report

DFID Department for International Development

EVALUATION REPORT EV683

January 2008

DFID COUNTRY PROGRAMME EVALUATIONS

SYNTHESIS OF 2006/2007 EVALUATIONS

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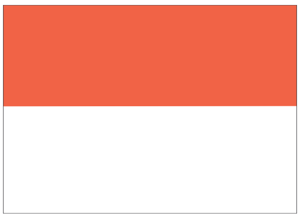
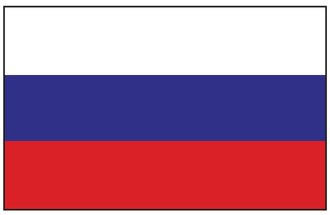
ITAD




AIMS AND METHODS OF COUNTRY PROGRAMME EVALUATIONS

DFID has a rolling programme of Country Programme Evaluations (CPEs) with 5 or 6 evaluations of countries or regions per year. A synthesis report pulling together findings from 5 recent CPEs is also produced annually. CPEs are designed to meet DFID's needs for lessons that can inform future strategy and programming and accountability for funds spent at country level. Each study takes a 5 year time frame, and ideally is undertaken in the year prior to development of a new Country Assistance Strategy (CAP). CPEs are intended for a wide audience including DFID's country office staff and partners, senior DFID managers in the relevant regional divisions and members of the public/ other stakeholders.

Each CPE is managed by DFID's Evaluation Department and carried out by 4-6 independent international consultants with a mixture of evaluation and development skills. CPE reports are quality assured by an independent consultant who has no other involvement in the CPE programme. Within DFID, a Steering Group of Directors oversees the programme, helping to engage the countries to be included each year.

The terms of reference (TORs) for the CPE programme include a generic evaluation framework closely linked to the OECD-DAC evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability; this is customised a little for each individual evaluation. The nature of CPEs means that the relevance and effectiveness criteria are prominent. For CPEs, expectations with regard to each of the evaluation criteria are as follows:

> **Relevance** – CPEs should provide high quality, well evidenced material and judgements on whether 'DFID did the right things'
>
> **Effectiveness** – CPEs should examine key interventions and partnerships and identify and explain successes and failures
>
> **Efficiency** – CPEs should tell a narrative around the allocation of resources (financial and staffing) to deliver the results DFID was hoping to achieve
>
> **Impact** – CPEs cannot produce new information on impacts attributable to DFID, but should consider the DFID's contribution to long term outcomes.
>
> **Sustainability** – CPE should discuss the evidence suggesting progress towards sustainability in terms of ownership of reforms, capacity development and resilience to risks.

Typically CPEs comprise a one week inception mission to the country to make contacts, scope the boundaries of the evaluation, customise the evaluation matrix and make decisions around issues such as field visits. The main CPE fieldwork then takes place around a month later and lasts up to three weeks.

DFID's Evaluation Department provides each evaluation team with a large documentary evidence base comprising strategies, project/ programme information and context material sourced from a thorough search of paper and electronic files, DFID's intranet system and the internet. During the fieldwork the team undertake interviews with stakeholders in country and current and present DFID staff. A list of people consulted is annexed to each study. Other tools such as survey instruments, focus groups and field visits are used to a limited extent on occasion.

EVD places considerable emphasis on involving country office staff in the CPE process, with emerging findings presented at the end of the main field visit and written comments invited on draft reports. However, this does not mean that the country office will necessarily agree with all the findings and recommendations. The views expressed in the text are those of the independent authors and the country office can comment on these in a 'management response' which is printed within the Evaluation report.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

Evaluation Report 683

Country Programme Evaluations Synthesis of 2006/07 Evaluations

Julian Barr and Charlotte Vaillant

ITAD

January 2008

Preface

DFID's Evaluation Department commissions a series of Country Programme Evaluations (CPEs), with at least five being undertaken each year. The studies are intended to improve performance, contribute to lesson learning and inform the development of future strategy at country level. Collectively the CPEs are important in terms of DFID's corporate accountability and enable wider lessons across the organisation to be identified and shared.

The current report draws out wider lessons from five CPEs carried out in 2006 and 2007 which covered the period 2001-2006. The countries included in the synthesis report are Kenya, Indonesia, Vietnam and Russia, plus India's West Bengal State Programme which has a similar budget to many country programmes and was evaluated in the same way. Several CPEs from the same period were not included – the Caribbean regional evaluation was held back to be synthesised in 2008 as one of a group of regional evaluations and Nepal will be included in the 2009 synthesis report which will focus on fragile states.

The countries included in this report do not form a natural grouping, however on analysis it was found that a number of themes were common to many of these countries. Thus this synthesis has centred on the following five areas:

1. Analysis and planning in an environment where Government is likely to change

2. Scaling up

3. Managing programmes as countries progress to middle income country status

4. Ways of working in the policy domain and measuring its effectiveness

5. Working in partnership and recognising the costs of harmonisation

The synthesis report was written by two consultants from ITAD Ltd., who also worked on individual studies included in the synthesis report. The process was managed by Kerstin Hinds, Iain Murray and Karen Kiernan of Evaluation Department (EvD). An internal group in DFID commented on report drafts to ensure policy relevance; this comprised of Liz Ditchburn, Tim Williams and Nick York. Thanks are due for these contributions, and for the input of our external quality assuror whose comments were very valuable.

With a synthesis report, recommendations can be quite broad and cut across different areas of the organisation. The recommendations in this report have all been allocated 'owners' within DFID and will be followed up – we are very grateful to those who have accepted recommendations, including staff at Director level. We hope the findings prove useful to the organisation.

Nick York

Head of Evaluation Department

ACKNOWLEDGEMENTS

This report has been prepared by Julian Barr and Charlotte Vaillant from ITAD, synthesising the reports produced by teams from ITAD and DFID, who evaluated DFID's country programmes in Indonesia, Kenya, Russia, Vietnam and the West Bengal State Programme. We would also like to thank DFID's external reviewers for their very constructive comments, Dr Hilary Thornton for quality assurance, and the Evaluation Department CPE team for their consistent support and guidance throughout the evaluations and the synthesis – Kerstin Hinds, Iain Murray, and Karen Kiernan.

However, full responsibility for the text of this report rests with the authors. In common with all evaluation reports commissioned by DFID's Evaluation Department, the views contained in this report do not necessarily represent those of DFID or of the people consulted.

Acronyms and Abbreviations

ADB	Asian Development Bank
APPR	Annual Plan and Performance Review
BHC	British High Commission
BRIC	Brazil, Russia, India, and China
BRICS	Brazil, Russia, India, China, and South Africa
BS	Budget Support
CAP	Country Assistance Plan
CIDA	Canadian International Development Agency
CGA	Country Governance Assessment
CGI	Consultative Group on Indonesia
CPE	Country Programme Evaluation
CPIA	Country Policy and Institutional Assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
CPV	Communist Party of Vietnam
CSP	Country Strategy Paper
DDP	Director's Delivery Plan
DFID	Department for International Development, UK
DFIDK	DFID Kenya
DFIDR	DFID Russia
DFIDV	DFID Vietnam
DoC	Drivers of Change
DPA	Development Partnership Arrangement
DSF	Decentralised Support Facility
DWG	Decentralisation Working Group
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ERS	Economic Recovery Strategy (Kenya)
EvD	Evaluation Department, DFID
FCO	Foreign and Commonwealth Office
GBS	General Budget Support
GJLOS	Governance Justice Law and Order
GNI	Gross National Income
GNP	Gross National Product

GoK	Government of Kenya
GoWB	Government of West Bengal
GoV	Government of Vietnam
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HQ	Head Quarters
IDA	International Development Assistance
IMF	International Monetary Fund
INDOPOV	Indonesia Poverty Analysis Program
IRAI	IDA Resource Allocation Index
LIC	Low Income Country
LIP	Low Intensity Partnerships
M&E	Monitoring and Evaluation
MDBS	Multi-Donor Budget Support
MDF	Multi-Donor Fund
MDG	Millennium Development Goal
MEFF	Multilateral Effectiveness Framework
MFP	Multi-stakeholder Forestry Programme
MIC	Middle Income Country
MoFin	Ministry of Finance
MoH	Ministry of Health
MoHA	Ministry of Home Affairs
MPRS	Malawi Poverty Reduction Strategy
MTDP	Medium Term Development Plan (Indonesia)
MTEF	Medium Term Expenditure Framework
NAC	National Aids Commission
NAO	National Audit Office
NGO	Non Government Organisation
NTP	National Targeted Programme
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
PAPAP	Poverty Analysis and Poverty Advice Support Programme
PEP	Political Empowerment Programme
PGAE	Partnership Group for Aid Effectiveness
PRBS	Poverty Reduction Budget Support
PRS	Poverty Reduction Strategy

PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSA	Public Service Agreement
PSE	Public Sector Enterprises
SAP	State Assistance Programme
SBS	Sector Budget Support
SEDP	Socio-Economic Development Plan (Vietnam)
SGDP	State Gross Domestic Product
SPRBS	State Poverty Reducing Budget Support
SSP	State Strategy Paper
SWAp	Sector Wide Approach
TA	Technical Assistance
UK	United Kingdom
WB	World Bank
WHO	World Health Organisation
WTO	World Trade Organisation

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Executive Summary

S1 This report is a synthesis of Country Programme Evaluations (CPEs) undertaken in Indonesia, Kenya, Russia, Vietnam, and West Bengal state in India[1] in 2006/07. The evaluations covered the period 2001 – 2006. Together, these five country programmes represent 8 – 10% of DFID's total bilateral spend over the period – over £870 million.

S2 The report is in three main parts: context, which provides a brief overview of the development situation in the five countries, as well as of the changing aid environment over the period and DFID's responses to that; (ii) the synthesis of findings and lessons – this aims to draw out the common issues from across the five DFID country programmes; and (iii) conclusions and recommendations, which aim to be forward looking.

DFID's contribution and strengths

S3 The CPEs have identified strengths of DFID's country programmes, which emerge as common to a number of these five countries, these include:

- The development of innovative approaches and use of new instruments to deliver growing aid frameworks in non-aid dependent countries – especially in Vietnam and Indonesia. Approaches have included work with multilaterals, use of multi-donor funds and sector programmes, and working with other donors through government. These approaches have also supported DFID's exit strategy in countries that graduated, or were soon to graduate, to middle income status.

- DFID has provided a strong corporate policy framework and clear direction on aid effectiveness and harmonisation, which has been energetically pursued at country level in at least Indonesia, Kenya and Vietnam.

- Relationships with partner governments have matured over the evaluation period, linked in part to the graduation process. DFID has engaged in a long term Development Partnership Arrangement with Vietnam, and established a regular Indonesia-UK Partnership Forum with Indonesia; both aim to promote 'strategic dialogue on bilateral, multilateral and global issues'.

- DFID graduated from Russia in 2007, and although this was carried out rapidly, exit planning was good, and both support to staff and communications with government and partners were commended.

- DFID has benefited from increasing budget allocations from the UK Treasury, and has generally managed to scale up its programmes efficiently. Key scaling factors have included co-financing with large World Bank (WB) programmes, participation in multi-donor funds and large sector programmes, and contribution to budget support. However, there is less evidence available that efficiently scaling up aid volumes has increased impact. Where governance issues have been more challenging, such as in Kenya, scaling up has

[1] West Bengal state programme was evaluated, since following the International Development Select Committee investigation of the India programme, EVD had recently undertaken an internal evaluation of the India programme (evaluation report EV670), and because the state programmes in India have aid frameworks equivalent in volume to those of many country programmes.

been through developing a project portfolio consisting of fewer larger projects.

- DFID's decentralised decision-making structure under country-based leadership with delegated authority is seen as a strength and a key contributor to its flexibility.

- DFID is consistently commended for strong and capable advisory and programme teams, who are professional, innovative and provide intellectual leadership on key development issues. Staff are respected and valued by government and by development partners.

Findings and lessons

S4 Many of the themes found in last year's CPE synthesis were evident again in these CPEs. It was found, for example, that DFID is particularly valued for its flexibility and harmonisation efforts, but is less good at monitoring progress, and communicating with some partners, including civil society. However, this synthesis aims to identify new themes emerging from the five recent CPEs. Thus, the findings in this synthesis are centred on five main areas:

S5 Analysis and planning in an environment where Government is likely to change

- There is over 50% chance that in any given three year CAP period the government of the country in question will change. However, while Drivers of Change analysis and Country Governance Assessments have improved analysis of political economy, Country Assistance Plan formulation lacks sufficiently good forecasting and scenario analysis, particularly in relation to possible consequences for DFID programmes of changes in government and national leadership. It is also important that analysis does not over-emphasise short-term political changes, which may lead to unrealistic assumptions about commitment to reforms.

- There is evidence of strengthening in-country relationships between DFID and the British High Commission / Foreign and Commonwealth Office (FCO). This will become increasingly important as the achievement of development aims becomes more deeply embedded in British foreign policy and wider cooperation goals with third countries.

- Donors have tended to see Poverty Reduction Strategy Papers (PRSPs) as technocratic documents with little linkage to countries' domestic politics. There is a risk for DFID of aligning its country strategies closely with PRSPs without properly understanding the political context and the consequences that this may have on progress (or the lack of progress) in poverty reduction.

- Countries' policy and governance performance affect the level of DFID's bilateral aid allocations. DFID can reduce allocations where performance is poor, but this is reactive. Developing high and low case assistance options provides a means for country programmes to vary resource allocation against policy performance targets. However, this is not predictive, and risks being driven by analysis of shorter-term political and policy performance factors and unrealistic assumptions about the ability or will of governments to deliver on (election) promises. Decisions need to be grounded in political economy analyses with a longer-term view.

S6 Options for scaling up

- DFID faces the dual challenge of managing development assistance volumes increasing by an annual 10%, while simultaneously meeting the internal requirement to reduce its staff complement. Options for scaling up also need to be considered in the context of the Paris Declaration on aid effectiveness. From the Vietnam experience it can be seen that efficient approaches to scaling up include elements of well-monitored budget support and co-financing large development-bank led projects. However large donor-led bilateral projects running outside government structures are not an effective approach, and can have high transaction costs and little policy traction.

- In Indonesia, DFID used two approaches to scaling up operations before graduation - Low Intensity Partnerships (LIPs), and a high intensity governance support fund for decentralisation. It was found that for LIPs to be effective, higher levels of DFID engagement than planned for might be necessary, and the decentralisation support fund did not prove to be a suitable vehicle for supporting existing successful programmes.

- In Kenya, the aid framework fluctuated between £25 and £64 million per annum. This fluctuation, with implications for programme effectiveness, DFID's reputation and relationships, suggests that a sound basis for making judgments about scaling up or down was lacking. In a challenging governance context, DFID managed a predominantly project portfolio, with cautious movement into sector wide approaches. Sector approaches and a successfully cleansed portfolio with fewer, larger projects provide scope for easier scaling up.

- The West Bengal programme was able to scale up rapidly following the arrival of a more reform-oriented government, through having a suite of ambitious sector programmes in key reform areas already at design phase and through responding flexibly and quickly to new reform measures, such as public enterprise restructuring.

- Across the four countries with growing aid programmes, there is a sense that scaling up has not always been preceded by good evidence of impact and effectiveness. Scaling up has been a strategic decision, which has required new ways to deliver greater aid volumes. Having started to scale up, there has been insufficient attention to performance assessment in relation to validating year-on-year increases in aid frameworks.

- Most scaling up has consisted of new activities, partly to pursue the opportunity of working more closely with development partners, but mainly to progress to use of new aid instruments.

- However where DFID has remained committed despite reform seeming elusive, such as earlier in West Bengal, and in the education sector in Kenya, it has been able to influence important reforms and offer strong results. DFID should seek more opportunities to build on existing relationships, knowledge and successes in scaling up its programmes.

S7 Graduation - managing country programmes as countries progress to middle income country (MIC) status[2]

- Progression towards graduating country programmes and country offices was largely governed by countries' attainment of, or movement towards, MIC status. Russia was already a MIC when DFID drafted its first country strategy paper in 1998, and Indonesia reached MIC status during the evaluation period.

- The decision to close the Russia country office was taken only months after the programme had decentralised to Moscow in 2003. DFID failed to foresee this eventuality, not properly considering two high level factors when deciding to devolve the office: the consequences of the Public Service Agreement (PSA) target on allocating 90% of ilateral spend to Low Income Countries and the new BRICs agenda[3]. Having taken the decision to close the Russia office, DFID moved decisively and communicated effectively to staff. Nonetheless, more critical analysis might have led to the Russian programme not following the devolution trend.

- The Indonesia country programme's move towards graduation has been less successful.The evidence is that the aim to work primarily through other development partners and proxy relationships, and the related choice of instruments has driven strategic decisions about the shape of the country programme's graduation phase. There has been insufficiently rigorous assessment of the likely costs and benefits of new instruments.

- DFID's Good Practice Principles for transforming or closing bilateral programmes contains very salient advice on graduation. This advice, and that of the International Development Select Committee, is to communicate graduation plans to recipient governments as far in advance as possible so that they can prepare for reduced aid flows, and changes in the nature of engagement.

- Excellent communication is essential for effective graduation. The International Development Select Committee and the Vietnam CPE recommended that in Vietnam, DFID should have a clearly defined exit strategy which communicated to government "*the best information available to it to enable it to plan properly for reduced aid flows*". This requirement for good information on graduation, communicated well in advance of exit, holds for other country programmes facing graduation in the short to medium term.

- A key graduation strategy is to shift to working only through multilateral partners. However, a number of DFID's country level successes are the result of long term bilateral engagements which have demonstrated results and built networks and political capital sufficient to influence policy change, such as the Multi-stakeholder Forestry Programme

2 DFID's classification of aid recipient countries by income groups is based on GNI per capita figures in 2004 according to the thresholds set out below. These thresholds are identical to those used by the World Bank as follows: low income group: countries with a GNI per capita in 2004 of $825 or less; lower middle income group: countries with a GNI per capita in 2004 of $826 or above but not exceeding $3,255; upper middle income group: countries with a GNI per capita in 2004 of $3,256 or above but not exceeding $10,065; high income group: countries with a GNI per capita in 2004 of $10,066 or above.

3 Issues such as those of a geo-political, trade and environmental nature that are related to the significant economies of Brazil, Russia, India, and China.

(MFP) in Indonesia. Building on these successes is more difficult if operating only through multilaterals. This represents a challenge for DFID.

- As DFID increasingly becomes removed from direct project interventions, different approaches to M&E are required – ones that are meaningful in the context of new, multi-donor instruments, and that track performance of programmes co-financed with the multilateral development banks.

- India is not forecast to reach MIC status until 2013, and is currently consulting for its next CAP. Statements made in the West Bengal State Assistance Plan regarding future programme options, including possible expansion to accelerate progress towards the MDGs before planning graduation need to be revisited as part of this.

- India and Russia are BRICs nations, Vietnam and Indonesia are in the N-11 group of next 11 countries with BRIC-type profiles. Credit is due to DFID for moving towards more mature relationships with these countries; for example, discussion with Indonesia on non-aid development issues such as extractive industries, illegal logging, and climate change, and in Vietnam through the Development Partnership Arrangement. One further example of maturation is the development of the shared FCO/DFID objective in Vietnam to work towards a joint UK Strategy.

S8 Ways of working in the policy domain, and measuring its effectiveness

- An appropriate reading of the context and assessment of the level of country ownership are needed to support the right approach to policy engagement. DFID's new approach to successful partnership for poverty reduction as laid out in its 'rethinking conditionality' paper, resonates with the main points emerging from the five CPEs.

