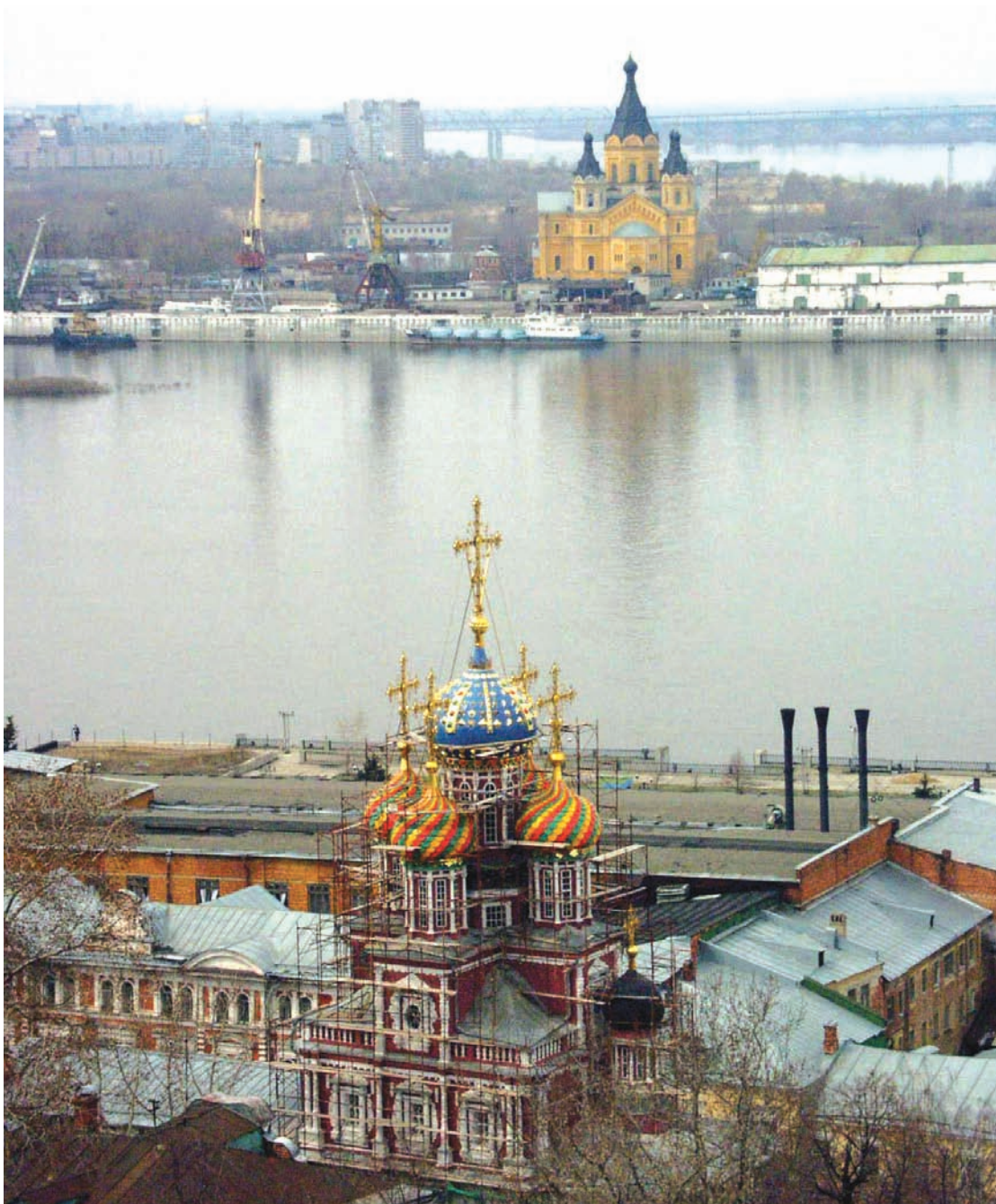


**EVALUATION OF DFID  
COUNTRY PROGRAMMES:  
COUNTRY STUDY  
RUSSIA 2001-2005**

*Authors:*

*Brian Thomson, Adrian Campbell,  
Sergey Shishkin and Vladislav Onischenko*



---

**DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**

Evaluation Report EV677

**EVALUATION OF DFID  
COUNTRY PROGRAMMES:  
COUNTRY STUDY RUSSIA 2001-2005**

**By Brian Thomson, Adrian Campbell, Sergey Shishkin and Vladislav Onischenko**

**June 2007**

This report should be cited as [Thomson, Campbell, Shishkin, Onischenko, Evaluation of DFID  
Russia Programme 2001 to 2005]



## PREFACE

This evaluation of DFID's Russia programme was carried out as an addition to the published programme of Country Programme Evaluations (CPEs) commissioned by DFID's Evaluation Department. Whilst one of the objectives of CPEs is to assess DFID's recent strategy and inform future country assistance plans, this evaluation also examined how DFID handled the implementation of its transition plan towards the closure of the Russia programme in March 2007.

Although Russia is very different to DFID's main clients in the developing world, our strategy followed many of DFID's mainstream approaches. The lessons from the evaluation can therefore be shared across the organisation.

The evaluation was carried out by a team of independent UK and local consultants. The process was managed by Lynn Quinn and Iain Murray of Evaluation Department (EvD). This involved a one-week inception visit carried out by Lynn and the consultancy team leader, Brian Thomson, followed later by a two-week field visit by Brian and the consultancy team. The field visit comprised interviews with DFID staff, local stakeholders, key partners and visits to two partnership oblasts (administrative divisions). The evaluation was undertaken between September 2006 and February 2007.

In accordance with EvD policy, country office staff were involved throughout the process and responded to the report with written comments which appear in the Evaluation Summary (EvSum) published in conjunction with this report.

This has been an important and valuable lesson learning opportunity for DFID. We are grateful for the inputs to the study provided by many people. EvD would like to acknowledge the contribution made by the evaluation team itself and also the cooperation of DFID staff and development partners in Russia.

Nick York  
Head of Evaluation Department



## **ACKNOWLEDGEMENTS**

The authors are grateful to the team in DFID Russia for their help in facilitating our visits to Russia and arranging our programme of meetings. We would also like to thank Lynn Quinn of Evaluation Department for her help in assembling and summarising documentary evidence for the study.

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.



