting rights. Although some would argue that the process

is noisy and indirect (Radelet, 2006), it certainly exists, and this is what makes this problem stand out as a unique one in development assistance (Crawford, 2004).

#### **4.4.3.2 Moral hazard.**

A *moral hazard* arises when there is some uncertainty regarding the relationship between the agent's effort and their output. In a P-A constellation, it is always assumed that the agent's actions affect the principal's payoff, although this action is, in most cases, not directly observable by the principal. The description of the outsourced tasks is clear, but means and the exact actions are chosen by the agent himself. A rational agent, according to the rational choice institutionalism, will choose the means that maximize utility, under minimal effort, creating a less-than-optimal level of utility for the principal. The agent has intimate knowledge about the amount of the effort, which is, to the biggest extent, unobservable by the principal. That is why numerous mechanisms are built in to overcome moral hazard and reduce information asymmetry. The next part describes common mechanisms that exist in fields outside of development cooperation and continues with the explanation why these do not function flawlessly in the aid industry.

#### **4.4.4 Overcoming P-A Problems**

The moral hazard is a problem that is quite present in practice and very thoroughly described in literature. As it exists in almost all P-A constellations, various practices have been developed to mitigate the moral hazard problem. Insurance companies might condition money reimbursement on lock security levels, which would to a certain extent depend on the effort of the insured, or might reimburse only 70% of the value of a stolen bicycle, which also raises incentives to increase the amount of effort to preserve the bicycle from the thieves.

Whether actions in development cooperation have been implemented with maximum effort and whether they have contributed to wanted results is, in most cases, highly questionable. That means that the attribution problem in development cooperation is particularly severe. Economic growth and progress in a developing country depends partially on the actions of the aid-

implementing bodies and is actually a result of the complex interplay of many other actors and situations. The causes of national poverty are many (Easterly, 2002). Consequently, the actions of the agents cannot be perfectly inferred from process outcomes (Dixit, 2002; Easterly, 2002). Donors are physically situated in donor countries, usually far away from the place where development cooperation actions take place. They have limited sources for oversight of actions. The implementing agencies have the knowledge about the true developments in recipient countries, but they hesitate to advertise the limits of their crafts, as they fear that the exposure of current shortcomings could reduce its future funding (Savedoff, Levine, & Birdsall, 2005).

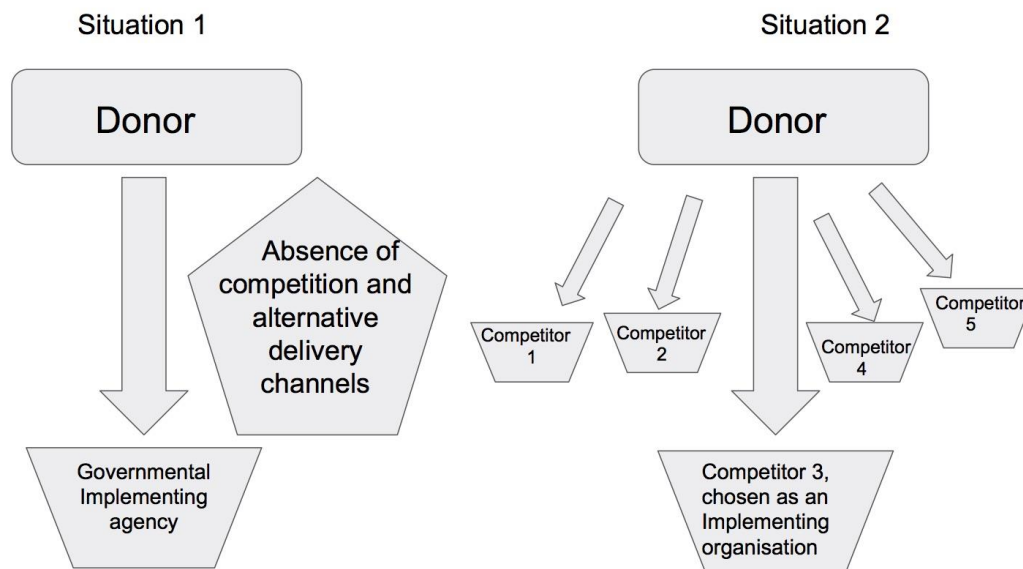
All of these problems are well known and well depicted in development aid, and international and national donors have developed various mechanisms to combat the problems. Some of those mechanisms include constant monitoring, well-developed evaluation techniques, creating channels to increase feedback from final beneficiaries, increasing ownership, learning from previous mistakes, and ex-post evaluation. All of these have associated costs. Donors have to invest effort and expenses into the overview of actions, M&E, contact with beneficiaries, and the overall control of the projects in order to obtain real information about contractor performance.

This amount of effort put by the donors to overview the work of implementers is crucial to assessing the amount of effort put by aid suppliers on the proper implementation of projects. The agents, responsible for individual projects, freely choose the level of effort they will put in project implementation and therefore the degree of objectives achievement (Martens et al., 2002). They are nonetheless constrained by the requirements that are put on them through the contractual arrangements with the donor institution.

The donor's level of effort put into careful monitoring and evaluation of the contracted agency, directly influences the effort of the implementing agency to perform, achieve good management, and achieve individual project objectives. The higher the effort of the donor to

monitor, the higher is the effort of the implementing agency to perform well. In the next step, this equation is applied on the actors in two situations as depicted in the Figure 2.

The two types of allocation mechanisms (with or without competition), as depicted in Figure 2, can be regarded as institutional arrangements, rules of the game, constraining principals and agents and offering them an opportunity to act. An agent is a team leader from an implementing organization in charge of a particular project. The principal, in this case, is an employee of a donor agency, in charge of oversight and control of this particular project or even an entire donor organization, as such can be regarded as a principal, as there are usually complex structures and many departments that have different competencies over an ongoing development action.



*Figure 2.* Short-term and long-term contracting in development cooperation.

The agent can anticipate oversight and control efforts of the principal, based on terms of contract, rules, and rules in use. Correspondingly the agent adjusts their own optimal effort level and takes the risk of detection into account.

Figure 2 depicts two situations that are of concern for this thesis. In the Situation 1, a donor contracts its own implementing agency to deliver a foreign assistance project and is merely engaged in the political steering. The agency is its official channel for project delivery and a relationship between a donor and the implementer is based on the long-term contract. The donor is a commissioner and a team leader executes the tasks given to them, in the name of the donor.

In the Situation 2, a donor outsources delivery of development assistance through an entity based on a competitive basis and in the form of a short-term contract. A good, proven record of this entity plays an important role in the decision process and increases chances to be chosen for the given task. In the nature of this relationship are lack of trust and a possibility to change the implementer. Therefore, the donor is faced with the increased incentive to control the entity and react accordingly if performance is not satisfactory. The legal form of the implementing entity in this situation is not of importance, it can be in form of a for-profit company, NGO, or any other form. What matters is the type of allocation mechanism used, which is organized on competitive basis and the ability of the donor to change the implementing partner.

Comparing two donor organizations in the two situations depicted in the Figure 2 reveals that the amount of effort put into control and mechanisms that combat moral hazards and broken feedback loops in their contracts are likely to be very different. The assertion about the differences between the two institutional arrangements is theoretical and backed up by previous research findings and insight into project documentation and contracts.

Introduction of a for-profit or a non-profit implementer, chosen through a process of competitive tendering, offers a chance for the donor to change them as they are only one of many potential implementing agents. If they are dissatisfied with their performance, they will not hire them again. This strategy of short-term contracting can strengthen the position of the principal in relation to the service providers (Lane, 2013). The new power constellation influences motives of the donor, its efforts to control the performance of the implementing agency, it influences the

mechanisms that have been developed over time to mitigate wrongdoing and it most likely has consequences on the quality of project management.

I will present a specific example, which should enable full understanding of the theoretically anchored arguments. In a situation 1 as presented in Figure 2, the donor organization is BMZ and an implementing project is a GIZ-project in a partner country A. In a situation 2 in the same Figure, another donor organization could be e.g the EU and the implementing organization is the GIZ IS in a partner country B. BMZ and the EU use different allocation mechanism and naturally, the GIZ and GIZ IS obtain money in different ways. The following subchapters discuss why both donors and implementing agencies as depicted in the two situations are likely to exercise different amount of effort and how this reflects on the overall quality of project's management.

#### **4.4.4.1 Why donors exercise different amounts of effort.**

A brief insight into contract documentation when project implementation is commercially outsourced reveals that some contractual mechanisms are commonly present: the transfer of funds happens after approval of the beneficiary organization and the transfer of funds can be blocked if indicators agreed upon are not fulfilled. These and similar clauses are inherent of competitive outsourcing and, at the same time, completely absent from the BMZ-GIZ contracts.

When choosing how much funding to dedicate to project oversight and control, BMZ is led by the goal of political survivability. As already mentioned, it is not dependent on effectiveness of their policies abroad or positive changes brought to beneficiaries as the beneficiaries abroad do not have voting rights in donor countries. People of Germany who have voting rights have a very limited access to information about development cooperation and can only with a lot of effort prove the government actions.

The BMZ also has limited action options, if a project does not go according to plan or if it shows weak results. Their role is not to interfere in project implementation but rather to do political



steering of the actions. Besides, by contracts signed with partnering institutions in developing countries they are bound to continuously support the agreed activities.

The efforts of BMZ and other donor institutions are not directed toward flawless program implementation and achievement of the best possible results. BMZ employees are more concerned with positive presentation within domestic arena. It means that they choose to spend accordingly less money to overview the actors and individual projects and put less effort in oversight and establishment of capacities to evaluate the actions.

In a competitive contractual arrangement, aid agencies and contractors do not know each other, and there is an apparent lack of trust, which increases the effort to perform (Chauvet et al., 2006). The theory would suggest that the mechanisms that allow for inclusion of beneficiaries and their participation in steering committees, evaluation reports, and communication channels with the donor are better developed within a competitive allocation mechanism as all of these are ways to control and perform oversight over the project implementation.

It is also known from the previous research that monitoring, controlling, and evaluation tends to be milder when long-term relationships are in question, due to mutual trust and belief in goal convergence (Anderssen & Auer, 2005). As found in a quantitative study testing of WB projects, the higher the (perceived) convergence between a principal and an agent, the more effort should principal put into the observation of the agent as this behavior could improve project performance (Chauvet et al., 2006). Actual situations in field show donors do not put more efforts to observe in the situations of high goals convergence (Kilby, 2000). This is exactly the problem that exists between BMZ and other German ministries using GIZ services and GIZ.

#### **4.4.4.2 Why the agents on the field differ in the amount of effort they exercise.**

Agents do not always do what principals want. An inherent part of agency theory is shirking: when an agent minimizes the effort, it exerts on its principal's behalf. Theoretically all actors are prone to shirking, GIZ team leaders just as likely as GIZ IS team leaders. However, as actors

behaving highly rationally, the GIZ IS team leader knows that good performance is a key to further engagements and has an increased motivation to put more effort into good project delivery.

Reputation effects that also can play a big role to increase effort put in the project. If a supplier contracts in the future, efforts to perform well are increased. Within the GIZ projects, there are never efforts that increase due to contracts that follow. GIZ is the main implementing agency for bilateral technical cooperation, and therefore, there is no fear that low performance will lead to retained payments or project closing. As its profits or future engagements, those depend on its excellent performance. In terms of effort that the employees have to put in order to stay in business, both for-profits and NGOs face a real possibility to run out of business if they do not produce profits or have enough clients that enable them to pay salaries to their employees. Their past achievements are an important score for receiving future engagements in tenders.

Means to induce consequences on the agent if the performance does not correspond to the agreed actions are an inherent part of contractual arrangement when contracting using the competitive allocation mechanism, whereas constraints of this sort are not part of contractual arrangement between BMZ and GIZ. Furthermore, the existence of GIZ does not solely depend on its good project delivery, as it will be further financed, as only few channels exist for project delivery. In long-term contracting memory is rather short concerning what was promised when outcomes turn up undesirable (Lane, 2013).

Andersson and Auer (2005) assessed incentives that drive behavior of consulting companies. They have found that if there is only a limited number of contractors, incentives are created for the consultants to underperform. They found that more competitive bidding process inspires better performance. Consultants who operate in a more competitive environment and who value future business with particular donor, have stronger incentives to perform well. A straightforward conclusion that can be made is in the absence of competition there are no strong incentives for good performance, which can decrease project management quality.

In a donor-implementing agency relationship, in the case of BMZ and GIZ, there is a very long-lasting relationship. Mutual trust, communication, and, not to forget, mutual dependency on one another, have largely contributed to the form of this relationship. BMZ does not have a choice; it uses GIZ as an implementing agency. Therefore, it can be expected to see the mechanisms that serve the oversight, control and monitor the overall performance to be less developed than in Situation 2 (see Figure 2).

In the case where a donor firstly publishes a call for proposals and then chooses one implementing agency among many candidates, several differences are present. The institutional arrangement, or the contract has different elements. Relationship has not been as long-lasting as between BMZ and GIZ. There is no feeling of mutual trust between the two and the contract for services that they sign will have many of the clauses that protect the donor from the unwanted behavior of the implementer. Monitoring, evaluation, and reporting are done according to the rules of the donor that, in the first place, does not have trust in the implementer and also has a choice. The agent, an individual team leader is aware of both of these things and also aware that only good performance, in the eyes of a donor, can bring more funds in the future. “Incentives, present in particular phases of the aid project cycle, can and do inspire some contractors to perform at a high level” (Anderssen & Auer, 2005, p. 163). Anderssen and Auer (Ibid.), have made another interesting finding, after having interviewed several consultants working for Sida. Almost all of them assumed that by performing well on current Sida task, additional and perhaps larger and more lucrative Sida contracts might be obtained in the future. This kind of incentive is absent for the GIZ team leader. Therefore, lacking the incentives for the good performance, may have consequences for the good project management.

#### **4.5 Hypothesis Formulation**

I used agency theory to address the variation in quality of service delivery, which exists between GIZ and GIZ IS. The theory, previous literature findings, and the initial overview of

project documentation, helped identify incentives that exist in the contractual arrangement in two different allocation mechanisms.

A crucial question for the hypothesis formulation is whether competitive allocation mechanism can improve, if not eradicate, the broken feedback loop and moral hazards, and, therefore, play an important role in improvement of the project's management quality in development industry. For that purpose, the focus was put on the incentives that are shaped by the preferences of the donors on one side, the team leaders from implementing agencies on the other, and the institutional arrangements that guide their relationship. It was argued that the existing constellation of incentives, motives, efforts, and trust is shaped in a way to allow for higher quality of project management on projects that have received funds on competitive basis.

In a constellation where GIZ IS is an implementing actor, institutional rules foresee mechanisms that are available to individual principals for control and oversight. Good performance matters for future arrangements, and therefore, the individual agent puts more effort into project implementation, increasing in that way the quality of project's management. The hypothesis is based on the general assumption that the level of effort exerted into proper project delivery will reflect in the increased quality of project's management. The hypothesis is *The projects funded through competitive allocation mechanisms achieve better project's management quality than the projects funded through direct-award mechanisms.*

## Chapter 5

## METHODOLOGY

The research method used in the thesis compared project's management quality in two types of projects in development cooperation: the ones that obtained funds through a competitive allocation mechanism and the ones that obtained it through a direct award. It did so by exemplary using GIZ and GIZ IS projects due to the specific ways of operation that allow for this comparison while keeping many of the external influences stable.

A web-based, self-administered survey, addressed to the team leaders of the GIZ and the GIZ IS projects, was the method used to gather data about project's management quality. The relevant literature warns from automatic usage of surveys, given that official statistics normally offer data that is more complete and of better quality (Gillham, 2000; Gorard, 2003). Everyday managerial practices have shown to be a sensitive topic and official data access is provided very scarcely. The only publicly available information come in the form of evaluation reports, which mostly concentrate on the achievements of few exemplary projects. The access to contracts and official internal documentation within GIZ, which could had been an alternative source of data, was not allowed for this research. Knowledge, opinions, and attitudes of GIZ employees who were constantly involved in daily practices of the agencies' interventions were the most significant input for this study. It was clear that the data needed to answer the research question could best be obtained in some form of communication with the population that is daily exposed to GIZ practices in development cooperation and therefore mostly familiar with them. Their answers go beyond official contractual documentation, and the agreed rules of cooperation and refer to real rules-in-use as applied in practice.

For the purpose of this research, the survey was conducted without official cooperation with GIZ by using contact data of project team leaders that are available online. Germany is a member of the International Aid Transparency Initiative (IATI), initiated in Accra 2008, which regulates which information should be publicly available. This information is reduced to a comprehensive list of all the projects with project details and contacts, summary of project evaluation in English, and company reports<sup>8</sup>. Following the recommendations of the initiative, GIZ published comprehensive information about their projects in January 2015, which made contacts of team leaders available. The decision to use a survey as the data-gathering instrument for this research was made after

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8 Short summary of evaluations has been available since 1998 (Borrmann & Stockmann, 2009).

careful consideration of the overall goal of the study, nature of the data needed, cost, time constraints, resources available, and the data accessibility. Among many survey methods available, I opted to use a web-based, self-administered survey due to several strong advantages of this type of instrument among other modes and technologies available. In the first place, the time requirements of the participating organization and its employees have been brought down to minimum, which was one of the big concerns of the officials who were contacted in the planning stage. Secondly, a major concern connected to this type of data-collection is that a researcher has to rely on the honesty of respondents. This issue has been accounted for by choosing self-administered surveys, as extensive evidence suggests that self-administered surveys, in comparison to all other types of surveys, result in more truthful answers (Ornstein, 2013). Finally, one of the main characteristics of a web-based survey is that data are given back to the researcher almost instantaneously, in a form which is ready for analysis, efficiently using scarce time resources and is believed to obtain high response rates (Dillman, Smyth & Christian, 2014).

During the entire data-collection process, including survey preparations and conduction, very strong focus was laid on data reliability and validity. The process of instrument pre-testing, final questionnaire design and its visualization, sampling method and size as well as the non-response prevention have been done relying on relevant literature and with the aim of obtaining trustworthy data.

After data were collected and analyzed, a series of interviews with BMZ, GIZ, and GIZ IS employees was conducted. In this way, this quantitative study went beyond purely quantitative data, offering in that way more solid interpretation of the realities by relying on confidential discussions with decision makers, stakeholders and practitioners from the field.

### **5.1 Preparation of the Survey**

To arrive to specific survey questions from the concept of project's management quality, dimension/indicator analysis has been used. This approach, developed by Lazarsfeld (1958) is still

considered by many researchers as the best approach (Hox, 1997). Here, the central concept is divided into sub-concepts, and empirical indicators are specified for each of the sub-constructs. As all top-down or theory-driven approaches suggest, sub-dimensions of a theoretical construct are based on the empirical results of previous research. Through the extensive literature review, findings on success factors in development assistance projects and in general project management literature have been analyzed. For the purpose of identifying and defining specific elements of the project management dimensions, which have implications on the project management success, careful examination of the other empirical studies and their methodologies has been done. The third source used to help me develop initial working questionnaire were other concepts used for testing aid quality.