- Ongoing discussions within DFID to 'projectise' policy dialogue activity should help to measure the efficiency of DFID's policy engagement and capture best practice. Four lessons on policy engagement are drawn from the five CPEs covered in this synthesis. Policy engagement is likely to effective when:

  - it promotes evidence-based policy-making
  - non-state domestic stakeholders are involved in the policy cycle and processes
  - it is targeted, sequenced, and long-term
  - it is based on clear channels of communication

- DFID's comparative advantage in policy influencing does not necessarily correlate with expenditure – the influence derived from its high quality analytical inputs, as in Vietnam and Indonesia, has been very important. Long-term capacity building assistance to support national statistical centres is also seen as an advantage, as in Kenya.

- Country programmes that focus on both supply and demand side governance have shown good results. The participation of non-state actors, including local consultants, in programmes has also been instrumental in shaping policies (Kenya, Indonesia, Russia).

- Evidence shows that General Budget Support (GBS) helped to cover the cost of implementing reforms in priority sectors. It has also provided a platform for policy dialogue between governments and donors. But it is targeted assistance in specific sectors or areas that has shown better potential for policy influencing at an operational level. For policy influencing to be effective, strategies need to be unpacked so that the right sequence of policy changes can be identified and supported. Long-term involvement is also crucial for donors to build knowledge and relationships and in so doing identify opportunities and respond to them effectively.

- Technical input also works better as an influencing tool when complemented by capacity building support and/or capital investment. Good practice includes Kenya's twin-track approach in the health sector.

- Policy influencing requires clear channels of communication between government and donors whether at a bilateral level or in a multilateral setting. The Indonesia CPE recommends that DFID maintain direct engagement with the government, despite its preference for low intensity partnerships. The Vietnam CPE recommends that when working in a multi-donor setting, DFID should be clear as to which key reforms its support is targeted at and where it will look to assess progress.

S9 Working in partnership with other development partners and the transaction costs of harmonisation

- DFID country offices have actively sought to work in partnership with other development partners. The WB has been a prime partner, but DFID has worked with a range of other donors, and in a range of partnership arrangements.

- Both low-intensity and high-intensity partnerships have worked well in some situations, but less well in others. But these experiences have yet to be captured in a systematic manner across DFID country programmes to provide guidance for future programming.

- Delegated partnerships were predominantly used in Indonesia, and to a lesser extent, Vietnam. They reduce the work of collaborating for silent partners, as well as for the recipient ministry. They can also increase DFID's policy leverage through working with more influential partners. However, they also come with opportunity costs - as partners may not share the same policy emphasis, or may have limited capability, or different management/incentive structures. Visibility and claim for attribution can also be lost, affecting the ability to advocate.

- DFID has often been instrumental, as in Vietnam, in building consensus in the donor community. However multi-donor mechanisms can be highly internally focused and process-orientated, and maintaining effective communication amongst development partners can be challenging. In Kenya, DFID led the donor sub-group on anti-corruption, but effort was mainly expended on forging a consensus across donors, with consequent lack of focus on implementation.

- DFID may be actively engaged in policy dialogue but is rarely the one to administer joint donor funding mechanisms. As a result, its use of multi-donor trust funds has freed up significant staff time previously dedicated to the day-to-day administration of projects. Meanwhile, time dedicated to dialogue and coordination with other development agencies has increased. Influencing skills have become essential, and so have advisory inputs.

- Staff requirements have changed as a result of the harmonisation agenda. Limited access to advisory inputs at senior level has proved an obstacle in most CPE countries. Recognising their contribution as a development rather than administrative cost may be necessary. The relationships between lead advisers and programme managers also need to be clarified.

Recommendations

…on analysis and programme planning where Government is likely to change

- DFID in-country Governance Advisers should ensure that Country Governance Assessments are completed prior to the development of CAPs, and that these, together with Drivers of Change analysis, lead to better understanding of political context. This relates to both structural and institutional dimensions which require long-term engagement, and to new or short-term opportunities.

- The governance team in DFID's Policy and Research Division should complete the piloting of the suite of political risk assessment tools, and Senior Managers should ensure that relevant tools are rolled out to Country Offices, to be used, under the lead of the Governance Advisors to feed into strategy processes.

- DFID Country Offices should become better at examining possible future political and related development trajectories and identifying appropriate options for programming in relation to these. Scenario planning should be encouraged in the early drafting of CAPs. DFID Headquarters should ensure that appropriate guidance on scenario planning is available to Country Offices, and that Country Offices should ensure they have the necessary capacity and skills in this area

- DFID Country Heads and Senior Managers in UK should ensure country programmes develop and/or maintain close links with the FCO so that they maximise intelligence on political change that might affect achievement of programme aims. It is suggested that Country Heads should involve the FCO in the part of CAP development specifically related to scenario planning for political change.

…on graduation

- DFID should ensure that decisions about office devolution take into account long term plans for country presence, and other relevant factors such as economic trends, geo-politics, and PSA targets.

- Good graduation and responsible exit are very important for DFID – they affect the sustainability of investments to date and future reputation and country relationships. DFID Country Offices should be encouraged to consider as early as possible their graduation process and exit strategy as core to country planning.

- The Aid Effectiveness and Accountability Team should be responsible for ensuring DFID's Good Practice Principles for Transforming or Closing Bilateral Programmes are systematically updated with new lessons as DFID's operations change and programmes are closed, and that the Principles receive wider and higher profile circulation within the department.

… on working in the policy domain

S10 Understanding the context and assessing the quality of partnership with the government is essential in determining policy engagement at a strategic level:

- Country Offices could gain from a more regular periodic assessment of progress against the partnership benchmark indicators laid out in the practice paper on implementing DFID's conditionality policy.

S11 The whole range of DFID's aid interventions can have an influence on domestic policy - whether directly through government assistance or indirectly through projects or through engagement with non-state actors.

- As the move upstream continues, the Aid Effectiveness and Accountability Team should seek ways of assessing the effectiveness of DFID's policy engagement/dialogue in a more systematic manner. Special emphasis should be given to new aid delivery mechanisms, including general budget support. This will help Country Offices identify the main comparative advantages they bring to the policy table.
- Policy engagement should only be recognised as effective if issues raised up the agenda lead to positive changes in the pace and shape of reforms. It will also be necessary to acknowledge the possibility of donors unduly (and negatively) influencing the country's policy-making process.

… on working in partnership

S12 Although overarching tools for working with other development partners, such as the Multilateral Effectiveness Framework, exist at headquarters level, practical guidance hardly exists at country level, and it is often left to DFID Country Offices to select what they see as the most appropriate partnership(s) with other development partners:

- DFID country offices should discuss choices of multilateral partners with International Division and the importance of this should be emphasised in CAP guidance.

S13 DFID's ways of working have changed significantly with increased emphasis on harmonisation as part of improving aid effectiveness. For example, harmonisation – when administered by other donors – has proved to be a significant time saver and a relatively easy way of frontloading aid. At the same time, harmonisation efforts have increased staff time allocated to policy and advisory work. A clearer picture is needed:

- In line with the recommendation of the OECD-DAC 2006 Survey on Monitoring the Paris Declaration to donor countries, DFID's Finance and Corporate Performance Division should encourage innovative procedures to "projectise" the new types of activities closely associated with harmonisation within and outside specific programmes.

- The opportunity costs associated with multi-donor partnerships should be assessed and where possible, addressed – for example, loss of visibility might be tackled by external communication initiatives.

Introduction

1.1 DFID's model of bilateral aid was commended in the Organisation of Economic Cooperation and Development, Development Assistance Committee (OECD DAC) Peer Review[4] as one of the most appropriate in the evolving world of development co-operation. The UK Government's Comprehensive Spending Review (CSR) released in October 2007, indicates that funding for DFID will rise by an average of 11% in real terms, to £7.9 billion a year by 2010-11 3). This represents a quadrupling of aid between 1997 and 2010 – one of the fastest growth rates amongst UK government departments. With Gershon headcount targets[5], DFID is under increasing pressure to spend effectively and efficiently in pursuit of poverty reduction and the Millennium Development Goals (MDGs). It must deliver relevant aid programmes in increasingly difficult and fragile environments, cover a broad agenda, including climate change and trade[6], and be largely focused on the poorest and least developed countries. This report contributes to DFID's current agenda through synthesising the findings from evaluations of five DFID bilateral programmes. It seeks to extract common findings and lessons to inform DFID's operations and future direction.

1.2 DFID's Evaluation Department (EvD) has been commissioning Country Programme Evaluations (CPEs) since 2003. The established CPE programme now results in approximately five individual CPE reports and a synthesis report being published annually and placed in the public domain. The history of CPEs is related in last year's CPE synthesis report[7]. In essence, CPEs were instigated in response to recommendations in a National Audit Office study of performance management in DFID[8] which suggested that DFID needed to improve its country level performance assessments. The CPEs provide important accountability and lesson learning functions for DFID. The primary audience for the evaluations is the UK government and DFID senior managers including heads of country offices. The evaluations are broadly based on the OECD DAC evaluation criteria[9] of relevance, effectiveness, efficiency, impact and sustainability.

1.3 This report presents a synthesis of five CPEs conducted during 2006-2007: in Indonesia, Kenya, Russia, Vietnam and West Bengal state[10]. Indonesia, Kenya and West Bengal were part of the on-going series of five CPEs conducted each year for EVD by an independent team of evaluators. Vietnam was evaluated in response to a specific request from DFID Vietnam (DFIDV) by an in-house team from EVD assisted by two consultants, and the Russia CPE was carried out by a separate group of consultants. Both the latter evaluations used variations on the standard CPE approach.

1.4 The report is in three parts. The first part sets the context, providing an overview of the changing aid environment, the changes in DFID policy and priorities over the period, and a

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[4] DAC (2006) *DAC Peer Review: Review of the Development Cooperation Policies and Programmes of the United Kingdom, Main Findings and Recommendations*. OECD, Paris.

[5] *Releasing resources to the front line. Independent Review of Public Sector Efficiency*. Sir Peter Gershon (2004). HM Treasury. TSO, London

[6] Cabinet Office (2007). Capability Review of the Department for International Development.

[7] Barr, J. and Barnett C. (2006). *DFID Country Programme Evaluations. Synthesis of 2005/06 evaluations*. DFID

[8] *Department for International Development: Performance Management – Helping to Reduce World Poverty*. (2002). NAO. TSO, London.

[9] DAC Criteria for Evaluating Development Assistance, http://www.oecd.org/document/22/0,3343,en_2649_34435_2086550_1_1_1_1,00.html

[10] West Bengal, though not strictly a country, was reviewed using the CPE approach as DFID the state programme is based on a State Assistance Plan analogous to a Country Assistance Plan.

summary of the five country development assistance contexts. The second part presents the synthesis of findings and lessons. It draws out more general conclusions based on evidence from the five CPE reports with specific illustrations from the original reports. The third section then sets out key recommendations and discussion points for the future preparation, implementation and evaluation of country programmes. The report focuses on five thematic areas:

- Working and planning in an environment where government is likely to change
- Managing country programmes as countries progress to middle income country (MIC) status
- Options for scaling up
- Ways of working in the policy domain and measuring its effectiveness
- Working in partnership with other development partners and the costs of harmonisation.

The aim of this report is to contribute to ongoing discussions on themes that bear a strong resonance at corporate and field level. The main limitation of this report is that it draws findings and lessons and makes recommendations on the basis of five varied DFID country / state programmes. The authors have made occasional reference to other country programmes.

2 Setting the context

The International and Corporate context

2.1 Much of the context to the Country Programme Evaluations in this synthesis is common to the context in last year's synthesis. The international development context, and DFID's own corporate context are largely the same. Internationally, the majority of developing countries have encapsulated their development and poverty reduction priorities in Poverty Reduction Strategy Papers (PRSPs). However, the Paris Declaration on Aid Effectiveness is changing the way donors and governments approach aid and how they relate to each other. In line with aid effectiveness objectives, the use of aid instruments is changing, with a large volume of aid shifting away from delivery through bilateral projects towards a programme-based approach[11] and multi-donor funding; and official development assistance (ODA) is being seen in the context of a richer set of relationships that include trade, migration, remittances, climate change, and counter terrorism.

2.2 Corporately, DFID is being challenged to find new and more effective ways to reduce global poverty. In pursuit of the UK's ODA contributions reaching the target of 0.7% of gross national income (GNI), DFID continues to benefit from budget awards from the UK Treasury that are increasing faster than inflation. Simultaneously, civil service head count targets mean that DFID has fewer staff to administer and advise on this increasing aid framework. DFID continues to lead on aid effectiveness activities in many countries, with staff changing roles away from project design and oversight to strategic policy influencing roles. DFID's approach to poverty reduction, as defined by three consecutive White Papers (1997, 2000 and 2007), has also evolved to entail stronger emphasis on public policy; the third White Paper[12] puts governance at the centre of DFID's work – focusing on building capable and responsive states, accountable to their citizens.

2.3 With DFID's overall budget rising, country programme allocations have also tended to rise. In the five countries in this synthesis, with the exception of the Russia programme[13], there has been a strong upward trend in the size of the bilateral programmes over the five years of the evaluation period (Table 1). All five countries have used PBAs and multi-donor funding to scale up their support. Of the five, only in Vietnam has general budget support become an important instrument.

[11] The OECD-DAC defined Programme-Based Approaches (PBAs) as "a way of engaging in development cooperation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organization". PBAs typically include General Budget Support, Sector Budget Support and projects integrated in Sector-wide Approaches (SWAPs).

[12] DFID (2006). *eliminating world poverty – making governance work for the poor.* A White Paper on International Development.

[13] The Russia programme all but closed in the period. Only a small programme focused on issues of global significance remained.

Table 1. Total DFID bilateral programmes

Country	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07 (est)
Kenya	47.4	24.9	44.0	25.8	35.2	62.7	65
Indonesia	..	16.5	19.9	17.4	33.9	58.1	60.6
Vietnam	..	15.8	18.5	23.3	40.4	57.5	52.4
West Bengal	7.3	12.5	9.3	20.9	28.7	29.9	34.0
Russia	26.1	22.6	26.8	24.5	15.1	5.7	5.9
Total of 5 countries	80.8	92.3	118.5	111.9	153.3	184	217.9
TOTAL DFID	1096	1,141.0	1,745.90	1,935.10	2,110.90	2,502.00	2,561.80
5 countries as % of Total	7.4%	8.1%	6.79%	5.78%	7.26%	7.35%	8.51%

Source: DFID/National Statistics, Statistics on International Development 2002/03-2006/07, 2007.

Country contexts

2.4 The five countries covered by this evaluation synthesis report are diverse and include varying levels of poverty and development (see Annex 1).

2.5 With the exception of Kenya, the five countries in this synthesis are not amongst the poorest in which DFID operates (Table 2), and those which are classified as low income have been making good progress on poverty reduction and the Millennium Development Goals (MDGs). Russia is a Middle Income Country (MIC)[14] and Indonesia reached this status during the evaluation period. Vietnam and India as a whole are forecast to progress to MIC status within the next 5 – 6 years. Thus, due to DFID focusing its bilateral programmes in low income countries, graduation from country programmes has been an important theme in these CPEs.

Table 2. Human Development Indices and World Bank Economic Classification

Country	Human Development Index Ranking (2006) [/177]	Economic / Income classification*
Russia	65	Upper Middle
Indonesia	108	Lower Middle
Vietnam	109	Low Income
West Bengal (India)[15]	126	Low Income
Kenya	152	Low Income

* World Development Indicators database (July 2006)

2.6 As a whole these countries are not aid-dependent (Table 9, Annex 2). Russia is a middle income country and not aid-dependent, and official development assistance (ODA) makes up less than 1% of gross national income (GNI) in Indonesia and India (including West Bengal). Aid constitutes only 4% of GNI in Vietnam and Kenya, which is still relatively low when compared with neighbouring countries such as Cambodia and Uganda, where aid constitutes 9.1% and 14% of GNI respectively.

[14] DFID's classification of aid recipient countries by income groups is based on GNI per capita figures in 2004 according to the thresholds set out below. These thresholds are identical to those used by the World Bank as follows: low income group: countries with a GNI per capita in 2004 of $825 or less; lower middle income group: countries with a GNI per capita in 2004 of $826 or above but not exceeding $3,255; upper middle income group: countries with a GNI per capita in 2004 of $3,256 or above but not exceeding $10,065; high income group: countries with a GNI per capita in 2004 of $10,066 or above.

[15] This figure is for India as a whole. Comparable data at state level were not available, and thus India is presented as a proxy.

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ountry Programme Evaluation synthesis (2006/07)

2.7 In addition to the low share of GNI that comes from aid in these five countries, DFID is not one of the larger players in terms of aid spending in at least three of them (Table 10, Annex 2). DFID has provided only two and three percent of ODA to Indonesia and Vietnam respectively over the evaluation period. This has however not prevented DFID from developing a close relationship with the Government of Vietnam and becoming an influential donor. DFID's contributions to Kenya represent an average of 12% of ODA over the evaluation period, and for West Bengal, where very few donors operate, this figure is 25%, although it should be noted that in West Bengal, as in India as a whole, ODA is a very small proportion of GNI.

2.8 Two of the five countries are MICs, and two are making fast progress in that direction. DFID has identified that political institutions may be weak in MICs – many are not well-functioning dynamic democracies, and suffer from serious governance deficits including political exclusion, poor representation of citizen's interests, and low levels of confidence in state institutions[16]. Thus the governance environment in some of the five countries presents a challenge to DFID in designing and managing its country programmes (Table 3).

Table 3. Corruption and Governance Indices

Country	Corruption Perception Ranking* (2006) [/163]	IDA Resource Allocation Index (IRAI) and Country Policies and Institutional Assessments (CPIA)[17]**				
		Economic mgt	Structural policies	Social policies	Public sector mgt & institutions	Governance rating
West Bengal (India)[18]	70	4.2	3.7	3.7	3.7	3.7
Vietnam	111	4.7	3.3	3.9	3.5	3.5
Russia[19]	121	n/a	n/a	n/a	n/a	n/a
Indonesia	130	4.3	3.7	3.5	3.2	3.2
Kenya	142	4.2	3.8	3.2	3.4	3.4

* Transparency International (2006), from 1 - the best, to 163 - the worst, performing countries.
**IRAI & CPIA scored on a scale of 1 (lowest) to 6 (highest)

2.9 Kenya experienced a number of high profile cases of grand corruption during the evaluation period, and it features near the bottom of the Transparency International Corruption Perception Index table. Vietnam, Russia and Indonesia are all in the bottom third of the table, though Vietnam and Indonesia have moved up the table over the evaluation period, with levels of corruption now perceived as lower. In 2001, Vietnam was ranked =75th/91, Russia =79th, Kenya =84th, and Indonesia =88th.

16 DFID (2004). *Achieving the Millennium Development Goals: The Middle-Income Countries A strategy for DFID: 2005–2008.*

17 For further details, see the World Bank website: About Us / IDA / Performance Assessments and Allocation of IDA Resources / How IDA Resources are Allocated / 3. Performance Ratings (http://go.worldbank.org/F5531ZQHT0)

18 This figure is for India as a whole. Comparable data at state level are not available, and thus India is presented as a proxy.