## ABBREVIATIONS

CAS	Country Assistance Strategy
CIS	Commonwealth of Independent States
CSP	Country Strategy Paper
DAC	Development Assistance Committee of the OECD
DFID	Department for International Development, UK Government
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EECAD	East European and Central Asian Department
EU	European Union
FOR A	Fund Opportunity Russia
G7, G8	Group of 7(8) major economies
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HLWG	High Level Working Group on Tuberculosis
KGB	Committee for State Security of the Soviet Union
KHF	Know How Fund
IBRD	International Bank for Reconstruction and Development (World Bank)
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NIP	National Indicative Programme
NGO	Non-Government Organisation
OECD	Organisation for Economic Cooperation and Development
OSI	Open Society Institute
PCA	Partnership and Cooperation Agreement
PCR	Project Completion Report
PRISM	DFID Database of Project Management Information
REAREF	Regional Administrative Reform Project
SME	Small and Medium Enterprises
SPRILO	Support for Poverty Reduction in Leningrad Oblast.
TACIS	The EC's Technical Assistance Programme in the Countries of the former Soviet Union
TB	Tuberculosis
TSA	Targeted social assistance
UK	United Kingdom of Great Britain and Northern Ireland
UN	United Nations
UNDP	UN Development Programme
UNFPA	UN Fund for Population Activities
UNICEF	UN Children's Fund
UNODC	UN Office on Drugs and Crime
US	United States of America
WHO	World Health Organisation
WTO	World Trade Organisation





---

**Table of Contents**

<b>PREFACE</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS</b>	<b>iii</b>
<b>ABBREVIATIONS</b>	<b>v</b>
<b>EXECUTIVE SUMMARY</b>	<b>ix</b>
Relevance of the strategy	ix
Partnerships	x
Effectiveness	xi
Efficiency	xii
Sustainability and replication	xii
Lessons	xii
Recommendations	xiii
<b>1. INTRODUCTION AND METHOD</b>	<b>1</b>
<b>2. COUNTRY CONTEXT – THE RUSSIAN FEDERATION AND DEVELOPMENT ASSISTANCE</b>	<b>3</b>
Economic and Social Trends	4
Russia’s Relations with the West	5
International Development Assistance	6
<b>3. COUNTRY PROGRAMME STRATEGY AND PROCESS</b>	<b>9</b>
The Country Strategy Paper May 2001	9
The Middle Income Country Cuts and the Transition Plan	11
Looking Beyond 2006 - Russia as a Global Player	11
Assessing the 2001 Strategy and the Transition Plan	11
Consistency with DFID Policies	11
Relevance to Russia and Alignment with Russian Priorities	13
DFID’s Choice of Aid Instrument	13
DFID’s Choice of Partners	14
Consultation	15
Working with Other Donors	15
Level and Allocation of Resources and the Transition Plan	16
Results Focus	17
Risk Management	17
<b>4. PROGRAMME EFFECTIVENESS – REGIONAL PARTNERSHIPS</b>	<b>19</b>
DFID’s Strategy for Sub-national Engagement in the Russian Federation	19
Selection of the Partnership Oblasts	20
Organisation and Effectiveness of the Regional Partnerships	20
Nizhny Novgorod	20
Leningrad Oblast	23
Conclusion	25

<b>5.</b>	<b>PROGRAMME EFFECTIVENESS – DFID’S PROJECT PORTFOLIO</b>	<b>27</b>
	Oveview of DFID’s Portfolio	27
	The Strategic Outputs	29
	1. More Effective Russian Participation in Global Institutions	29
	2. Enhanced Capacity of State Institutions to Implement Reforms which Benefit Poor People Transparently, Effectively and Accountably	30
	3. Effective, Coherent Social Policy in Place	34
	Social Assistance	34
	NGOs and Social Policy	35
	Health and HIV/AIDS	35
	4. Improved Access of Ordinary People to Livelihood Opportunities	38
	5. More Responsive and Transparent Political Systems, Wider Access to Justice and Adherence to Human Rights	40
<b>6.</b>	<b>COLLABORATION WITH OTHER DEVELOPMENT AGENCIES</b>	<b>43</b>
	World Bank	43
	European Commission	44
<b>7.</b>	<b>IMPLEMENTATION – STAFFING AND MANAGEMENT</b>	<b>49</b>
	<b>LIST OF TABLES</b>	
	Table 1: Russia: number of projects by PCR performance ratings	28
	Table 2: DFID staffing of Russia programme	50
	Table 3: DFID management costs	50
	<b>LIST OF FIGURES</b>	
	Figure 1: Russia: Real GDP growth	4
	Figure 2: Russia: Trends in Poverty	5
	Figure 3: DFID bilateral aid to Russia	7
	Figure 4: UK imputed share of multilateral aid to Russia	7
	Figure 5: DFID bilateral aid by CSP output	27
	Figure 6: DFID bilateral aid by sector	28
	<b>LIST OF BOXES</b>	
	Box 1: Employment creation in Nizhny Novgorod	22
	Box 2: Regional partnership projects in Arzamas, Nizhny Novgorod	23
	Box 3: The social assistance projects in Leningrad and Nizhny Novgorod oblasts	26
	Box 4: Coordination in action. Implementing the “Three Ones” principles in combating HIV/AIDS in the Russian Federation	37
	Box 5: Replicating agricultural reform in Russia	40
	<b>LIST OF ANNEXES</b>	
	Annex 1: Terms of Reference	53
	Annex 2: Projects Reviewed	55
	Annex 3: List of People Interviewed and Questionnaire	58
	Annex 4: Russia Timeline	63
	Annex 5: Background to DFID’s 2001 Country Strategy Paper for Russia	65
	Annex 6: References	69

## **EXECUTIVE SUMMARY**

S1 This study was carried out between September 2006 and February 2007 with the aim of assessing DFID's strategy from 2001 to 2005. Russia is unique, as a recipient of development assistance, because of its strategic significance and its turbulent transition during the 1990s. DFID used the Country Strategy Paper (CSP) of May 2001 to develop its programme into a five-year partnership for poverty reduction which was broadly similar to the department's approach in other countries. Then, in October 2003, before the CSP could be fully implemented, DFID set about withdrawing from Russia as part of its budget cuts in middle income countries. Most DFID projects will end and the DFID Russia office will close in March 2007. DFID will retain a small presence in Moscow as part of the Embassy.