In that way, the initial questionnaire was created and discussed with two ex-GIZ employees. One of the interviewees was in charge of quality control in the GIZ Headquarters and the other one was in field operations, in charge mostly of M&E. These have offered important first insights, clarified some of the terms and processes. Having worked for a GIZ project myself, some of the processes in the field I was already familiar with, but many of the daily operations are team leader or country dependent and cannot be assumed as being practiced in majority of projects. That is why the interviews have been of such a tremendous help. Equipped with new evidence and insights, a version of the questionnaire used for the pre-testing was created.

### **5.1.1 Survey Pretesting**

Pretesting is the only way to evaluate in advance whether a questionnaire causes problems for respondents. It has been well established in praxis from the 1940s (Smith, 2004) and there are different methods that can be used for this purpose. In this particular case, the combination of survey evaluation or pretesting techniques has been carefully chosen to maximize the strengths and minimize the deficiencies of each of the pretesting methods. They have been combined with

caution to improve the efficiency of the pretesting design and in order to improve the clarity and content of each of the questions.

Although question evaluation requires significant resources, time, and effort, the effort is considered to be a wise investment (Fowler, 2006). Failing to devote adequate time and resources to pretesting can be a direct source of error in survey results, which cannot be corrected afterwards (Smith, 2004).

The literature suggests that pretesting should be done on a population that is most similar to those who will be respondents in the planned survey, and the participants of the pretesting can be chosen based on convenience and availability, rather than probability sampling strategy (Fowler, 2006). For pretesting, a 3-step method suggested by Fowler (Ibid.) was applied, as it is particularly well suited for web-based surveys. It consists of the following three steps: (a) focus group, (b) cognitive interviews, and (c) final testing.

For all three phases a location that has a large enough concentration of both GIZ and GIZ IS projects was needed, allowing access and having an open atmosphere. Luckily, such a location was found, but its name is not published for the purpose of the full confidentiality of the GIZ and GIZ IS employees who dedicated their time and resources to participate in the pretesting. The city where pretesting was conducted was hosting total of 12 ongoing GIZ projects and three GIZ IS projects, which offered the population of about 170 GIZ employees, more than enough for organization of all the pretesting activities. The projects that were involved in any of the pretesting activities were excluded from the population used as basis to choose a sample for this study.

#### **5.1.1.1 Focus group.**

The first step in my survey evaluation has been a focus group discussion, as indulging in a conversation with groups of people, similar to survey participants helps broaden the perspective about the realities being examined. Focus groups helped me examine the assumptions about the



everyday managerial practices, and furthermore, to evaluate assumptions about vocabulary and the way the respondents understand terms or concepts that will be used in survey instrument.

Basis for the discussion with the group was the initial version of questionnaire and during the discussion the following has been examined for each of the questions:

1. Are the questions appropriately covering what respondents are supposed to describe?
2. Are respondents able and willing to perform the tasks posed?
3. Do words or descriptions proposed convey consistent meaning for all respondents?

The outcome of the focus group discussion was a question-by-question review of the drafted survey instrument. There was total of eight GIZ and GIZ IS employees who participated in the focus group discussion. This number is considered optimal for this purpose (Fern, 2001). All remarks, questions, and suggestions expressed during the discussion were carefully recorded and taken into consideration in the process of the finalization of the survey questions.

During the focus group discussion, the obtained inputs helped in identification and clarification of some of the conceptual and vocabulary problems and preparation of the instrument for the next testing phase, namely in-depth interviews. Although the general purpose of both focus groups and cognitive interviews was to discover problems of comprehension and the response experience, the individual interviews are a technique complementary to focus groups. They identified very specific problems that remained untouched in focus group discussions (Snijkers, 2002).

#### **5.1.1.2 Cognitive interviews.**

Intensive individual interviews, or cognitive interviews, have become an important component of survey pretesting activities (Tucker, 1997). This method involves getting input from respondents about the process they use to arrive at survey responses. It may include questions about potential difficulty deciding between the offered answers, clarifying the answer and thoughts behind it. Its main purpose is to resolve questionnaire comprehension problems (Collins, 2003). A series of

total of 10 face-to-face interviews with project managers or team leaders have been conducted in the form of a cognitive interview.

Cognitive interviews that were conducted combined concurrent and retrospective probing. Concurrent probing foresees that the respondent answers a series of probe questions after each survey question. In retrospective probing, on the other hand, the respondent is asked the probe questions after the entire interview has been administered. As the survey instrument contains total of four parts, the respondents were asked a series of probe questions after each section of the questionnaire has been done. In that way, the danger that the respondents will no longer remember what they were thinking as they answered the question and could instead fabricate an explanation is lessened. At the same time, the natural flow of answering questions is not constantly interrupted by the interviewer, which then makes it more similar to a real interview situation.

An alternative form of intensive interview which can be used in survey question evaluations is the think-aloud interview. These interviews derive from psychological procedures elaborated in Ericsson and Simon (1980). In this form of interview, the respondents are asked to think out loud while answering the questions, which allows the interviewer to get insight into the process the respondents use to interpret a question, retrieve the information needed to respond, formulate a response, and select a response alternative. However, this type of interview has the disadvantage of disrupting the normal flow of the interview and is therefore considered to be risky (Theresa & Rothgeb, 1995). Additionally, respondents vary in how well they can perform this task, and previous respondent training is necessary in order to elicit a sufficient amount of think-aloud behavior. Some researchers are also concerned that the think-aloud process itself affects the way respondents address answering questions (Biemer & Lyberg, 2003). An additional concern is that the process places the main burden on the respondent. Therefore, a cognitive interview technique has been applied, which places more of the relative burden on the cognitive interviewer.

All of the 10 cognitive interviews were conducted face to face in a pleasant atmosphere and confidential environment. As the first step, I presented them the draft of the invitation letter, and they were asked to comment on that and potentially assess their willingness to participate in the survey. I obtained quite useful advice concerning invitation email formulation in this way.

In the next step, they were asked to answer in the questionnaire with a pencil and paper and stop after each questionnaire section. Then, we discussed if they had difficulties answering particular questions and how they understood the questions. They were also asked to think about alternative formulations that would be more clear and precise. All answers were carefully written down, and it was not too difficult to identify problematic questions and correct them. Some changes in the survey instrument were already introduced after the first four interviews as it was already clear that the initial formulations presented a difficulty for all four interviewees.

After these two pretesting instruments have been used, the comprehension questions and the cognitive aspects of the response tasks have been resolved and changes have been implemented to my questionnaire accordingly. In this way, a near-final survey instrument was created.

#### **5.1.1.3 Final testing.**

In the final pretesting phase, the near-final survey instrument was tested in a way that was as close as possible to the way the survey was to be conducted. Web-based surveys are much more time and cost-effective, but they bare new challenges such as programming errors, checking for presence of browser plug-ins, and features of the hosting platform that define the survey organization's server (Biemer & Lyberg, 2003). It is necessary to ensure the modifications that have been implemented achieve the intended results, and the survey runs technically flawless. For that purpose, one big GIZ project participated in the field test. On one day, all of the team members of the chosen project were sent the e-mail link with survey questions and were asked to answer the questions. The participants were gathered after the test for final debriefing. Some final concerns about survey question comprehension were clarified, which helped identify and resolve two minor

technical flaws in the programming. This also confirmed that questions displayed well in different devices and browsers.

### **5.1.2 Final Questionnaire Design**

The entire questionnaire contained a total of 26 questions, divided into four parts. The first part contained only general questions about the region, financing institution, sector, and implementing department (GIZ or GIZ IS). All four parts were in the form of closed-ended questions, and the categories concerning the project sector reflected the internal division taken from the GIZ website. The second part tested the ownership component of project's management quality; the third one tested knowledge management and learning; and the questions in the fourth part referred to M&E practices. In the beginning of each of the sections, short definitions of these dimensions of management quality were provided in order to minimize misapprehensions, as suggested by Schaeffer and Presser (2003). At the end of the survey, there was a final, open-ended question where the participants could express their opinions about the survey and add any additional information that they liked. The survey questionnaire is attached in Appendix A.

In the choice of the scale-type used, including the number of scale points, absence of midscale point, and their labeling are elaborated on and supported by relevant literature, always aiming at achieving highest reliability and validity of the data.

#### **5.1.2.1 Number of scale points.**

Type of scales used can play a major role in the research. In this survey, most of the questions in the survey contained a Likert-type scale with 6 points, as a scale with between 5 and 7 points appears to be optimal (Krosnick & Fabrigar, 1997). Scales of this length have also shown to have greatest reliability (Birkett, 1986; Komorita & Graham, 1965; Masters, 1974) and validity (Green & Rao, 1970; Lehmann & Hulbert, 1972; Ramsay, 1973). It was also confirmed that these classical scales have higher levels of reliability in comparison to scales that have infinite length and

do not limit the respondents in the level of differentiations between objects (Kaplan, Bush, & Berry, 1979).

#### **5.1.2.2 Midscale point.**

As the goal in this research was to be able to differentiate between the two departments, a bipolar scale with two opposing alternatives without a midpoint was offered. There is no clear consensus on the issue of inclusion of a midscale point in a scale (Kieruj & Moors, 2010). Research has shown that if midpoints are explicitly included in the scale, it may discourage people from taking sides (Kalton, Roberts, & Holt, 1980). Besides that, it seems that including a neutral response option attracts subjects disproportionately to this category (Kieruj & Moors, 2010), which means that some real and existing attitudes are not being measured. The most important issue is whether or not a neutral-response option offers an easy out for subjects who do not want to choose sides or if such an option is necessary to measure attitudes accurately (O’Muircheartaigh, Krosnick, & Helic, 1999).

As the purpose of the study was to differentiate between two types of projects, helping respondents choose sides was an important aspect of the research. Therefore, none of the scale questions offered a neutral-response option. To avoid making respondents explicitly choose answers, when none of the offered options accurately depicts their opinion attitude or knowledge, three options were offered in the questionnaire:

1. “I do not know” for knowledge-type questions
2. “N/A”
3. Non-obligatory questions: None of the questions were obligatory, except the first four, asking about the region, financing institution, sector, and implementing agency, which was necessary for the analysis.

Participants could skip any other questions if they did not feel like answering it or if they did not feel that the offered options truly reflected their opinion. Besides, requiring responses for every

question, before respondents can move to the next screen can have detrimental effects on the motivation of respondents, especially on the likelihood that the respondents will complete the survey, which can lead to increase in nonresponse and therefore to measurement bias (Dillman, Smyth, & Christian, 2014).

#### **5.1.2.3 Labeling scale points.**

Labeling of scale points can be done numerically or verbally and it can be done fully or partially (labeled only at endpoints). The relevant research reveals that fully labeled scales are more reliable and valid than partially labeled scales (Weijtersa, Cabooterb, & Schillewaerta, 2010). Furthermore, verbal labels for all scale points, instead usage of numbers alone, which can be unclear for the respondents, is highly recommended (Krosnick & Fabrigar, 1997). At the same time, verbally labeled scales score better in reliability and validity (Krosnick & Berent, 1993). In this survey, only fully and verbally labeled scales have been used. Depending on question type, the following verbal labels have been used:

1. Very high, high, somewhat high, somewhat low, low, very low low
2. To a very high extent, to a high extent, to a moderately high extent, to a moderately low extent, to a low extent, to a very low extent
3. Strongly agree, agree, somewhat agree, somewhat disagree, disagree, strongly disagree
4. Completely true, true, somewhat true, somewhat false, false, completely false
5. Excellent, very good, good, fair, poor, very poor

#### **5.1.2.4 Inclusion of no-opinion filters.**

Offering responses such as “this question does not apply to me,” “prefer not to answer,” or “don't know” can be useful options when used carefully. It is recommended to offer these answers (Bradburn, Sudman, & Wansink, 2004; Foddy, 1993; Smith, 1984). Nonetheless, the stand that no-opinion responses genuinely reflect lack of opinion is challenged by many studies (Coombs & Coombs, 1976; Krosnick, 1991; Smith, 1984). They reveal that the “do not know” option is chosen

when the respondents do not want to do the mental work to report real attitudes or when they have only neutral thoughts on the question. When offered no-opinion options, not having opinion on an issue is legitimated and respondents might feel more inclined to choose it (Schuman & Presser, 1996). In that way some opinions remain unreported. On the other hand, simply not offering the no-opinion response may result in biased reports. Therefore, following the suggestion of Krossnick and Fabrigar (1997), “I do not know” has been offered in some questions, where it could have been likely that the respondents actually do not know the answers. The same was applied to the “does not apply to me” option, as already explained in previously in this section.

### **5.1.3 Visualization of the Web Questionnaire**

As questions were thematically divided into four parts as it seemed logical to opt for a format in which multiple questions belonging to the same question group were presented on a single page and respondents navigated between multiple web pages. In this way, the respondents were in a position to make more informed decisions about whether to finish the survey as they could see the all of the questions—in this case, all questions from each of total three sections (Crawford, Couper & Lamias, 2001). On the opposite side, surveys where each question is placed on its own page take longer to complete (Manfreda, Batagelj & Vehovar, 2002), and the intention was to reduce the time invested by respondents.

## **5.2 Data Collection Method**

The data collection method differentiates between the collection mode and the collection technology. The data collection mode assumes three possibilities for data gathering: face to face, telephone, or self-administration. Data collection technology assumes paper and pencil or computer-assisted methods. Both data collection modes and data collection technologies presented a key decision, likely affecting the entire data-collection process, such as response rate and total survey costs. After careful consideration of cost, time, geography, length, complexity, sensitivity,

response rates, response biases, and knowledge of respondents led me to conclude that web-based, self-administered data collection methodology was the most appropriate for this type of research.

### **5.2.1 Data Collection Mode**

The decision as to whether data would be gathered face to face via telephone or self-administered had far-reaching consequences on survey data quality (Nicholls, Baker, & Martin 1997). After careful consideration of time efforts and costs that are connected to different modes of collection, I decided to implement a self-administered survey. The self-administered mode of delivery had a few key advantages. Reactivity effect and interviewer bias, created by the presence of somebody, are excluded in this mode. Self-administration offers possibilities to arrange not only confidentiality, which can also be done in the modes including interviewer, but also complete anonymity, where not even the researcher knows to whom each form belongs. This helps create an atmosphere of trust and might lead to more truthful answers, which was of special importance in this particular research. Bernard (2000) suggested response rates in self-administered modes of data collection are not significantly different in comparison to face-to-face collection modes.

### **5.2.2 Data Collection Technology**

Among the many survey data collection technologies, computer-assisted collection technology has been used for this survey. It offers advantages, such as the convenience of answering at one's own pace, and it is also believed that computer-assisted collection reduces the tendency of respondents to present themselves in a favorable light (De Leeuw & Collins, 1997). This is of great importance as the team leaders being questioned about their daily managerial practices could feel more inclined to reveal those practices that they hold as unfavorable. The times taken to respond are excellent (almost instantaneous) and the responses can be returned in an already computer-readable format (Gorard, 2003), which makes data technically easier to analyze after the collection.



Low costs and time efficiency have been leading reasons to opt for computer-assisted technology. One of the major concerns when administering web-based surveys is that part of the population either does not have access to internet or does not have enough computer proficiency to take part in the survey. This remark might hold true when the target group is the general population. This is not relevant for the population in this particular research. The target group in this case are highly educated people who, due to the nature of their jobs, are proficient computer/web users. The interest in the topic could also be assumed as it concerns their everyday lives. An additional motivation to administer a web-based survey was that the response rates for this type of survey have moved from having the lowest response rates (Särndal & Lundström, 2005) to now having response rates that are significantly higher than telephone and even being competitive with in-person surveys (Dillman et al., 2014; Selwyn, 1998).

### **5.3 Survey Sample**

In order to arrive at the exact sample, population of cases was defined, as well as the sampling method and a size of the sample.

#### **5.3.1 Defining the Population**

The target population of the survey is the group of units for whom the study results will apply and about which inferences will be made from the survey results (Biemer & Lyberg, 2003). The population of interest in this research is those involved in development projects implemented by GIZ and GIZ IS, including those financed by BMZ, the BMUB, the AA, and those financed by international organizations, such as the WB, EU, UN, and private companies or third-world governments. The entire project database is publicly available on the GIZ website, and this information has been used as the source for creation of the complete target population list. The entire population of the GIZ projects are available online and weekly updated to the best knowledge of the author. From this complete population list several projects have been excluded: (a) projects whose project leaders participated in the pre-testing of the data collection instrument; and (b)

emergency relief projects, as they require very different approach in terms of project management (Binnendijk, 2001; Branczik, 2004; Lewis, 2003; Unger, 2010).

The total population list contained 1172 projects that were ongoing through the end of February 2016, as the last survey reminder was sent out mid-January. The sampling frame is usually different from the complete population list and the imperfections in this case may have had two causes. One cause would be any irregular or flawed updates of information from the side of GIZ. Secondly, an incorrect entry from the web site to the project list. Namely, at the time of data-gathering process there was no way to export the data from the website into a comprehensive list of projects. Rather, the entries regarding the project-data for all 1172 ongoing projects had to be individually copied and pasted into a comprehensive list that could be used as a source for sampling by a computer program. In this process, it is possible that some information was unintentionally wrongly inserted into the population project list.

### **5.3.2 Sampling Method**

As a sampling method, simple random sampling was used. This has several advantages over a nonrandom sampling method, namely that an assessment of the amount of error in the sample estimates is possible with random sampling (Biemer & Lyberg, 2003). It is also possible to compute a confidence interval for the population parameter from the sample, which gives the idea about how close the estimates are to the real population parameter value. Simple random sampling is also free of the systematic bias that usually stems from choices made by the researcher and it enables the analyst to estimate the probability of any finding actually occurring solely by chance (Gorard, 2003).

Simple random sampling has been done in a statistic program, using a random-number generator. Every observation had a known and equal probability of being selected into the sample of  $n$ .

### 5.3.3 Sample Size

To accomplish the intended multiple regression analysis, the sample was calculated using the central limit theorem. The theorem is if sample size is over 30 and the sample has been obtained through simple random sampling. It states that drawing a sample from a population using the formula below, we have 95% chance that the interval will contain the population mean (Biemer & Lyberg, 2003, p. 327).

$$\bar{y} - 2SE(\bar{y}), \bar{y} + 2SE(\bar{y})$$

Using a conservative way of computing a sample size for a study when not much is known about the size of the proportion to be estimated would be where  $d$  is the desired margin of error.

$$n = 1/d^2$$

where  $d$  is desired margin of error. If we want a margin of error of 5 percentage points we would arrive at the following sample size  $n$ .

$$n = 1/(0.05)^2$$

$$n = 400$$

In addition, the finite population correction (FPC) factor has been used as the obtained sample size contains more than 5% of the population, the FPC should be applied in order to determine appropriate sample size (Israel, 1992).

$$fpc = 1 - n/N = 1 - 400/1172 = 0.65$$

Thus the final sample size is obtained using the following formula.

$$n = no/(1 + n/N)$$

$$n = 400/(1 + 0.35) = 296$$

With the help of the theorem it was calculated that the sample size of 296 could be used for the population of this size and is enough to achieve a 5-percentage-point margin of error.