19 Russia is not eligible for IDA, and so is not assessed under CPIA/IRAI.

16 DFID (2004). *Achieving the Millennium Development Goals: The Middle-Income Countries A strategy for DFID: 2005–2008.*
17 For further details, see the World Bank website: About Us / IDA / Performance Assessments and Allocation of IDA Resources / How IDA Resources are Allocated / 3. Performance Ratings (http://go.worldbank.org/F5531ZQHT0)
18 This figure is for India as a whole. Comparable data at state level are not available, and thus India is presented as a proxy.
19 Russia is not eligible for IDA, and so is not assessed under CPIA/IRAI.

3 Findings & Lessons

3.1 As was the case in last year's CPE synthesis[20], the five country programmes whose evaluations were selected for this synthesis do not represent a particular themed cluster[21]. The programmes vary in size and focus, and the geographical spread is wide, with the countries varied in their nature and development situations.

3.2 The five CPEs were reviewed for common themes. Many of the common themes identified in the previous year's CPE synthesis were found again this year in the current set of five countries. These included:

- DFID's strength as a donor at the forefront of changing aid modalities
- the appropriate focus of country programmes on key MDG areas
- the flexibility of DFID's response and level of innovation in its programmes

3.3 As well as, the need to:

- pay greater attention to monitoring and evaluation and the results-focus of country programmes
- address the effect of the cluster system of staff movement on country programmes' ability to deliver against the Country Assistance Plan (CAP)
- strengthen DFID's communication on programming decisions to partners
- communicate better with civil society

3.4 However, in this synthesis we aim to identify new themes emerging from the five recent CPEs, not simply to add weight to and reiterate last year's findings. Thus, the findings in this synthesis are centred on five main areas:

- Working and planning in an environment where government is likely to change
- Managing country programmes as countries progress to middle income country (MIC) status
- Options for scaling up
- Ways of working in the policy domain and measuring its effectiveness
- Working in partnership with other development partners and the costs of harmonisation.

[20] Barr & Barnett, ibid.

[21] Syntheses in subsequent years are planned to be themed around issues such as regional programmes and fragile states.

DFID's contribution and its strengths as a donor

3.5 Across the five CPEs, the evaluators have identified a range of areas where DFID has demonstrated strength and leadership. This include:

- Development of innovative approaches and use of new instruments to deliver growing aid frameworks in non-aid dependent countries – especially in Vietnam and Indonesia. Approaches have included work with multilaterals, multi-donor funds, sector programmes, and working with other donors through government. These all start to position DFID for graduation.

- DFID's willingness to innovate, take risks and pioneer new approaches has acted as a catalyst to other donors and helped change their approach to development assistance. This has resulted in a flexible and responsive range of aid instruments, but one which has continued to use project delivery to best effect in difficult and complex environments, where countries' governance performance has been poor.

- DFID has provided a strong corporate policy framework and clear direction on aid effectiveness and harmonisation, which has been energetically pursued at country level in Indonesia, Kenya and Vietnam, and rightly, less so in West Bengal and Russia, where the presence of donors is limited. DFID has been closely associated with aid effectiveness initiatives, often taking the lead. Partnerships and consensus building have been vigorously pursued, primarily to improve aid effectiveness. DFID Vietnam support to United Nations (UN) reform has been used by DFID at corporate level to influence the wider UN reform effort.

- Relationships with partner governments have matured over the evaluation period. New issues such as trade and climate change have joined the agenda. And DFID has engaged in long term agreements – a Development Partnership Arrangements with Vietnam and creation of a forum with Indonesia. The relationship with Russia is now largely focused on larger geo-political issues. Where DFID has graduated – in Russia, exit planning was good, and both support to staff and communications with government and partners was commended, even though the exit was carried out rapidly. DFID's relationship with the Government of West Bengal has also evolved alongside a more mature relationship with the Government of India. In Kenya, however, DFID continues to operate in a difficult environment characterised by challenging governance issues.

- With the exception of the Russian programme, where budget cuts forced a change of direction, DFID has had a clear vision for how it can contribute to development in each of the countries. In West Bengal, there was good continuity between the two DFID strategy papers, which provided a good foundation for scaling up.

- DFID has benefited from increasing budget allocations from the UK Treasury. It has generally managed to scale up its programmes efficiently. The West Bengal programme has scaled up very rapidly, from £7m in 2002/03 to a projected £45m by 2006/07, enabled by factors such as planning a suite of ambitious programmes, grasping reform opportunities presented by a new Chief Minister, and responding quickly and flexibly to requests for support in new reform areas. Flexible funding, including an explicit emphasis on non-earmarked, co-funding with other donors was also seen to add to DFID's value as a development partner in Indonesia.

- Part of DFID's flexibility comes from its decentralised decision-making structure under country-based leadership with delegated authority. Also, unlike most other bilateral donors, where development goals are subsumed within their national foreign policy, DFID stands as a separate department focused on poverty reduction with political support from the highest levels of the UK government.

- DFID is consistently commended for strong and capable advisory and programme teams, who are professional, innovative and provide intellectual leadership on key development issues. Staff are respected and valued by government and by development partners.

Working and Planning in an Environment Where Government is Likely to Change

3.6 This section considers the analysis of country context as part of an assessment of 'Planning and Executing Country Strategies'. In the 2005-2006 synthesis, it was noted that country strategies (i.e. CAPs) must be founded on very sound analyses, and that both Drivers of Change (DoC) type analyses and the new Country Governance Assessments (CGAs)[22] provide opportunities to strengthen the analysis of a country's political economy in particular. DoC analysis can help identify long-term structural factors and informal relationships that shape the behaviour of current actors, and that tend to endure over successive governments. It also helps assess the institutional incentives that drive political behaviour, and therefore what new governments might be expected to feasibly deliver. Similarly, CGAs can help country offices reach a judgment on the broad trajectory of development and change in governance, and the key short and medium term risks in governance, and they provide management with an understanding of historical and strategic context of governance in a given country. The analyses that are important for DFID's country level decision making combine both a longer-term perspective on institutional factors that influence behaviour and shorter-term reform outlook on opportunities.

3.7 CGAs were not an established procedure during the evaluation period for these CPEs, and were therefore not carried out in any of the five countries. However, DoC analysis was found to have been used to good effect in some cases. For example in Kenya, where choices made in the governance programme, such as targeting support towards the judiciary and the Kenya Revenue Authority, can be traced back to the DoC. But the CPEs also found that DFID Vietnam's understanding of corruption issues would have been improved by more use of DoC analysis, and that the West Bengal programme would have benefitted from a DoC analysis as a unifying basis for programme interventions.

3.8 Findings from the five countries considered in this synthesis reveal the need for the political economy and governance analyses that were carried out to also be supported with good forecasting and scenario analysis, relating to possible changes of government and associated major policy shifts, so that DFID can both plan and also respond appropriately, and if necessary, rapidly.

3.9 A multi-country review of analytical work underpinning CAPs[23] found that most offices attempted a change forecasting exercise, though the degree of success varied between countries. Very few offices undertook scenario planning exercises as part of CAP preparation, and in those that did, there was little evidence that they were "*encouraging DFID offices to think systematically about the way their activities look in different futures"*. However, it was found that offices do "*routinely plan for base-case and high-case scenarios*", although this was "*relatively broad-brush type scenario-planning*". Positive examples of scenario planning were given from Burma, where the office wished to work out contingencies for sudden changes in the (national) context; Palestine; and Zambia, where scenarios centred on whether or not Zambia went off-track in regard to criteria for its International Monetary Fund (IMF) debt relief grant.

[22] DFID (2007). *How to note: Country Governance Analysis.* A DFID practice paper.

[23] Erin Coyle (2004). *A review of analytical work underpinning the CAP (draft).* DFID.

3.10 DFID's governance team currently has an initiative to develop new political risk assessment tools at different levels in the organisation. Background research for this initiative found that DFID has not been as robust as it might about looking forward and planning for less optimistic scenarios. The report commissioned to review DFID's approach to political risk found that it is not strong on looking forward and in attaching subjective probabilities to different scenarios: "*there is a lack of preparedness for political events … a more institutionalised process for addressing political risks would be welcome*."[24]

3.11 Outside the CAP cycle, there is some evidence of country offices examining the implication of changes in government and politics on their programmes, though the evidence from the CPEs is that this does not always clearly feed into planning. In Indonesia, DFID commissioned a review paper on politics and policy making[25] which outlines six implications for DFID Indonesia of the fall of the Suharto regime and the collapse of the 'New Order' on achieving pro-poor policy change.

Elections

3.12 Considering short to medium term reform opportunities, all five countries covered in this synthesis have democratic systems of government[26], and hold regular elections (Table 4). With the exception of West Bengal (where the Indian President appoints a State Governor, but power in the state rests with the state's elected Chief Minister) these countries have systems of government that involve a president and either a unicameral or bicameral parliament. Since the term served by each new government is four or five years there is over 50% chance that in any given three year CAP period the government of the country in question will change. As election cycles are fairly predictable, elections and scenarios around their outcomes can be factored into DFID's strategising and identification of possible short-term policy change opportunities – within the context of longer-term institutional factors.

3.13 Positive examples of this include the recent Malawi CGA[27] which identified the following risk to the responsiveness pillar of good governance; see excerpt:

Risk	Impact	Likelihood, in:		
		1 year	1 – 3 yrs	3 – 10 yrs
Change in political leadership results in a reduction in emphasis on pro-poor policy	High	Low	Medium/High	Medium/High

3.14 And the Kenya CAP which identified the failure of the then relatively new coalition government to achieve sufficient unity to implement their Economic Recovery Strategy (ERS)[28] as a probable risk to achieving poverty reduction; see excerpt:

overning coalition dissolves
fails to show unity of
pose necessary to
mplement ERS
h
um

ork to strengthen linkage between
RS, sector strategies, and the budget
ocess; liaise closely with British High
ommission on the political process

Extract from Kenya CAP; Risks to Poverty Reduction in Kenya

24 Phillips, L. (2007) *Assessing Political Risk in Developing Countries: Review of Current Issues and DFID's Experience*. Overseas Development Institute.

25 Rosser et al (n.d.) *Politics, Poverty and the Policy-Making Process in Indonesia*. Paper for DFID Indonesia.

26 The politics of Vietnam takes place in a framework of a single-party socialist republic.

27 DFID Malawi (2007). *Malawi Country Governance Analysis*; undertaken since the Malawi CPE, which was part of last year's CPE synthesis report.

28 Kenya's PRSP

24 Phillips, L. (2007) *Assessing Political Risk in Developing Countries: Review of Current Issues and DFID's Experience*. Overseas Development Institute.
25 Rosser et al (n.d.) *Politics, Poverty and the Policy-Making Process in Indonesia*. Paper for DFID Indonesia.
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3.14 And the Kenya CAP which identified the failure of the then relatively new coalition government to achieve sufficient unity to implement their Economic Recovery Strategy (ERS)[28] as a probable risk to achieving poverty reduction, see excerpt:

Governing coalition dissolves or fails to show unity of purpose necessary to implement ERS	Work to strengthen linkage between PRS, sector strategies and the budget process; liaise closely with British High Commission on the political process

3.15 Liaising with the British High Commission (BHC) on intelligence about political processes was seen to mitigate risk. For example the Kenya CPE found that a strengthened relationship between DFID and the BHC, together with preparation of a joint strategy, had increased the coherence in approach between the Foreign and Commonwealth Office (FCO) and DFID. It is clear from across the CPEs that a closer DFID-FCO relationship will become increasingly important as the achievement of development goals becomes increasingly linked with other aspects of the UK government's cooperation policy in third countries.

3.16 During the period under review, and immediately before it, there have been some important changes in government and leadership in most of these five countries (Table 4), including: President Suharto standing down in Indonesia following civil unrest in May 1998; President Daniel arap Moi completing the last of his constitutionally permitted terms in Kenya in 2002; Vladimir Putin replacing Boris Yeltsin as the Russian president in 2000; and long serving[29] Jyoti Basu being succeeded by Buddhadeb Bhattacharya as Chief Minister of West Bengal, also in 2000. While elections have been held in Vietnam[30], they do not carry the same significance.

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[24] Phillips, J. (2007) *Assessing Political Risk in Developing Countries: Review of Current Issues and DFID's Experience.* Overseas Development Institute.

[25] *Politics, Poverty and the Making ... Indonesia.* Paper for DFID Indonesia.

[26] The politics of Vietnam takes place in a framework of a single-party socialist republic.

[27] DFID Malawi (2006) Malawi Country Governance Analysis ... the Malawi CPE, which was part of last year's CPE synthesis report.

[28] Kenya's PRSP.

Table 4. Elections during the evaluation period.

Country	Election			Notes
	Date	Type	Frequency	
Indonesia	April 2004	Parliamentary	5 years	
	July/Sept 2004	Presidential	4 years	Popular vote: Megawati Sukarnoputri → Susilo Bambang Yudhovono
Kenya	Dec 2002	Parliamentary	5 years	-
	Dec 2002	Presidential	5 years	Popular vote; Daniel arap Moi → Mwai Kibaki
	Nov 2005	Referendum		On the new constitution
Russia	Dec 2003	Parliamentary	4 years	-
	March 2000	Presidential	4 years	Popular vote; Boris Yeltsin → Vladimir Putin
	March 2004	Presidential	4 years	Popular vote; Vladimir Putin
Vietnam	May 2002	Parliamentary	5 years	-
	n/a	Presidential	5 years	Chosen by the National Assembly; Nguyen Minh Triet
West Bengal	May 2001	Parliamentary (State Assembly)	5 years	Chief Minister: Jyoti Basu → Buddhadeb Bhattacharya
	April/May 2006	Parliamentary (State Assembly)	5 years	Chief Minister: Buddhadeb Bhattacharya

Source : www.electionguide.org

Source : www.electionguide.org

3.17 DFID has short term tactics to cope with the effect of elections, such as in Pakistan at present, where a draft CAP has been prepared, but its development frozen for a number of months while the presidential and parliamentary elections are played out[31]. In other cases, DFID has been able to formulate its country strategy on the back of significant changes in government. For example in Indonesia, where the 2000 Country Strategy Paper (CSP) resulted from a ten-month consultative process that followed Indonesia's landmark election in June 1999, after President Suharto stood down. However the question is how, and how well, strategically, does DFID approach changes in country governments in its planning?

[29] 23 years.

[30] Vietnam is a one-party state ruled by the Communist Party of Vietnam (CPV) led by a politburo and "*the primary concern of the party is to maintain political stability and to perpetuate itself and so the development of alternative political movements is not tolerated*" Vietnam CPE.

[29] 23 years

while the presidential and parliamentary elections are played out[31]. In other cases, DFID has been able to formulate its country strategy on the back of significant changes in government. For example in Indonesia, where the 2000 Country Strategy Paper (CSP) resulted from a ten-month consultative process that followed Indonesia's landmark election in June 1999, after President Suharto stood down. However the question is how, and how well, strategically, does DFID approach changes in country governments in its planning?

PRSPs and politics

3.18 The question is important, and seemingly does not receive sufficient attention, due to the focus on Poverty Reduction Strategy Papers (PRSPs), and other national plans. DFID's country strategies balance a number of factors, but prime amongst these are DFID corporate policies and international commitments, and countries' own poverty reduction and development strategies, particularly their PRSPs. The five programmes evaluated were all seen to be well aligned to the respective country plans (Indonesia - Medium Term Development Plan (MTDP)[32] – especially in sectors such as health; Kenya – Economic Recovery Strategy (ERS); Russia - the Government's 10-year economic and social modernisation plan[33];Vietnam - Comprehensive Poverty Reduction and Growth Strategy (CPRGS) / five-year Socio-Economic Development Plan (SEDP); and West Bengal - 10th Five Year Plan).

3.19 While these PRSP-type documents[34,35] do map out countries' policies and financing mechanisms for poverty reduction, the PRSP approach in particular has been criticised as a 'depoliticised mode of technocratic governance'[36], i.e. 'buy-in' to the PRSP process is mostly technocratic – restricted to a small number of strategically placed officials, with little effect on the fundamental political dynamics[37]. Encouragingly, DFID in Tanzania has recognised a major risk to the implementation of Tanzania's PRS in that it is insufficiently embedded into mainstream politics[38]. Less positively, however, the CPE in Malawi found that DFID's CAP was predicated on some flawed assumptions (Box 1).

3.20 In **Vietnam**, the CAP was specifically linked to the analysis in the CPRGS (the PRSP). However there was a question of alignment with the SEDP (essentially the national development plan). While the CAP recognised this potential misalignment, and that Government and donor resources might not be well coordinated, the relationship between the CPRGS and the SEDP was given little attention in the CAP. This tension was not resolved until in 2006, when GoV declared that the next SEDP 2006-10 was to be regarded as the successor poverty reduction and growth strategy.

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[31] This decision was taken prior to the imposition in November 2007 of a State of Emergency by the President

[32] In Indonesia, the PRSP was never formally adopted, and the Medium Term Development Plan (MTDP) is regarded as the national plan.

[33] Russia, as a middle income country, did not produce a PRSP.

[34] The World Bank has accepted the Indian 10th Plan as equivalent to a PRSP, but the West Bengal state 10th plan is not a PRSP in that it does not outline an overall strategy for development and poverty reduction. (Lerche & Srivastava, 2003).

[35] While the Indonesia MTDP provides policy guidance and programs for five years for both national and local governments, "*it is based on the vision and mission of the elected president*." (National Development Planning Agency, 2006).

[36] Gould and Ojanen, cited in The Bretton Woods Project, *Update No. 36*, September/October 2003.

[37] It should be noted that the less PRSP-type planning documents in use in Indonesia and West Bengal are less technocratic, and more a combined sectoral development budget and party manifesto.

[38] Coyle (2004) ibid

3.21 With the national plan documents in both Indonesia and West Bengal (MTDP and State 10th Five Year Plan respectively) being part sector-wise development budget and part political manifesto, there is a need to interpret them with appropriate understanding of the underlying political intentions. For example, the West Bengal 10th Plan maps out an 'alternative economic vision for the state', premised on meeting basic minimum needs for all, and devolution of decision making and financial powers to peoples' representatives, but it does not represent a comprehensive framework for poverty reduction in the state. GoWB has been successful in reducing poverty over its long period in power, and the state's political and socio-economic context has influenced its approach.

Box 1: The CAP and the PRSP in Malawi

"There are also instances where weak political-economic analysis has led to weak risk assessment, and hence a flawed strategy. In Malawi, in a move away from a donor-led approach, the CAP was strongly aligned to the Malawi Poverty Reduction Strategy – this is in principle desirable. However the alignment was based on the assumption that the government had a genuine intention to implement the MPRS. This assumption however proved to be flawed as the quality of the PRS formulation process, its level of local ownership, its realism, and the political will to implement it were all poorly assessed in formulating the CAP. The CAP was not constructively critical of the PRS – acknowledging its weaknesses and developing strategy to fill its gaps."

Source: 2005/06 CPE Synthesis

3.22 One of the key factors in the success of PRS processes is the way country political systems work and the kinds of leadership they generate. Thus there is a need for DFID (and other donors) to understand how PRS processes fit into countries' political economies. Better understanding of the political context in which officials and politicians operate will help Country Offices make better judgements about genuine commitment to PSRPs, about what reform goals might be realistic, and thus about how to best approach policy influencing. Hence the importance of suitable Drivers of Change, Country Governance Assessment, and other types of political risk analysis.

3.23 In Kenya, DFID's 2001 Annual Plan and Performance Review (APPR) noted under 'Political Developments', that "*At least until the planned 2002 elections, and possibly longer, Kenyan politics will be dominated by succession, election and constitutional issues*". The APPR does not go on to assess the options for DFIDK of different post-Moi presidents coming into power. This analysis would have been useful given the known problems of the Moi government, and that since he had completed his maximum number of constitutionally-permitted terms, these elections would result in a new president and a likely shift in policies and policy implementation, with corruption being a key campaigning issue. An informed political analysis, taking a longer term view of Kenyan politics, would have also been able to make judgements on how realistic it was to expect the new government to deliver on its promises of major systemic civil service reform and zero tolerance of corruption.