### **Relevance of the strategy**

S2 Russia is very different from DFID's main clients in the Developing World and DFID is a small player there. Nonetheless, the authors of the 2001 CSP made sure that the strategy was closely linked to DFID's objective of poverty reduction and borrowed a number of strategic ideas from the DFID mainstream. This could have led to inappropriate interventions. It did not, however, because there was a good case for Russia to deal with poverty and social policy issues; the strategy's foundation was the Russian Government's own economic and social development programme; DFID's small contribution could be incorporated without distorting Russian priorities; and the strategy had a broad agenda which was implemented responsively to meet local needs and opportunities.

S3 The greatest weakness in DFID's Russian programme was the inconsistency of policy. DFID's inability to make a long-term commitment should have been anticipated and planned for. There was no preparation for the cuts announced in late 2003. In the circumstances, the Transition Plan of January 2004 made a professional job of a very unsatisfactory situation. It made sense to focus the programme strategically and to do so by concentrating on administrative and social reform. The painful process of cutbacks and office closure was made immeasurably more difficult by the failure of the 2001 CSP even to consider the possibility that DFID's programme would end at some future date. The 2003 cuts were like expecting an accelerating express train to stop at a red signal within a couple of hundred metres. With hindsight, DFID should have prepared an exit strategy in 2001. It could have envisaged tapering levels of assistance, coupled with growing localisation of expertise in Russian institutions and consideration of how DFID and Russia could work together to reduce poverty in the wider world.

S4 The 2001 strategy did not engage with all DFID's cross-cutting themes but it was not reasonable to expect it to do so. During implementation, DFID gave strong emphasis to HIV/AIDS. This was essentially a DFID priority, rather than a Russian Government one. Nonetheless, there were good arguments for concentrating on the issue and by 2004 it was receiving high level attention in Russia. The price of concentrating on HIV/AIDS was the lost opportunity of encouraging reform of the health sector. In general, however, the strategy made sensible choices, with the exception that there should have been more explicit consideration of gender issues.

S5 DFID correctly concentrated on technical assistance rather than financial aid. By 2001 rising oil prices were generating substantial financial resources for the Russian state so that donors' financial contributions were insignificant. Consequently, DFID's comparative advantage was in providing access to expertise and new ideas.

## **Partnerships**

S6 DFID was right to focus on promoting reform with public sector partners. This remains true even though authoritarian tendencies in certain areas of the Russian state have become more prominent in recent years. We found continuing strong interest amongst officials and civil society in progressive reforms in the economic and social institutions of the public sector. This justifies DFID's approach by promising better service delivery and, in the long term, better relationships between the citizen/client and the state. DFID's hopes for strategic influence at federal and regional<sup>1</sup> levels did not materialise. However, DFID has created influential and effective relationships with project partners at a more technical level, for example with the Russian team steering public administrative reform.

S7 DFID's strategy gave less priority to strengthening the contribution of civil society as compared to the public sector. This is an important but difficult area because of the weakness of civil society and because of Government suspicions of links between foreign agencies and NGOs. Nonetheless, DFID's programme does contain some practical examples of building better relations between public sector institutions and NGOs for service delivery. There is an unfinished agenda here which deserves further development.

S8 DFID's decision to focus a lot of effort on two oblast partnerships was based on an outdated view of the role of regional governments in the reform process. The recentralisation of the public sector since 1999 means that the uptake of new ideas depends on close interaction between regional and local experimentation and federal policy-making. Federal legislation and sponsorship is the key to sustainability and replication. DFID's programme has supported some worthwhile activities in the two regions (particularly Nizhny Novgorod where the projects started earlier and were built on previous activities). However, not enough attention was paid to the development of federal connections which would offer the prospect of broader impact. Where federal connections existed, these were used by DFID and its regional partners to influence policy at the federal level and in other regions. However the impact on federal policy overall was almost certainly far less than would have been achieved had the federal connections been built into the design from the outset. DFID's portfolio contains some examples of other approaches that have achieved a wider impact: the Regional Finance Project was driven by the Ministry of Finance and taken up widely by regional governments; and the opportunistic Rural Livelihoods projects have succeeded in gaining federal sponsorship for local innovation thanks to effective Russian partners.

S9 In 2001 DFID felt that it stood a better chance of influencing events at oblast, than at federal level, by supporting a critical mass of projects in two regions. In practice, the regional partnerships have not given DFID much, if any, leverage on policy nor have they amounted to much more than the sum of their parts. By contrast, the Regional Finance and Public Administration Reform projects show how it is possible to gain practical influence at federal level by providing progressive Russians with access to ideas and other resources, when donor assistance is coordinated effectively.

S10 In general, DFID's partners valued the responsiveness and flexibility shown by DFID in project implementation. Another strength was the growing use of Russian experts, alongside external expertise, to deliver project results. This has helped build local capacity and encourage sustainability. However, the abrupt changes in DFID policy in recent years mean that the Russian authorities lack a good understanding of DFID's longer-term aims.

---

<sup>1</sup> Until 2006 the Russian Federation included 89 regions (subjects of the Federation) called republics, krais, oblasts, and autonomous okrugs.

S11 DFID's decision to co-finance projects and collaborate on analysis with the World Bank improved the effectiveness of both. The EC's Technical Assistance Programme in the Countries of the former Soviet Union (TACIS) was an important source of development assistance to Russia but it did not share DFID's focus on reducing poverty. Nonetheless, DFID can take some credit for the attention given by the Commission to issues in the social sectors, although implementation was patchy. Beyond that it is hard to discern much DFID influence on the TACIS programme. DFID seconded staff to work in the Commission but seems not to have made the most of their potential influence. It is not clear that there was any improvement in the unsatisfactory overall level of TACIS' effectiveness during the CSP period. If there was some improvement, then the Commission policy of devolving responsibility to its Delegation in Moscow was a more important factor than the efforts of DFID staff.