This number has been compared with another method of calculating sample size provided in a table given by (Bartlett, Kotrlik & Higgins, 2001), which can be used for determining sample size

values that are appropriate for categorical data, assuming the alpha levels of 0.1, 0.5, and 0.05. The alpha level is the level of risk that the researcher accepts that the true margin of error exceeds the acceptable margin of error the level of acceptable risk the researcher is willing to accept that the true margin also known as a type-one error (Lewis-Beck, Bryman, & Liao, 2004). Using the formulas provided (Bartlett, Kotrlik & Higgins, 2001) we arrive at the sample size of 289.

As these two methods did not greatly differ, the sample size was rounded up to 300 projects, 100 GIZ IS and 200 GIZ, as the population of the GIZ projects is much larger than that of the GIZ IS projects.

## **5.4 Conducting the Survey**

Nonresponse is a failure to collect required data from a sample member (Lynn, 1996). It has two forms: unit- and item-nonresponse. The main consequence of the nonresponse is bias in survey results. Two main strategies have been used in this survey in order to account for nonresponse: nonresponse prevention and nonresponse adjustment through introduction of weights.

### **5.4.1 Preventing the Unit-Nonresponse**

During the data-collection phase, major steps have been taken in order to achieve a high response rate and avoid nonresponse. The formulation of the invitation e-mail followed rules that are found to positively influence response rates:

- Personalized invitations (Heerwegh, 2005; Joinson & Reips, 2007);
- Emphasis on the sponsorship of the study by the Konrad Adenauer Foundation as people are more likely to comply with the request coming from a legitimate authority (Groves et al., 2012);
- A mention of the DFG-WIPCAD research training group at the Potsdam University as university surveys also tend to increase response rates (Fox, Crask & Kim, 1988);
- A clear statement that the responses are anonymous and creating the survey in a way that does not allow for identification of individual respondents. As the topic of quality

management can be considered sensitive, and the study has been conducted without the explicit consent of GIZ, confidentiality of the respondents has probably played a significant role. Previous research showed confidentiality assurance increases response rates (Singer, von Thurn, & Miller, 1995);

- A genuine request for help, as the experience that the respondents have in development cooperation is extremely valuable for this research. Homans (1961) and Blau (1964) noticed people feel good when being asked for assistance. Dillman et al. (2014) assured this can be easily transferred to survey context;
- An explicit statement of who is conducting the survey and inclusion of my contact information, including an e-mail address and phone number.
- Prompt responses to all requests concerning detailed information about the research, usage of the data, and further interests of the research. In that way, trust could be formed between the respondents and the survey administrator, which could help gain candid and responses;
- Evaluation of the draft of the first invitation letter during the survey question evaluation and discussion during the focus group and the cognitive interviews.

The post-survey adjustments for the unit-nonresponse are described in Chapter 6.

#### **5.4.2 Data Collection Process**

Data collection involved sending out 300 e-mails to 300 project leaders in the sample containing links to the web survey. The convenience of the web-based survey is that the responses already came in a computer-readable format and were easy to import into statistical software for further data analysis. The links to the survey have been made anonymous, which means that even the researcher could not connect the answers to the respondents. Follow up with non-respondents was done two weeks later. The third and the final reminder was sent three weeks after the second reminder.

### 5.4.3 Data Coding

Coding of data involves classifying open-ended responses into predefined categories that are identified by numeric codes (Biemer & Lyberg, 2003). As the survey mostly contained close-ended questions, not much coding was needed. Only a few questions (numbers 8, 9, 10 and 22) had open-ended options for responses, and when appropriate, open-ended responses have been coded to fit into the already existing scale so that the analysis of the data would be simplified.

### 5.4.4 Control Variables

Control variables are those that are held constant throughout the course of the investigation as they may strongly influence the results of the analysis. To test the relationship between the dependent and independent variables, they need to be held constant. In development aid projects, different categorizations can be made. It is quite common to differentiate between hard and soft projects and it has long been acknowledged that the location of a project can play an important role.

By relying on the internal GIZ categorization and following relevant literature (Baser & Morgan, 2008; Carvalho & Rabechini, 2017; Datta, Shaxson & Pellini, 2012; Ika & Donnelly, 2017), three nominal variables have initially been chosen to serve as control variables: project location, project sector, and the funding organization.

This classification is influenced by GIZ classification scheme, but some categories of these nominal variables have been merged as too many categories would require many more cases to obtain valid results. The survey respondents could choose between the answers presented in Table 4.

Table 4

#### *Answer Alternatives for the Respondents*

Project location	Project sector	Financing organization
Middle and South America	Education, health, government	BMZ
Europe	Energy, water supply, tourism	AA
Asia	Banking, financial sector	BMUB

Africa	Agriculture, forestry, fishing	An international organization
Other (e.g. supranational)	Multisector or unallocated	A non-German government A private company

## 5.5 Qualitative Interviews

Although this is a quantitative research study, there was a need for three types of interviews to help in the initial phase of desk research in formulating the data-gathering instrument, as already explained previously in this chapter, and finally, in the interpretation of the obtained results, which totaled to 29 interviews. A full list with a interview type and an organization of the interviewee is in Appendix B. The names of people and their functions are nonetheless not published with the intention is to ensure full confidentiality to those who have agreed to participate in the interviews.

Nine explorative interviews/discussions were already made parallel to desk research to explore the possibility of conducting the study in collaboration with GIZ. For that purpose, some, mostly high-ranked, GIZ and GIZ-IS officials were contacted and despite several trials with different departments—whom I thought would be interested in the results and potentially benefit from the findings—the endeavors remained unsuccessful.

The cognitive interviews were conducted, as already elaborated, for the purpose of survey pre-testing.

During the process of conducting the survey, an idea arose that for fuller and more comprehensive insights into daily operations, a series of interviews with GIZ, GIZ IS and BMZ staff would be helpful. After the final data analysis, it became evident that this step is inevitable for well interpreted results. The post-survey interviews were conducted with the aim to better understand and be able to correctly interpret the obtained results.

In addition to these official interviews, a dozen informal meetings with other researchers, practitioners, and ex-GIZ employees to share the views and broaden perspectives were also conducted.

### **5.5.1 Post-Survey Interviews**

Post-survey interviews were conducted as a series of semi-structured interviews with flexible, open-ended questions. To identify interviewees, a snowball method was used as I always asked at the end of each interview if they would recommend me somebody else for further discussions. Due to different locations, four of the interviews were conducted in person and six via phone/Skype.

The most beneficial interviewees were those who were eager to share their experiences and views, which seemed to be the case in most occasions. Quite often, I was also sent additional materials. In this way, for example, I was given access to the General Agreement<sup>9</sup>, which regulates the relationship between GIZ and BMZ and is not publicly available. Two persons denied participation but were willing to send helpful documentation. I started every interview with general questions, demonstrating a genuine interest in the person being interviewed and their career path, to further continue with their usual work tasks, before going to direct interest of mine. Some of the times, questions had to be adapted to accommodate their job positions during the interview.

### **5.5.2 Transparency Within GIZ**

According to GIZ, transparency is one of the central themes of international discussion on improving aid effectiveness. To ensure transparency in international cooperation for sustainable development, information must be provided promptly and must be clear, easily accessible and detailed. Where this is the case, cooperation is also more effective. GIZ supports international efforts to achieve this (GIZ, About GIZ. Transparency, para. 1-3).

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9 Generalvertrag (author's translation)



As Germany is a member of IATI, GIZ, as an organization active in development cooperation, is obliged to respect IATI standards. These standards define which information should be published and in which form so that they are comparable with information published by other members.

Transparency is recognized as a crucial issue for both developing countries and donor countries and is an important indicator of aid quality (Birdsall & Kharas, 2010, 2014; Birdsall, Kharas, & Perakis, 2012; Easterly & Williamson, 2011).

When it comes to cooperation for the purpose of conducting research, GIZ has assessed it as only possible “in specific individual cases,” (GIZ, Jobs and Carriers, Doctorates, para. 3) and interested students must independently seek contact to GIZ employees and persuade them of their plans (GIZ, Jobs and Carriers, Doctorates, para. 5). In my endeavors to win somebody over for cooperation during this research project, it was quite interesting to notice how different the responses from GIZ and GIZ IS were. This, in my opinion, already offered my first insights into the matter.

After a brief explanation about my topic of interest and my intention to gather data via a web-based survey, a GIZ official made it quite clear that GIZ rarely cooperates with students, and if it does, only in sectoral or regional types of research. Even then, cooperation is more an exception than a rule. I continued in order to demonstrate that GIZ could most likely benefit from this research, and I could offer them to insert some of the questions in which they would be particularly interested into the survey. The GIZ official interrupted me in quite irritated tone: “What? You still intend to conduct this survey?!” (interviewee no. 5).

In a discussion with the GIZ IS official, the interviewee seemed quite interested in the topic. They mentioned that that my research interest in the difference between the two departments is also a question that is often thought on, within the headquarters but has not been openly discussed. Nonetheless, when it came to the survey, the interviewee elaborated that the GIZ IS staff is under a

lot of pressure, and they would not want to send out a signal that employees needed to invest additional time, adding even more up to their already busy schedules. Then, the interviewee quickly calculated the number of survey participants, their pay per hour, and the time invested in the survey, and came up with a total sum. They said, “Sorry, it might sound harsh, but this would be too much of an investment from our side” (interviewee no. 1)

The main disadvantage of conducting this type of data collection without having an official approval and support by the organization in question is access to necessary contact data. This issue was resolved due to the fact that Germany, as a member of IATA initiative, has an obligation to publish a required amount of project information. Furthermore, genuine help by GIZ could have contributed to a more appropriate formulation of questions due to in-depth knowledge of internal practices. The cooperation with GIZ could have enabled access to information, which could have allowed for deeper and more comprehensive analysis of the main research question. Last but not the least, I could have possibly obtained higher response rates, as the lack of GIZ consent has also to a certain extent influenced the willingness of the team leaders to take part in the survey. Five survey invitees contacted me to inform me that they were not able to participate in the survey, either because their project was too political or because it seemed to them that my research did not have a support from GIZ headquarters. “I have to be very careful and cautious here;” “I need to follow strict regulations giving public statements and information;” and “It would be different if you had the official approval and confirmation of support from our GIZ Head Office” are some of the formulations used by the team leaders in this matter.

On the other hand, there is probably one main advantage of not having the participating organization as an official supporter, and that is trust of survey participants that they may freely express their truthful opinions and their answers remaining strictly confidential. As honest answers are study essentials, I decided to proceed despite lack of direct GIZ support.

Without the intention to presume that behind this unwillingness of GIZ to cooperate in this matter stands for anything more but the sheer lack of capacities, I would like to point out that this study is a good example of the importance of the international transparency initiatives. Had there not be an initiative under which the GIZ had to publish contact data, a survey of this, or any similar kind, could had never been possible without an explicit support of the headquarters of the organization involved.

### **5.6 Methodological Limitations**

The fact that there was no official consent from the side of GIZ to support this research greatly limited the available methodology approaches and excluded many types of systematic document analysis, review of internal documentation, and orderly interviews with main decision-makers across departments and units. The data-gathering process had to take advantage of the scarce publicly available data. GIZ regularly publishes and updates information concerning the on-going projects and contact information of their team leaders, which made the survey possible.

The fact that only team leader contacts are available, and not contacts of the other team members, influenced the way that the term project's management quality was operationalized for the purpose of the study. The empirical findings and abundant general management literature supports the view that team leaders are a significant determinant of the quality of projects. Still, as the available data did not allow for a possibility to contact project staff. They could have been extremely resourceful when it came to team leader characteristics. This dimension of project management has been omitted. Despite the fact that this work never aimed to work with a holistic view of project management, but rather focus on some aspects of it, this presents a disadvantage of the chosen methodological approach and will be taken into consideration when interpreting survey results.

The usage of a survey to test managerial practices has many advantages, as already elaborated in this chapter. Nonetheless, standardized questions were not always the best instrument

to capture all variations in practices and to help in clarification of certain processes. To overcome this limitation, the data gathered via the web-based survey were enriched with the qualitative data gathered through semi-structured interviews, which in great deal supported the understanding and clarifying of the obtained results.

Despite some disadvantages, the application of an online survey to quantify managerial practices on development assistance projects has proven to be possible and successful. In my opinion, this survey has shown that this kind of data gathering is feasible, can be very insightful, and enables practice quantification. As Bloom and colleagues (Bloom & Van Reenen, 2007, 2010; Bloom et al., 2011a; Propper, Bloom, & Seiler, 2010) have already shown, it would be also possible to implement a similar approach in many other fields, outside development cooperation. A significant value of the research is its output in the form of a questionnaire, developed after an extensive pre-testing phase, and in discussions with various stakeholders. With some adjustments, it could also be used to assess internal management processes of other development assistance agencies.

The overall purpose of the data analysis is to give insight into the given level of project's management quality within GIZ and GIZ IS projects and to show differences between the departments. The entire quantitative data analysis as well as the graphic presentation of the data has been done in Stata (StataCorp, 2015, Version 14).

The first step in the analysis was to introduce weights to adjust for unit nonresponse. Weighting the data to adjust for the unit nonresponse means that a multiplier is determined for each observation so that the sample estimates better reflect the true population parameter (Biemer & Lyberg, 2003). The weighting procedures, when powerful auxiliary variables are used, can be an efficient means for minimizing nonresponse bias (Brick, 2016). In this case, project location, sector, and the financing organizations have been used when accounting for nonresponse.

The second step done prior to the full analysis was to reduce the dimensionality of the dependent variable (project's management quality). As it consisted initially of 26 questions, some having several indicators, the dimensionality of such a variable is extremely high. In such cases, a common approach is to reduce the dimensionality of the data set in a way that preserves most of the information of the original data. Principal component analysis (PCA) was first employed to determine different dimensions of the management quality, as the first division into the three components was temporary and for the purpose of questionnaire creation and design. This data-reduction method is based on the maximum variance of the original variables and discovers common variances among the initial indicators. That helped get to increase an understanding of data as the analysis discovered underlying structures that cannot be visible from simple graphic presentations. Interestingly enough, the PCA resulted in formation of five dimensions of project's management quality, mostly in line with theoretical and empirical assumptions.

In the final step, various linear and multiple regression models were fitted. Multiple regression analysis was especially informative as it was used to describe the conditional relationship

in data and characterizes found associations. The multiple regression analysis was used to determine how the quality of individual components varies between GIZ and GIZ IS while keeping project sector and location the same.

### **6.1 Weighting of the Data**

Nearly all surveys suffer from nonresponse (Brick, 2016; Särndal & Lundström, 2005). A recent study has shown researchers are faced with falling numbers of response rates in all countries (Brick, 2016). Despite the steps taken to achieve high response rates, the overall response rate for this survey was 62.5%. That means that the number of observations that can be used to estimate a particular statistic decreases, and therefore, standard error increases. Unit nonresponse also influences all other statistics in calculations. The bias in estimates that result in item nonresponse can be reduced through the introduction of weights (Särndal & Lundström, 2005).

Weighting the data involves determining an appropriate multiplier for each respondent so the estimates better reflect the entire sample (Biemer & Lyberg, 2003). The nonresponse adjustment adds the weight to each of the respondents to compensate for those observations lost through nonresponse. Consequently, both the respondents and the non-respondents are represented through weight-adjusted respondents. The general assumption for all four nonresponse adjustment methods is that if it were possible to obtain the responses of the non-respondents, their responses would mimic the responses of participants similar to them (Hazelwood, Mach, & Wolken, 2007).

The similarity of the respondents is measured based on auxiliary information. Auxiliary information, or covariates, are information that are available for the entire sample, both respondents and non-respondents. They can include sex of the participant, size of the company, or any characteristics that are believed to have influence on the responses. In this case, four powerful auxiliary variables have been used: location of the project, project sector, department implementing the project, and the financing organization. The remaining analysis was done with weighted variables.

## 6.2 Principal Component Analysis

As the dependent variable in the research is project's management quality consists of a large number of variables, its complexity had to be reduced. For that purpose, the principal component analysis has been applied with the aim to transform the original set of variables into a significantly smaller set of uncorrelated variables. This reduces its dimensionality, which makes analysis easier by grouping data into more manageable units. PCA is a statistical technique that has been used in many fields, including biology, chemistry, geology, and medicine. It is the most-used technique for data reduction in social sciences (Fabrigar, Wegener, MacCallum, & Strahan, 1999; Osborne, Costello, & Kellow, 2008).

Prior to the analysis, a few modifications of the original data set have been done to prepare the data for the PCA:

1. Not all variables have been put into the model. Those that were not clearly connected with good managerial practices have been not used in the model. Questions 11, 13, 17, and 21 were excluded as there are neither theoretical base nor empirical evidence that they would necessarily lead to better quality of project management. Nonetheless, it was important to obtain these information as they provided an excellent basis for the discussion concerning differences between the two departments.
2. Multiple answer questions containing several dummy variables were merged to create a single indicator. For example, the question 8, *“Your project donor requires that the partner organization supports your progress reports:*
  - *Donor organization has no requirements regarding partner participation in report writing/report approval*
  - *Through participation in writing parts of the report*
  - *Through an official signature*
  - *Through a separate support letter*

- *In formal discussions in the presence of donor organization”*

Initially the question contained five dummy variables. It was merged and graded in a way to reward projects that involve in deeper partner cooperation.

3. Likert-type scale questions, where it can be claimed that they measure a single indicator with the same validity and reliability have been grouped. That was the case with questions 12, 14, 15, 16, 24, and 25.
4. All variables have been standardized. Standardization of a variable means they have been rescaled to have a mean of zero and a standard deviation of one. Any variable can be standardized and no generality is lost when one operates only with standardized variables (Kim & Mueller, 1978). It is a necessary step prior to PCA when not all the variables are measured on the same scale as PCA is extremely sensitive to scale changes.

After the introduced changes, 18 variables were used in the model. It can be seen from the solution that each component has an Eigenvalue associated with it (see Table 5). These Eigenvalues provide information about the amount of variance explained by the entire set of all 18 factors extracted by principal components analysis. The first component will always account for the most variance (and therefore have the highest eigenvalue), and each successive component will account for less and less of the leftover variance.