3.24 Current research on politics and PRSP processes shows that both donors and country governments do not necessarily yet perceive PRSPs as key political documents. A number of case studies "*point to a technical perception of PRSPs by donors, who tend to see the PRSP as a policy commitment that should be binding on one government after the next, on the grounds that it constitutes a technically sound strategy to address issues (poverty reduction and growth) which ought to be politically salient for any government.*"[39] Conversely, the technical orientation of PRSPs is revealed when new governments

[39] Piron & Evans (2004). *Politics and the PRSP Approach: Synthesis Paper*. Working Paper 237. ODI.

come into power. While their actual policies differ from those of their predecessors they do not seem to feel the need to revise their PRSPs[40]. This points to the need to ensure that DFID's analysis for its strategy development is deeper than the face value of the PRSP, and examines the political drivers of governance, as is being piloted with the new political risk assessment tools.

Policy performance

3.25 Commitment to, and implementation of, countries' poverty reduction policies affects their fund allocation by donors. For DFID, policy performance is one parameter in the 'Dyer formula'[41] for allocation, and in the new resource allocation model[42]. Both formulae use the World Bank (WB)'s Country Policy and Institutional Assessment (CPIA) scores as the core measure of policy performance (Table 3). In practical terms, the CPE from Kenya shows an interesting example of the relationship between a country's commitment to policy poverty reduction policies and DFID's allocations.

3.26 In the 1998 Kenya Country Strategy Paper (CSP) (1998-2003), DFID Kenya (DFIDK) demonstrated good practice in a challenging development context, outlining two development scenarios, dependent on achieving a strong and long-term partnership with the Government of Kenya (GoK), aimed at poverty elimination. The high-case scenario saw DFIDK ready to deploy significantly increased levels of resources[43], if it was clear that these could be used effectively, based on achieving a stronger development partnership with the Government. In the high case scenario, there would be clear government commitment to policy changes which commanded wide donor support, and DFIDK would offer resources to restructure public spending and improve performance.

3.27 In the absence of such a partnership, DFIDK would follow the low case scenario and shift to a declining level of resources[44] channelled directly to NGOs, the private sector and other civil society organisations, to help sustain basic services to the poor whilst enhancing the capacity of civil society and empowering the poor through raising awareness of their civil, political and social rights[45].

3.28 DFIDK took the high-case route in implementing the CSP, but their 2001 APPR highlighted that the economic reform programme pursued in 1999 had stalled. The CPE found that during the Moi period DFIDK and the other donors adopted a conditionality approach that linked their support to action on anti-corruption legislation and prosecutions by the Anti Corruption Authority, but that no tangible results were achieved from this approach. Hence the choice of the high-case scenario was based on an analysis that did not eventuate, and there must be questions about the quality of analysis and progress monitoring. The analysis appears to have focused on the short-term, without being sufficiently informed by longer-tem structural and institutional factors that would have given a better understanding about the credibility of the reform agenda.

[40] Bretton Woods Project (2003) ibid.

[41] Dyer et al (2003). *Strategic Review of Resource Allocation Priorities*. Discussion Paper. DFID.

[42] DFID (2007) *How DFID allocates its resources to countries*.

[43] An aid framework rising from £28 to £51 million per annum.

[44] An aid framework declining from £28 to £21 million per annum.

[45] DFID (1998). *Kenya: Country Strategy Paper* 1998.

3.29 The approach of using high and low case scenarios was continued for the 2004 CAP, which was prepared after the change in government. The CAP submission[46] noted that the allocation of about £30 million was consistent with a country policy performance score of 4, as under the Moi era, but that a score of 3, reflecting potential performance under the new Kibaki government, would suggest an allocation of nearer to £50 million. Thus £30 million was a base scenario, and if the new, Kibaki-led, government made good progress with the ERS, there would be a strong case for DFID to do more in Kenya – i.e. move to a higher case scenario. This would entail bidding for increased resources from the Director General's Performance Fund[47], on the basis of criteria including: further progress in fighting corruption; evidence of implementation of tough decisions on reform, such as civil service reform; serious efforts to improve the pro-poor orientation of budget; and action to improve public expenditure management.

3.30 These criteria are similar to those related to triggering provision of general budget support (GBS), which GoK had requested, and which DFIDK was willing to provide if the Government re-started and implemented the reform effort. However, at the time of the CPE, DFIDK and other donors judged that political governance and anti-corruption issues had not been sufficiently addressed by the government to justify GBS.

3.31 The lessons from Kenya are that high-case / low-case approach to country strategies, provide a means for country programmes to vary resource allocation against policy performance targets, but risk being driven by analysis of shorter-term political and policy performance factors and unrealistic assumptions about the ability or will of governments to deliver on (election) promises. Decisions need to be grounded in political economy analyses, with the longer-term view. The fluctuating annual spend profile in Kenya (Table 1) is an indication of the difficulty of accurately forecasting, or reacting to, real reform trajectories.

3.32 Thus, the selection of cases was based on governance performance, which appears to have been over-estimated, at least for the CSP. In-year between-country resource switching helps DFID manage its funds, but is responsive rather than predictive. The ideal is likely to be a combination approach: political economy and risk analyses leading to commitment to support institutional incentives for reform, together with more reactive responses to new opportunities.

3.33 In **Vietnam**, budget support through the Poverty Reduction Support Credit (PRSC) has been an important instrument. A contribution of £1o million was approved in June 2003, rewarding prior completion of 23 policy actions. However the CPE found that the means to assess policy performance were weak - no logframe was prepared, and no indicators of achievement defined, other than completion of the listed actions. A further £60 million was approved in 2004 for 2004-06, to support pro-poor economic, social and governance reforms. While the submission to Ministers included a monitoring framework, the CPE found this had not been used by DFIDV for annual review purposes, and that there continued to be no framework of indicators of achievement for the DFID support.

3.34 The PRSC evolved into a strong framework for donor-government dialogue encompassing the main policy issues, both for growth-oriented economic transition policies and for inclusive growth

[46] Memo from Head DFID Kenya; *Kenya CAP*, 19th December 2003.

[47] The Dyer formula removed the need for Performance Funds as "*DFID's allocation system better reflects country and institutional performance. … Flexibility will remain to switch resources in-year from countries which go off-track – in cases of a loss of confidence in a country partnership – to other countries including those that may shift to a 'high case lending scenario'*".

and governance improvements. DFID has been the WB's main supporter in developing this as the key focus for donor alignment. However, the PRSC is also an example of a light touch by the WB, and the CPE considered that 'zero conditionality' had veered towards somewhat optimistic appraisals of the pace of policy change, and some underplaying of areas of weak progress, including on corruption. Thus DFIDV needed to have better performance tracking in place, particularly to monitor these areas, and it needed to better demonstrate how its resources had contributed to successes in the PRSC.

Box 2. Summary of Findings on Working in a Changing Context

- The five programmes evaluated were all seen to be well aligned to the respective development plans and PRSPs in countries where these had been produced.

- Narrow alignment to PRSPs runs this risk of overlooking political realities: the PRSP approach has been criticised as a 'depoliticised mode of technocratic governance', which has had little effect on fundamental political dynamics.

- The appreciation of the importance of politics in achieving development aims is increasing - use of tools such as Drivers of Change and CGA reflects this. The new initiative on political risk assessment takes this further.

- Scenario analysis and prediction of the consequences of changes in government is not well enough developed in programme planning.

- High and low case planning options, based on governance performance, provide DFID with programme options in challenging development contexts, but choice of options has not always been well linked to accurate predictions of government performance or actual governance situations. There are risks of wasting funds and effort when short term changes in aid allocation are based on unrealistic assumptions. There is a need for analyses and programming to address both longer-term structural and institutional factors that influence reform and policy performance, and short-term factors, such as elections.

- On-going monitoring of governance performance, particularly against budget support allocations was found to be very light in some countries, meaning that policy performance and allocations were not closely linked.

Options for scaling up

3.35 The main driver for scaling up programmes comes from DFID's commitment to increase aid in countries that need it the most. As seen in the following section, there is also strong rationale for scaling up country programmes before graduation. Head count issues and DFID's commitment to promote a programme-based approach to development assistance, along with other donors, also explain DFID's tendency to frontload aid. Table 1 shows the change in annual allocation in the five countries. Four countries have scaled up, particularly in the last two years, while Russia, as planned, has scaled-down. In Kenya, DFID's allocation of bilateral aid has fluctuated, showing that it has the means to scale country programmes up or down in response to country performance. However, this variability in aid flow has consequences for programme effectiveness, reputation, and relationships. The following paragraphs assess the overall lessons regarding successful scaling up.

3.36 The **West Bengal** CPE noted that at the time of drafting the State Assistance Programme (SAP) in 2004/05, the office drew from the state budget support models DFID was using in Andhra Pradesh and Orissa to assess the feasibility of employing aState Poverty Reducing Budget Support (SPRBS) instrument. The office concluded that SPRBS would permit a significant increase in resource allocation to the state. However, by 2005, Government of India policy no longer allowed for bilateral general budget support at the state level. This did not affect the health sector budget support instrument in West Bengal, which DFID continues to support.

3.37 Nonetheless, the West Bengal programme was able to increase expenditure from £7 million in 2002/03 to £30 million in 2005/06. This has coincided with a period when GoWB has become much more reform-oriented, partly driven by its fiscal crisis, and was achieved mainly through large sectoral programmes. The CPE ascribed scaling up of the state programme to a number of factors:

- the election in 2001 of a new, reform-minded, Chief Minister whose government was willing to do business with donors
- DFID's West Bengal programme positioning itself strategically so as to grasp the opportunity this presented
- having a pipeline of ambitious sector programmes in concept or design that could be pushed forward in response to the new environment. The large programmes in health (a Sector Wide Approach - SWAp) and urban governance were designed in the period immediately before or very early in the State Strategy Paper (SSP) period (2001-2003), around the time when the Chief Minister changed
- responding flexibly and quickly to other new areas, such as restructuring public sector enterprises (PSE), in which the new Chief Minister's government wanted to achieve reform

3.38 The health sector SWAp and PSE restructuring have been very effective programmes, helping to start reform the health sector and identify means to reduce GoWB's fiscal deficit, so that it can, *inter alia*, increase its social sector spending. The West Bengal case is thus noteworthy – analysis accurately identified a change in leadership which provided genuine reform opportunities[48]; DFID responded well to these opportunities and short-term impacts are evident.

3.39 In **Vietnam** the programme increased in scale between its CSP and CAP periods. Over the evaluation period, the number of budget lines in the programme remained fairly constant, and budget support (BS) provided through the WB's Poverty Reduction Support Credit (PRSC) increased to 36% of the allocation. Growth occurred through both use of a BS mechanism and larger sector programmes.

3.40 The Vietnam CPE found that without the PRSC instrument, DFIDV could not have scaled up its disbursements so quickly. The PRSC was successful in developing a more comprehensive and cost-effective framework for the development dialogue between donors and government. However, DFIDV would have made a stronger case for the effectiveness of this aid if it had explicitly identified the impact of additional finance on the GoV budget, and tracked this from an earlier stage.

3.41 Turning to specific sectors, DFID has provided support to the education sector in Vietnam since 2002; initially through co-financed projects and more recently with commitments to co-finance the Government of Vietnam's (GoV) Education for All initiative through the National Targeted Programme (NTP). The CPE found that DFIDV's strategy was sound, with a key element being support to multi-donor funded projects – to promote new policies and institutional reforms for more effective delivery of services for the poor. Earmarked (sector) budget support was subsequently approved to the Education NTP through a multi-donor contribution (with the World Bank, EC, CIDA, Belgium, New Zealand and Spain) linked to GoVs own mechanism for targeting additional resources to improve access, participation and the quality of education for poor and disadvantaged children.

3.42 A less successful sectoral approach was found in the rural sector, where, between 2001/02 and 2005/6 £15.4 million[49] was spent. DFID undertook three livelihoods-type projects centred in upland provinces with high concentrations of rural poverty. The CPE concluded that these projects were over-designed and therefore the designs resulted in problems for scaling up without the presence of Non Government Organisations (NGOs) and heavy inputs of Technical Assistance (TA). They absorbed significant DFID staff time, and clearly ran parallel to the NTPs. The impact on GoV policy and on poverty-focused programmes like Programme-135 (P-135) appears to have been minimal. DFID thus made the strategic decision to stop funding parallel projects such as these, and instead focused on pioneering targeted budget support to government's P- 135.

3.43 A third approach to sectors was taken with rural transport. DFIDV was approached to meet the need for increased resources to cover a planned expansion of the WB's Rural Transport Project II, which was designed to finance rural roads in the Provinces. In 2001, DFID agreed to this "*in order to increase disbursements following a recent Ministerial decision rapidly to scale up the UK aid programme in Vietnam, and because co-financing was the preferred policy. Rural transport was seen as a high priority from a poverty reduction perspective"* (Vietnam CPE). The initial commitment of £18.6m increased to £25.6m in May 2004, and by June 2006, £24.2m had been disbursed. The CPE considered that DFIDV could have done much more to spell out the achievements of such a major programme, and better performance assessment was required. Nonetheless, co-financing a large development bank-led

48 Relevant to discussion in the previous section.

49 10% of the total DFID country spending (excluding Programme-135)

project, particularly in an infrastructure-rich sector, was clearly an efficient mechanism to absorb the growing Vietnam country aid framework, and is a useful scaling up lesson, even if the results of the investment are yet to be fully established.

3.44 From the Vietnam experience it can be seen that effective approaches to scaling up might include elements of well-monitored budget support, bilateral or multi-donor sector programmes, and co-financed large development-bank led projects. However, it should be noted that while the CPE found that budget support and co-financed projects are effective means for DFID country programmes to handle larger aid volumes, it was not able to find good evidence on impact – partly due to poor monitoring and partly due to it being too early. Large donor-led projects running outside government structures are not an effective approach.

3.45 In **Indonesia**, DFID's Vision Paper sets out a deliberate twin-track approach: low intensity partnerships (LIPs)[50] in health, with high intensity engagement through the Decentralised Support Facility (DSF)[51]. Both tracks outlined a clear intention to scale up operations before graduation; to address the off-track MDGs in the short-term, whilst simultaneously developing a 'flagship' (legacy) programme - the DSF. LIPs are a means by which DFID, with minimal yet strategic advisor support, provides substantial funding to bilateral/multilateral agencies to scale up existing programmes prioritising the MDGs. However, the CPE found for LIPs to be effective, DFID's engagement may need to be at a higher intensity than planned.

3.46 DFID-Indonesia has taken a strong lead in implementing the Paris Declaration and addressing off-track MDGs in Indonesia - it has allocated £30 million over four years to achieve donor harmonization and aid effectiveness, through the DSF. However, the DSF has not fulfilled all its aims, as its multi-donor features mean it has been more difficult for DFID to use it to scale up its existing programmes. This is compounded as funds that might have been allocated to specific sectors are now channelled through the DSF.

3.47 The Indonesia programme has always included large-scale programmes (over £20 million); initially in rural livelihoods – the Multi-stakeholder Forestry Programme (MFP), and latterly in governance and health – DSF II and an HIV/AIDS programme. Unlike in Vietnam, where DFID found large sector programmes (in roads) helpful in terms of providing absorptive capacity, the CPE analysis for Indonesia suggests that the significant funds allocated to the health and governance programmes resulted in shortages for other activities, such as the follow-up to the successful MFP, precluding DFID from investing in areas of demonstrated strength. The question for DFID country offices therefore is whether scaling up should attempt to grow existing programmes, or whether larger aid allocations necessarily drive investment towards new programmes and new instruments. The evidence from Indonesia, and to an extent Vietnam, is towards the latter. However, the evidence of whether this move to new programmes and instruments is necessarily a successful approach is not apparent – in Vietnam impact data are sparse, and in Indonesia it appears to have detracted from building on existing successes.

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50 LIPs are a way by which DFID, with minimal, yet strategic advisor support, provides substantial funding to bilateral/ multilateral agencies to scale up existing programmes prioritising the MDGs.

51 "*The DSF is a new institutional arrangement, a multi-donor office set up to test ways to coordinate international development assistance in support of Indonesia's decentralisation programme*." Indonesia CPE. It is a 'flagship' governance programme supported by the World Bank, DFID, the ADB, the Netherlands and UNDP, in response to the Paris Declaration on harmonization.

3.48 Increases in annual expenditure for DFID's **Kenya** country programme have been less consistent. Expenditure has fluctuated between £25 and £64 million, with peaks in 2000/01 and 2005/06, and troughs in 2001/02 and 2003/04 (Table 1). As detailed above, the CSP and CAP outlined different aid framework options dependent on governance performance[52]. While DFID's ability to provide a rapid response to the country's emergency needs in 2005/06 was welcome, fluctuation in other years suggests that despite analysis in the strategy papers, there was lacking a sound basis for making judgments about scaling up or down.

3.49 This has potential implications for programme effectiveness, DFID's reputation, and its relationships with government and other donors. The Kenya CPE found that adopting a predominantly project portfolio; holding back from general budget support and cautious movement into sector-wide approaches (SWAps) was overall an appropriate approach in a difficult governance environment. In Kenya, 80% of DFID's support is in the form of either pooled funding project arrangements, which do not use national procedures[53]. This is in line with Head Quarters (HQ) guidance on aid instruments, which recommends use of more pooled support of projects and a move towards progressive sectors with sector budget support (SBS) for countries with problematic political economies. While scaling up for the Kenya programme has been less systematic, indications are that shifts away from portfolios of small projects to ones with fewer larger projects and programmes, and sector budget support provides the basis for easier scaling up if and when it occurs.

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3.50 The Kenya portfolio reduced from 102 budget lines (projects) in 2000/01 to 43 in 2005/06. In parallel, average annual expenditure per project rose from £250,000 to over £750,000; hence allowing for administrative efficiency gains (Table 5). This is seen particularly in the Governance (public administration) and Health sectors. In the latter, two large 'commodity' programmes, both over £40m, dominate. Kenya's Pro-Poor Growth sector has seen a slight reduction in projects. Overall, however this sector remains continued to be characterised by fragmentation and many low-spending projects, when compared with countries like Indonesia, where a programme-based approach has been adopted to focus on a few large rural sector programme.

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Table 5. DFID annual bilateral aid disbursements to Kenya, 2000-06

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Spend (£) *No.of projects*	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Budget support	15,000,000 *1*					
Governance						
Public administration	1,702,151 *17*	1,331,364 *12*	2,374,908 12	2,982,413 *11*	3,957,638 *11*	5,830,898 *11*
Statistics						500,000 *1*
Social sectors						
Education	4,036,493 *6*	4,689,248 *6*	1,735,887 *4*	18,916,200 *6*	5,046,903 *3*	5,729,126 *4*
Health & welfare	7,530,653 *12*	8,931,727 *12*	15,009,240 *14*	10,380,023 *8*	17,728,111 *10*	28,505,252 *11*
Pro-poor growth						
Agriculture	1,317,897 *17*	1,224,031 *17*	1,077,464 *13*	1,035,381 *10*	727,501 *7*	852,386 *4*
estry	719	255	346	126		
nance	452,466	772,363	301,959	550,665	226,138	888,742
ade						983
oads	764	409	385	090	067	635
ural opment	512	929	057	170	258	692
rban opment	604	835	738	813	424	
ater and anitation	861	279	641	977	099	
umanitarian						

52 Under the CAP, budget support – yet to be triggered – would have provided the mechanism to reach a higher spending case. Under the CSP budget support was used in 2001 in conjunction with the interim PRSP.