## Effectiveness

S12 Comparisons are difficult but, on the strength of PCR evidence, the Russia programme appears similar in effectiveness to DFID country programmes elsewhere. However, the lack of follow-through resulting from the abrupt cutbacks in the programme, means that there were lost opportunities and some of DFID's investments have not realised as much as they would have done otherwise. Based on a sample of projects, we assess the effectiveness of the main themes of the CSP as follows:

- **Russian participation in global institutions.** DFID was right to identify WTO accession as an area of major importance for Russian reform and it made good strategic sense at the time to support the Russian negotiating team and fund various economic studies in order to influence the process. This is an area of considerable interest to other donors where it is particularly difficult to attribute results because of the importance of other factors. However, it is likely that events would probably have happened as they did with or without DFID involvement.
- **Capacity of state institutions.** DFID has focused on supporting reforms of public finance and public administration in response to Russian demand. The Regional Finance project, which was co-financed by the World Bank, has produced a sustainable model for public finance reform in the federation thanks to a strong lead from the Ministry of Finance and the development of strong local capacity. The Public Administration Project is still a work in progress but the signs are promising and the Donor Secretariat has played an innovative role in supporting key reformers.
- **Social policy.** DFID's social assistance projects had mixed results and have not achieved the broader outcomes that might have been expected because the foundations for replicating the results have not been established. DFID's health work concentrated on TB and HIV/AIDS. For TB, DFID can claim to be part of a story of some success in which the common efforts of the Russian government and donors have helped to reduce morbidity. The HIV/AIDS programme suffered badly from the cuts and has shown mixed results. DFID's support for coordination worked well but it failed to maintain its leading role in the controversial area of supporting NGOs to scale up harm reduction work. The planned major bilateral project in that area was cut, although some small-scale support continued through UN channels. In addition the lack of progress in reforming the health system remained a major obstacle to effective treatment.
- **Livelihood opportunities.** The programme included some support for Small and Medium Enterprises (SMEs) in the two partner regions, which is unlikely to have wider impact. There was also substantial funding for Russia's largest not-for-profit microfinance

organisation. Its lending programme was successful but there was little progress in reforming the policy environment and the institution remained some way from becoming sustainable. However, the most interesting and promising work under this heading was in taking forward DFID's long-standing support for agricultural reform. These projects were successful in demonstrating a viable way of tackling the complex problems of sustainable rural improvement and poverty reduction. Moreover, their outcomes are being replicated in other parts of Russia and neighbouring countries.

- **Justice.** The 2003 budget cuts put an end to serious DFID engagement in this area. Consequently, we have not reviewed its effectiveness in any depth.

S13 In general, the most valuable results of DFID projects might be summarised as follows. DFID's activities promoted:

- new approaches to policy design and implementation
- changes in views and attitudes and innovative ways of thinking
- the development of project management based on the measured achievement of objectives
- the approval of new techniques and demonstration of their effectiveness, and
- a positive experience of collaboration between European and Russian experts

### Efficiency

S14 With hindsight, it made no sense to gear up the programme in 2001 and decide to devolve programme management to Moscow, only to cut it back two years later. Such inconsistencies in policy make for inefficient delivery, particularly because of the high start-up costs (both financial and intangible) of the programme and the new office. That is not to say that DFID Russia has done a poor job. Far from it. In the circumstances, the Transition Plan was well prepared and implemented. In fact, the cutbacks improved value for money in a number of projects by forcing a hard look at priorities and encouraging the substitution of local for expensive foreign expertise. In addition, strengthening DFID's capacity in Moscow from 2001 helped to improve donor coordination and the responsiveness of the programme to local partners.

### Sustainability and replication

S15 The key factors for project sustainability are whether their results are well disseminated and rooted in the relevant institutions. Dissemination was included within each project plan but the impact in many is rather small because projects have not yet completed the cycle of innovation. In particular, the stable functioning of new and reformed institutions has not yet been assured. Replication requires a close link between regional, local and federal institutions as explained in paras S9 and S18.

### Lessons

S16 DFID needs to base its country strategies on realistic assessments about the prospects for staying engaged long term. DFID's Transition Plan for Russia had the merit of setting clear principles for running down the programme and DFID deserves credit for sticking to them. A more gradual exit



could have yielded greater value from DFID's investments by allowing better planning for departure and providing more scope to reinforce local capacity.

S17 DFID's experience in Russia confirms best practice for development assistance based on partnership. For example:

- influence and effectiveness comes through long-term relationships and a degree of opportunism
- donors must be prepared to commit long-term
- local leadership is the key to success
- local experts should play an important role, especially in a context where local human resources are strong, and
- external technical inputs continue to have a valuable role throughout the process of developing, introducing and implementing new ideas

S18 There are different models for sustainability and dissemination in a federal state like Russia (e.g. top-down partnerships with federal ministries which involve local pilots, bottom-up local demonstration projects that are scaled up by involving the oblast and federal authorities, oblast partnerships with downward and upward linkages). All depend on some demonstration at local level and on federal endorsement (e.g. through legislation and funding). A strategy for achieving those linkages needs to be built in to project and programme design.

S19 Cutting budgets is not necessarily a bad thing. If done well, it can promote cost-effectiveness by reducing excessive foreign inputs and encouraging faster localisation. That is particularly true in a case like Russia where local capacity has matured in recent years.

## **Recommendations**

- DFID needs to base its country strategies on realistic assessments about the prospects for staying engaged long term. A five year strategy should be informed by some explicit expectations about what will happen after that time, and it should include some good contingency planning.
- In cases where DFID may end its programme within five to ten years, an exit strategy should be prepared. The exit strategy should base its objectives on the nature of the relationship planned after the programme closes. For example, in countries of strategic importance for achieving DFID's overall objectives, DFID's transition from donor to diplomat needs to be planned in good time. A good exit strategy should learn from the example of Russia's Transition Plan by making clear strategic choices, keeping partners closely informed, taking hard decisions and implementing them consistently.
- DFID's country strategies should have a clear focus, as the 2001 Russian CSP did, and should not try to meet all DFID's objectives. Nonetheless, DFID should consider whether greater effort is warranted to ensure that country strategies give explicit consideration to important issues such as gender and the environment and the way in which they will be dealt with, or not dealt with, in the programme.