Table 5

*PCA Eigenvalues*

Component	Eigenvalue	Difference	Proportion	Cumulative
Comp1	4.14101	1.18646	0.2301	0.2301
Comp2	2.95455	1.25207	0.1641	0.3942
Comp3	1.70248	.348721	0.0946	0.4888
Comp4	1.35376	.202907	0.0752	0.5640
Comp5	1.15085	.162679	0.0639	0.6279
Comp6	.98817	.107456	0.0549	0.6829
Comp7	.880714	.0748142	0.0489	0.7318



Comp8	.805899	.162187	0.0448	0.7765
Comp9	.679712	.0582335	0.0378	0.8143
Comp10	.621479	.0838371	0.0345	0.8488
Comp11	.537642	.0450853	0.0299	0.8787
Comp12	.492556	.0652377	0.0274	0.9060
Comp13	.427319	.0228167	0.0237	0.9298
Comp14	.404502	.0589951	0.0225	0.9523
Comp15	.345507	.0957233	0.0192	0.9715
Comp16	.249783	.872509	0.0139	0.9853
Comp17	.162533	.0609946	0.0090	0.9944
Comp18	.101538	.	0.0056	1.0000

The number of components extracted by the principal component analysis is always equal to the number of initial variables that have been put into the model. As the idea is to reduce the dimensionality of the data set, not all components have been kept. The decision about the number of principal components that should be retained for further analysis is crucial, but not always straightforward. It needs to take both theoretical and empirical issues into account.

There are certain rules that can be helpful in reaching decisions about which components to keep. Leaving out those PC with latent roots less than one (Kaiser, 1970) or 0.7 (Jolliffe, 1972) can be used. Another rule suggests that retained PCs need to account for a certain percentage of variation of the total data, for example, between 40-70% (Warner, 2008). Additionally, a scree plot of Eigenvalues can be helpful when deciding how many components to retain (see Figure 3). Cattell (1966) advocated the test, according to which a cut should be made at the point where the eigenvalues begin to level off, forming a straight line with an almost horizontal slope.

Besides the Eigenvalues of the each of the newly formed components, another output of the PCA is the coefficient matrix. It shows the coefficients of each individual component, which indicates which variables are well represented in the common factor space and which are not. Values with low values are not well presented by this particular component. Loadings in the table



Zfeedback		0.3552	0.3857
Zdatabase	0.3069		
Zknowhow	0.2989		
Zlearning	0.3210		
Zcapture	0.3475		
Zfbteam		0.4266	
Zfbrec		0.4332	
Zfblearn		0.4394	

Besides the eigenvalues of the each of the newly formed components, another output of the PCA is the coefficient matrix. It shows the coefficients of each individual component, which indicates which variables are well represented in the common factor space and which are not. Values with low values are not well presented by this particular component. Loadings in the table below of less than 0.29 are suppressed, allowing easier visual presentation of the results.

To achieve the simplest possible component structure, and still allow components to correlate, varimax orthogonal rotation was applied. The rotated component loadings are available in Table 7. Loadings have become higher than in the not-rotated correlation matrix and clear patterns can be seen.

The decision as to what is an important correlation is not necessarily reached from a statistical hypothesis-testing perspective but from, in this case, a project management perspective, especially focusing on the context of the problem at hand. This decision may differ from discipline to discipline, and in social sciences data tends to be inherently noisy and the interpretation messier (Matsunaga, 2015).

Table 7

*Rotated Components*

Rotated components (blanks are absent – loading < .27)							
<u>Variable</u>	<u>Comp1</u>	<u>Comp2</u>	<u>Comp3</u>	<u>Comp4</u>	<u>Comp5</u>	<u>Comp6</u>	<u>Comp7</u>

zfbtim	0.5056		
zfbrec	0.5276		
zfblearn	0.5215		
zdatabase	0.3929		0.2810
zknowhow	0.4265		0.2899
zlearning	0.4565		
zcapture	0.4029		
zpartstee	0.5606	0.4141	
zpartimpl	0.5203	0.6615	-0.3378
zpartmon	0.4721		
zsatisf	-0.2778	0.3552	-0.6873
zQ5	0.4805		
zpartrepor	0.5276		
zpar_prog_repor	0.6243		
zextev		0.4925	0.4385
z_gifail1		0.6853	-0.5095
z_ME_know	-0.3856		0.2722 0.4489
zfeedback	0.2880	0.4013	0.3857

High demands can be put on analysis in disciplines such as engineering, where precision is asked, but in social sciences, we are dealing with constructs that are extremely fussy. The aim of the analysis was not to argue that there are clear cut differences among the particular dimensions of project's management. Rather, the aim is to come up with components that nicely capture all the initial dimensions and to group them logically so that they fit into what we already know about particular elements of project management. In addition, we generally expect some correlations among these factors, since behavior is rarely partitioned into neatly packaged units that function independently of one another (Costello & Osborne, 2005). The over-arching value has to be theoretical framework and component structure that is easy to interpret. If this is absent, none of the technical details are important (Costello & Osborne, 2005).

The interpretation of the Loadings here takes into consideration Cattell's (1996) rule and Warner's (2008) suggestion but also considers the interpretability of the solution and its usefulness for further analysis (Hill & Lewicki, 2007), resulting in a total of five components. Commonly, components are rarely skipped, but in this case, components 1-4 and component 7 best suited the purpose of the study, as this solution provided a good and concise description of the data. In this case, these five factors explain for the total of 61,29 % of variance of the dataset.

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy average values were found to be around 75% (see Table 8). According to these results, it could be said that available data sets were suitable for principal component analysis (Sharma, 1996).

Table 8

*Kaiser-Meyer-Olkin Measure of Sampling Adequacy*

Variable	KMO
zfbteam	0.8206
zfbrec	0.7732
zfblearn	0.7540
zdatabase	0.7615
zknowhow	0.7869
zlearning	0.8167
zcapture	0.8598
zpartstee	0.7001
zpartimpl	0.7000
zpartmon	0.8025
zsatisf	0.5018
zQ5	0.6587
zpartrepor	0.7050
zpar_prog_repor	0.5682
zextev	0.7033
z_gifail1	0.5917
z_ME_know	0.7236
zfeedback	0.7483

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Overall	0.7573
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PCA shed a new light on the data and opened a new perspective on potential sub-division of dimensions of project management quality in development aid. Initially, project's management quality was operationalized through division in three dimensions: cooperation with project partner (ownership), knowledge and learning practices, and M&E. After application of principal component analysis, the following five components have been identified.

- Component 1: Feedback

All three questions that have high loading on the first component refer to feedback practices within the donor organization or, more precisely, the opinions and attitudes of the respondents about the feedback and feedback practices of their respective donors. Initially, the questions were part of the questionnaire testing general monitoring and evaluation practices. Somewhat surprisingly, this component was clearly differentiated from the other aspects of the evaluation. The new component will be called *FEEDBACK*.

- Component 2: Knowledge Management and Learning

This component completely corresponds to the initial idea reflected in the questionnaire and contains all the variables from the part of the questionnaire testing knowledge management and learning practices on the project. This component of the project management quality will be called *KNOWLEDGE* in the further analysis.

- Component 3: Partner Inclusion

This component includes three questions referring to the practice of including the partner organization (beneficiary) in the different aspects of running a project, such as steering, implementation of project activities, project monitoring and finally, a question assessing ways of partner satisfaction measuring. Initially the indicators were part of the questionnaire referring to ownership practices. In a short form this variable will be called *INCLUSION*.

- Component 4: Partner Cooperation

The variables that load highly include three groups of questions from the part of the questionnaire testing ownership practices. These particular items question cooperation with the partner organization in issues such as donor reporting and questions about the cooperation with the partner organization in the early phases of project planning. In its short form it will be called *COOPERATION*. PCA has clearly differentiated between component three (*INCLUSION*) and the component five (*COOPERATION*), although they both initially formed ownership component.

- Component 5: Monitoring and Evaluation

The M&E component includes all the remaining questions from the part of the questionnaire testing M&E practices, excluding the questions referring to feedback, which clearly formed its own component. Together with the indicators that form the principal component 1 (*FEEDBACK*), there two sub-groups that can be formed from the dimension initially called M&E. Component 5 includes both external evaluation practices—efforts of the team in the monitoring practices—and inclusion of partners in monitoring, the knowledge of the team and partner organization about the actual M&E instruments. In short form, it will be called *MONEV*.

With the help of the PCA, 18 initial indicators of the project's management quality have been broken down into five components that can be further used in the analysis. Further, reduction of the five components was tried using exploratory factor analysis (FA). The aim was to identify fewer factors that have the power to explain the entire variation in the data set. FA, opposite to PCA, is based on the fundamental assumption that the observed variables are linear combinations of some underlying (hypothetical or unobservable) factors.

The basics about the FA as a method of data reduction, the output of the FA applied on the five newly formed components and KMO measure of the sampling adequacy, have shown that the data were not adequate for further reduction (see Appendix C). Therefore, all five newly extracted components were used as a separate dimension of project management in the analysis.

The main drawback of this approach, in comparison with the one where one single dependent variable could have been used, is that the entire analysis becomes more complex and harder to follow. Despite that, the results of the analysis reflect reality quite well, as the project management quality is a very complex phenomenon and has usually been operationalized through several dimensions. Despite calls being made to develop holistic frameworks for quality management (Ahire, Landeros & Golhar, 1995), researchers have been developing conceptual frameworks focusing on dimensions of management quality (Das et al., 2000).

There is a significant benefit of the analysis relying on five separate sub-dimensions of project management instead of one holistic measurement of the total project management. This approach namely allows us to differentiate between the elements of PM and potentially discover advantages and disadvantages of the particular departments within the GIZ.

### **6.3 Regression Analysis**

Regression analysis traces the distribution of a response variable  $y$  (or some characteristics of this distribution, such as the mean) as a function of one or more explanatory variables (Fox, 2008). The purpose of regression analysis is to understand as much as possible, with the available data, how the conditional distribution  $y$  varies across subpopulations determined by the possible values of the independent variables (Cook & Weisberg, 1999). Regression analysis is not only used for causal inference but also for parsimonious description of a complicated empirical reality (Kohler & Kreuter, 2012).

In this research, the main independent variable is competition, which is operationalized through GIZ departments. It is a dummy variable, as it has a value of 0 for absence of competition (as within GIZ projects) and 1 indicating presence of competition (as it is the case with GIZ IS projects). The dependent variable in the research is the quality of project management, or in this case, the quality of the five extracted components of the project management: FEEDBACK, COOPERATION, INCLUSION, KNOWLEDGE, and MONEV.



The main hypothesis of the research is that GIZ IS projects achieve higher quality of all five project's management components than GIZ projects. Put in another way, if the implementing department has received the funds through competition, the hypotheses states that the quality of all five components of project management will be higher than if the projects have received the funds without competition.

For each of the regression models, there is a null hypothesis being tested. If the model fits the data well, it can be assumed that the initial prediction is true and the null hypothesis can be rejected. Nonetheless, this does not mean that the experimental hypothesis is accurate. What can be calculated is the probability that the obtained results occurred by chance and not because the difference in variables actually exists in population. This is done by interpreting  $p$  values. In general,  $p$  values indicate whether the obtained difference between the two groups of projects is likely to be due to chance or to the real features of variables being studied. The significance threshold that is used in this research as a cutoff for determining significance is .05.

All of the variables were examined for outliers and other departures from non-normality. Neither significant outliers nor departures from non-normality were found.

### **6.3.1 Multiple Linear Regression**

In fifteen multiple linear regression models it was tested whether the department implementing the project were related to the quality of the five components—feedback, cooperation, knowledge, inclusion, and M&E—after accounting for project location, project sector and both. For each of the components of project management, the first multiple linear regression analysis controlled for the project location, the second for project sector, and the third one for both. The coefficients in the multiple regression models therefore reflect the effect of the department implementing the project on the quality of individual dimensions, adjusted for the effects of other independent variables, location or/and region. The department was presented as a dichotomous variable with GIZ as the reference group. Region and sector were represented as nominal variables.

As a reference group for the region, projects located in South and Central America are taken and for sector those belonging to the sector one (please see Table 9).

Table 9

*List of Sectors as Grouped for the Purpose of this Research*

Sector	Group
Sector 1	Education, health, government and civil sector projects
Sector 2	Energy, water supply, tourism and environmental projects
Sector 3	Banking, financial and business services
Sector 4	Agriculture, forestry, fishing, mining
Sector 5	Multisector, unallocated, unspecified projects

The following sections are outlined as follows: they begin by defining the three null hypotheses and each of the section ends with an explanation of the results and retrospection of the initially formulated hypotheses.

### 6.3.1.1 Multiple linear regression: FEEDBACK.

Multiple linear regression enables comparison of the values for both of the departments that do not stem from the fact that the one of the departments has worked predominantly in sectors or locations where project management component in question might be of extraordinary low or high quality.

Null hypotheses that are tested by these models:

1. Keeping the location constant, competition has no influence on the quality of feedback.
2. Keeping the sector constant, competition has no influence on the quality of feedback.
3. Keeping project location and sector constant, competition has no influence on the quality of feedback.

Table 10 reports results of the three multiple regression models, as defined in the equations:

$$FEEDBACK_i = b_0 + b_1department + b_2region$$

$$FEEDBACK_i = b_0 + b_1department + b_3sector$$

$$FEEDBACK_i = b_0 + b_1 \text{department} + b_2 \text{region} + b_3 \text{sector}$$

Table 10

*Multiple Linear Regression FEEDBACK*

Regression of the Component FEEDBACK			
	<u>dep reg (1)</u>	<u>dep sec (2)</u>	<u>dep reg sec (3)</u>
dep	-1.728 (7.36)**	-1.747 (6.92)**	-1.745 (7.71)**
Europe	-0.801 (1.69)		-0.903 (1.93)
Asia	-0.971 (2.64)**		-1.025 (2.79)**
Africa	-0.784 (2.06)*		-0.746 (1.99)*
Energy, Water		-0.056 (0.21)	-0.142 (0.53)
Banking		0.055 (0.08)	0.056 (0.09)
Agriculture		-1.002 (2.60)*	-1.103 (3.04)**
Unspecified		-0.044 (0.11)	-0.077 (0.18)
Constant	1.286 (3.98)**	0.678 (3.19)**	1.467 (4.03)**
Observations	171	171	171
Adjusted R <sup>2</sup>	0.23	0.22	0.25
F test	18.29	13.68	13.54
Prob > F	0.0000	0.0000	0.0000

Note. Absolute value of *t* statistics in parentheses; \* indicates significant at 5%; \*\* indicates significant at 1%

Results of the first regression model, where effects of the department were only controlled for the location of the project, are reported in the first column of Table 10. In the second model, the effects of the department were controlled only for the project sector (reported in the

second column), and the third model controlled for the effects of the department implementing projects for the effects of both sector and the region (results reported in the third column). The coefficients in the multiple regression models reflect the effect of the independent variables in question on the dependent variable, adjusted for the effects of all other independent variables (Kohler & Kreuter, 2012). The constant in the first model shows predicted average value of the variable FEEDBACK for the project implemented by GIZ in South and Central America, a baseline category for the categorical variable region. The constant in the second model (column 2) shows the predicted value of a variable feedback for a project implemented by the GIZ in the sector one (i.e., education-, health-, government-, and civil-sector projects), which serves as a baseline category. In the third column, the constant shows the average value of the variable FEEDBACK for the GIZ projects in the sector one located in South and Latin America.

The coefficients show change in the predicted value of the variable FEEDBACK for a one-unit increase (in this case, going from South and Latin America to Africa, Asia or Europe), or concerning sector, from sector one as base category to other sectors, keeping values of all other explanatory variables constant. Of special interest for this research is the constant  $b_I$ , the one connected to the independent variable of the department, as it reflects the effect of GIZ IS on the dependent variable, adjusted for the effects of region (column 1), sector (column 2) and both sector and region (column 3).

The results in Table 10 reveal that the department implementing the project is a good predictor of the feedback quality, also when controlled for project location (column 1):  $b_I = -1.728$ ,  $p < .01$ , for project sector (column 2):  $b_I = -1.747$ ,  $p < .01$  or for both (column 3):  $b_I = -1.745$ ,  $p < .01$ . All three models predict that, when holding location and/or sector constant, the quality of project management dimension FEEDBACK, on average, is better when projects are implemented by GIZ IS, than by GIZ.

The number in parentheses below each of the constant values are *t*-values. The magnitude of *t*-statistics provides a means to judge a relative importance of the independent variables. When followed by two stars it indicates that  $p < .01$  and by one star  $p < .05$ <sup>10</sup>. In addition to the department implementing the projects, some other predictor variables are statistically significantly associated with the dependent variable. Projects in Asia and Africa, adjusted for department and sector, achieved, on average, better quality of FEEDBACK ( $b_2 = -1.025, p < .01$ ;  $b_2 = -0.746, p < .05$ ) than projects implemented in South and Central America, when adjusting for the sector and department. Concerning the difference in sectors, the agricultural projects achieved higher quality than sector one projects, when controlling for the department ( $b_3 = -1.002, p < .05$ ) and region and the department ( $b_3 = -1.103, p < .01$ ).

Concerning the difference in sectors, the agricultural projects achieve higher quality than sector 1 projects, controlled for the department ( $b_3 = -1.002, p < .05$ ) and region and the department ( $b_3 = -1.103, p < .01$ ).

Most of the variance, as the adjusted  $R^2$  statistic reveals, could be explained by the third model, where the dependent variable was regressed on the department, location, and sector, accounting for a total of 25% of the variance. In all three models, *p* values connected to the *F* values that were significant at the 1% level ( $p < .01$ ), indicating that, collectively, department, region, and sector were good predictors of the quality of the variable FEEDBACK.

Going back to the hypotheses as defined at the beginning of this section, the results of the three multiple regression models have provided enough evidence to reject all three null hypothesis, as defined at the beginning of the this section.

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10 The usual *p* values used as a cutoff for determining significance are 0.01, 0.05, or 0.1. The significance threshold used in this research is at 5% ( $p < .05$ ).

### 6.3.1.2 Multiple linear regression: COOPERATION.

Null hypotheses tested in the next model are:

1. Keeping the location constant, competition has no influence on the quality of cooperation component.
2. Keeping the sector constant, competition has no influence on the quality of cooperation component.
3. Keeping project location and sector constant, competition has no influence on the quality of cooperation component.

Table 11 reports the results of the three multiple regression models, as defined in the equations:

$$COOPERATION_i = b_0 + b_1 department + b_2 region$$

$$COOPERATION_i = b_0 + b_1 department + b_3 sector$$

$$COOPERATION_i = b_0 + b_1 department + b_2 region + b_3 sector$$

Table 11

#### *Multiple Linear Regression COOPERATION*

Regression of the Component COOPERATION			
	<u>dep reg (1)</u>	<u>dep sec (2)</u>	<u>dep reg sec (3)</u>
dep	-1.072 (4.21)**	-1.005 (3.76)**	-1.105 (4.17)**
Europe	0.997 (3.10)**		0.986 (2.97)**
Asia	0.535 (1.97)		0.525 (1.88)
Africa	0.160 (0.51)		0.150 (0.48)
Energy		-0.154 (0.67)	-0.032 (0.15)
Banking		0.328 (0.88)	0.361 (0.96)
Agriculture		-0.169	0.009

		(0.39)	(0.02)
Unspecified		-0.064	-0.051
		(0.19)	(0.16)
Constant	-0.059	0.377	-0.050
	(0.24)	(2.56)*	(0.18)
Observations	171	171	171
Adjusted R <sup>2</sup>	0.17	0.11	0.15
F test	5.84	3.13	3.09
Prob > F	0.0002	0.0101	0.0029

Note. Absolute value of *t* statistics in parentheses; \* indicates significant at 5%; \*\* indicates significant at 1%

Results of the first regression model, where effects of the department were only controlled for the location of the project, are reported in the first column of Table 11. In the second model, the effects of the department were controlled for the project sector (reported in the second column), and the third model controlled for the effects of both sector and the region (results reported in the third column).