53 DFID (2006) *Guidance on Aid Instruments. A DFID Practice Paper.*

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Table 5. DFID annual bilateral aid disbursements to Kenya, 2000-06

Spend (£) *No.of projects*	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Forestry	67,719 *3*	22,255 *2*	2,346 *2*	19,126 *1*	52 *0*	- *0*
Finance	2,452,466 *20*	1,772,363 *16*	3,301,959 *16*	2,550,665 *10*	2,226,138 *6*	3,888,742 *7*
Trade						54,983 *1*
Roads	148,764 *3*	59,409 *1*	25,385 *1*	161,090 *1*	1,067 *1*	50,635 *1*
Rural development	456,512 *2*	29,929 *2*	63,057 *1*	105,170 *1*	228,258 *1*	138,692 *1*
Urban development	323,604 3	526,835 3	431,738 2	30,813 2	132,424 1	0
Water and sanitation	333,861 *5*	641,279 *4*	697,641 *4*	457,977 *5*	109,099 *3*	110 *0*
Humanitarian						
Conflict	10,806 *1*	89,257 *2*	1,497 *1*	999 *1*	15,237 *1*	*0*
Emergencies	10,478,060 *12*	3,204,661 *7*	997,566 *6*	- *0*	5,505,539 *1*	16,544,497 *2*
Grand Total	**28,858,986** ***102***	**22,522,358** ***84***	**25,718,688** ***76***	**36,639,857** ***56***	**36,477,967** ***45***	**62,095,321** ***43***

Source: Data provided by DFID Kenya

Box 3. Summary of Findings on Scaling Up

- DFID has taken a number of approaches to scaling up programmes across these countries, and the findings include:
  - Shifting away from a portfolio of small projects to one with fewer larger projects and programmes and BS provides scope for easier scaling up. For example, budget support, through the PRSC instrument, allowed rapid scaling up in Vietnam, as time dedicated to
  - Co-financing large development bank-led projects, particularly in infrastructure-rich sectors, was also an efficient mechanism to absorb the growing Vietnam country aid framework. However the results of the investment are yet to be fully established.
  - Large, off-budget programmes are complicated to administer and are expensive on DFID staff time. If designed around heavy resource inputs, they do not facilitate easy scaling up.
  - In Indonesia, DFID made a clear intention to scale up operations before graduation – through low intensity partnerships in health to address off-track MDGs in the short-term, and a high intensity multi-donor decentralisation support fund. The significant funds allocated to the health and decentralisation programmes meant shortages for other activities, and it was difficult to utilise the DSF for continuation of existing programmes, meaning DFID was not able to invest in its successes, whatever the instrument.
  - In Kenya, scaling up was less obvious as the programme size fluctuated. A predominantly project portfolio, holding back from general budget support, and with cautious movement into SWAps was an appropriate approach in a difficult governance environment.

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- The West Bengal programme was able to scale up when the government became more reform-oriented due to:
  - the arrival in 2001 of a new, reform-minded, Chief Minister whose government was willing to do business with donors, and the DFID programme recognising and positioning itself strategically so as to grasp the opportunity this presented
  - having a pipeline of ambitious sector programmes that could be pushed forward in response to the new environment, and responding flexibly and quickly to other new areas in which the government wanted to achieve reform
- Different approaches have been taken to scaling up in the pro-poor growth area. In Kenya, this was a typically 'project-dense' approach, but the Indonesia programme demonstrated, with its single large forestry programme, a successful move to a programme-based approach to pro-poor growth (which is now being closed). Thus it is possible to scale up in this area of work through programmatic approaches, which are generally preferable to many small projects, but the risk is that even these may not sustain if multi-donor instruments become the dominant instrument.
- Most scaling up activities have been new, partly to pursue the opportunity of working more closely with development partners, but mainly to progress to use of new aid instruments. However where DFID has remain committed, such as in West Bengal when reform seemed elusive, and in the education sector in Kenya, it has been able to influence important reforms and offer strong results. DFID should seek more opportunities to build on existing relationships, knowledge and successes in scaling up its programmes.
- Across the four countries with growing aid programmes, there is a sense that scaling up has not always been preceded by good evidence of impact and effectiveness. Scaling up has been a strategic decision, which has required new ways to deliver greater aid volumes. Having started to scale up, there has been insufficient attention to performance assessment in relation to validating year-on-year increases in aid frameworks.

Graduation - Managing Country Programmes as Countries Progress to Middle Income Country (MIC) Status

3.52 DFID's engagement in developing countries is determined by its Public Service Agreement (PSA) objective to improve the impact of its bilateral programme (Box 4). The critical factor being that at least 90% of bilateral aid ought to be targeted towards officially Low Income Countries (LICs).

3.53 The remaining 10% is targeted to Middle Income Country (MIC) status countries. Attaining MIC status is not a guarantee of development, since many MICs risk falling back to LIC status or face challenges in achieving the Millennium Development Goals (MDGs)[54]. Bilateral assistance to MICs is also guided by wishing to support large, strategically important countries that significantly impact on the achievement of the MDGs regionally or globally.

Box 4: DFID's PSA 2005-2008

Objective VI: Improve the impact and effectiveness of DFID's bilateral programme.

Target 6: Ensure that the proportion of DFID's bilateral programme going to low-income countries is at least 90% and achieve a sustained increase in the index of DFID's bilateral projects evaluated as successful.

(A similar target existed in the 2003/06 PSA)

3.54 The limited bilateral assistance to MICs, and DFID responses to countries attaining or moving towards MIC status is highly relevant in this set of five bilateral programmes since two attained MIC status before or during the period under evaluation, and two others are predicted to do so in the relatively near future:

- **Russia** is an upper Middle Income Country. However, according to the Russia CPE, "*Because of its strategic importance to the west, Russia has never been viewed as a 'normal' recipient of development assistance. Consequently, aid to Russia needs to be seen in the broader context of foreign policy … the objective has never been to transfer financial resources to Russia but to provide access to ideas and expertise*."

- **Indonesia** is not an aid dependent country, as in 2005 it reached MIC status for the purposes of DAC Official Development Assistance (ODA) reporting[55].

- **Vietnam** is expected to attain MIC status by 2010, at which time most bilateral donors, including DFID, but with the exception of Australia and Japan, expect to scale back development funding.

- Current predictions are that **India** is set to attain MIC status in about 2013[56], but that **Kenya** will not do so in the medium term.

3.55 DFID India is currently consulting for its next CAP[57], which recognises the paradox of aiding an increasingly successful India with its fast growing economy and Information Technology and service industries which compete in the global market, juxtaposed with a population containing more

[54] DFID (2004). *Achieving the Millennium Development Goals: The Middle-Income Countries A strategy for DFID: 2005–2008.*

[55] See: DAC List of ODA Recipients, http://www.oecd.org/dataoecd/43/51/35832713.pdf.

[56] DFID India. (n.d.) *India To 2015 – Options for DFID.*

[57] DFID (2007) *ending poverty in India. Consultation on DFID's plan for working with Three Indias.*

than 350 million people in extreme poverty living on less than $1/day, and over 500 million more people living on $1–$2/day. West Bengal mirrors this paradox, its poverty reduction has stagnated with about 26% of the population below the national (less than $1/day) poverty line, and it has one of the highest rates of state budget deficit, yet its State Gross Domestic Product (SGDP) is growing at over 10% per annum and it has high rates of inward direct investment.

3.56 With known MIC status issues relating to how, and how much, aid is provided to up to four of the five countries, it is worth examining findings in relation to how these country programmes addressed prospects of changing priorities and, having scaled-up, reducing aid frameworks and how they addressed graduation[58].

3.57 **Russia** presented the strongest case for graduation. It shares similar graduation issues with China, whose graduation is planned for 2011[59] but it is not typical of DFID 'graduation countries'. In April 2002, DFID decided to devolve programme management to Moscow by establishing DFID Russia in the Embassy. However, by March 2007 all of DFID's projects had ended and the DFID Russia office had closed (Table 6). A senior DFID staff member started work in December 2007 in the British Embassy in Moscow as part of an integral HMG team. Despite DFID's substantive presence in Moscow having lasted only five years, the Russia CSP had not discussed the possibility of DFID graduating from Russia. Staff interviewed during the CPE said that there had been an expectation that the programme would remain substantial until at least 2008, with a gradual decline thereafter.

Table 6. The Life Cycle of Country Offices

Country	Country office established	Graduation
Russia	Feb-July 2003*	March 2007**
Indonesia	2004	Planned 2011
Kenya	2001***	n/a
West Bengal	2000	n/k
Vietnam	2000 field office; 2003 country office	~2010****

* Decision to decentralise the office taken in April 2002
** One staff member remains in the Embassy, mainly dealing with BRICS issues
*** Decision to decentralise made in 1999
**** Vietnam forecast to reach MIC status by 2010, the consequence of this for the DFID office has not been stated
n/a – not applicable; n/k - not known

3.58 In 2003, the new Head of the Russia and Ukraine programmes arrived in Moscow and took over full management responsibility just before the Secretary of State announced to Parliament cuts in spending on MICs of around £100m in 2004/05 and 2005/06. The cuts were due to a) the decision taken in 2002 to increase the share of DFID's bilateral programme going to LICs to 90% by 2005/06, and b) decisions taken on financing for Iraq (Secretary of State, November 2003). Russia was one of the countries affected by the MIC cuts, and its budget was cut from £17.7m to £13m in 2004/05 and from £12.4m to £5m in 2005/06.

3.59 By January 2004, having consulted with Russian partners, DFID Russia (DFIDR) developed a Transition Plan for dealing with the cuts, whereby DFIDR would pursue and finish a limited number of key initiatives – these were focused on administrative and social reform at the Federal level, complemented by Oblast partnerships programmes. Planning for a large HIV/AIDS programme continued. Crucially, the Plan concluded that £5m was insufficient for DFID to remain engaged as a credible donor simply by managing a portfolio of bilateral projects, so it provided for closure of DFID Russia and withdrawal from project management by March 2007.

[58] DFID defines graduation as follows: "*Graduation in this context means a move from concessional to non-concessional assistance; including the withdrawal of grant support to a particular country by bilateral donors, and a change in the terms of multilateral development bank lending from concessional to market-based terms*." DFID MIC strategy 2005–2008. Dictionary definitions of graduation relate more to change through small steps; the closure of country offices is sometime more exit than graduation.

[59] DFID (2006). *China: Country Assistance Plan 2006–2011*.

complemented by Oblast partnerships programmes. Planning for a large HIV/AIDS programme continued. Crucially, the Plan concluded that £5m was insufficient for DFID to remain engaged as a credible donor simply by managing a portfolio of bilateral projects, so it provided for closure of DFID Russia and withdrawal from project management by March 2007.

3.60 The Transition Plan also flagged Russia's global and regional importance – one of a small group of large and influential countries outside the OECD that would have a major impact on the prospects for global poverty reduction (BRICs – Brazil, Russia, India, and China; or BRICS, including South Africa). Thus post-March 2007, the DFID Development Secretary in the British Embassy in Moscow aims to work closely with multilateral partners, especially the World Bank, the European Commission (EC) and European Bank for Reconstruction and Development (EBRD), and maintain good working relations with the Russian Government on development policy issues. DFID will work with the Russian government in areas of common interest; the current priority is Russia's growing role as a donor, as it increases its role in international development. Other examples are DFID's support to the WB with their public administration reform and governance work in Russia; and working with EBRD, DEFRA and the FCO on climate change.

3.61 The Russia CPE concluded that devolving the Russia office to Moscow was a mistake. In the event, the office was unable to deliver its full potential, which, as seen in the 2005/06 CPE Synthesis, could have been significant: "*decentralised country offices have improved the country-focus of the programmes, and have resulted in quicker decision making - both improving in-country relationships*." Nonetheless, the situation raises a number of questions: was the sequence of events foreseeable, and having occurred, did DFID manage the consequences well?

3.62 Yes, and no. The costs of reconstruction in Iraq were exceptional, and DFID, at least at the country and regional levels, cannot be expected to have planned for them. The decision to devolve the office occurred around the time that DFID agreed to allocate only 10% of its budget to MICs and when the global conception of BRICs was being developed[60]. It is surprising that DFID did not appear to appreciate the consequence of the LIC : MIC allocation target on the Russia programme, or consider BRICs implications, while they were making the decision to devolve the office. The Moscow office was established at a time when many African and Asian offices were also being devolved, but more critical analysis might have led to Russia not following the trend.

3.63 Having had the embarrassment of the severe budget cut soon after the office was established, DFIDR then acted consultatively and yet decisively in paring back its programme. Closing the office in 2007 came as a major disappointment to the (Russian) staff, but the CPE found that DFID's Transition and Graduation Plans handled this difficult situation in a professional way, and that management communicated well internally and has supported Russian staff in the process of developing their careers beyond DFID.

3,64 The **Indonesia** programme reached MIC status during the evaluation period. It was able to commence a more planned, rather than forced, graduation. However, the office was devolved in 2004 (from Bangkok), a year before Indonesia achieved MIC status. Hence, Indonesia shares similarities with the case of Russia with respect to the coincidence of MIC status and devolution.

3.65 This more planned graduation is seen in the aid framework; from a base of about £18

[60] First coined in a paper by a Goldman Sachs economist in November 2001, followed by further papers in 2003.and 2004.

million per year, it was budgeted in the Vision Paper[61] to increase to £30 million per year for 3 years, specifically to address off-track MDGs and to provide a 'flagship' response to harmonisation, before dropping back to £5 million per year before the planned closure of the bilateral programme in 2010/11. DFID's vision for 2010/11 is that its support will have contributed to the creation of mechanisms that enable the Government of Indonesia to improve governance and reduce poverty. Thereafter, DFID funds supporting these themes will be managed from London direct to multilateral HQs.

3.66 The Indonesia CPE found that internal pressures to achieve increasing effectiveness with declining staff numbers and resources linked to MIC status have severely tested DFID's ability to add value. Nonetheless, the country programme has responded to these challenges through different, innovative aid modalities: from the Multi-stakeholder Forestry Programme (MFP) to multi-donor trust funds, low intensity partnerships (LIPs), and the Decentralisation Support Facility (DSF).

3.67 With regard to sustainability ,policy analysis commissioned by DFID Indonesia[62] shows that "*to ensure that pro-poor policy changes 'stick', DFID may need to remain engaged with a particular policy area over an extended period of time*". Thus it is important for DFID to remain engaged beyond achieving policy change to see it through to implementation. The MFP took years to establish the necessary networks and political capital to enact policy change[63], and now is precisely the time for follow-up work to ensure that the national policy changes achieved under MFP are adopted and incorporated into local regulations.

3.68 Where DFID Indonesia has exited from bilateral programmes, the CPE found that far greater attention could have been paid to exit strategies, especially communication with partners, so that sustainability could have been better guaranteed in the 'handover process'. For example, in MFP the Government of Indonesia partner had in general accepted the programme's closure, but still found this difficult to reconcile with MFP's perceived success. Partners were not necessarily seeking follow-up programmes, but they were concerned at DFID's apparent *laissez-faire* attitude to ensuring that successes are sustained.

3.69 Concerning the instruments**,** the CPE found that the decision to shift the portfolio away from bilateral funding meant that the country portfolio had become increasingly dependent on the success of the DSF over the period 2004-2006. When the country strategy was written in 2004, the DSF was a new and rather undefined instrument, yet it was assumed that the DSF could accommodate follow-up to several existing programmes. This assumption proved incorrect, especially given the highly experimental nature of DSF.

3.70 The CPE concluded that:

(i) views on closing the MFP were overly influenced by its classification as 'a bilateral programme'; this over-looked that it had much to offer the DSF in terms of a decentralised and multi-stakeholder approach.

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61 The Vision Paper (2004-2011) succeeded a short-lived Country Approach Paper (2004-2008), both were country strategies, but not to the extent of being CAPs.

62 Rosser et al (n.d.). *ibid*

63 The 2005/06 CPE Synthesis observed very much the same finding in relation to the time required to innovate and gain traction in reform areas in the forestry sector in Ghana.

(ii) bilateral funding is a well-understood instrument, yet partners were unclear about DFID's country strategy and why it was no longer possible to advocate for further phases of bilateral programmes.

(iii) the DSF did not fulfil its design aims of being a single vehicle through which further phases of on-going programmes might be delivered[64], limiting options by which DFID Indonesia could invest in its own success.

(iv) graduation has involved a greater proportion funds being channelled into multi-donor instruments. This runs the risk over becoming overly-focused on donor harmonisation and thence alienating government, with serious consequences for DFID's profile and reputation.

3.71 In terms of moving towards exit, and utilising vehicles with lower management intensity, the CPE found that the LIPs, as used in the health sector, did not necessarily mean low engagement, and greater staff input at critical points would have reaped greater benefits.

3.72 It was found that as DFID increasingly works through proxy relationships as part of its graduation strategy, it should not be assumed that there will be exact matches between partners' approaches and DFID's policies and objectives. Hence DFID needs to remain actively engaged through the life of the partnership. By association, as DFID becomes increasingly removed from direct project interventions, different approaches to Monitoring and Evaluation (M&E) are required, with improved performance measurement and assessment of outcomes, and that are relevant in a context where DFID is focused on harmonisation, aid effectiveness and leveraging policy change.

3.73 The CPE confirmed the relevance of the advice in DFID's Good Practice Principles for transforming or closing bilateral programmes[65], and recommended any future country strategy should give them greater cognisance. It considered that particular parts of the guidance were important, including the guidance on: partner participation in all stages of programme transformation; basing graduation decisions on good, regular performance assessment; sound strategic communication to partners and the whole DFID office to ensure understanding and support of graduation decisions; good risk management to ensure DFID's reputation and relationships are not put at risk by graduation decisions; the need for sufficient management resources to manage the transition; and undertaking exit as a gradual process with sufficient time for consultation and hand-over.

3.74 As the Indonesia bilateral programme moves towards planned closure, the onus is also to rethink the development relationship - for DFID to engage in a relationship defined more by policy dialogue than resource flows. Following a visit by Tony Blair in March 2006, it was agreed to establish a regular Indonesia-UK Partnership Forum to be chaired by the Foreign Ministers, with the aim of promoting 'strategic dialogue on bilateral, multilateral and global issues'. While Indonesia is not a BRICs nation[66], this type of inter-governmental working has many advantages, especially as DFID moves towards a 'mature aid relationship' in Indonesia around extractive industries, illegal logging, and global issues such as climate change and Islamic extremism. This initiative places the relationship on a sound footing as the development engagement changes.

[64] Nonethless, in general, the CPE found that partners liked the flexibility of DFID's funding, with an explicit emphasis on non-earmarked, co-funding with other donors.

[65] DFID (2006). *Good practice in transforming or closing bilateral programmes*. A DFID Practice Paper.

[66] Though it is an N-11 (next 11 BRICs) nation, as is Vietnam.

3.75 **Vietnam** is at the stage immediately before Indonesia in terms of economic status, but it is changing fast. The new draft CAP[67] (2007-2011) states that there is strong economic growth of 7-8% per year and poverty reduction of over 50% during the past ten years, which means Vietnam is on course to become a MIC by 2012. Five of the MDGs have already been achieved. Only the targets for HIV/AIDS, sanitation and the political representation of women remain off track. World Trade Organisation membership in January 2007 confirmed the progress made in the transition to a market economy since *Doi Moi* reform began two decades ago.