- DFID should ensure that appropriate linkages are made between national, regional and local governments in order to maximise the chances for sustainability and replication of public sector reform and service delivery. This is particularly important in federal countries. What this means in practice will vary from case to case. DFID should ensure that its choices are based on good analysis of the local situation.
- DFID should consider selective follow-up in Russia beyond March 2007. This should focus on successful projects to ensure that ideas are firmly embedded and replicated. There are opportunities in HIV/AIDS (e.g. further support for national coordination), social assistance and public sector reform. Follow-up should be on a small scale and handled by a manager with plenty of freedom. The manager should be a creative opportunist with a good understanding of the Russian scene and a nose for achieving results. Options include partnerships with other development agencies such as the World Bank.
- DFID should consider the potential for using Russian expertise, jointly with UK or other expertise, to help with problem-solving in third countries, especially in Russia's neighbours (see, for example, the rural livelihoods programme). Maintaining contact with suitable Russian experts could be a role for the continuing DFID presence in Russia.

## **1. INTRODUCTION AND METHOD**

1.1 This evaluation was carried out between September 2006 and February 2007 with the objective of examining:

- DFID's strategy for the CSP period (2001 to 2005), assessing the programme in terms of the DAC criteria (relevance, effectiveness, efficiency and sustainability)
- the transition process in downsizing the programme
- DFID as a development partner, and
- producing clear recommendations

1.2 The evaluators reviewed written material from DFID files, where available, with support from Evaluation Department. On that basis they selected a range of projects (Annex 1) for more detailed investigation based on their importance within DFID's strategy and their size. The Oblast Partnership programmes in Leningrad and Nizhny Novgorod were chosen for special study. The team reviewed evidence from project completion reports and took advantage of an evaluation study of DFID's work on HIV/AIDS<sup>2</sup>. They conducted interviews with DFID staff in London and Moscow and interviewed a range of DFID's Russian and international partners in Moscow, St Petersburg, Leningrad Oblast and Nizhny Novgorod during a fortnight in November 2006. Annex 2 contains a list of those interviewed and a questionnaire which the team drew on flexibly as a framework for the interviews.

1.3 This approach has a number of limitations. First, the evaluators found the story of DFID in Russia was poorly recorded. DFID's written records are far from complete, even for this relatively recent period. None of the DFID staff who worked on the Russia programme in 2000 is still involved and the devolution of management to Moscow in 2003 resulted in major staff turnover. As a result DFID's institutional memory is fragmented. We have tried to compensate for this by interviewing many of the people who were involved at the time.

1.4 Second, our study relies on much information from DFID and DFID's partners. Inevitably, many of the views expressed to us were subjective. We have cross-checked the information as far as possible, within the time available, in order to minimise bias.

1.5 Third, Russia is so large and DFID so small that attribution of results to DFID interventions is bound to be hazardous. Even at project level, outcomes are influenced by many external factors. Often the most that we can say is that DFID appears to have made a contribution which may have had some links to the massive changes taking place in Russian society.

---

<sup>2</sup> Semkow et al. 2006.



## 2. COUNTRY CONTEXT – THE RUSSIAN FEDERATION AND DEVELOPMENT ASSISTANCE

2.1 Russia is unique, from the point of view of development assistance. It is not only a large country of great strategic importance but one that has been going through a tumultuous process of change since the dissolution of the Soviet Union. As a recent report<sup>3</sup> for the Trilateral Commission puts it:

*“The Russian Federation is in the throes of not one, but three, simultaneous processes of transition in what is, by land area, by far the world’s largest country: the transition from the second superpower, an imperial power ruling directly or indirectly 350 million people, to a middling or regional power with a declining population of just over 140 million; the transition from a collapsed autarkic command economy to a market economy integrating into the world economic system; and the transition from Communist dictatorship, ideology, and control of society to a new political order, the eventual shape of which remains to be determined.”*

2.2 Annex 3 contains a timeline of important developments. Vladimir Putin inherited a difficult legacy when he became President in March 2000. To quote the Trilateral Commission again; “Russia failed to advance in a democratic direction or to build stronger institutions during Yeltsin’s second term<sup>4</sup>.” Much of the economy had been privatised but a small number of business people had grown powerful enough to manipulate the government. Corruption and criminality flourished. Public institutions and infrastructure crumbled. The autonomy given to the regions led to increasingly chaotic government. Russia had failed to deal with separatism in Chechnya and terrorism.

2.3 The economic background was particularly difficult. In August 1998 Russia’s creditors took fright, the Government defaulted on its debts and devalued the rouble. With the benefit of hindsight one can see that the economic rebound was already gathering strength when Putin came to power but it was not so obvious at the time.

2.4 Putin’s government team was a coalition of different factions and points of view. The economic and financial parts of the administration were run by liberal reformers while the defence and security agencies were dominated by people with roots in the Soviet regime who shared Putin’s security background. His administration began by attempting to stabilise and bring some order into political life, for example, by restricting the freedom of the media barons and re-establishing central control over the regions. At the same time they pressed ahead with economic and social reforms. In June 2000, the Minister of Economy, Gref, published a long-term reform strategy<sup>5</sup> which called, inter alia, for accession to the WTO, an overhaul of the tax system, and the targeting of social benefits. Over the next two years the Government reformed taxation and enacted new labour, administrative and land codes. Meanwhile the momentum of reform was matched by growth in the real economy.

2.5 However, there was a change of course from the middle of 2003. The authoritarian elements in the government asserted themselves. This was most obvious in their response to a challenge to Kremlin authority from one of the business “oligarchs”, Khodorkovsky. He was imprisoned and his company, Yukos, was brought under Kremlin control. From then on through Putin’s second term, the cause of reform weakened. Prominent reformers left the administration and direct state intervention in business grew. Much Russian industry is now under the control of the Kremlin or government officials. State security organisations have growing influence in business, politics and civil society.

---

<sup>3</sup> Lyne et al. (2006) p.3.

<sup>4</sup> Lyne et al. (2006) p.15.