The reference category in the first model is the region of South and Central America, and all other three regions compare to it in the regression model. In the second model, sector one is reference category, and in the third model GIZ projects implemented in South and Central America in sector one serve as base category. Therefore, the constant in all the three columns show predicted average values of the variable COOPERATION, when a project is implemented by GIZ and implemented in South and Central America (column 1) belonging to sector one (column 2), and a project implemented in the South and Central America and in sector one (column 3).

The effect of the department implementing the projects was significantly connected with the outcome variable, even when controlled for project location (column 1):  $b_1 = -1.072, p < .01$ ; for project sector (column 2):  $b_1 = -1.005, p < .01$ ; or for both (column 3):  $b_1 = -1.105, p < .01$ . That means that holding location and/or sector constant, the quality of the project management dimension COOPERATION increases for the value of the coefficient  $b_1$  when project is implemented by GIZ IS, all coefficients being statistically significant at the 1% level, which shows

that there is enough evidence that the difference between GIZ and GIZ IS projects is unlikely to be due to chance.

Both coefficients concerning projects implemented in Europe are significant at the 1% level. When controlling for the department implementing the project alone ( $b_2 = 0.997, p < .01$ ) and controlling for the effects of both department and sector ( $b_3 = 0.986, p < .01$ ), projects in Europe have worse quality of the project management dimension COOPERATION than the projects in South and Central America that served as the base category. The difference is statistically significant, which means that we can be very certain that the difference is not likely to be a chance finding but due to a real difference in the management quality of the component COOPERATION between these groups of projects.

The highest value of the adjusted  $R^2$  statistic was found in the first model (0.17), which signifies that 17% of the variance in cooperation could be accounted for by the regression model where the department and location were kept constant

In all three models,  $p$  values, connected to the  $F$  values, were significant at 1% level ( $p < .01$ ), indicating that, collectively, department, region, and sector were good predictors of the quality of the variable COOPERATION.

### **6.3.1.3 Multiple linear regression: KNOWLEDGE.**

Multiple regression analysis allowed including additional explanatory variables in the model and controlling for location and sector of projects to see what predicted values of the variable KNOWLEDGE would be.

Null hypotheses tested in the following models were:

1. Keeping the location constant, department has no influence on the quality of knowledge component.
2. Keeping the sector constant, department has no influence on the quality of knowledge component.



3. Keeping project location and sector constant, department has no influence on the quality of knowledge component.

Table 12 reports the results of the three multiple regression models, as defined in the equations:

$$KNOWLEDGE_i = b_0 + b_1department + b_2region$$

$$KNOWLEDGE_i = b_0 + b_1department + b_3sector$$

$$KNOWLEDGE_i = b_0 + b_1department + b_2region + b_3sector$$

The multiple regression model predicted, when the effects of the department were controlled for location and sector, that GIZ projects would achieve a higher quality of the component KNOWLEDGE, and this difference was not statistically significant, meaning that a difference this large or larger, between GIZ and GIZ IS projects could also occur by chance and not because the difference actually exists in population.

Nonetheless, some statistically significant relationships were found in the model. Projects implemented in Africa, when controlled for department and sector, achieved a better quality of the project management KNOWLEDGE component compared to projects implemented in Central and South America, and this difference was significant at 5% level.

Looking into the predicted average values of this component among different sectors, the results suggest that agriculture projects achieved a worse quality of the project's management KNOWLEDGE component, compared to projects in sector one, and this difference was significant at 5% level.

The adjusted  $R^2$  statistic signifies that only 4% of the variance in knowledge management quality could be accounted for by the regression model where the sector, region, and location were

Table 12

*Multiple Linear Regression KNOWLEDGE*

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Regression of the Component KNOWLEDGE

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	<u>dep reg (1)</u>	<u>dep sec (2)</u>	<u>dep reg sec (3)</u>
dep	0.305	0.401	0.336
	(1.09)	(1.37)	(1.19)
Europe	-0.076		0.085
	(0.15)		(0.16)
Asia	-0.187		-0.116
	(0.46)		(0.27)
Africa	-0.777		-0.824
	(1.95)		(2.03)*
Energy		0.535	0.616
		(1.67)	(1.88)
Banking		0.854	0.900
		(1.72)	(1.92)
Agriculture		0.747	0.925
		(1.75)	(2.24)*
Unspecified		-0.043	-0.082
		(0.10)	(0.18)
Constant	0.207	-0.427	-0.181
	(0.59)	(1.93)	(0.42)
Observations	171	171	171
Adjusted R <sup>2</sup>	0.02	0.02	0.04
F test	1.96	2.11	2.54
Prob > F	0.1035	0.0669	0.0124

Note. Robust *t* statistics in parentheses; \* indicates significant at 5%; \*\* indicates significant at 1%

kept constant, 4% more than in the single linear regression model of KNOWLEDGE on the department only.

There were two statistically significant differences found in the model. Projects in Africa, when controlled for the effects of department and sector, achieved on average a higher quality in the component KNOWLEDGE ( $b_3 = -0.824$ ,  $p < .05$ ). Also, projects from the agricultural sector, when controlling for the effects of location and department, achieved on average a lower quality in this

project management component in comparison to the basic sector, and the difference was statistically significant ( $b_3 = 0.925, p < .05$ ).

Concerning the hypotheses, there is no credible evidence that the department implementing the project influenced the quality of the component KNOWLEDGE, independently if its effects were controlled for location, sector, or both, which means that we fail to reject all of the three null hypotheses as defined at the beginning of this section.

#### 6.3.1.4 Multiple linear regression: INCLUSION.

Using multiple linear regression analysis and controlling for region and sector, the following hypothesis were tested:

- Keeping the location constant, department has no influence on the quality of inclusion component.
- Keeping the sector constant, department has no influence on the quality of inclusion component.
- Keeping project location and sector constant, department has no influence on the quality of inclusion component.

Table 13 reports results of the three multiple regression models, as defined in the equations:

$$INCLUSION_i = b_0 + b_1department + b_2region$$

$$INCLUSION_i = b_0 + b_1department + b_3sector$$

$$INCLUSION_i = b_0 + b_1department + b_2region + b_3sector$$

Table 13

#### *Multiple Linear Regression INCLUSION*

Regression of the Component INCLUSION			
	<u>dep reg (1)</u>	<u>dep sec (2)</u>	<u>dep reg sec (3)</u>
dep	-0.141	-0.059	-0.086
	(0.51)	(0.21)	(0.30)
Europe	0.211		0.353

	(0.54)		(0.92)
Asia	0.221		0.293
	(0.68)		(0.87)
Africa	0.003		-0.009
	(0.01)		(0.03)
Energy		0.473	0.529
		(1.68)	(1.88)
Banking		0.192	0.207
		(0.48)	(0.47)
Agriculture		0.687	0.778
		(1.31)	(1.50)
Unspecified		0.314	0.314
		(0.81)	(0.81)
Constant	-0.073	-0.243	-0.428
	(0.27)	(1.28)	(1.40)
Observations	171	171	171
Adjusted R <sup>2</sup>	-0.02	-0.00	-0.01
F test	0.27	0.80	0.84
Prob > F	0.8953	0.5513	0.5671

Note. Absolute value of t statistics in parentheses; \* indicates significant at 5%; \*\* indicates significant at 1%

The results of the multiple linear regressions shown in Table 19 show that on average, whether controlling only for project location, only for sector, or for both, GIZ IS projects achieved a higher quality of the project management component INCLUSION, as all coefficients connected to the variable of the department were negative. Nonetheless, the three models also suggest that these differences are not statistically significant, (see Table 13), as there are no coefficients that were significant at the 5% level.

The adjusted  $R^2$  statistic signifies that almost none of the variance in INCLUSION quality could be accounted for by any of the three regression models presented in Table 19. There is not enough evidence to reject any of the three null hypotheses as defined at the beginning of this section.

### 6.3.1.5 Multiple linear regression: MONEV.

Null hypotheses tested in the multiple regression models that follows were:

1. Keeping the location constant, competition has no influence on the quality of monitoring and evaluation component.
2. Keeping the sector constant, competition has no influence on the quality of monitoring and evaluation component.
3. Keeping project location and sector constant, competition has no influence on the quality of monitoring and evaluation component.

Table 20 reports results of the three multiple regression models, as defined in the equations:

$$MONEV_i = b_0 + b_1 \text{department} + b_2 \text{region}$$

$$MONEV_i = b_0 + b_1 \text{department} + b_3 \text{sector}$$

$$MONEV_i = b_0 + b_1 \text{department} + b_2 \text{region} + b_3 \text{sector}$$

Table 14

*Multiple Linear Regression MONEV*

Regression of the Component MONEV			
	<u>dep reg (1)</u>	<u>dep sec (2)</u>	<u>dep reg sec (3)</u>
dep	-0.127	-0.234	-0.167
	(0.66)	(1.20)	(0.89)
Europe	-0.421		-0.496
	(1.22)		(1.40)
Asia	-0.152		-0.181
	(0.65)		(0.74)
Africa	0.057		0.078
	(0.22)		(0.31)
Energy		-0.367	-0.438
		(1.92)	(2.23)*
Banking		-0.628	-0.653
		(1.78)	(1.97)*
Agriculture		0.081	-0.032
		(0.20)	(0.08)
Unspecified		0.347	0.346

		(1.23)	(1.19)
Constant	0.150	0.196	0.335
	(0.75)	(1.31)	(1.33)
Observations	171	171	171
Adjusted R <sup>2</sup>	0.00	0.03	0.04
F test	0.80	2.24	1.94
Prob > F	0.5236	0.0528	0.0572

*Note.* Robust t statistics in parentheses; \* indicates significant at 5%; \*\* indicates significant at 1%

As it can be seen from Table 14, GIZ IS projects achieved a higher level of quality of the project management component MONEV in all three models, as all three coefficients connected to the department are negative. Still, looking at  $p$  values, the department did not have a statistically significant effect on the quality of M&E, (see Table 14), as there are no coefficients that were significant at 5% level. That means that that the differences as large as in this model or larger could have occurred by pure chance, not because the differences actually exist in the population of projects.

There are two statistically significant differences found in the model. Both projects from the sector two and three achieved higher quality in the MONEV component, compared to the reference group projects, when controlling for the department and region ( $b_3 = -0.438, p < .05$ ;  $b_3 = -0.653, p < .05$ ). That means that the projects in the energy and banking sectors, when controlling for department and location, achieved on average a higher quality of M&E in comparison to the basic sector, and this difference was statistically significant at 5% level.

The adjusted  $R^2$  statistic signifies that 4% of the variance in the value of the variable MONEV could be accounted for by this regression model.

Concerning the three hypotheses, as defined at the beginning of this section, there is no credible evidence that department implementing the project influenced the quality of the

component MONEV, independently of whether its effects were controlled for in regards to location, sector, or both, which means that we fail to reject all of the three null hypotheses.

#### 6.4 Total Variation Explained

From the adjusted  $R^2$  in the regression models, it can be concluded that a great deal of variation in the dependent variables remains unexplained by the three explanatory variables (department, location, and sector). It has to be taken into account, that in some scientific fields, especially when human behavior plays a certain role, it is entirely justified that the  $R^2$  values are low (Frost, 2013).

It is also known from project management literature that there are many other factors that influence the quality of project management components. The concept of project management quality, as defined for the purpose of this study, was never intended to be a holistic framework for the total quality of project management. For example, the project manager in the donor institution, the motivation level of the team, current political circumstances in a donor country, political will of the recipient, and many other factors that have not been encompassed by this research influence project management quality.

As already outlined in Section 5.6., one limitation of the study is that it did not include the team leaders as an auxiliary variable due to issues of access. Recent literature from the field of project management commonly emphasizes team leader characteristics as one of the critical success factors (Belassi & Tukel, 1996). Development aid literature on project success also mentions leadership styles and commitment of team leaders (Steinfort, 2010) as being of great importance for successful project implementation. Therefore, it can be assumed with some certainty that the high unexplained variance stems from team leader characteristics that have not been tested in this research but how much exactly cannot be estimated.

The regression analyses showed the differences in project's management quality between the two implementing departments. The goal was to provide a description of a pattern in the data

that can be observed, and no use of causal inference was made from the regression analysis. Why the management quality may on the average differ is not represented explicitly in the regression model, and there is nothing in the summary statistics that directly addresses cause and effect (Berk, 2004). Causal inference rests on the crucial assumption that the treatment and control group are equivalent, which is extremely difficult to accomplish in observational data (Kohler & Kreuter, 2012). That is why the reasoning about the cause of the difference between departments can be assumed but cannot be claimed with certainty. Based on the data, we can assume the association between the allocation mechanisms used and the obtained values of project's management quality, but it cannot be claimed that the association reveals cause and effect.

### **6.5 Statistically Nonsignificant Relationships**

The results have shown that there was not enough evidence to reject the null hypothesis for three out of five dependent variables as the calculated difference was not large enough to be defined as being statistically significant ( $p > .05$ ).

Concerning the variables MONEV and INCLUSION, the data have shown that competitively outsourced projects achieved, on average, better quality of project's management than on those outsourced without competition. Nonetheless, the difference is not statistically significant. A rather surprising result is the value of variable KNOWLEDGE, as projects that have not been competitively outsourced, achieve better quality; again, with a difference that is not statistically significant. Several conclusions can be made about the three components based on these findings:

- Average values of the components KNOWLEDGE, INCLUSION, and MONEV differ between GIZ and GIZ IS.
- As the difference is not high enough to be defined as being statistically significant, so that one cannot be confident that this is not more than a chance finding.



- Nonetheless, as some difference was actually found in the sample, it might also indicate that difference in the population also exists.
- The best way of finding out more about it is to do more research on this topic.

## 6.6 Summary of the Results

Data gathering was done via a web-based survey, which was conducted between December 2015 and February 2016. A total of 300 GIZ and GIZ IS randomly selected projects were invited to participate. The overall response rate was 62.5%.

The answers were weighted to account for the unit-nonresponse. To reduce the complexity of dependent variables in the research, the PCA was done, and from total of 18 indicators of management quality, five components of project's management quality were obtained: feedback, cooperation, M&E, participation, and knowledge management and learning. As the attempt to further reduce the dimensionality to a single measurement of project's management quality, though the FA had not given satisfactory results, these five newly obtained components were used as the five dependent variables, and they formed the basis for the further data analysis.

Multiple regression analysis was used to identify differences between the projects obtaining funds through competitive allocation mechanisms and those obtaining funds through direct award. The effects of project location and project sector were controlled for. These are the main results that were obtained (see Table 15):

Table 15

### *Summary of the Results of the Multiple Linear Regressions*

Dependent variable/project management component	Department which achieves better quality of project management	Significant at 5% level
FEEDBACK	GIZ IS	yes
COOPERATION	GIZ IS	yes
KNOWLEDGE	GIZ	no
INCLUSION	GIZ IS	no

MONEV	GIZ IS	no
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- GIZ IS projects achieved higher quality in the project management component FEEDBACK than GIZ projects, and the difference was statistically significant
- GIZ IS projects achieved higher quality in the project management component COOPERATION than GIZ projects, and the difference was statistically significant.
- GIZ projects achieved higher quality in the component KNOWLEDGE than GIZ IS projects; the difference was not statistically significant.
- GIZ IS projects achieved higher quality in the project management component INCLUSION than GIZ projects; the difference was not statistically significant
- GIZ IS projects achieved higher quality in the project management component MONEV than the GIZ projects; the difference was not statistically significant.

Besides these main results that refer to the research question, there were some other findings that refer to regional and sectoral differences in project's management quality that were also spotted:

- Projects in Asia and Africa achieved higher quality of the project management component FEEDBACK than the projects in Central and South America.
- Agricultural projects achieved higher quality of the project management component FEEDBACK than the sector one projects when controlling for the effects of location and department.
- Projects in Europe achieved worse quality of the project management component COOPERATION than the projects in Central and South America when controlling for the effects of the department and sector.
- Projects in Africa achieved higher quality in component KNOWLEDGE than the projects in Central and South America when controlling for the effects of sector and location.

- Energy sector projects achieved higher quality of MONEV than governmental sector projects when controlling for the effects of sector and location.
- Banking sector projects achieved higher quality of MONEV than governmental sector projects when controlling for the effects of department and location.

The next chapter allows inspection of non-weighted, raw answers of the survey participants and prepares the reader for the discussion of the obtained results.

This chapter discusses the implications of the findings in the context of theory and practice and gives suggestions for further research. In this research, institutions of German development cooperation were seen through the lens of rational choice institutionalism with the idea of shedding light on individual actors, their behaviors, and incentives in the institutional context as given within GIZ, GIZ IS, and their donor organizations. The application of P-A model helped understand the choices the practitioners in the field make when confronted with the existing incentives structure. The agency theory was to a great extent successful in postulating the main research hypothesis, but the differences between the departments have not been found to be as strong as expected.

The theoretical assumptions stemming from P-A model, applied within a framework of rational choice institutionalism, have initially not dealt with the individual components of project management, as these were developed later in the analysis through application of a data-reduction method. In the initial theoretical discussion, the holistic view on project's management quality was applied, and it was argued that the method of allocation matters for overall project's management quality. The output of the data-reduction method resulted in five separate components of project management and in this chapter theoretical assumptions are re-applied to separate components, offering potential explanations of the obtained results.

### **7.1 Summary of the Findings**

The findings have shown that projects that received funds through the process of competitive tendering achieved a higher quality of project's management than projects that received funds through direct award in four out of five components of project's management. GIZ IS projects on average achieved higher quality in four components of project's management: feedback, cooperation, M&E, and inclusion, which is in line with the theoretical assumptions. Institutional rules and rules-in-use that guide the cooperation between donors that competitively outsource their project funds and their implementers create incentives for the implementers to put maximum effort

into project implementation. These mechanisms are not present in a donor-implementer relationship where projects are directly awarded; instead, there were low incentives for high-quality performances and a lack of oversight and control.

Nonetheless, the research results have also shown that the projects that received funds through direct-award mechanisms achieved higher quality in the component knowledge management and learning. One big advantage of the non-holistic approach to project management is that it allows identification of strengths and weaknesses of the two allocation mechanisms in question.