3.76 The Purpose of the new CAP is to help Vietnam reduce poverty further and become a MIC, and it is thus a five-year strategy for fundamentally changing its engagement in the country. This is aided by the ten-year Development Partnership Arrangement (DPA) that DFIDV also signed with the new Government of Vietnam (GoV) which sets out the countries' mutual commitments. The DPA commits at least £250 million of UK funding over the SEDP[68] period (2006-2010) providing that its principles – continued growth and poverty reduction; better public financial management and implementation of international treaties on rights – are adhered to. Towards the end of the CAP period DFIDV will undertake an in-depth review of the DPA with the GoV to agree an approach for the final five years.

3.77 Additionally, DFIDV will build on FCO - DFID shared objectives, to plan for the UK's changing partnership with Vietnam after it reaches MIC status, including how best to integrate plans into one shared UK Strategy.

3.78 The trends in output and income data suggest that the scale of poverty will still be significant in 2010 (15 million people in extreme poverty), thus the Vietnam CPE recommended that rather than a step change, the implementation of the graduation process should be gradual. Specific issues identified by the CPE to be considered in preparing the new CAP included:

- Carefully pacing the change in aid framework, which is planned to scale up initially, and then decline, with increased emphasis on provision of ideas and expertise rather than financial aid.
- The evolution toward a more mature partnership with the UK that will embrace a range of non-aid development issues.
- The need for a clearly defined DFID exit strategy that enables a gradual withdrawal but on a path that ensures the key areas of DFID interest, like governance, are embedded within the work of the multilateral agencies that remain.

3.79 However, as a strategy for dis-engagement, the new CAP is light on detail. With five years to effect the change, DFIDV foresees developing its graduation approach during the life of the CAP: "*To achieve fully the poverty impact and institutional, social and political changes underway in Vietnam, it will be important for international development partners, including DFID, to reduce their development assistance in a measured way as Vietnam in due course reaches and sustains middle income status, avoiding any abrupt moves. The process of graduation will need to be carefully planned and managed in full discussion with the Vietnamese*

[67] DFID (2007). Vietnam County Assistance Plan (2007-2011). *"Aiming High"*, Draft for consultation. It should be noted that this was published after the Vietnam CPE was conducted.

[68] Socio-Economic Development Plan (2006-2010) – Vietnam's PRSP.

authorities." The lesson from Indonesia and Russia is to start the dialogue with government and partners as early as possible, and this is supported in current guidance in the DFID Practice Paper on graduation.

3.80 The Select Committee review of DFID's programme in Vietnam[69], which specifically examined DFID's graduation strategy, supports carefully planned graduation. The Committee disagreed with the Minister's statement that it would "*be wrong to start to think at this stage explicitly about how many staff we would have in-country, what the size of our programme should be*" considering that "*it is of vital importance that the Government of Vietnam has the best information available to it to enable it to plan properly for reduced aid flows*." While the Committee agreed with DFID's view that GoV is increasingly looking to grant donors for ideas and assistance in policy change, as much as for finance, it was concerned that attaining MIC status would involve more than the '*slight scaling back*' of aid that DFID's evidence stated, and thus that DFID should "*begin now to set out for the Government of Vietnam the likely changes so that it in turn is able to prepare for reduced aid flows*". All this points to the need to ensure that GoV is fully aware of the implications of attaining MIC status – the framework of the DPA may be a useful means to do this, so that the message of the £250 million is tempered with discussions of graduation. This should also link to GoV structures for donor coordination, such as the Partnership Group for Aid Effectiveness (PGAE), so that GoV and other donors can plan in a coordinated fashion for graduation from DFID and other donor programmes.

3.81 Current predictions are that India is a further two or three years away from reaching MIC status than Vietnam – in about 2013. The 'Three Indias' consultation takes a five to ten year planning horizon, which goes beyond this date. However, unlike the draft Vietnam CAP out for consultation, which is a full CAP in draft, the Three Indias paper is a much lighter, broad-brush, document. While it recognises India's growing role as an economic power, and the need for DFID to change the nature of its engagement with India, it does not specifically allude to MIC status or therefore graduation. It also only mentions the state programmes, including West Bengal, in the context of benefits brought by DFID's contributions over the past five years.

3.82 It was not clear at the time of the evaluation how DFID India planned to follow the West Bengal State Assistance Plan (SAP) (2004-2007). This has to be seen in the context of DFID's overall India programme. Public domain DFID documents – the Country Plan (2004-2008), and the SAP – mention reducing support to well performing states after 2010. The SAP states "*As set out in DFID's India Country Plan, beyond the Country Plan period (2004-2008) DFID is likely to review with GoI the case for continuing with focus states that are making good progress with poverty reduction. The aim of such a review would be to free up DFID financial and staff resources for other parts of the country which face greater d evelopment challenges. If West Bengal successfully addresses some of the key development challenges outlined above, it should be possible for the next DFID State Assistance Plan (SAP) to consider scaling down DFID support to West Bengal by 2010. Keeping this in view DFID will consider providing significantly higher financial resources to West Bengal between now and 2010, to support GoWB in accelerating and extending the development progress already made in the state*." Given that the SAP only runs to 2007, DFID India does need to revisit these propositions for the future of the West Bengal programme

3.83 DFID is one of few donors in West Bengal, and India (including West Bengal) is not aid

[69] Select Committee on International Development. *Eighth Report, Session 2006-07*.
http://www.publications.parliament.uk/pa/cm200607/cmselect/cmintdev/732/73207.htm

dependent. DFID India enjoys a good relationship with government, and country strategy must address engagement with both high and more poorly performing states, as well as India's place on the international economic stage and its attainment of MIC status. As stated in DFID's Practice Paper on transforming and closing programmes, under Good Practice Principle 3: 'Planning for change': "*with India, DFID senior management has urged "start the dialogue now", anticipating its graduation to MIC status and diminishing interest in aid from bilateral donors.*" The new CAP will establish DFID's future direction in India, but it should ensure that plans for engagement at state level are made explicit and that the dialogue is held with states.

Box 5. Summary of findings on managing country programmes as countries progress to MIC status

- The decision to close the Russia country office was taken only months after the programme had decentralised to Moscow in 2003, just as BRICs issues were coming to the fore. DFID could have foreseen the consequences of the PSA LIC:MIC allocation target for the Russia programme. Overall, more critical analysis might have led to Russia not following the devolution trend.

- The devolution of a DFID office to Indonesia and Indonesia's attainment of MIC status also closely coincided. DFID needs to ensure larger global, economic and corporate factors are included in devolution decision making.

- Of the five country programmes, only the Russia office has actually graduated. Having had a severe budget cut soon after the office was established, DFIDR then acted consultatively and yet decisively in paring back its programme, which finally closed in 2007. Its Transition Plan for managing the graduation was well conceived and executed, with good communications, and good support to staff.

- The Indonesia country programme's move towards graduation has been less successful. The evidence is that the aim to work primarily through other development partners and proxy relationships, and the related choice of instruments has driven strategic decisions about the shape of the country programme's graduation phase. The lessons are that:
    - There needs to be more rigorous ex-ante assessment of the likely costs and benefits of new instruments, regarding both staff input and delivery of programme objectives
    - Care is needed that working primarily through multilaterals and multi-donor funds does not result in excess attention on donor harmonisation and possible alienation of government
    - As DFID becomes increasingly removed from direct project intervention, more attention needs to be paid to M&E, particularly to new approaches that address performance measurement in a more harmonised and aligned environment
- As DFID increasingly becomes removed from direct project interventions, different approaches to M&E are required – ones that are meaningful in the context of new, multi-donor instruments, and that track performance of programmes co-financed with the multilateral development banks.

- DFID's Good Practice Principles for transforming or closing bilateral programmes contains very salient advice on graduation. This advice, and that of the Select Committee, is to communicate graduation plans to recipient governments as far in advance as possible so that they can prepare for reduced aid flows, and changes in the nature of engagement.

- India and Russia are BRICs nations; Vietnam and Indonesia are in the N-11 group of next 11 countries with BRIC-type profiles. Credit is due to DFID for moving towards more mature relationships with these countries, e.g.: discussion with Indonesia on non-aid development issues such as extractive industries, illegal logging, and climate change, and in Vietnam through the Development Partnership Arrangement. One further example of maturation is the development of the shared FCO/DFID objective in Vietnam to work towards a joint UK Strategy.

Ways of working in the policy domain and measuring its effectiveness

Partnership and influencing

3.84 Influencing policy in developing countries has traditionally been the prerogative of the Bretton Woods institutions, but this has changed. DFID in particular has supported a country–led approach to development assistance and promoted new thinking on poverty reduction strategies and ways of working in developing countries.

3.85 Policy influencing is not new. In the past, the IMF and WB tried to impose conditionalities on the policy directions that developing countries should take. Subsequent research has shown that aid has had virtually no effect on policy when specific conditionalities were used: "*conditionality emerges as at least ineffective and at worst counterproductive as a lever of policy reform*"[70]. Political will, or government ownership, is recognised as essential. Donors have consequently committed, in the Paris Declaration, to "*respect partner country leadership and help strengthen their capacity to exercise it*". In return, partner countries have committed to "*exercise leadership in developing and implementing their national development strategies through broad consultative processes*". Adhering to Paris Declaration principles, the WB has also started revising its stance on the use of conditionalities[71], with good practice principles including ownership and harmonisation.

3.86 PRSPs are seen as partner countries' vehicles for articulating policy. In practice, the level of ownership of national development strategies varies greatly from country to country, calling for different responses by donors. In countries where government or country ownership remains weak at a strategic and/or operational level, the boundaries between donors supporting and (unduly) influencing national poverty reduction policies are blurred. At the same time, donors need to show that their funds are spent in line with corporate objectives. This tension between country ownership and donor influence poses a main challenge to the Paris Declaration principles of ownership, harmonisation and alignment.

3.87 In response to the above challenge, DFID has advocated a new approach to successful partnership for poverty reduction[72] . Consequently relationships with partner governments are based on the following criteria:

- commitment to poverty reduction and the MDGs
- respecting human rights and other international obligations
- strengthening financial management and accountability

Violation of these commitments can lead to a reduction or suspension of UK development assistance, as in Ethiopia in 2005 over human rights abuses. DFID's commitment to the relationship is that it will impose no specific policies on partner governments. Rather, its approach is conditioned by a good governance and poverty outcome perspective.

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[70] Morrissey (1998), *Promises, Promises. Can Aid with Policy Reform Strings Attached Ever Work?* http://www.id21.org

[71] A review of World Bank conditionalities, September 2005.

[72] DFID (2005). *Partnerships for poverty reduction: rethinking conditionality.*

3.88 DFID's approach to partnership and choice of aid instruments and modalities to support it are shaped by the country context and with it, the perceived level of "country ownership". And this perceived level of ownership is likely to be closer to reality if it is based on a greater understanding of politics (see section: Working and Planning in an Environment where Government is likely to change). An accurate reading of the context is essential when dealing with policy engagement, which DFID defines as aiming "*to influence the policy and practice of institutions that have an impact on and/or interface with poor and excluded groups*"[73]. In a multi-donor setting, DFID's ability to influence domestic policy will also increasingly depend on the quality of its partnerships with other donors.

3.89 The CPEs covered in this synthesis can be categorised as follows:

- Non-aid dependent Low Income Countries (**Kenya, Vietnam, West Bengal**)
- Non-aid dependent Lower Middle Income Countries (**Indonesia**)
- Upper Middle Income Countries (**Russia**)
- Federal and decentralized states (**West Bengal, Russia**)

3.90 In non-aid dependent LICs and MICs, DFID aims to develop a mature relationship, more defined by policy dialogue than resource flows. In Vietnam, for example, the country office has retained a close relationship with the government, culminating with the signing of a Development Partnership Arrangement (DPA) setting out mutual commitments between the UK and Vietnamese governments in 2006. The DPA provides clear, mutually agreed conditions and benchmarks for DFID's budget support, and is seen as an important step in developing more mature partnership arrangements within the context of harmonisation and alignment.

3.91 In aid-dependent LICs, government ownership of poverty reduction strategies is often weak and the political environment is such that elite-based institutions, both formal and informal, can hinder development. Influencing policy in such countries often depends on sound political economy analysis to establish common ground with government counterparts and locate the main drivers of change.

3.92 In Kenya, DFID has used the Drivers of Change approach well to inform the 2004 Country Assistance Plan (CAP) and provide a clear framework and conceptual basis for the governance programme.

3.93 In Indonesia, DFID has taken an indirect approach to influencing and until recently, worked through other donors and has had little direct contact with the government. In this country, the WB is the main donor leading on policy dialogue. In Russia, DFID strategy was principally veered towards providing the government with technical expertise on public sector reforms and policy in specific sectors, including agriculture.

3.94 Finally, in federal and decentralized states, working at different levels of administration must be underpinned by a thorough understanding of the relationships between regions and states. In Russia, DFID worked at regional and federal levels. In its 2001 Strategy, DFID decided to focus its effort on

[73] DFID (2006), *Guidance on aid instruments*, How to note.

two oblast partnerships to enable a larger concentration of projects, and in so doing increase its influence on policy. According to the CPE report, however, this decision, was based on an outdated view of the role of regional governments and their relationships with the federal states, and in practice, the regional partnerships have given DFID little policy leverage. Understanding the context is therefore essential, yet in some countries, like Indonesia and Vietnam, DFID has principally relied on the analysis of other donors, which has not always fully served its needs.

3.95 There are ongoing discussions in DFID to 'projectise' policy dialogue activity – i.e. to view this set of activities as so-called 'non-spend projects'. The measurability of 'projectised' policy dialogue work is currently being piloted[74]. The pilot design is articulated around three levels in the basic structure of the policy dialogue approach – policy dialogue activities, policy dialogue strategy and departmental performance framework targets. It defines policy dialogue as "a coherent set of policy objectives, or a process that aims to deliver a set of policy outcomes"; this strategy may be designed alongside spend or non-spend interventions. It is expected that the pilot will help to capture and share lessons learned on policy dialogue in a more systematic way. Projectising policy dialogue should also help to build evidence on the use of general and sectoral budget support as a platform for policy dialogue and policy influencing

3.96 A scoring system to rate policy engagement/dialogue and influence with partners is given in an annex to the CIDA OECD-DAC peer review[75] (Box 6). Here, the main challenge is that policy changes are often the result of a combination of factors and actors, which makes it difficult to isolate DFID's specific contribution, let alone make full attribution. It is worth noting that one recommendation of the peer review for CIDA at agency level is "*to ensure policy dialogue initiatives and interventions are carefully planned to achieve the desired policy influence with partners*". The use of a logframe-type results framework like the one being trialled in DFID's policy dialogue pilot design is in line with this recommendation.

Box 6. Partnership 1: Policy engagement/dialogue and influence with partners.

- Outstanding (5) : The program/project had a clear plan for policy engagement and dialogue with partners and
- Highly satisfactory (4): The program/project had a clear plan for policy engagement and dialogue with partners and exerted some influence by executing its plan successfully
- Satisfactory (3): The program/project had a clear plan for policy engagement and dialogue with partners and exerted a small but significant influence by executing its plan successfully
- Unsatisfactory (2): The program/project did not have a clear plan for policy engagement and dialogue with partners and exerted only a very small influence on partners
- Very unsatisfactory (1): The program/project did not have a clear plan for policy engagement and dialogue with partners and exerted great influence by executing its plan successfully
- Not demonstrated (0): One cannot tell from the evaluation whether the program/project had a clear plan for policy engagement and dialogue with partners or exerted influence by executing its plan successfully.

[74] DRAFT Policy Dialogue Pilot Detailed Design, DFID internal document.

[75] OECD-DAC, (2006). *Review of Evidence of the Effectiveness of CIDA's Grants and Contributions.*

Policy Engagement Activities

3.97 The five CPEs show that policy work over the evaluation period became increasingly explicit in DFID's project portfolios both in terms of values and time. This reflects both the country context (as none of the countries are fragile states) and corporate pressure to move upstream.

3.98 At an operational level and as described by DFID Guidance on Aid Instruments, *"formal mechanisms for policy engagement include: processes for agreeing and monitoring conditions and benchmarks for aid; Budget Support and Sector Working Groups; stimulating dialogue between ministries and between state and citizens; facilitating interaction and brokering connections between government, civil society and other actors; secondments of DFID staff and part funding of posts with a policy role; dissemination and debating of analysis at seminars and other fora; building constituencies of support for policy change. Research can be fundamental in supporting policy engagement and DFID can play a critical role in providing (long term) support to research institutions in developing countries*". The CPEs provide valuable insight on the effectiveness of such policy engagement activities in a given context.

3.99 Looking across these different levels and forms of interventions, the five CPEs point to a number of common principles for effective policy engagement. Firstly, one of DFID's comparative advantages on influencing comes from its ability to provide high quality analytical input across a wide range of sectors, rather than from disbursing large amount of expenditures. As a grant provider, it can also give flexible funding to support evidence-based policy making through joint diagnosis, analysis or capacity building assistance.

- In **Indonesia**, the Poverty Analysis Program (INDOPOV) produced evidence to support the government in important policy measures, such as the restructuring of fuel subsidies and the development of poverty-targeted cash transfers. INDOPOV is a multi-year comprehensive project of analytical work and policy dialogue supported by the WB and DFID Poverty Reduction Partnership Trust Fund.

- In **Vietnam**, the Poverty Analysis and Poverty Advice Support Programme (PAPAP) has made a major contribution in supporting an improved evidence-based and analytical poverty reduction strategy. PAPAP is a programme jointly developed by DFID and the WB, with PAPAP staff on Bank contracts. PAPAP has been particularly strong on developing a high quality domestic household data survey and generating evidence-based analysis. It is judged to have significantly enhanced the WB and other institutions' capacity in poverty analysis and policy engagement. PAPAP has also had a clear positive impact by pushing the debate on issues such as gender inequality, the poverty of ethnic minorities and migrants.

- In **Vietnam** and **Kenya**, the use of fiduciary risk assessment provided valuable insight into important aspects of governance and public sector reforms.

- Other examples where DFID has been able to influence policy through diagnosis-based analysis include regulatory reform and financial sector development strategy in **Kenya** and support to public enterprise reforms, and accession to WTO in **Vietnam**.

- A recommendation in the Kenya CPE report is to maintain the effective programme of support to national statistics, which started in 2005. The usefulness of strengthening the capacity of national statistical centres to inform policy making, including the introduction of new tools such as household surveys, has also been demonstrated in other DFID country programmes, such as Moldova.

3.100 As a second principle, effective policy engagement also seeks to involve all domestic stakeholders in the policy cycle and processes. In its 2006 White Paper *Making Governance work for the Poor* DFID has committed to work with state institutions as well as other domestic stakeholders to support good governance in developing countries. This has proved effective in moving the policy agenda forward:

- Despite mixed success, a key strength of DFID's governance strategy in **Kenya** has been to work both on demand side issues (i.e. those aspects related to voice and accountability) - through continuing efforts to support civil society; and supply-side – (i.e. developing programmes to improve the effectiveness of state institutions) for example in the legal sector and broader public sector reforms. DFID's work with civil society and organisations representing the private sector has proved a useful counterbalance to working with the state. This has included work with taxpayer associations, work with Parliament, and a close involvement of civil society in the Governance Justice Law and Order programme (GJLOS). DFID has also made a positive contribution to political accountability, with examples of effective public information, civic education and advocacy around the 2002 elections through its Political Empowerment Programme (PEP).