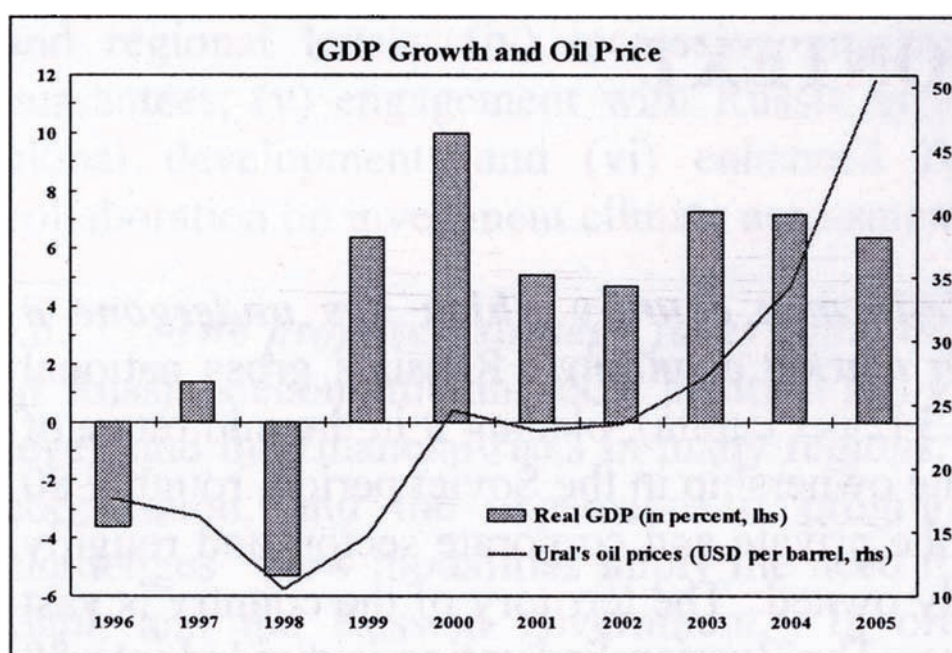
<sup>5</sup> Center for Strategic Research. (May 2000).

Reform of the bureaucracy has been very slow and corruption is at least as serious a problem as ever. Meanwhile, the objective of reforming benefits met a major setback in early 2005 as a result of widespread popular protests against a hastily enacted scheme to monetise certain benefits. On the positive side, the economy has continued to recover strongly and Russian private sector firms are increasingly self-confident and integrated internationally. However, deep structural challenges remain. Russia is overdependent on oil and gas and the infrastructure requires massive investment.

### Economic and social trends

The Russian Federation is a middle income country of 143 million people whose per capita income (\$4,460) lies between those of Romania (\$3,830) and Venezuela (\$4,810). Its economy is roughly the size of Brazil's (population 186 million) and a bit bigger than that of the Netherlands (population 16 million)<sup>6</sup>.

Figure 1. Russia: real GDP growth



Source: World Bank

2.9 Russia's economic transition has been a painful process, particularly in the mid to late 1990s. A combination of economic mismanagement and the plunging oil price led to the financial crisis of August 1998. Since then, however, the economy has enjoyed robust growth (figure 1) as a result of exchange rate devaluation, conservative fiscal policies and the rapid rise in oil prices.

Russia's transition was accompanied by a dramatic increase in the inequality of incomes<sup>7</sup> during the first half of the 1990s. Inequality is considerably higher than most European countries, yet lower than the United States, Mexico and Brazil. Poverty increased markedly as a result of the 1998 crisis but has declined steadily since then.

<sup>6</sup> Source World Development Indicators – gross national income in current US dollars, World Bank Atlas method.

<sup>7</sup> According to official figures the Gini index of inequality rose from 0.26 in 1992 to 0.4 in 1997 and remained at that level until the latest figure for 2002.

Figure 2. Russia: Trends in Poverty



Source: World Bank 2005

2.9 The economic rebound increased the demand for labour and led to wage increases. Rising oil prices improved the government's fiscal position and enabled the administration to reduce taxes, improve public sector wages and pensions and ensure they were paid. Since many of the poor in 1999 were only just below the poverty line, these factors made a big difference to the figures. However, deep pockets of poverty remain a serious problem for Russia. Moreover, sustaining high rates of growth will be more of a challenge since the drivers for growth and poverty reduction since 1999 may have run their course. Consequently, economic diversification and targeted social assistance will both be needed to tackle poverty in future.

2.10 Russia performs well against many of the Millennium Development Goals (MDGs)<sup>8</sup>. The exceptions are HIV/AIDS, which is not yet widespread but whose incidence is increasing rapidly, and environmental degradation. However, there are other serious social problems. While child mortality has fallen, premature adult mortality is extremely high for a country of Russia's income level. Average male life expectancy is only 59 years, as opposed to 72 for women. Moreover, both the health and education systems suffer from serious weaknesses while the social assistance programmes are regressive.

### Russia's Relations with the West

2.11 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 West's relations with Russia have followed the evolution of Russian domestic policies. Putin's accession was widely and enthusiastically welcomed as a new chance for reform after the chaos of the late Yeltsin years. Britain's Prime Minister, Tony Blair, visited St Petersburg in April 2000 to meet Putin before he had even been formally elected President. Putin met President Bush in June 2001 and in 2002 Russia was invited to host a G8 summit in 2006. But Western observers have been bad at anticipating the next turn of events in Russia. From 2003 relations cooled as doubts grew in Western countries about the Russian Government's commitment to democracy.

<sup>8</sup> See <http://www.un.org/millenniumgoals/>.

2.12 Political relations with the UK have suffered from a succession of problems reminiscent of the Cold War. These include raids on the British Council by Russian security officers in 2004, Russian accusations early in 2006 of spying linked to British funding of Russian NGOs and tensions between the two countries over the death of an ex-KGB employee in London in November 2006.

2.13 Nonetheless, trade and investment between Russia and the West have continued to grow. Moreover, in spite of somewhat fractious political relations, Russia and the EU have managed to make progress on a range of practical issues, including Russia's accession to the WTO, ratification of the Kyoto protocol and Russian access to its Kaliningrad enclave.

### **International Development Assistance**

2.14 In the early years of Russia's transition, the International Financial Institutions (the IMF, World Bank and EBRD) made a significant financial contribution in support of successive stabilisation and adjustment programmes. The World Bank alone disbursed \$7.8 billion up to 2001. However, the Bank's own evaluation<sup>9</sup> concluded that many of its operations in the mid-1990s were high risk and did not succeed. The Bank evaluators found a more cautious approach and a significant improvement in effectiveness from 1999 to 2001.

2.15 Total Western aid to Russia is now insignificant in financial terms. The latest OECD DAC figures (2004) show net overseas assistance of \$1.3 bn, which is only 0.2% of the economy. The largest donors in 2003-04 (average in gross terms) were the US, by far, and the EC followed by Germany. The UK was in fifth place behind Sweden. Since 2004 donor programmes have generally declined further in size and scope. The World Bank's latest partnership strategy<sup>10</sup> for Russia envisages a modest lending programme (just over \$200m per annum) to support investment by sub-national governments but an active programme of advisory services and more substantial International Finance Corporation (IFC) flows (\$700m p.a.). In contrast the EBRD plans to increase its annual commitments from around €1.4bn in 2004 to €1.6bn by 2010.