## **7.2 Theoretical Considerations of Separate Components**

P-A model, applied within the framework of rational choice institutionalism, identified two important actors, a principal, from a donor institution, and an agent, from the implementing agency. The nature of the development aid field makes it difficult for principals to measure the outcomes of their work and prove the levels of effort of agents. That is why the institutional mechanisms that are built-in to foster control and oversight of agents are important determinants of the effort exceeded by agents. That effort, in turn, is a determinant of project's management quality. Therefore, the theory postulates, that in situations where institutional sanction mechanism exist and function, agents' effort and presumably, their performance tend to be higher. These mechanisms are commonly found in donor organizations, which regularly use competitive awarding processes.

This chapter applies P-A model to now examine the separate components of project management to explain the results that were obtained. The results obtained in Chapter 6 and the participant responses from Appendix D will now be additionally explored with the information gathered through qualitative interviews conducted with GIZ, GIZ IS and BMZ employees.

### **7.2.1 Feedback**

As theoretically assumed, GIZ IS, the department that has to compete for the project funds, achieved on average higher quality in the project management component feedback. These results

are in line with theoretical assumptions as they indicate the donor organizations that used competitive allocations as outsourcing mechanisms invested more capacities into the relationships with the implementers. In a commercial relationship, both sides invest significant resources in this relationship to start working together in the first place. The donor agency, through the tendering process and choosing the best bidder, and the implementer, through the application process. Taking these initially invested resources into consideration implies the stakes are higher in comparison to the process of direct allocation.

The frequency of reporting, and therefore the frequency of sending a feedback report as a comment on the progress report, was higher when a competitive allocation process was used. This indicates continuous effort and communication between the principal and the agent in a competitive relationship. The results showed that enough resources were dedicated to correct behaviors of the implementers and made the resulting recommendations a learning source for implementing organizations.

The discussions with BMZ employees showed the practice concerning feedback giving within BMZ is neither unitary nor seen as mandatory. The team leaders get feedback if their reports do not formally satisfy the requirements or if they are not written in a clear manner. The feedback would then contain suggestions to change content and/or wording of the report but would rarely refer to particular activities, overall project direction, or any other issues regarding project implementation. A GIZ team leader said, “You have some country managers from the BMZ who get caught up in the language and correct frankofonisms, which means they are only concerned with formalities but are not at all interested in the entire picture of the project.” (interviewee no. 25).

Even though BMZ employees emphasized that the ministry was solely involved in the political steering of projects and did not interfere with the implementation itself, the records showed occasional micro-management existed, with a particular goal, to leave clean written traces in project reports.

These few practices regarding rules and rules-in-use within donor institutions concerning the written feedback on project progress report might not be decisive for the overall project success, but they indicate how differently involved donor organizations can be in the process of project implementation.

### **7.2.2 Inclusion**

The results of the regression analysis have shown that, in line with theoretical suppositions, GIZ IS projects on average achieved a higher quality of project management component inclusion. The raw statistical data revealed that on GIZ IS projects, partner organizations tended to be more often included in the initial formulations of project indicators and the writing of project proposals. Also, all types of inclusion of partner organizations in the official reporting was more pronounced within GIZ IS, whether that happened through writing parts of reports, signing them, or writing separate support letters. These mechanisms enable all three stakeholders—donor, implementing agency, and partner organizations in a developing countries to be equally informed about the project events. Furthermore it allows continuous sharing of information regarding project progress, which reduces information asymmetry and is an effective way for the principal to reduce the potential moral hazard.

The practices of letting partners formulate project proposals and involving them in the report writing are also important elements of capacity strengthening, as they allows partner organizations to take responsibility and identify with the projects, which are preconditions to efficiency, sustainability, and the overall action success.

BMZ seemed to have a somewhat different focus when it came to partner cooperation. It invests a great deal of time and effort to align its actions with the priorities of partner countries. It regularly organizes mutual negotiations and agrees on broad areas that are the focus of future cooperation. This is done through the development of country strategies in which main areas of actions were agreed upon. The process can take up to one year the first time the document is being

developed. These country strategies are being rewritten every five to six years, which allows medium-term planning (interviewee no. 23). In addition to this, before any project is initiated, partner organizations from developing countries have to officially express their need to the German Embassy, and then BMZ and GIZ can plan further project details.

The alignment of recipient countries' priorities with donor strategies in the country is an important pre-requisite of an effective cooperation. It is also the second principle of the Paris Declaration (OECD/DAC, 2005), and in the last OECD peer review the German alignment strategy was positively assessed (OECD/DAC, 2015), as the general direction of development policy is determined together with partner.

Nonetheless the procedures in German development cooperation do not include partners in the details of conceptual project planning. Mechanisms which should allow partner organizations to actually formulate project goals and activities are lacking. Aligning the general policy direction with partner country priorities is an immensely important step but by far not a sufficient one to ensure the inclusion of partner organizations and the fostering of their full identification with projects, goals, and actions.

An anecdote shows the official rhetoric regarding ownership may have changed, but the old structures with their old way of thinking about ownership are still in place. A highly ranked employee of BMZ was explaining how the Marshal Plan with Africa has been developed and added, “We always joke in the department: if somebody says ‘Marshal Plan for’ instead of ‘with’ Africa, has to pay 100 euros.” (interviewee no. 27). What seems a benevolent joke indicates that the way of thinking about development cooperation has not progressed much. Although the awareness is present—that the plans regarding development of Africa should also be reached in close cooperation with African countries—the old habits seem to remain the same: rich countries making plans *for* Africa’s future.



Mechanisms that are found on a typical GIZ IS project, such as inclusion of donors in project proposal writing and reporting primarily serve the donors in order to minimize the possibility of moral hazard and reduce information asymmetry. However, at the same time, they have positive effects on the level of inclusion of partner organizations with immediate positive effects on sustainability and the success of actions.

The results of the component inclusion show how rules that are posed to control an agent and reduce potential of moral hazard have a positive effect on the levels of inclusion of partner organizations, and allow partners' voices to be heard. These practices contribute to the identification of partner with the project and increases chances of project success.

### **7.2.3 Monitoring and Evaluation**

In the M&E component of project management GIZ IS achieved on average better results, than GIZ projects, but the difference between the two types of projects was not as high as might have been expected based on the theoretical assumptions. The raw data revealed the practices in this regard do not seem to differ to a great extent: the requirements from the donor were similar and the behavior of the team leaders also resembled one another.

It could be assumed that the requirements of the donor institutions that used direct awarding would not be as strict, as it was the case with donors who used competitive outsourcing. The results in the first two components have clearly shown that all of the mechanisms that existed to prevent moral hazard were generally underdeveloped, but that does not seem to be the case with M&E.

The explanation lies in the very nature of how evaluations are conducted and whom they serve in development cooperation. The relevant literature that has dealt with the practices of M&E in development cooperation reveals that evaluations are seen as a necessary activity, used to legitimize donors actions, but they do not convey the truthful picture of the state of affairs (Conlin & Stirrat, 2008; Martens et al., 2001).

A regular evaluation process in a development cooperation is initiated by a donor, (the principal), who contracts an independent evaluator (the agent) to perform an evaluation study. The agent might wish to perform a high-quality evaluation, but without antagonizing the client (McNulty, 2012). The donors that outsource the task of evaluation performance prefer to focus on ensuring their own continuation and growth (Wigley, 2005) and cast themselves in the best possible light (Corbridge, Williams, Srivastava, & Véron, 2005), which is achieved by positive, but not necessarily truthful, evaluations. Only the evaluators who satisfy their donors are chosen to perform further evaluations. This donor-dominated process, where methodology, scope, and way of work are all determined by the donor (Cullen, 2011), does not create incentives to enhance truthfulness and quality of evaluations.

At the same time, on the agency level, the staff of the program have an incentive to deceive evaluators (Scriven, 1993) either because of their personal cost-benefit analysis or due to fear from potential loss of power and control (McNulty, 2001).

Theoretically, accounting for an additional layer of principals, namely the voters of the donor country, can help clarify this issue. The majority of voters are not concerned with developmental issues to the extent that they would base their voting decisions solely on government development policies. Nonetheless, NGOs, pressure groups, and activist groups are keen to use any opportunities they can to question governmental actions, also using opposition parties' rights to ask the government questions<sup>11</sup> (interviewee no. 28). This reveals that BMZ, in the role of an agent, is very vulnerable on the pressures of NGOs and other activist groups, and formal evaluation reports have to be flawless. One interviewee said, "When the BMZ receives informal information from activist groups or some NGO reports or tricky questions from the opposition, they immediately

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11 "Kleine Anfrage" is the official name of the right of an MP to ask questions to the executive. Both questions and answers are publicly available.

want team the leader's reports on that" (interviewee no. 24). Evaluations are seen as just another chance for BMZ to justify the funds that it outsources and a unique opportunity to present itself as an accountable agent to German parliament and the people of Germany. That, in essence, means that the evaluations have to be positive, and the formal process of evaluation should satisfy high international standards that are constantly put under scrutiny.

It does not at all matter what allocation mechanism was used. All donors are sensitive about the results. "We constantly have to look good...on paper...we sell paper!" was an expression used by one GIZ IS team leader, asked about the importance of evaluations (interviewee no. 17).

It is evident that an insertion of a for-profit layer has not brought changes in the use and meaning of evaluations. As much as donors working with interchangeable partners would like to know if they did a good job or not, they would not want to be too exposed and reveal too much. This phenomenon explains the obtained results and the fact that all donors used M&E as a symbolic means to increase accountability but not necessarily purposefully as means of learning and evidence-based decision-making.

#### **7.2.4 Inclusion**

Like in the three previously described components, GIZ IS projects achieved on average better results in project management component inclusion. The difference between the two departments was found not to be statistically significant at the 5% level.

Theoretically, the motivation of a donor working with commercial implementers to foster deep partner inclusion in project steering, implementation, and monitoring is expectedly high, and the explanation for it is twofold. In the first place, the donor, wishing to overcome moral hazard (unobservable behavior of the implementer), develops rules that create incentives to ensure partner participation in project activities. Partners are included in steering committees; they need to sign reports for additional funds and they need to approve the experts that are to be engaged on the projects. For that reason, from the beginning of the project, a GIZ IS team leader knows that good

relations with the partner are crucial for successful project implementation and for further funds allowances. One participant said, “Without good relations to the partner there is nothing. There is no money flowing; there is nothing” (interviewee no. 20). To have a good chance at being re-awarded a contract, commercial implementers need to embed themselves in the field and create meaningful connections with the beneficiaries and important stakeholders from the recipient country, considering such business opportunities for the implementers.

On a regular GIZ project, partner organizations participate in project steering to a much lesser extent, and they are not explicitly asked about prolongation of a project to the next phase. Therefore, a team leader does not necessarily need to have a very permanent or deep relationship with the partner organization. One GIZ team leader said “I meet them (partner organization) two times a year” (interviewee no. 21).

The latest OECD (OECD, 2015) peer evaluation suggested partner structures should be used more in project implementation as it could help build national capacities. Nonetheless, there is one issue on commercially outsourced projects that might have a negative influence on the cooperation with the project partner: the pressure to deliver agreed outputs on time. Implementers are under extreme pressure and faced with tight deadlines for project implementation. Successful project delivery might be compromised if too much control is given to partner organization. Anderson and Auer (2005) stated, “It is natural for the contractor to strive to primarily satisfy the donor” (p. 165).

On the contrary, GIZ projects do not face harsh sanctions if project indicators are not fulfilled or if project progress departs from what was agreed. “Nothing happens,” one survey participant commented on the question about the potential sanctions, once project goals remain unfulfilled. This lack of pressure to perform fast could allow a deeper cooperation with the partners. One interviewee said: “We are extremely slow, but reliable, and that is why partners love us!” (interviewee no. 4), but the mechanisms to actually foster this cooperation are neither imposed by the GIZ head office, nor by BMZ.

The results show the contradiction between the incentives the implementing agencies that compete for funds face between promoting partner participation on one side and the incentives they face to retain control of a project, so that they can efficiently deliver project outputs. This contradiction hinders real participation of partner organizations in development aid projects. This shows how different types of incentives created by two contrasting allocation mechanisms bring about similar outcomes, which, unfortunately, are not very promising for the overall success of actions.

### **7.2.5 Knowledge Management and Learning**

Knowledge management and learning is the only component of project's management in which GIZ projects achieved a higher quality of project's management than GIZ IS projects. Even though the difference is not statistically significant at the 5 % level, these are interesting results as they oppose the research hypothesis that the projects that obtained funds through competitive allocation mechanisms would have better project management across components.

The process of knowledge management is composed of having access to raw information, converting the information to knowledge, and using this knowledge in future endeavors (Van Waeyenberge & Fine, 2011). In development cooperation, the most valuable and important information is possessed by those who are present in the field and included in day-to-day operations, namely, with agents from implementing companies. The inevitable information asymmetry, present due to the geographical distance between headquarters and donors on one side and the field operations on the other, exacerbates information gathering, transfer, and learning (Suzuki, 1998).

For a principal to get access to information and create knowledge, the agent has to be faced with an incentive to transfer the information and knowledge to the principal, inevitably through multiple agent-principal layers. This can function via formal or informal mechanisms, such as regular reporting, oral exchanges, even story-telling, or other similar informal platforms. Furthermore, the process must be supported by a high quality internal learning system that allows

information processing. No matter how structured the process may be, there is always a great deal of possibility that part of knowledge and information will not be transferred but will instead remain with individuals who have been in the field.

Regular reporting is used as a tool that could be helpful in the learning process. All GIZ projects financed by BMZ are obliged to send their yearly reports to BMZ. BMZ gathers the reports, and, as we have learned, it intervenes to correct their content. However, there are no further institutionalized steps systematically undertaken with the aim to analyze them, learn from them, and use this knowledge in future actions. One participant said, “They just enable the BMZ to do political steering... their format does not allow any learning... but the BMZ is anyhow not particularly good with knowledge management anyways. Things could be done better around here.” (interviewee no. 23). Understandably, the latest OECD (OECD, 2015) peer report emphasized BMZ would need to consolidate its approach to knowledge management and make sure the knowledge is used, both centrally and in agencies.

It is GIZ Headquarters, not BMZ, that actively tackles the topic of knowledge management. For that purpose, GIZ has developed several instruments. In the first place, there are professional associations<sup>12</sup>, founded in the 1990s as official associations with their own secretariats, whose main aims are to encourage sharing of information within a specific sector and/or region to foster learning. They meet both physically and virtually. Within these associations, there are special working groups dedicated to specific topics. They also meet on a regular basis and commonly organize field trips outside Germany.

Besides these professional associations, there are numerous databases with somewhat limited access rights and not very well known or used among GIZ employees (interviewee no. 24).

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12 *Fachverbände* (author's translation).

Furthermore, there are communities of practices, which are informal structures that are mostly virtual and organized in the headquarters, on particular topics.

The application of P-A on knowledge management and learning can help identify incentives to share information on these two project types. On typical GIZ projects, team leaders have opportunities to share knowledge and information and they themselves are not faced with any disadvantages from information sharing. In the institutional architecture as present within a GIZ project, there are no incentives for individual agents not to share knowledge, although not all participants interviewed agreed that this is done with proper support from the head office. Some even reported disinterest of the headquarters when it came to information transfer:

When I was done with my project, I asked them (GIZ Headquarters) if they needed the documents. I have gathered so much stuff in the last 6 years. And they said they had not needed it. So I took it with me and brought it home (interviewee no. 29).

On a typical GIZ IS project, GIZ IS management hires team leaders on a freelance basis, and these team leaders are engaged for the special knowledge they have. Their value on the market, their future engagements, and their employability depend on this specific knowledge. Therefore it can be assumed that the agents, behaving in their own interests, are more likely to behave in a way that prevents knowledge sharing rather than fostering it: “We buy knowledge when we need it” (interviewee no. 20).

Looking at the donor side, in competitively outsourced relationships, donors who competitively outsource for money are more focused on finding knowledgeable staff than fostering learning within the organization.

WB is taken here as an example of a donor that regularly works through competitive contracting and commissions GIZ IS as well. WB considers itself a knowledge bank, uniquely placed to link research, policy analysis and practitioners’ knowledge (The World Bank, 2010). On the other hand, a report evaluating WB research (Banerjee, Deaton, Lustig, & Rogoff, 2006)

revealed some unsettling facts about the way the research has been conducted. One researcher suggested the amount of interference by the public relations people is enormous, and one may not write anything that would provide the NGOs with material they could use to criticize WB (Banerjee, Deaton, Lustig, & Rogoff, 2006). Furthermore, another staff member noticed that the research results are often “predetermined or negotiated in advance” (Ibid, 2006, p. 129). This suggests that even when there are mechanisms that intend foster flow of the information between the organizations involved, evidence-based decision making may not be possible due to restrictions about what may be written and published.

The obtained results together with the interviews show the mechanisms to capture knowledge from the field are to a certain extent better developed in GIZ projects. When it comes to using the knowledge, both types of donors do not show excellent results. This problematic process seems to be additionally burdened by pressures from NGOs and activist groups, creating in that way even less transparency when confronting past mistakes and integrating them in new approaches. This is highly problematic as the active learning process about field activities is the only way decision makers can diagnose ongoing problems and adjust their behaviors accordingly.

### **7.3 Implications for the Theory**

The initial argumentation of P-A model in the framework of rational choice institutionalism as applied in Chapter 4 to model the behavior of actors was reduced to the level of effort to act or to perform. Based on this initial argument, it was assumed that the projects that received funds through a competitive allocation process would be more likely to achieve a higher quality of project’s management than through a direct award.

By breaking down project management into components helped clarify what “effort to perform” actually meant for each of the components, why actors under the given circumstances acted in a particular way, and what the consequences of their actions were in regards to quality of project management. This application demonstrated the relevance of the P-A model to understand



the individual components of project's management in development cooperation and to show the advantages and disadvantages of the two allocation mechanisms.

### **7.3.1 Implications for Project Management Research**

The project management factor school of thought investigates criteria of project success and factors leading to success/failure of projects. This research overwhelmingly relied on project success factors as a proxy for measuring project's management quality predicting in that way chances of project success. Critical success factors research has commonly used factors to determine what has contributed to project success once the projects have been implemented and assessed as successful or less successful. Here, the critical success factors were used as proxies or predictors of project success, and there is nothing that speaks against similar usage of critical success factors in other fields.

P-A theory has already had its applications in project management research, particularly within the governance school of thought, where the literature focused on transaction costs (Turner & Keegan, 2001) or to model the relationship between the client and contractor as a typical agency relationship with the typical problems of adverse selection and moral hazard (Harrison & Harrell, 1993).

The previous attempts to explain one management system on a project are also known, as for example project M&E (Banker & Kemerer, 1992; Kirby & Davis, 1998; Mahaney & Lederer, 2010) or risk management (Ward & Chapman, 1991), but to the authors best knowledge, there were no attempts to analyze all relevant systems for a particular field of application, as done in this thesis.