- Another example of best practice is the Multi-stakeholder Forestry Program (MFP) in **Indonesia**. The MFP has had a direct impact on policy change by working with the Ministry of Forestry and at the same time encouraging civil society and local communities to participate in local and national decision-making processes. This has brought notable changes in attitudes and behaviour between government and civil society. As a result, MFP's stakeholders have been closely involved with the drawing up of new regulations, including that enabling communities to have longer tenure over state forest resources.

- Local consultants are also key stakeholders to involve – without their inputs and participation, technical assistance in public sector reforms is unlikely to be institutionalised and embedded in each country's context. In **Russia**, DFID made a conscious effort to involve local expertise. Success in some areas, such as public finance, public administration reforms, and agricultural reforms, could not have taken place without expanding local capacity.

3.101 A third principle of effective policy engagement that emerges from the respective CPEs is the need for a targeted and long-term approach to policy influencing. Policy changes can take time to embed and require targeted advisory/technical inputs. For example, evidence shows that general budget support has not been the main driver of policy changes in countries such as Vietnam and Ghana. The CPE report on Vietnam confirms that the PRSC has successfully helped to cover the cost of government spending in priority sectors and provided a main platform for donor-government dialogue. The report nonetheless argues that overall, the PRSC has had little influence on policy, because all the policy triggers agreed in its matrix reflect commitments already made by the government. This lack of influence reflects the small percentage of the PRSC resources in the government budget (less than 2%), as well as the WB's preference for dealing with the more difficult policy issues behind the scenes.

3.102 Similar conclusions were reached in a recent briefing paper on Ghana General Budget Support[76]. Total Multi-Donor Budget Support (MDBS) disbursements in Ghana accounted for 27% of total aid, but only 9% of total government spending in 2005. Looking at the outputs and outcomes of the MDBS, the paper concludes that poverty reduction budget support may have helped to give the social sector ministries greater budget priority, but that overall, it did not conclusively help to accelerate the pace of reforms. Furthermore, government and donors have focused their negotiations on a few performance indicators – principally in public finance management – in an attempt to balance avoiding the exertion of undue influence with meeting their own corporate priorities. The paper concludes that budget support should be seen as a method of budget financing, not as a tool for policy leverage.

3.103 According to the Vietnam CPE, targeted support shows the best potential for policy influencing. DFID involvement in Vietnam's National Targeted Programmes (NTPs) in education and, to some extent in rural transport, was instrumental in improving the quality of policy design and delivery. In Kenya, DFID used its longstanding involvement in agriculture to support the new government in formulating land reforms. DFID Kenya was also instrumental in supporting the government's free primary education policy. This supports the conclusion that, in the medium-to-long term, interventions in a specific area or sector play a valuable role throughout the process of developing, introducing and implementing new policies.

3.104 DFID crucially relies on the knowledge and relationships that come with long-term involvement to identify opportunities and respond to them effectively. Policy influencing then becomes an inherent dynamic of the country programme, equally reflecting a deeper appreciation of the context by DFID staff, well-established relationships with government counterparts, as well as DFID's experience of best practice elsewhere. As summarised in the Vietnam CPE "*where donor coordination and policy dialogue have been good, this has led to lesson-learning for both partners and to significant improvements in the quality of policy design and delivery*".

3.105 Technical input has also worked well when complemented by capacity building support and/or capital investment. For example, the CPE report on **Kenya** commends DFID's twin track approach in the health sector as an effective tool for policy influencing. The twin-track approach combines short-term gains, such as scaling up insecticide treated bed-nets and financing condom supplies, with long-term technical assistance to strengthen the Ministry of Heath in decentralisation and SWAp processes both in the Health Sector Reform secretariat and in the Division of Reproductive Health and Malaria.

3.106 Concern over the low impact of general budget support on policy making is shared across other donor programmes that equally support broad development or governance goals. For policy influencing to be effective, strategies need to be unpacked so that the right sequence of policy changes can be identified and supported. In Kenya, for example, the Governance, Justice, Law and Order (GJLOS) programme produced disappointing outcomes. When the new Government came to power in 2002 and promised zero tolerance against corruption, DFID and other donors enthusiastically offered support, but they were not particularly pro-active in putting forward specific ideas and instead broadly supported reforms listed under the GJLOS. The relative failure of GJLOS is partly explained by the lack of political support and partly by the lack of clear prioritization and sequencing. An influencing opportunity may have been missed as a result.

[76] T Killick and A Lawson (2007), *Budget support to Ghana: A risk worth taking*? ODI Briefing Paper 24.

3.107 This does not mean, however, that a systemic approach to reforms in government policy and practices is not sometimes needed. In the area of public sector reforms, for example, interactions between the different layers of public administration exist and cannot be ignored. Donor input into public sector reforms should nonetheless be sequential to allow for reflection, consolidation, and government buy-in at each step. If successful, such a 'platform approach' – presently being tested in a number of countries (for example, Cambodia and the Kyrgyz Republic) - could be rolled out to other areas of policy reform.

3.108 A fourth principle is that the quality of DFID's policy engagement depends on clear and transparent communication with the partner governments. This is also valid in a multi-donor setting.

- In **West Bengal**, DFID is a valued development partner for the government in an environment where there are few donors operating. Individually, there are strong relationships with senior members of the Government. However, despite the strength of relationship, the CPE argues that communications could have been better coordinated and there are a few examples where government could have been involved differently, such as in advocating around harder-to-reach reforms and in the programme's allocative decisions.

- In **Indonesia**, donor communication with the government has been at times opaque and distant, with the proliferation of multi-donor initiatives reinforcing this trend. For example, in setting up the DSF, DFID recognised the risk: "*that efforts by the DSF to engage with the government ….around decentralization policy will adversely affect relations with the Consultative Group on Indonesia*[77] *(CGI), further dividing the international development community, and undermining the harmonization objective of the DSF*". Although the Indonesian government has since abolished the CGI on political grounds and the country office claims to have managed this risk, several donors still perceive the CGI and in particular, its Decentralisation Working Group (DWG), as a key forum for donor/government engagement around decentralisation. The DWG also holds legitimacy with the Government, as it is chaired by Ministry of Home Affairs.

- In **Russia**, after the decision for graduation was taken, the Transition Plan put forward radical changes to the existing programmes to allow DFID to pursue and finish a limited number of activities. The planned HIV/AIDS programme was cut drastically. DFID's efforts to influence policy were impaired by this lack of continuity. For DFID to maintain constructive policy dialogue with the government and line ministries in the final years of programme/project implementation, the CPE report suggested that DFID needed to communicate its exit strategy clearly and pro-actively to the government.

- In a number of cases, a multi-donor setting has fuelled dialogue, as donors and government attempted to reach consensus on main policy issues. For example, the WB's PRSC instrument in **Vietnam** has been effective in raising poverty reduction issues up the policy agenda. In **Indonesia**, the multi-donor fund (MDF) supporting Badan Rehabilitasi dan Rekonstruksi (Reconstruction and Rehabilitation Agency), provided a policy forum for setting the agenda for post-tsunami reconstruction. All stakeholders interviewed during the CPE, including government, expressed the opinion that the MDF's role as a policy forum had far wider influence than just the Fund projects.

[77] Established in 1992, the CGI is a consortium of countries and institutions providing loans to Indonesia, set up by the Indonesian government and the World Bank.

3.109 The quality of communication between donor agencies and government ministries can therefore have a strong impact on the effectiveness of policy dialogue. DFID needs to be transparent about its strategic choices at a bilateral level, and in particular, about its decision to pull out of a sector and/or country. It is also worth noting that one reason for the Indonesian government to abolish the CGI was the preference for one-to-one negotiations rather than roundtable, multi-donor ones. This reinforces the CPE recommendation that DFID should continue to engage directly with the government. Clear communication is also important in a multi-donor setting. Harmonisation efforts without the full involvement of the government run the risk of alienating government and ndividual development partners. In the Vietnam CPE, it is recommended that DFID should be clear about which key reforms its support is targeted at and about where it will look to assess progress when working in a multi-donor setting.

Box 7. Summary of findings on ways of working in the policy domain and measuring its effectiveness

- An appropriate reading of the context and assessment of the level of country ownership is needed to support the right approach to policy engagement. The new DFID 'rethinking conditionality' approach to successful partnership for poverty reduction captures the relative success of the five CPE countries in doing so.

- Ongoing discussions within DFID to 'projectise' policy dialogue activity should help to build best practice. Four lessons on policy engagement are drawn from the five CPEs covered in this synthesis. Policy engagement is likely to effective when:

  - it promotes evidence-based policy-making
  - non-state domestic stakeholders are involved in the policy cycle and processes
  - it is targeted, sequenced, and long-term
  - it is based on clear channels of communication

- One of DFID's comparative advantages on influencing comes from high quality analytical input work rather than large amount of expenditures. Long-term capacity building assistance to support national statistical centres is also seen as an advantage.

- Country programmes that focus on both supply and demand side governance have shown good results. The participation of non-state actors, including local consultants, in programmes has also been instrumental in shaping policies (Kenya, Indonesia, Russia).

- Evidence shows that GBS helped to cover the cost of implementing reforms in priority sectors. It has also provided a platform for policy dialogue between governments and donors. But it is targeted assistance in specific sectors or areas that has shown better potential for policy influencing at an operational level. For policy influencing to be effective, strategies need to be unpacked so that the right sequence of policy changes can be identified and supported. Long-term involvement is also crucial for donors to build knowledge and relationships and in so doing identify opportunities and respond to them effectively.

- Technical input also works better as an influencing tool, when complemented by capacity building support and/or capital investment. Good practice includes Kenya's twin-track approach in the health sector.

- Policy influencing requires clear channels of communication between the government and donors whether at a bilateral level or in a multilateral setting. The Indonesia CPE recommends that DFID maintain direct engagement with the government, despite its preference for low intensity partnerships. The Vietnam CPE recommends that when working in a multi-donor setting, DFID should be clear as to which key reforms its support is targeted at and where it will look to assess progress.

Working in partnership with other development partners and the costs of harmonisation

Choice of partners and partnerships

3.110 New aid delivery mechanisms, such as multi-donor trust funds, joint partnerships and multi-donor budget support, are promoted as a way to strengthen donor harmonization. The practice paper on implementing DFID's conditionality policy gives some broad guidance on partnering with other donors and dealing with situations when:

- donor harmonisation conflicts with full implementation of the policy
- other donors apply conditionality in a significantly different manner to the UK
- an IMF or WB programme is suspended, delayed or withdrawn

3.111 Of the five countries in the synthesis it was only DFID's experience with the IMF in **Kenya** where guidance from the conditionality paper was applicable. With IMF's assistance to the government, in the shape of a new three-year facility, delayed at the time of developing the CAP, DFID adopted a cautious approach to the relationship with the government, with substantial resources channelled direct to NGOs, the private sector and other civil society organisations. Overall, the conditionality policy says that "*the case for co-financing should take into account aid effectiveness objectives, DFID's wider relationship with the donor community in that particular country, and the partner government's own preferences*". While donors have traditionally awaited IMF's seal of approval to resume their financial assistance in a particular country, in practice, their partnership with the Fund is limited. At the same time, there is little practical guidance at country level with regard to other partners and it is often left to country offices to select what they see as the most appropriate partnerships and partners.

3.112 At agency level, DFID's partnerships with multilateral institutions are framed by institutional strategies, in which joint objectives are defined and monitored on an annual basis. DFID assesses and monitors the effectiveness of the multilateral organizations that it supports using its Multilateral Effectiveness Framework (MEFF). The MEFF results are then used by DFID Headquarters as criteria for decisions on funding allocations, as an input for designing its institutional strategy for engagement, and to inform DFID's accountability under its PSA objectives. The results of the MEFF may not reflect the situation on the ground, however, and on some occasions, DFID's compatibility with some multilateral organisations has been poorly assessed. For example DFID-Vietnam's partnership with the ADB was constrained by the incentives and management systems of what remains a very centralized organization.

3.113 DFID Country Offices in Indonesia, Kenya and Vietnam have all worked closely with the WB. Partnering with the WB appears justified and effective given DFID's relatively low aid volume and the Bank's strategic position vis-à-vis government. In addition, co-financing arrangements between the WB and DFID have been instrumental in supporting targeted policy reforms, in particular public financial management and establishing a platform for policy dialogue between government and donors under the PRSC. On a less positive note, DFID's closeness with the Bank can risk alienating other donors. Such a risk was identified in Indonesia and in Vietnam. WB task managers and staff in bilateral agencies may not always be given the same incentives to pursue alignment and harmonisation. This was the case in Kenya, when the WB designed the Institutional Reform and Capacity Building programme in parallel with development of the GoK Public Financial Management strategy.

3.114 The choice of multilateral partners varies between countries. In Vietnam, strategic partnerships have been formed with the UN and the ADB while in Indonesia, DFID has entered delegated partnerships with UNDP, UNICEF, and UNAIDS. Bilateral partners have included Japan in Vietnam, GTZ in Indonesia, and CIDA and SIDA in Kenya. In Russia, donor-coordination has been less structured reflecting DFID's focus on building relationships with the authorities. In West Bengal, given the small number of donors, coordination has been less of an issue and donors operating maintained a sensible division of labour. This situation is to change in 2007, when the WB plans stronger involvement in West Bengal, particularly in the health sector. Such changes call for careful re-assessment of opportunities for donors to work together.

3.115 Akin to the choice of partners, the form of partnership equally varies, depending on the policy environment, existing opportunities and DFID's perception of its strengths and weaknesses. In Indonesia, DFID has increasingly worked at a distance, through low intensity partnerships (LIPs)[78] and multi-donor trust funds. This less direct approach to coordination is contrasted with Vietnam, where the DFID country office has actively, and visibly, supported the government in its effort to lead the coordination of donors. This is reflected in the 2004 CAP objective: "*to improve the effectiveness of aid in Vietnam through broadening and deepening relationships with the main donors to further harmonization*". Low-intensity or high-intensity partnerships have been associated with both benefits and costs, although these have yet to be captured in a systematic manner in DFID country programmes.

Delegated Partnerships

3.116 Entering a delegated partnership reduces the work of collaborating of silent partners as well as that of the recipient ministry. As well as being a significant time saver and an efficient way of frontloading aid money, entering delegated partnerships with development agencies that have better access to high-level government officials, such as the WB, or better technical expertise, such as specialised UN agencies, can also potentially allow DFID to make the most of its relatively small contribution (eg Box 8)

Box 8: Using delegated partnerships to indirectly influence government – the case of Indonesia

- GTZ was already working with Ministry of Health (MoH) at central level (Social Health Insurance; Human Resources for Health) and district level (District Health Strengthening) in Indonesia. One of DFID's aims in supporting GoI's Making Pregnancy Safer programme was to build upon this, leveraging increased advocacy by GTZ with GoI. GTZ accepts this role, has been fully aware of it from the beginning of the partnership and has used DFID project funds to recruit a Reproductive Health Coordinator to work in MoH as a central level 'influencing' link.

[78] LIPs are a way by which DFID, with minimal, yet strategic adviser support, provides substantial funding to bilateral/ multilateral agencies to scale up existing programmes prioritising the MDGs.

- UNICEF's work on Safer Motherhood was developed following extensive discussions with GoI and reflects increased understanding of the need to take a broader sector approach. DFID directly influenced UNICEF to take this broader approach and to agree it with GoI. Both GTZ and UNICEF were then required to build their projects around MoH's 'Making Pregnancy Safer' strategy, and to use the national safer motherhood M&E framework.

- DFID's influencing strategy in HIV/AIDS was more explicit: to support key agencies (e.g. UNAIDS with its existing successful programmes) in their influencing efforts to sustain a GoI focus on prevention and 'scaling up'; and to support UNAIDS's influence on GoI to strengthen the National AIDS Commission (NAC). Whilst this was already in progress, DFID's financial, and by extension 'political', support contributed to the overall influencing effort. UNDP originally considered recruiting technical expertise, to strengthen its own capacity to to engage directly with GoI and address HIV/AIDS. However, DFID discouraged this approach since UNAIDS already had the necessary mandate and capacity; developing additional and parallel capacity in UNDP would have been counterproductive.

3.117 Delegated partnerships also come with an opportunity cost, however. Unrealistic assumptions have sometimes been made about the capability of partners on the ground. This was the case with DFID-Vietnam's partnerships with WHO and the Asian Development Bank. The Vietnam CPE concludes as a result that "*the Vietnam model of co-financing was successful where the conditions were right but 'working through others had had high transaction costs in several cases*". The experience suggests that co-financing and silent partnerships can require a lot of maintenance and engagement, especially when things go wrong. In addition, the priorities of partners, whilst broadly in line with those of DFID, may not always share the same emphasis. The Indonesia CPE, for example, shows that DFID's policy on its response to the HIV/AIDS epidemic differs from that of others partners.

3.118 Visibility and claim for attribution may be lost in delegated partnerships. For example, while there is enough evidence to show that DFID has been able to influence the government indirectly through delegated partnerships in the case of INDOPOV in Indonesia and PAPAP in Vietnam, this achievement cannot be easily "*directly attributed to DFID's resources*". In delegated partnerships too, the government and other donors can be unaware of DFID's positive influence on programmes.

3.119 Where DFID's choice of instruments results in it having a low profile, and an arms-length relationship with government, this can in turn undermine its ability to advocate. In Indonesia, it was felt that the absence of a well-established relationship with the government had made it difficult for the country office to take the lead on DSF. The Indonesia CPE argues that entering delegated partnerships with other donors does not mean that DFID should not build a relationship with government. Rather, it suggests that DFID must maintain a bilateral dialogue with government in addition to its less overt role in the delegated partnership.

3.120 It is also worth noting that in the case of low-intensity partnerships, the leading partner may ask other partners to contribute to the cost of managing the project. For example, in Indonesia, UNDP take 13% of the budget of the Indonesian Partnership Fund (for HIV/AIDS) as management costs. In Kenya, where DFID is the lead partner in a partnership on education with SIDA and CIDA, a proportion of the latter's contribution is earmarked for their management fee.

Harmonisation

3.121 The positive impact of donor harmonisation on aid effectiveness is soon to be tested in a series of evaluations to take place around the OECD-DAC High Level Forum in Accra in 2008. There is already evidence[79] that multi-donor approaches, such as that driven by the PRSC in Vietnam, have reduced transaction costs for the government. However, multi-donor mechanisms can be highly process-orientated, and maintaining effective communication amongst development partners can be challenging. The Indonesia CPE provides a useful comparison of the different approaches to partnerships that DFID Indonesia adopted over the evaluation period (Table 7). It shows that transaction costs (in terms of staff time) were high for new programmes like DSF – which required DFID's lead at design phase, but relatively low in existing multi-donor programmes to which DFID is contributing, like MDF.