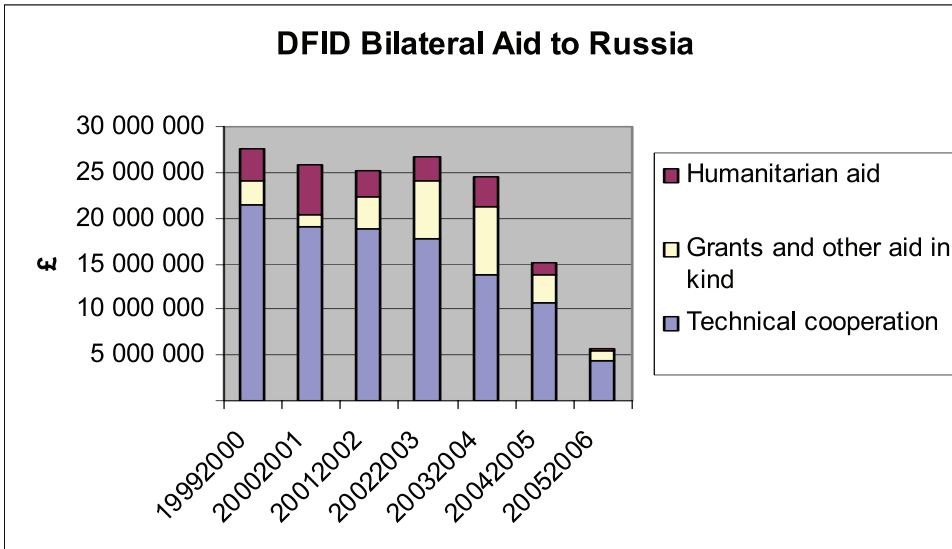
2.16 DFID spent about £25m annually on its bilateral aid programme to Russia from 1999/2000 to 2003/04. This is only just over 1% of DFID's total bilateral spend. However, the objective has never been to transfer financial resources to Russia but to provide access to ideas and expertise. Consequently, the bulk of DFID's aid to Russia took the form of technical cooperation (i.e. contracts let by DFID for the supply of training and expertise etc.). The other components were grants to NGOs, UN agencies etc. and a small humanitarian programme for the North Caucasus. Figure 3 shows the rapid decline in assistance in the last two financial years.

---

<sup>9</sup> World Bank (2002).

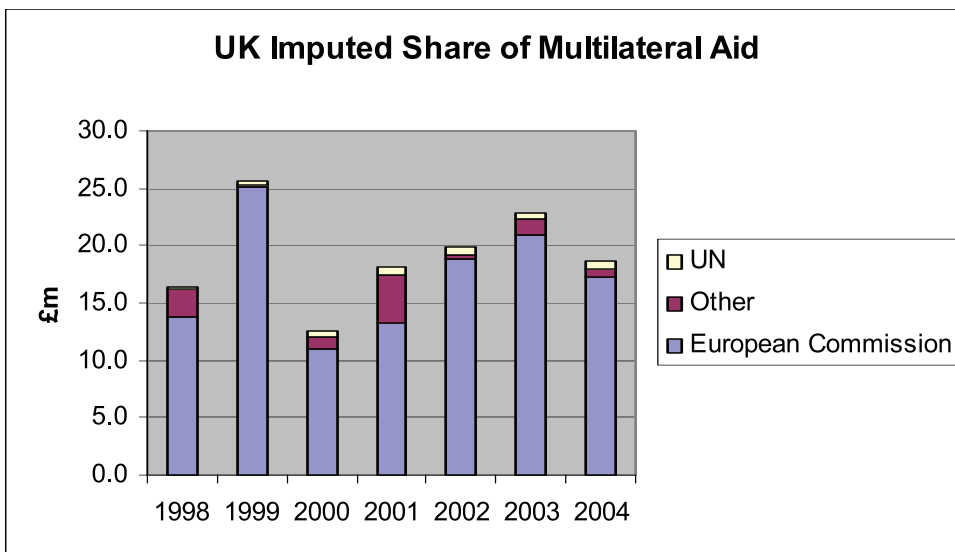
<sup>10</sup> World Bank (Nov. 2006).

Figure 3. DFID Bilateral Aid to Russia



Source: DFID

Figure 4. UK Imputed Share of Multilateral Aid to Russia



Source: DFID

2.17 The UK share of multilateral disbursements to Russia is almost as significant financially for DFID as the bilateral programme (Figure 4). The UK's share of the European Commission's programme is the main component. In 1999 EC aid to Russia cost the UK £25m and remained over £17m in 2004.





### 3. COUNTRY PROGRAMME STRATEGY AND PROCESS

3.1 Since DFID took responsibility for assistance to Russia in May 1997 there have been four phases of thinking about the programme:

- i. 1997 to 2000 saw a continuation of the UK Know How Fund (KHF) programme, combined with attempts to make it conform with DFID's objective of poverty reduction
- ii. DFID developed the programme into a partnership for poverty reduction (2000 to 2003) which was broadly similar to the department's approach in other countries
- iii. Then from 2003 to 2006, DFID set about withdrawing from Russia as part of the broader exercise of cutting middle income country programmes. and
- iv. From 2004 onwards, DFID began to consider how to engage Russia, along with other large countries, to promote the reduction of poverty in poorer countries

3.2 This evaluation is concerned primarily with the implementation of the 2001 strategy and the subsequent cuts to the programme. However, that needs to be put into its historical context, since many activities during 2001-5 have their origin a good deal earlier. Annex 4 provides an account of DFID's 1998 Country Strategy Paper (CSP) and the preparatory work for the 2001 CSP.

3.3 In sum, during the 1990s, the KHF aimed to promote Russia's transition to democracy and the market economy. The KHF built up a large portfolio of technical assistance projects in a range of sectors with a particular focus on support for the private sector and civil society groups. The 1998 CSP developed this approach and added an increasing emphasis on public sector reform and the needs of the poor and vulnerable. This meant starting work in the area of social protection, while expanding activities in governance, health and the environment. Projects were spread over eight regions. The CSP anticipated a review of the programme after the 2000 elections and indicated that the right strategy for DFID then could be a gradual exit.