The theory has shown to be powerful to explain variations in quality of individual dimensions of project management and enabled to identify strengths and weaknesses of the two allocation mechanisms.

#### 7.4 Implications for the Practice

Implications of the research results for practice are twofold. There is one part of the findings that might be applicable to all the donors who engage in the practice of outsourcing and shows that competitive allocation mechanism can lead to some undesirable consequences. The second part solely concerns German development cooperation.

Contracting for development started in the 1980s and continued throughout 1990s and 2000s, when it became the predominant practice. It was in light of NPM that changes promised higher efficiency and effectiveness in the foreign assistance field, which was already fiercely attacked for lack of results. The changes were introduced based on expected contributions to savings (Berrios 2000; Sida, 1989), but there were no analyses on the potential changes in results or quality of aid.

This research demonstrates the mechanisms for oversight of implementing organizations tend to be better developed in donor institutions that use competitive allocating mechanisms. The same goes for M&E systems and cooperation with the project partners, all of which are basic for the sustainability of actions. This points out the positive effects of competitive allocation mechanisms.

On the other hand, the results unveiled some disturbing results concerning knowledge management and learning practices. As competitive outsourcing to NGOs and private companies has become a common practice, it has forced actors to be in constant competition with one another, which had negative effects on knowledge sharing and mutual learning. When being in a constant struggle against one another, knowledge becomes a very important asset. Individual team leaders, working under such circumstances have no incentive to transfer individual learning to organizational learning, as they are engaged for that specific knowledge that they have.

Therefore, a remaining challenge for practitioners and policy-makers is the potential creation of successful mechanisms for knowledge sharing under competitive circumstances. Donors would have to work towards capturing the essence of the knowledge gathered in the field, although they themselves are not in the field. The existing literature has already warned that competition

among the NGOs are a potential source of inefficiency (Aldashev & Verdier, 2010; Nunnenkamp & Öhler, 2012) but there are no steps in a direction that would resolve this problem.

The results of this thesis emphasize that donors have to be more aware of the difficulties connected to knowledge transfer and, need to build in mechanisms that would foster the successful transfer of individual learning to organizational learning. They would also need to ensure that the knowledge gathered on projects is captured, transferred, and used in further endeavors to improve conditions in the developing world. This would inevitably mean changing the terms of agreements with implementers, creating additional capacities to guide this process, and above all, fostering the willingness to examine donors' own practices. The WB example shows how accountability pressures may evoke unwanted results, and if donors are serious about improving aid that supports activities, they need to develop different mechanisms to respond to such pressures.

The second implication of the research concerns the relations between BMZ and GIZ. They are regulated by the General Agreement<sup>13</sup>, which posits that GIZ is in charge of implementation of actions and the Ministry is in charge of political steering. But the Ministry also suffers from a lack of capacity for oversight and control of projects that are implemented in name of German development cooperation on four continents and over 100 countries with a yearly turnover of 2.197.433.633 euros (GIZ, 2016), mostly tax payer money. “We cannot do anything” (interviewee no. 22). The oversight is, according to the agreement, in hands of the same company that implements the project: “... the GIZ is commissioned to independently control and implement projects and programs. The GIZ plans, steers and overviews the measures...”<sup>14</sup> (Generalvertrag, Article 2 (1)).

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13 *Generalvertrag* (author's translation).

14 “...beauftragt die Bundesregierung die GIZ mit der eigenverantwortlichen Prüfung und Durchführung von Projekten und Programmen. Die GIZ plant, steuert, überwacht diese Maßnahmen fachlich...” (author's translation).

Whether the governing ministerial structures find the situation satisfactory remains unclear. All of the employees to whom I spoke emphasized that the ministry did not have oversight capacities, and it was only involved in political steering. Nobody spoke of lacking capacities but rather emphasized that it is not the job of BMZ to do the oversight of ongoing projects, and therefore, they do not have capacities to do so.

On the other hand, at the fusion of InWent, DED and GTZ into GIZ, Mr. Niebel, the BMZ minister at the time, stated that by this fusion, the German government would regain control over the newly created GIZ (EPO, 2010, para. 3). The minister spoke of a historical day, emphasizing three previous governments had failed to implement the fusion, and they had managed to do so in a short period time despite enormous resistance (Ibid, para. 3). From this point the General Agreement, regulating relations between BMZ and GIZ has not been changed, but it was no longer available for public.

This raises, in my opinion, the ambiguity concerning the current control function of BMZ and the way in which the ministry tries to regain the control over the agency. In the first place, the expression “regain” suggests that control should have been exercised by BMZ, but it is not. On the other hand, the process raises a legitimate question of the control of a bigger institution, with more employees and higher budget. From the time of Minister Niebel in the office the General Agreement regulation of relations between BMZ and GIZ was no longer available to the public (interviewee no. 4).

One GIZ-employee assesses the situation as positive:

The BMZ does not seem to have interest and capacity to oversight the GIZ, as a state-company, which often gives impression that we from the GIZ can do whatever we want. This results in high flexibility in project implementation, which is a big advantage of German development cooperation in comparison to other countries. (interviewee no. 21)

Theoretically, it would be more desirable to strengthen ministerial capacities for oversight and control of the implementing organization, rather than to assign the implementing organization with a task to do an oversight and control of their own projects. This is also in line with relevant literature (Wane, 2004).

Some changes also had BMZ capacity strengthening for a goal. BMZ has increased their presence in the partner countries, assigning one BMZ employee to about 50 German consular representations. They replaced GIZ employees who were previously situated in the embassies. One interviewee explained how that functions in the field: “Sometimes young colleagues from BMZ are sent, lawyers, and they try to tell me what to do. Once we get to know each other, and I tell them how things function around here, then we can cooperate well.” (interviewee no. 29).

The second change, done on recommendation of the Federal Court of Audit, was that the Ministry has ceased with the practice to situate advisors employed by GIZ in the offices of the Ministry. They used to have extremely high influence on the developmental policies and were also very present within international donor community where they were often understood as “the German government” (interviewee no. 25).

Additionally, since June 2017, there has been a new change in BMZ-GIZ relations, called *Gemeinsamverfahrenreform*<sup>15</sup>, also done with an initiative of the Federal Court of Audit, which refers to the way of reporting but also other processes between GIZ and BMZ (interviewee no 26). The document is, unfortunately, not available to the public.

The observations made during the entire research concerning BMZ and GIZ relationship lead to conclusion that do not greatly differ from those made by Sye (2007). The cooperation between GIZ and BMZ highly depends on the persons working together, even though the

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15 Mutual process reform (author's translation).

procedures are highly formalized. Whether the latest official documented change will be a key to alter their mutual links, or just another formality, remains to be seen.

On a final note, an independent investigation of GIZ (Sye, 2007), done at the organizational level, recommended GIZ should become more open towards researchers and cooperate better with scientists. Sye (2007) underlined the sources of financing of GIZ, mostly coming from taxpayers' money, obliges GIZ to an open relationship with interested parties. Ten years later I can only reiterate importance of the recommendation without being able to acknowledge improvements in this direction.

### **7.5 Future Research Suggestions**

After obtaining results and conducting a series of interviews to deepen the insights about project practices, there are quite a few findings that call for further investigation.

A key to understanding many of the practices seems to be legitimacy within the community of other donor countries and domestic pressure groups. Therefore, to understand German development cooperation, its main institutions, and changes that have been happening in the last 30 to 40 years, a fine perspective could be offered by sociological institutionalism.

A closer examination of donor practices reveals improvement (Easterly & Williamson, 2011; Birdsall & Kharas, 2014) on one hand and harmonization, fostered mostly by the OECD, on the other. That highly resembles the concept of isomorphism (DiMaggio & Powell, 1983), a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (Hawley, 1986). According to this view, organizations take into account behavior of other organizations in the field and compete for institutional legitimacy. This approach could be useful in explaining changes that have happened in the institutional structure of German development cooperation, that were mostly integrated based on suggestions from OECD peer critiques: (a) simplification of institutional structures through the fusion of main players, (b) a foundation of an independent evaluation institute, and (c) the creation of a transparency web portal

of GIZ on the initiative of IATA. These correspond with changes in aid architecture at the global level, introduced by quite a great number of international agreements.

It would be useful if the future research could examine the role of international organizations in shaping practices of individual donors and the role that the international community and influential organizations have in shaping practices of individual countries. Some of the noteworthy endeavors for further research include:

- Under which conditions are international organizations successful in changing practices of national organizations?
- Do these changes have an effect on improvement of aid impact or not?
- How do new donors, like China, respond to these developments?

Another line of research, focusing on project management, could round up the findings of this thesis. Namely, having in mind that abundant literature suggests team leader characteristics might influence the success of projects, researchers could find a way to include these and re-conduct the survey, to find out how much of the variance in project's management quality is actually explained by the team leader characteristics.

In this chapter, the research results were discussed by relying not only on survey results, but also on the qualitative interviews conducted during the course of research. They have been extremely valuable as they allowed deeper insights about actors' opinions and actions and allowed proper explanation of regression analysis results.

In the light of the debate on the consequences of competitive contracting out of traditionally public services, the question that this research strived to answer was whether contracting out in development cooperation leads to better quality of project's management. Project's management quality, for the purpose of this research, was defined as practices, events, and circumstances affected by donors and implementing organizations that have an overall effect on project success. The term was operationalized by relying on the existing findings from the project management field, which identified critical success factors on development cooperation projects and on the internationally agreed-upon general principles of effective development cooperation (e.g., Paris Declaration). The underlying thought behind this research is that management matters for the overall performance and effectiveness, and that projects in which a higher quality of management is achieved tend to be more successful in achieving their goals.

Initial research aiming to discover the cause of failures of aid to achieve intended results focused primarily on the circumstances in recipient countries. It was rather late that the behavior of donors and their implementing agencies was brought in connection with the poor effectiveness of development aid. By now, there has been enough works that have paved the way for donor-focused research.

Given the aim of research, the GIZ lent itself conveniently for the study due to specific way of work. Traditionally one department is financed through direct-award mechanisms and implements programs financed by several German ministries. Another department, GIZ IS is financed solely through competitive contracting.

To formulate the research hypothesis, the P-A model was applied within the framework of rational choice institutionalism. The behavior of actors in the field is guided by their own preferences and at the same time restrained by the institutional settings in which the actors are embedded. The model enabled a precise examination of incentives of actors in the two types of



allocation mechanisms and predicted how rules and rules-in-use influence everyday practices of project delivery and potential effects on project's management quality. In that way, the hypothesis was formulated that the projects funded through competitive allocation mechanisms would achieve better project's management quality than the projects funded through direct-award mechanisms.

To gather data about the everyday managerial practices, a questionnaire was developed in close cooperation with ex-GIZ and GIZ IS employees. It was then sent out to the team leaders of ongoing GIZ and GIZ IS projects.

In the first step of the data analysis, the complexity of the independent variable was reduced to a total of five components of the project's management quality: feedback, cooperation, M&E, inclusion, and knowledge management and learning. Multiple regression analyses identified differences in the quality of the components of project's management between the two departments while keeping sector and location stable. They have shown that:

- GIZ IS projects achieved higher quality in the project's management component of feedback than GIZ projects, and the difference was statistically significant.
- GIZ IS projects achieved higher quality in the project's management component of cooperation than GIZ projects, and the difference was statistically significant.
- GIZ projects achieved higher quality in the component of knowledge and learning management than GIZ IS projects, and the difference was not statistically significant.
- GIZ IS projects achieved higher quality in the project's management component of inclusion than GIZ projects, and the difference was not statistically significant.
- GIZ IS projects achieved higher quality in the project's management component of M&E than GIZ projects, and the difference was not statistically significant.

After obtaining the results, a series of interviews was conducted with GIZ, GIZ IS and BMZ staff, and other development practitioners. They have helped broaden insights, deepen the

understanding about the project practices, helped put the participants' answers in a broader context, and supported the validity of the interpretation of the results.

The thesis could convincingly show that the two allocation mechanisms inevitably created different incentives for the actors included in the field. The major advantages of the competitive outsourcing were the strong presence of instruments for oversight and control of the implementing organizations and highly developed mechanisms that allowed deep inclusion of beneficiaries in project implementation, fostered deeper cooperation and communication between the implementers and beneficiaries, and allowed voices of partner organizations to be heard. The practices present within the competitive allocation mechanisms had a potential to foster stronger ownership by recipient organizations.

On the other side, certain fields of project management, such as M&E, did not tremendously benefit from the competitive allocation mechanisms. The findings here show mostly symbolic use of evaluation, predominantly focused on justification of actions and legitimization of donors, which is aligned with the previous literature and findings concerning the use of evaluation in the development cooperation sector.

Finally, knowledge management and learning is the only component where non-competitively awarded projects achieved higher quality. On competitively outsourced projects, there are no strongly established mechanisms to transfer individual learning into organizational learning. As learning from past interventions is crucial for improvement of aid effectiveness, this is quite a disturbing finding, having in mind that competitive outsourcing is dominantly used in development cooperation.

Besides the main findings, an important output of this research is the quality measuring instrument, in the form of a web-based survey used for data gathering. Despite the existing doubt that management practices can be measured, this instrument has shown to be successful in capturing

the essence of managerial practices and enabled qualitative comparison between the two project types. With some adjustments, the instrument could also be used in other development agencies. The data gathering was done on the example of GIZ due to its unique way of work and some of the results inevitably offer insights solely to German development cooperation. The current institutional structure of German development cooperation is a result of several extensive changes that aimed at improving effectiveness and efficiency of the entire system, which led to a high concentration of power within one single organization. The GIZ has the authority to offer advice to the executive in the area of development policy, to implement projects, to provide an oversight of the actions, and control the ongoing ID interventions. The Ministry in charge of development cooperation is badly equipped to exercise the control over the agency. For individual actors that are involved in development cooperation, this constellation transfers into a very broad spectrum of options that are available to them, which does not always lead to optimal outcomes.

As you are reading these lines, thousands of ongoing international foreign assistance projects are failing to achieve their midterm and overall project goals, leaving the outcomes of international cooperation less desirable for all the participants. This research was not about winners and losers in development cooperation in a competition towards a better managerial quality. It was rather directed toward donor institutions, independently from the allocation mechanisms they use, or other choices they may be making, to understand that they are in charge of the rules surrounding the funds that they are investing. The donors have the opportunity to change the rules of the game, if political will is found. They have the key to produce wanted or unwanted incentives for their own staff members and for those in their partner countries, and they can change the outcomes to the betterment of development cooperation.

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## APPENDIX A

## Survey

## Project Management in Development Aid



Thank you for your interest in our survey!

This research is a part of a PhD empirical study done by a University of Potsdam (UP) student, Dragana von Kaphengst, within the Research Training Group on "Wicked Problems, Contested Administrations: Knowledge, Coordination, Strategy".

The survey is confidential and your participation is anonymous. There is neither the intention nor the technical possibility to link your name with reports based on the data you provide.

To begin the survey, simply click on the button *Start survey* below.

**For the beginning, we would like to ask you only a few basic questions about your project, which are of importance for our analysis. If you are involved in several projects, please refer to only one of them during the entire survey.**

Your project is mainly financed by:

[please select] ▾

Other, please specify:

The project is implemented by:

[please select] ▾

Some other implementing agency, please specify:

Please choose a sector that your project belongs to:

[please select] ▾

Please choose a region where your project is located:

[please select] ▾

Other (e.g. supranational), please explain:

**In this part of the survey you will be asked about the relationship between this project and the main partner organisation. For the purpose of the questionnaire, the partner organisation is the one that collaborates with the project to achieve project goals, such as local ministries or other institutions.**

Has the project partner organisation been included in the following steps:

*If there are several partner organisations, please refer to one of them during the entire section*

	No	Yes	I do not know
Initial formulation of project goals?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Initial formulation of project indicators?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Initial project proposal writing?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please assess the following:

	Very high	High	Somewhat high	Somewhat low	Low	Very low
The interest of the partner organisation in project goals and activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The level of project goals overlapping with the objective of the partner organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The interest of the partner organisation in the project progress	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent would you say that the main partner organisation participates in:

	To a very high extent	To a high extent	To a moderately high extent	To a moderately low extent	To a low extent	It does not participate at all
Shaping of future project actions (project steering)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Implementation of certain project activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Report writing for donors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Project monitoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Your project donor requires that the partner organisation supports your progress report(s):

*Multiple answers are possible*

- Donor organisation has no requirements regarding partner participation in report writing / report approval
- Through participation in writing parts of the report
- Through an official signature
- Through a separate support letter
- In formal discussions in the presence of donor organisation

In another way, please explain:

Your project regularly gathers information about the satisfaction of your partner organization(s):

*Multiple answers are possible*

- Through questionnaires sent out
- During formal meetings held regularly
- During informal discussion, but there are no official actions in this direction

Other, please explain:

During project evaluations done by an external (independent) or the donor organization:

*Multiple answers are possible*

- Evaluators have separate meetings/organize focus groups/interviews with members of project partner organizations
- Members of the partner organisation(s) are invited to some of the official project evaluation meetings
- Members of the partner organisation(s) do not formally belong to project evaluation discussions/feedback/wrap-ups

Other, please explain:





If the project does not completely achieve the goals and indicators agreed upon in a timely manner:

- There are sanctions that are clearly foreseen by the contract
- Goals and indicators have to be redefined
- This situation is not defined/foreseen by the contract
- Other, please explain:

To which extent do you agree with the following statements:

Please choose N/A only if your projects does not have any contacts whatsoever with the respective GIZ country office

	Strongly agree	Agree	Somewhat agree	Somewhat disagree	Disagree	Strongly disagree	N/A
The administrative support that the project receives from the GIZ country office is absolutely adequate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The GIZ country office is very helpful when it comes to administrative issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The GIZ country office is flexible enough	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sometimes there are disunities between the project's needs and GIZ country office requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How would you assess the following statements concerning your donor organization:

	Completely true	True	Somewhat true	Somewhat false	False	Completely false
Project progress is permanently overviewed by the donor organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Project is in constant informal communication with the donor, which helps resolve ongoing problems in the implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The donor focuses more on proper budget expenditure than on implementation of activities and project achievements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Donor has enough capacity to properly overview the project's progress	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

It is assumed that your donor sends you feedback on your project report. If that is the case, what is your view on the following statements:

Please choose N/A only if your donor never sends feedback reports

	Completely true	True	Somewhat true	Somewhat false	False	Completely false	N/A
The project receives feedback in a timely manner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The feedback contains clear recommendations for project implementation improvements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This feedback presents a great learning source	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Which of the following is true when it comes to sharing your feedback report:

Multiple answers are possible

- The feedback report, or parts of it, are disseminated among the project staff.
- The feedback report, or parts of it, are shared with the partner organisation(s).
- The feedback report or parts of it are translated into the local language.
- None of the above.



**Further comments:**

If you wish to share more about the management practices on this project, or to further elaborate on your answers, please feel free to do so below:

[Send questionnaire](#)**Project Management in Development Aid**

Thank you for your time!