Table 7 – Comparing harmonisation instruments in Indonesia

	Multi-donor fund (Post-Tsunami)	Indonesia Partnership Fund (HIV/AIDS)	DSF (Decentralisation)
Agenda	One donor agenda/event around which to harmonise	Single issue (HIV/AIDS epidemic)	Multiple donor interests, broad 'decentralisation' agenda
Leadership	Strong government leadership	Improving capacity & leadership of NAC	Fragmented leadership
Institutional structures	Single client interface (BRR)	Single interface (NAC) with strong ministry links (MoH)	Several ministries (MoHA; BAPPENAS; MoFin; local government)
Costs	Below 2% costs	High management charge (UNDP 13%)	High transaction costs, financial & non-financial (to date)
Results	Real, tangible projects/results	Not (yet) proven effective	Not (yet) proven effective
Donor commitment	Multi-donor commitments	Potential multi-donor commitments (AusAID)	No multi-donor commitments (to date)[80]
Leverage	High level leverage on programmes outside MDF	Limited leverage (to date)	Limited leverage on programmes outside DSF (to date)

3.122 Kenya also provides an interesting example of the cost of harmonisation. Here, the donor sub-group on anti-corruption, under the successful leadership of DFID, produced an agreed position on corruption that was communicated to government in early 2005. Forging a wider consensus across donors however was difficult to achieve and time-consuming; as a result there has been too little focus on implementation and achievement of results. The cost of harmonisation is best summarised by the OECD-DAC 2006 survey on monitoring the Paris Declaration: "*donors and partners must acknowledge that initially there are new costs associated with doing business differently. For example, collaborative work is not cost-free: according to the WB, coordinated multi-donor programmes typically require 15-20% more staff and budget resources than traditional stand-alone projects*".

3.123 Unlike UN agencies or the WB, DFID has chosen not to administer large multi-donor programmes. Even the trust fund supporting the DSF in Indonesia is administered by the WB. As a

79 2006 Regional Forum on Aid Effectiveness Manila, OECD 2006.

80 Between the main evaluation visit (February–March 2007) and the finalisation of the report (June 2007), AusAID has now made a commitment to DSF and CIDA is likely to follow.

dialogue with government in addition to its less overt role in the delegated partnership.

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3.122 Unlike UN agencies or the WB, DFID has chosen not to administer large multi-donor programmes. Even the trust fund supporting the DSF in Indonesia is administered by the WB. As a result, the use of joint donor funding mechanisms can potentially free up significant staff time previously dedicated to the day-to-day project administration. For example, the Vietnam CPE argues that DFID's contribution to the PRSC has been extremely simple to administer, even to excess, and consequently, without the PRSC, DFID could not have scaled-up disbursements. In other words, once budget support has been set up, the amount of aid can be increased or decreased at low marginal cost to DFID. In other words, once budget support has been set up, the amount of aid can be increased or decreased at low marginal cost to DFID.

3.123 At the same time, DFID's contribution to Objective 3 "*improve aid effectiveness in Vietnam*", which the Vietnam CPE ranks as high, has required a strong in-country presence and result, the use of joint donor funding mechanisms can potentially free up significant staff time previously dedicated to the day-to-day project administration. For example, the Vietnam CPE argues that DFID's contribution to the PRSC has been extremely simple to administer, even to excess, and consequently, without the PRSC, DFID could not have scaled-up disbursements. In other words, once budget support has been set up, the amount of aid can be increased or decreased at low marginal cost to DFID. In other words, once budget support has been set up, the amount of aid can be increased or decreased at low marginal cost to DFID.

3.124 At the same time, DFID's contribution to Objective 3 "*improve aid effectiveness in Vietnam*", which the Vietnam CPE ranks as high, has required a strong in-country presence and a critical mass of advisers. While seemingly a contradiction, it indicates new staffing requirements as a result of the shift from projects to programmes and policies. It also shows that many DFID activities in support of harmonisation take place outside spend commitments. It also shows that many DFID activities in support of harmonisation take place outside spend commitments. Country staff must now manage projects, engage at policy level, coordinate both internally and with host governments and other donors, follow policy directives from head-quarters and take into account cross-cutting issues, such as gender.[81]

3.125 Good influencing and negotiating skills have become essential and advisory inputs are needed for DFID effectively to sit at the policy table. For example, DFIDV's level of activity through and with partners goes some way to explain why the staff-annual spend ratio is above average when compared with other CPE countries. In 2006, while DFID-Indonesia has 13 staff (9 SAIC, 4 international) to manage a portfolio of £48 million (including post-tsunami work), DFID-Vietnam has 28 staff (22 SAIC, 6 international) for a portfolio of around £50 million. This, in large part, reflects DFID's respective position in the two countries as partner and leader in donor coordination.

3.126 CPE findings nonetheless show that Vietnam's staffing may not be optimal or permanent. The report shows that the most rapid growth of staff was at A3 level (junior advisory). This in part reflected the increased workload arising from continued expansion of the programme and in part a move to more upstream influencing and policy dialogue work. With more joint donor programmes now up and running, staff requirements are likely to decline. Yet some activities will continue to require the input of more senior advisory staff. For example, one of the conclusions of the Vietnam CPE was that more could have been achieved to influence the PRSC: notably in the economic field, but also on the PFM and anti-corruption agenda. The CPE concluded that the optimal way of influencing the WB is through in-country secondments or intensive collaboration through joint projects.

3.127 As part of developing guidance that provides a coherent basis to assess priorities for policy engagement, the CPE team in **Kenya** recommends that DFID recognise advisory support as a programme rather than just an administrative cost. This recognises that the input of senior advisers has often been instrumental in ensuring an effective contribution by DFID in a multi-donor setting. In Kenya and Vietnam, in-country governance advisers have played a key role in promoting donor support for good governance. There is no full time Health Adviser in Indonesia but there is a Senior Health Advisor based in Bangkok, who is responsible for several other country health programmes in

[81] CGAP "Aid Effectiveness Initiative, micro-finance donor peer reviews", April 2004 provides a useful discussion on staff requirements and new aid modalities in the case of microfinance.

the region and provided strategic input into the LIP. Also based in Bangkok, the Senior Governance Advisor allocates 50% of their time to Indonesia, and another senior advisor is located in the DSF.

3.128 The limited availability of senior advisers, often based in regional or head quarters, has proved a main obstacle to DFID's effective policy engagement with the partner country and other donors. According to the CPE report, the combined pressure to reduce headcount and move upstream in Vietnam suggests (i) further prioritisation of the existing portfolio, with a probable concentration on budget support with an influencing effort in one or two key policy areas, and (ii) a need to retain a strong core of senior and experienced advisory and programme staff in the country. Regional and HQ advisers have still an important role to play in sharing lessons and best practice across countries, and they must remain involved. According to the same report, there is also a need to clarify the relationship between lead advisers and programme managers that work on the same programme and project.

3.129 The recent decision to allow Country Offices ring fence part of their programme budget for funding advisers should free up resources previously locked by the Gershon headcount targets. Country Offices have also started redefining the roles and responsibilities of lead advisers and programme managers. The main difficulty will be to ensure that that the new skills required to operate in a multi-donor setting do not overshadow the importance of retaining hands-on knowledge previously gained through project management.

Box 9. Summary of findings on working in partnership with other development partners and the costs of harmonisation

- DFID country offices have actively sought to work in partnership with other development partners. Both choice of partners and type of partnership arrangement has varied, though the WB has often been a key partner.

- Both low-intensity and high-intensity partnerships have worked well in some situations, but less well in others. But these experiences have yet to be captured in a systematic manner across DFID country programmes to provide guidance for future programming.

- Delegated partnerships were predominantly used in Indonesia, and to a lesser extent, Vietnam. They reduce the work of collaborating for silent partners, as well as for the recipient ministry. They can also increase DFID's policy leverage through working with influential partners. However, they also come with opportunity costs: partners may not share the same policy emphasis, or have limited capability, or different management/incentive structures. Visibility and claim for attribution can also be lost, affecting the ability to advocate.

- DFID has often been instrumental, particularly in Vietnam, in building consensus in the donor community. Multi-donor mechanisms can be highly process-orientated however, and maintaining effective communication amongst development partners can be challenging. In Kenya, DFID led the donor sub-group on anti-corruption, but effort was mainly expended on forging a consensus across donors, with consequent lack of focus on implementation.

- DFID is engaged in policy dialogue but is rarely the donor to administer joint- funding mechanisms. As a result, the use of multi-donor trust funds has freed up significant staff time previously dedicated to day-to-day projects administration. Meanwhile time dedicated to dialogue and coordination with other development agencies has increased. Influencing skills have become essential.

- Staff requirements have changed as a result of the harmonisation agenda. Access to high-level advisory inputs has become a greater necessity in all CPE countries committed to the agenda. The relationships between lead advisers and programme managers have also evolved and in need to be clarified.

4 Recommendations and Discussion Points

4.1 This section builds on the findings and lessons from the five CPEs. It aims to be forward-looking and contribute meaningfully to the debate on increasing aid effectiveness. Therefore this section centres on a limited number of major themes emerging from across the CPEs. Based on a sample of five countries, recommendations are constrained by the evidence base available, thus this section is framed as both recommendations and points around which DFID needs to engage in further reflection and discussion.

Analysis and programme planning where Government is likely to change

4.2 As the achievement of development aims becomes more deeply embedded in national politics, it is recommended that:

- DFID in-country Governance Advisers should ensure that Country Governance Assessments are completed prior to the development of CAPs, and that these, together with Drivers of Change analysis, lead to better understanding of political context. This relates to both structural and institutional dimensions which require long-term engagement, and to new or short-term opportunities.

- The governance team in DFID's Policy and Research Division should complete the piloting of the suite of political risk assessment tools, and Senior Managers should ensure that relevant tools are rolled out to Country Offices, to be used, under the lead of the Governance Advisors to feed into strategy processes.

- DFID Country Offices should become better at examining possible future political and related development trajectories and identifying appropriate options for programming in relation to these. Scenario planning should be encouraged in the early drafting of CAPs. DFID Headquarters should ensure that appropriate guidance on scenario planning is available to Country Offices, and that Country Offices should ensure they have the necessary capacity and skills in this area

- DFID Country Heads and Senior Managers in UK should ensure country programmes develop and/or maintain close links with the FCO so that they maximise intelligence on political change that might affect achievement of programme aims. It is suggested that Country Heads should involve the FCO in the part of CAP development specifically related to scenario planning for political change.

Graduation

4.3 The Russia programme office was devolved a year before the decision was taken to close the programme due to cuts in programme allocation, but at the same time as BRICs issues were emerging. The Indonesia office was devolved a year before Indonesia became a MIC. Hence it is recommended that:

- DFID should ensure that decisions about office devolution take into account long term plans for country presence, and other relevant factors such as economic trends, geo-politics, and PSA targets.

4.4 Good graduation and responsible exit are very important for DFID – they affect the sustainability of investments to date and future reputation and country relationships. DFID Country Offices should be encouraged to consider as early as possible their graduation process and exit strategy as core to country planning.

4.5 The Aid Effectiveness and Accountability team should be responsible for ensuring DFID's Good Practice Principles for Transforming or Closing Bilateral Programmes are systematically updated with new lessons as DFID's operations change and programmes are closed, and that the Principles receive wider and higher profile circulation within the department.

Working in the policy domain

4.6 Understanding the context and assessing the quality of partnership with the government is essential in determining policy engagement at a strategic level:

- Country Offices could gain from a more regular periodic assessment of progress against the partnership benchmark indicators[82] laid out in the practice paper on implementing DFID's conditionality policy.

4.7 In practice, the whole range of DFID's aid interventions can have an influence on domestic policy - whether directly through government assistance or indirectly through project and engagement with non-state actors. It is crucial donors continue to measure the influence their range of activities have on governments' policy and practice.

- As the move upstream continues, the Aid Effectiveness and Accountability Team should seek ways of assessing the effectiveness of DFID's policy engagement/ dialogue in a more systematic manner. Special emphasis should be given to new aid delivery mechanisms, including general budget support. This will help Country Offices identify the main comparative advantages they bring to the policy table.

- Policy engagement should only be recognised as effective if issues raised up the agenda prompt positive changes in policy and practice. It will also be necessary to acknowledge the possibility of donors unduly influencing the country's policy-making process, which is when their engagement with recipient governments weakens domestic accountability relationships.

Working in partnership

4.8 Although overarching tools for working with other development partners, such as the Multilateral Effectiveness Framework, exist at headquarters level, practical guidance hardly exists at country level, and it is often left to DFID Country Offices to select what they see as the most appropriate partnership(s) with other development partners:

[82] Which have to be further be developed

- DFID country offices should discuss choices of multilateral partners with International Division and the importance of this should be emphasised in CAP guidance.

4.9 DFID's ways of working have changed significantly with increased emphasis on harmonisation as part of improving aid effectiveness. For example, harmonisation – when administered by other donors – has proved to be a significant time saver and a relatively easy way of frontloading aid. At the same time, harmonisation efforts have increased staff time allocated to policy and advisory work. A clearer picture is needed.:

- In line with the recommendation of the OECD-DAC 2006 Survey on Monitoring the Paris Declaration to donor countries, DFID's Finance and Corporate Performance Division should encourage innovative procedures to "projectise" the new types of activities closely associated with harmonisation within and outside specific programmes.

- The opportunity costs associated with multi-donor partnerships should be assessed and where possible, addressed – for example, loss of visibility might be tackled by external communication initiatives.

Annex 1. CPEs: Countries' political, social and economic context

Indonesia: Indonesia has made significant strides in reducing poverty and strengthening democracy since the economic crisis and political transformation of 1997-98. Its Human Development Index has improved, with the country ranking 108 of 177 countries in 2006 (Table 8). Political and economic governance remain problematic, reflecting tensions and sometimes violent conflict between central government and provinces, endemic corruption, and high, albeit declining, levels of inequality. The country has reached middle income status since 2005, according to OECD/DAC criteria. Indonesia is not an aid dependent country, with aid representing less than 1% of its GDP. Japan is by far the largest donor, contributing half of total ODA in 2005. DFID country strategy addresses key national priorities in health, decentralisation, and post-tsunami reconstruction.

Kenya: Following the 2002 election, which brought Daniel arap Moi's 24-year rule and KANU's four decades of power to an end, donors came to the fore to support the package of economic reforms heralded by the new president and former opposition leader, Mwai Kibaki and its government. Progress remained slow, however, especially with regard to governance. Development assistance has fluctuated over the evaluation period as a result, and the country is unlikely to reach the MDGs by 2015. The DFID country programme comprises support to public sector reforms and health. Resuming a stalled process under the Moi area, the country produced a full PRSP in January 2005.

Russia: The Russian federation is a middle income country of 143m people. Russia's economic transition has been a painful process, accompanied by a dramatic increase in income inequality. A combination of economic mismanagement and plunging oil prices led to a financial crisis in August 1998. Poverty increased markedly as a result of the crisis, although it has declined steadily since. Because of its strategic importance to the west, Russia has never been viewed as a 'normal' recipient of development assistance. DFID's country programme, which shrank in financial terms from over £25m in 2002/03 to roughly £5m in 2005/06, is principally geared at providing technical assistance rather than financial support.

Vietnam: Despite progressive reforms since the 1990s, Vietnam remains a single communist party country and relatively closed economy; it became a WTO member in 2006. Aid steadily increased over the evaluation period (2002-06), with the country receiving general budget support from 2001. The country, which is not aid-dependent, is now seen as a model for aid harmonisation. Supported by strong economic growth, the country is on track to reach most MDGs, with the incidence of poverty falling to 19.4% by 2004. Its ranking in the 2006 UNDP HDR was 109. Rising inequality and corruption remain a concern, however. The DFID country programme has strengthened over the evaluation period and now includes support to the WB PRSC and targeted budget support in education.

West Bengal: West Bengal in India is a communist-led state with a strong public commitment to poverty reduction and decentralisation. While constitutionally, some development sectors, such as health and rural development, are the responsibility of the state government others, such as education, are a shared responsibility between the centre and the state. With a population of 80m, West Bengal makes up about 8% of the population of India. There are a few selected development partners in West Bengal and DFID is viewed with respect and valued as a partner. The WB, with ADB support, had plans to resume activities by the end of the evaluation period. The Government of West Bengal (GoWB) has been relatively successful in reducing poverty initially through agrarian reforms in the

1980s, but progress has slowed down since the early 2000s. The objectives of the GoWB are laid out in the 10th Plan.

Table 8. Change in Human Development Indices, 2001 - 2006

Table 8. Change in Human Development Indices, 2001 - 2006

	2001 HDR		2006 HDR		Difference	
	HDI rank (1999)	GDP/capita $ PPP (1999)	HDI rank (2004)	GDP/capita $ PPP (2004)	HDI rank	GDP/capita $ PPP
Indonesia	102	2,857	108	3,610	-6	+753
Kenya	123	1,022	152	1,140	-29	+18
Russia	55	7,473	65	9,902	-10	+2,429
Vietnam	101	1,860	109	2,745	-8	+885
India	115	2,248	126	3,139	-11	+891
West Bengal						

Sources: UNDP Human Development Reports, 2000 and 2005.

Annex 2. CPEs: Aid dependency and DFID ODA

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Table 9: Share of foreign aid to nation's total resource requirements

	2000	2001	2002	2003	2004	2005
Indonesia						
- GNI ($ million)	154,078	158,196	194,257	228,392	245,526	278,236
- All donors (ODA)	1,654.4	1,467.09	1,300.63	1743.1	101.57	257.07
- Percentage of GNI	1%	0.9%	0.7%	0.8%	0.04%	0.09%
Kenya						
- GNI ($ million)	12,576	12,912	13,071	14,871	15,958	18,015
- All donors (ODA)	509.94	461.55	391.04	521.45	664.42	767.04
- Percentage of GNI	4%	4%	3%	4%	4%	4%
Russia						
- GNI ($ million)	-	-	-	-	-	-
- All donors (ODA)	-	-	-	-	-	-
- Percentage of GNI	-	-	-	-	-	-
Vietnam						
- GNI ($ million)	30,726	32,248	34,489	39,041	44,503	51,570
- All donors (ODA)	1,681.36	1,449.48	1,274.47	1,765.28	1,840.18	1,905.93
- Percentage of GNI	6%	5%	4%	5%	4%	4%
West Bengal (India)						
- GNI ($ million)	456,371	474,096	502,627	596,687	690,716	779,644
- All donors (ODA)	1,462.7	1,701.4	1,440.6	899.7	693.9	1,724.1
- Percentage of GNI	0.3%	0.3%	0.3%	0.2%	0.1%	0.2%

Source: OECD-DAC International Development Statistics on line: Database on annual aggregates. Russia – no OECD data.

Table 10: Net ODA Flows ($ million)

	2000	2001	2002	2003	2004	2005	2000-2005
Indonesia							
- All donors	1,654.4	1,467.09	1,300.63	1,743.1	101.57	2,527.07	8,793.86
- United Kingdom	33.86	23.44	31.72	7.38	8.45	24.09	128.95
- % of total Net ODA	2%	2%	2%	0.4%	8%	1%	2%
Kenya							
- All donors	509.94	461.55	391.04	521.45	664.42	767.04	3,315.44
- United Kingdom	73.11	55.12	54.39	79.41	45.81	86.28	394.66
- % of total Net ODA	14%	12%	14%	15%	7%	11%	12%
Russia							
- All donors	-	-	-	-	-	-	
- United Kingdom	-	-	-	-	-	-	
- % of total Net ODA	-	-	-	-	-	-	
Vietnam							
- All donors	1,681.36	1,449.48	1,274.47	1,765.28	1,840.18	1,905.93	8,327.7
- United Kingdom	7.93	23.7	26.47	34.59	67.67	96.62	256.98
- % of total Net ODA	0.05%	1.6%	2%	2%	4%	5%	3%
West Bengal (India)							
- All donors	1,462.7	1,701.4	1,440.6	899.7	693.9	1,724.1	7922.1
- United Kingdom	204.2	173.9	343.7	329.9	370.1	579.2	2001
- % of total ODA	14%	10%	24%	37%	53%	34%	25%

Source: OECD-DAC International Development Statistics on line: Database on annual aggregates. Destination of Official Development Assistance and Official Aid – Disbursements (Table 2a). Russia – no OECD data..

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