[Finish survey](#)

## Appendix B

## List of Interviewees

Number	Organization	Type of Interview
1	GIZ IS	explorative
2	GIZ	explorative
3	GIZ IS	post-survey interview
4	ex-GIZ	explorative
5	GIZ	explorative
6	GIZ	cognitive interview
7	GIZ	explorative
8	GIZ	cognitive interview
9	GIZ	explorative
10	GIZ	explorative
11	ex-BMZ	explorative
12	ex-BMZ	explorative
13	GIZ	cognitive interview
14	GIZ	cognitive interview
15	GIZ	cognitive interview
16	GIZ	cognitive interview
17	GIZ IS	cognitive interview
18	GIZ	cognitive interview
19	GIZ IS	cognitive interview
20	GIZ IS	cognitive interview
21	GIZ	post-survey interview

22	BMZ	post-survey interview
23	BMZ	post-survey interview
24	GIZ	post-survey interview
25	GIZ IS	post-survey interview
26	GIZ	post-survey interview
27	BMZ	post-survey interview
28	Oxfam	post-survey interview
29	GIZ	post-survey interview

## APPENDIX C

### Factor Analysis

Exploratory factor analysis examines all the pairwise relationships between individual variables (e.g., items on a scale) and seeks to extract latent factors from the measured variables. In deriving the principal components, there was no assumption that the hypothetical factors exist, as the new axes are a mathematical function of the observed variables (Kim & Mueller, 1978). It is a fast way of determining the minimum number of hypothetical factors that are able account for the observed covariation, but the aim of the factor analysis is not to determine sources of the underlying hypothetical variables (Kim & Mueller, 1978). The main motivation for the factor analysis in this research is further data reduction and obtainment of factor scales that can be used as numerical variables in further analysis.

The initial factoring step determined that two factors can adequately account for observed correlations and also the uniqueness of each variable was determined (see Table 16 and 17).

For easier factor interpretation, rotation has been done. Results of the rotated factors show clear two-factor-structure (see Table 18 and 19). A clear two-factor structure was obtained, but the motivation for application of the FA in this case was to obtain one factor that would account for the most of the variance of the five components, and in that case, it would represent the total project's management quality in development aid. The first of the two factors contains both ownership components and knowledge component and interestingly enough, initial components FEEDBACK and MONEV have common loadings, so what remains in the second factor is the M&E component of project's management.

The fact that two factors have been extracted instead of one is not as problematic as the fact that all factors have very high uniqueness. The uniqueness measures the proportion of the

common variance of the variable which is not associated with any of the two factors and in the rotated solution it lays between 73% and 87%, which is extremely high and indicates that the variables are not well explained by the factors. Therefore, it can be concluded that the model is a rather bad explanation of the observed variance by the obtained factors.

Table 16

*Factor loadings*

Factors	Eigenvalue	Difference	Proportion	Cumulative
Factor 1	0.80697	0.62036	1.4872	1.4872
Factor 2	0.18662	0.26137	0.3439	1.8311
Factor 3	-0.07475	0.06383	-0.1378	1.6934
Factor 4	-0.13858	0.09908	-0.2554	1.4380
Factor 5	-0.23765		-0.4380	1.0000

*Note.* Retained factors: 2

Table 17

*Factor loadings (pattern matrix) and unique variances*

Variable	Factor 1	Factor 2	Uniqueness
FEEDBACK	0.2867	0.2642	0.8480
KNOWLEDGE	0.4996	-0.1239	0.7350
INCLUSION	0.4689	-0.2188	0.7323
COOPERATION	0.4261	0.0671	0.8139
MONEV	0.2715	0.2216	0.8772

Table 18

*Orthogonal varimax rotation (blanks 0.31)*

Factor	Variance	Difference	Proportion	Cummulative
Factor 1	0.65031	0.30703	1.1985	1.1985

Factor 2	0.34328	0.6326	1.8311
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Table 19

*Rotated factor loadings (pattern matrix) and unique variances*

Rotated factor loadings (pattern matrix) and unique variances			
Variable	Factor 1	Factor 2	Uniqueness
FEEDBACK		0.3752	0.8480
KNOWLEDGE	0.4942		0.7350
INCLUSION	0.5153		0.7323
COOPERATION	0.3347		0.8139
MONEV		0.3281	0.8772

The Kaiser-Meyer-Olkin measure of sampling adequacy, where the average value lays below 70%, also indicates that the data are not convenient for FA application (see Table 20). Therefore the decision was made to continue the data analysis with all five components of project management, as extracted by the PCA.

Table 20

*Kaiser-Meyer-Olkin measure of sampling adequacy*

Variable	KMO
FEEDBACK	0.6002
KNOWLEDGE	0.6018
INCLUSION	0.5685
COOPERATION	0.6662
MONEV	0.6523
Overall	0.6095

## APPENDIX D

## Participants' Answers

The appendix D presents the original, non-weighted answers to the survey questions. Presenting the raw data enables direct insight into all questions and answers and therefore allows better understanding of specific differences that exist between the two types of projects. Additionally, some of the questions that were not included to form the five components of project management (please see section 6.2.) are also presented, and they may be highly helpful for the proper understanding of the results.

**Feedback**

Table 21

*Survey question number 25*

Answers	GIZ	GIZ IS
It is assumed that your donor sends you feedback on your project report. If that is the case, what is your view on the following statements:		
The project receives feedback in a timely manner		
1	1.49% (2)	19.23% (10)
2	16.42% (22)	10.38% (21)
3	24.63% (33)	19.23% (10)
4	11.94% (16)	3.95% (2)
5	23.13 (31)	9.62% (5)
6	5.22% (7)	-
7	17.16% (23)	7.96% (4)
The feedback contains clear recommendations for project implementation improvements		
1	1.49% (2)	9.62% (5)
2	13.43% (18)	59.62% (31)
3	27.61% (37)	7.69% (4)
4	9.70% (13)	7.69% (4)
5	16.42% (22)	7.69% (4)
6	11.94% (16)	-

7	19.40% (26)	7.69% (4)
The feedback presents a great learning source		
1	1.49% (2)	9.62% (5)
2	6.72% (9)	21.15% (11)
3	23.88% (32)	40.38% (21)
4	15.67% (21)	9.62% (5)
5	17.91% (24)	9.62% (5)
6	12.96% (17)	1.92% (1)
7	21.64% (29)	7.69% (4)
1) Note. 1 = Completely true; 2 = True; 3 = Somewhat true; 4 = Somewhat false; 5 = False; 6 = Completely false; 7 = N/A		

Table 22

*Survey question number 20*

How often are you obliged to report on the project's progress to your donor?		
	GIZ	GIZ IS
Once a year	75.37% (101)	1.92% (1)
Two to 5 times a year	21.64% (29)	73.08% (38)
More than 5 times a year	2.29% (4)	25% (13)

Note. Financial reporting is excluded.

Table 23

*Survey question number 24a*

Project progress is permanently overviewed by the donor organization		
	GIZ	GIZ IS
1	12.69% (17)	25.00% (12)
2	20.90% (28)	59.62% (31)
3	30.60% (41)	13.46% (7)
4	20.90% (28)	1.29% (1)
5	10.45% (14)	-
6	4.48% (6)	-

Note. 1 = Completely true; 2 = True; 3 = Somewhat true; 4 = Somewhat false; 5 = False; 6 = Completely false

Table 24

*Survey question number 24d*



Donor has enough capacity to properly overview the project's progress											
GIZ						GIZ IS					
1	2	3	4	5	6	1	2	3	4	5	6
1.49%	13.43%	18.66%	32.84%	26.12%	7.46	3.85%	36.54%	28.85%	13.46%	13.46%	3.85%
2	18	25	44	35	%	2	19	15	7	7	2
						10					

Note. 1 = completely true; 2 = true; 3 = somewhat true; 4 = somewhat false; 5 = false; 6 = completely false

## Cooperation

Table 25

Survey question number 5a, 5b, 5c, 7c and 8

Response GIZ Options		GIZ IS
Has the project partner organization been included in the initial formulation of project goals?		
Yes	9.70% (13)	75.00% (39)
No	85.82% (115)	17.31% (9)
I do not know	4.48% (6)	7.69% (4)
Has the project partner organization been included in the initial formulation of project indicators?		
Yes	35.07% (47)	73.08% (38)
No	57.46% (77)	17.31% (9)
I do not know	7.46% (10)	9.62% (5)
Has the project partner organization been included in the initial project proposal writing?		
Yes	29.85% (40)	57.69% (30)
No	59.70% (80)	30.77% (16)
I do not know	10.45% (14)	11.54% (6)
To which extent does the partner organization participates in report writing for donors?		
1	1.49% (2)	3.85% (2)
2	2.99% (4)	13.46% (7)
3	10.54% (14)	15.38% (8)
4	11.94% (16)	5.77% (3)

5	32.84% (44)	19.23% (10)
6	40.30% (54)	42.31% (22)
Your project donor requires that the partner organization supports your progress report(s): (multiple answers possible)		
Through participation in writing parts of the report		
Yes	1.49% (2)	17.31% (9)
No	98.51% (132)	82.69% (43)
By officially signing the report		
Yes	5.22% (7)	53.85% (28)
No	94.78% (127)	46.15% (24)
Through a separate support letter		
Yes	5.22% (7)	9.62% (5)
No	94.78% (127)	90.38% (47)
In formal discussions in presence of donor organization		
Yes	22.39% (30)	26.92% (14)
No	77.61% (104)	73.08% (38)

*Note.* 1 = To a very high extent; 2 = To a high extent; 3 = To a moderately high extent; 4 = To a moderately low extent; 5 = To a low extent; 6 = It does not participate at all.

## Monitoring and Evaluation

Table 26

*Survey question number 10a, 10b, 10c, 22, 18 and 26*

GIZ	GIZ IS
During project evaluations done by an external (independent) or the donor organization: a) evaluators have separate meetings/organize focus groups/interviews with members of project partner organizations	
86.57% (116)	63.46% (33)
b) Members of the partner organization(s) are invited to some of the official project evaluation meetings?	
67.16% (90)	48.08% (25)
c) Members of the partner organization(s) do not formally belong to project evaluation discussions/feedback/wrap-ups	
-	-
If the project does not completely achieve the goals and indicators agreed upon in a timely manner	

a) There are sanctions that are clearly foreseen in the contract					
3.73% (5)			19.23% (10)		
BMZ	BMUB	AA	An int. organization	Non-German gov.	A private company
4.42% (5)	-	-	21.26% (8)	7.69% (1)	100% (1)
b) Goals and indicators have to be redefined					
57.46% (77)			50.00% (26)		
BMZ	BMUB	AA	An int. organization	Non-German gov.	A private company
55.75% (63)	61.54% (8)	75% (6)	37.84% (14)	84.62% (11)	-
c) This situation is not foreseen by the contract					
26.87% (36)			25% (13)		
BMZ	BMUB	AA	An int. organization	Non-German gov.	A private company
28.32% (32)	30.77% (4)	-	32.43% (12)	7.68% (1)	-
All members of the project team					
a) received an official training about the project M&E system					
Yes	53.73% (72)		25.00% (13)		
No	44.03% (59)		71.15% (37)		
I do not know	2.24% (3)		3.85% (2)		
b) are familiar with basic donor's requirements regarding the M&E					
Yes	82.84% (111)		53.85% (28)		
No	13.43% (18)		30.77% (16)		
I do not know	3.73% (5)		15.38% (8)		
Which of the following is true when it comes to sharing your feedback report?					
a) The feedback report, or parts of it, are disseminated among the project staff					
58.21% (78)			65.38% (34)		
b) The feedback report, or parts of it, are shared with the partner organization?					
32.09% (43)			53.85% (28)		
c) The feedback report, or parts of it, are translated into the local language					
19.40% (26)			19.23% (10)		
d) None of the above					

32.09% (43)

7.69% (4)

## Inclusion

Table 27

Survey question number 7a, 7b, 7d and 9

GIZ						GIZ IS					
To which extent would you say that the main partner organization participates in											
a) shaping of future project actions (project steering)											
1	2	3	4	5	6	1	2	3	4	5	6
17.5	40.3%	30.6%	4.5%	5.2%	2.2%	9.6%	53.8%	26.9%	3.8%	3.8%	3.8%
23	54	41	6	7	3	5	28	14	2	2	2
b) implementation of certain project activities											
1	2	3	4	5	6	1	2	3	4	5	6
21.6	41.0%	23.1%	9.7%	2.2%	2.2%	11.5	55.8%	17.3%	5.8%	5.8%	3.8%
29	55	31	13	3	3	6	29	9	3	3	2
c) project monitoring											
1	2	3	4	5	6	1	2	3	4	5	6
5.9	22.4	28.36	17.91	17.16%	8.21%	1.92%	38.46%	17.31%	25.00%	1.92%	15.38%
8	30	38	24	23	11	1	20	9	13	1	8
Your project regularly gathers information about the satisfaction of your partner organization(s) (multiple answers are possible)											
a) through questionnaires sent out											
14.18% (19)						21.15% (11)					
b) during formal meetings, held regularly											
81.34% (109)						76.92% (40)					
c) during informal discussions, but there are no official actions in this direction											
-						-					

Note. 1 = to a very high extent; 2 = to a high extent; 3 = to a moderately high extent; 4 = to a moderately low extent; 5 = to a low extent; 6 = it does not participate at all.

Table 28

Survey question number 11c

When facing time and capacity constraints it is more important to focus on donor requirements than on deeper cooperation with project partner(s)

GIZ	GIZ IS
-----	--------

1	2	3	4	5	6	1	2	3	4	5	6
3.37%	8.96%	16.42%	18.66%	32.09%	20.15%	1.29%	30.77%	9.62%	13.46%	30.77%	13.46%
5	12	22	25	43	27	1	16	5	7	16	7

Note. 1 = to a very high extent; 2 = to a high extent; 3 = to a moderately high extent; 4 = to a moderately low extent; 5 = to a low extent; 6 = it does not participate at all.

## Knowledge Management and Learning

Table 29

Survey question number 12a-d, 14a-c, 15a, 15c, and 16a-f

GIZ						GIZ IS					
12. Within your project, there are regularly updated databases of:											
a) good work practices											
1	2	3	4	5	6	1	2	3	4	5	6
16.43%	41.79%	29.10%	2.24%	9.70%	0.75%	1.92%	42.31%	30.77%	5.77%	17.31%	1.92%
22	56	39	3	13	1	1	22	16	3	9	1
b) Lessons learned											
1	2	3	4	5	6	1	2	3	4	5	6
14.93%	47.01%	25.37%	5.22%	6.72%	1.92%	9.62%	55.77%	23.08%	7.69%	1.92%	1.92%
20	63	34	7	9	1	5	29	12	4	1	1
c) listings of experts											
1	2	3	4	5	6	1	2	3	4	5	6
17.16%	42.54%	21.64%	9.70%	7.46%	1.49%	21.15%	63.46%	13.46%	1.92%	-	-
23	57	29	13	10	2	11	33	7	1		
d) contact database											
1	2	3	4	5	6	1	2	3	4	5	6
27.61%	36.57%	20.90%	7.46%	7.46%	-	26.92%	59.62%	11.54%	1.92%	-	-
37	49	28	10	10		14	31	6	1		
14. Please assess knowledge sharing practices within your project, regarding their:											
a) effectiveness of knowledge transfer											
1	2	3	4	5	6	1	2	3	4	5	6
8.21%	27.61%	46.27%	12.69%	5.22%	-	7.69%	36.54%	34.62%	17.31%	3.85%	-
11	37	62	17	7		4	19	18	9	2	
b) procedures foreseen for knowledge sharing											
1	2	3	4	5	6	1	2	3	4	5	6
5.97%	28.36%	41.79%	19.40%	2.99%	1.49%	5.77%	23.08%	50.00%	17.31%	3.85%	-
8	38	56	26	4	2	3	12	26	9	2	
c) how well knowledge sharing culture is developed											
1	2	3	4	5	6	1	2	3	4	5	6
9.70%	25.37%	33.58%	21.64%	7.46%	2.24%	1.92%	3.85%	53.85%	30.77%	5.77%	3.85%
13	34	45	29	10	3	1	2	28	16	3	2
15. Please characterize learning practices on your projects:											
a) Learning takes place through well-established procedures											

1	2	3	4	5	6	1	2	3	4	5	6
14.93%	39.55%	35.07%	8.21%	2.24%	-	19.23%	38.46%	25.00	13.46%	1.92%	1.92%
20	53	47	11	3	-	10	20	13	7	1	1

b) there are established practices to transfer individual learning into organizational learning

1	2	3	4	5	6	1	2	3	4	5	6
9.70%	34.33%	37.31%	13.43%	5.22%	-	3.85%	25.00%	46.15	17.31%	7.69%	-
13	46	50	18	7	-	2	13	24	9	4	-

16. The implementing organization shows strong determination to capture and reuse (e.g. for other projects in the future):

a) lessons learned from the project

1	2	3	4	5	6	1	2	3	4	5	6
22.39%	51.49%	17.16%	5.22	3.37	-	25.00%	53.85%	15.38%	3.85%	1.29	-
30	69	23	7	5	-	13	28	8	2	1	-

b) good work practices

1	2	3	4	5	6	1	2	3	4	5	6
22.39%	51.49%	18.66%	1.49%	5.97%	-	11.54%	55.77%	17.31%	7.69%	7.69%	-
30	69	25	2	8	-	6	29	9	4	4	-

c) listings of experts

1	2	3	4	5	6	1	2	3	4	5	6
8.96%	40.30%	32.84%	11.94%	2.99%	2.99%	7.69%	61.54%	19.23%	7.69%	3.85%	-
12	54	44	16	4	4	4	32	10	4	2	-

d) contact database

1	2	3	4	5	6	1	2	3	4	5	6
8.21%	35.82%	31.34%	17.91%	4.48%	2.24%	3.85%	59.62%	25.00%	7.69%	3.85%	-
11	48	42	24	6	3	2	31	13	4	2	-

e) country-specific knowledge

1	2	3	4	5	6	1	2	3	4	5	6
19.40%	44.03%	25.37%	7.46%	3.73%	-	9.62%	57.69%	26.92%	3.85%	1.92%	-
26	59	34	10	5	-	5	30	14	2	1	-

f) sector-specific knowledge

1	2	3	4	5	6	1	2	3	4	5	6
23.88%	51.49%	17.91%	5.97%	0.75%	-	11.54%	61.54%	19.23%	5.77%	1.92%	-
32	69	24	8	1	-	6	32	10	3	1	-

*Note.* For question 12: 1 = completely true; 2 = true; 3 = somewhat true; 4 = somewhat false; 5 = false; 6 = completely false. For question 14: 1 = excellent; 2 = very good; 3 = good; 4 = fair; 5 = poor; 6 = very poor. For questions 15 and 16: 1 = strongly agree; 2 = agree; 3 = somewhat agree; 4 = somewhat disagree; 5 = disagree; 6 = strongly disagree.