3.4 In June 2000, DFID's Secretary of State visited Russia, shortly after Prime Minister Blair and endorsed a continuing programme in support of the Russian Government's social and economic development strategy<sup>11</sup>. DFID also commissioned a wide-ranging review of the portfolio<sup>12</sup> (summarised in Annex 3) which was seminal for the CSP. The major strands of thinking that emerged were:- a greater focus on reducing poverty and, in particular, on the reform of social assistance and social services; stronger partnerships with the Russian public sector; an attempt to wield greater influence, by working closely with multilateral development agencies and by concentrating on a small number of Oblast (regional) governments; greater use of Russian expertise; and promoting rapid accession of Russia to the WTO.

#### **The Country Strategy Paper May 2001**

3.5 The CSP's purpose was to reduce poverty by supporting the delivery of the Russian Government's economic and social modernisation programme. The CSP focussed on five outputs:

1. "more effective Russian participation in global institutions

---

<sup>11</sup> Centre for Strategic Research (2000).

<sup>12</sup> Mokoro Ltd. (2001).

2. enhanced capacity of state institutions to implement reforms which benefit poor people transparently, effectively and accountably
3. effective coherent social policy in place
4. improved access of ordinary people to livelihood opportunities, and
5. more responsive and transparent political systems, wider access to justice and adherence to human rights”<sup>13</sup>

3.6 The top priority was to support federal policy development and implementation and to complement that by developing close partnerships with two oblasts to implement oblast-level economic and social strategies which benefit the poor. The Department ran a competition to select two oblasts for partnership. Leningrad and Nizhny Novgorod were chosen in December 2001.

3.7 The CSP placed strong emphasis on poverty reduction and on reforming the institutions of the state. Accession to the WTO was identified as a focus for output 1 but it was complemented by possible help to Russia with implementing IMF financial standards and with its dialogue with the EU. HIV/AIDS was highlighted for the first time but only as one of several issues to be addressed under output 3.

3.8 DFID stressed that the international community should work together under Russian leadership. The CSP outlined opportunities for project-level collaboration with the World Bank, which had also adopted a strategy with a strong poverty focus. The CSP also highlighted the importance of the EU’s TACIS programme and aimed to ensure that it focussed on the needs of the poor. One instrument was staff secondments to the European Commission. DFID aimed to encourage the EBRD to hold its clients to international standards of transparency and corporate governance and to take due account of the social impact of its lending.

3.9 The CSP had a five year time horizon and did not discuss the possibility of an exit by DFID. However, it recognised the risk of changes in the Russian Government’s willingness to implement its reform programme, to engage with the international community and to protect human rights. In those eventualities all options were left open. The budget was set at £26.7m for three years.

3.10 In April 2002, DFID decided to devolve programme management to Moscow by establishing DFID Russia in the Embassy. This decision is discussed in more detail in chapter 7.

3.11 The Department produced an annual review of the CSP in August 2002. The review confirmed the strategy, noted increased Russian engagement with the international community after the events of September 11<sup>th</sup>, and concluded that progress against poverty was likely (but mostly by reducing the shallow poverty of wage-earners and pensioners rather than deeper structural poverty such as mono-company towns). The review noted inadequate Russian attention to HIV/AIDS and sustainable development and concluded that DFID should increase its lobbying on both issues. The reducing aid programme budget (£25m 02/03, £22m 03/04 and 04/05) remained adequate to deliver the CSP objectives. However, the Department felt that the CSP agenda was ambitious and they had already narrowed the programme’s focus by withdrawing from some lower priority areas: implementation of financial standards and codes, public expenditure reform, health systems reform and barriers to business. The Department was also planning exits from TB, micro-finance and rural livelihoods. The review did not explain the logic for phasing out support in those particular areas.

---

<sup>13</sup> DFID (2001) p. 1.

However, our interviews suggested that one of the main factors was the degree of Russian interest in specific aspects of the lengthy CSP agenda. The Department gave particular priority to developing programmes in the partner oblasts.

### **The Middle Income Country Cuts and the Transition Plan**

3.12 In November 2003, DFID's new Secretary of State announced to Parliament cuts in spending on middle income countries of around £100m in 2004-05 and 2005-6. He explained that "this results from decisions taken on financing for Iraq and the Government's commitment to increase the proportion of our direct assistance going to the poorest countries"<sup>14</sup>. DFID had committed itself in 2002 to increase the share of its bilateral programme going to low income countries to 90% by 2005-06. It also had to accommodate a large unforeseen increase in spending on reconstruction following the invasion of Iraq in May 2003. Russia was one of the countries affected by the middle income country cuts. The budget was cut from £17.7m to £13m in 2004/05 and from £12.4m to £5m in 2005/06.

3.13 The new DFID team in Moscow spent the next couple of months working out how to deliver the cuts and then presenting them to Russian partners. They summarised the approach in the Transition Plan, published in January 2004. The Plan put forward radical changes to the existing programme to allow DFID to pursue and finish a limited number of key initiatives. These were focussed on administrative and social reform at the Federal level, complemented by the Oblast partnerships. The planned large HIV/AIDS programme was cut drastically. The Plan proposed that HIV/AIDS would remain a niche for limited DFID involvement. The transition meant cutting the portfolio of 88 projects to 27 in 2004/05 and 13 in 2005/06. 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.

### **Looking beyond 2006 – Russia as a global player**

3.14 However, the Transition Plan also flagged up the importance of Russia as a country of global and regional importance. During 2004 DFID started giving some serious thought to what kind of engagement with Russia would be appropriate from 2006. Russia was recognised as one of a small group of large and influential countries (BRICS – Brazil, Russia, India, China and South Africa) outside the OECD that would have a major impact on the prospects for global poverty reduction. In August, an options paper proposed that DFID should focus on Russia's impact on its neighbours, Russia's role as a potential donor and security and conflict issues. Current plans envisage a DFID staff member would be given the task of tackling these issues as part of the Embassy in Moscow. There would also be a continuing small technical assistance budget.

### **Assessing the 2001 Strategy and the Transition Plan**

#### **Consistency with DFID policies**

3.15 The 2001 CSP gave prominence to mainstream DFID approaches for the first time in Russia. Poverty reduction was DFID's mandate and so had to be the focus of its work in Russia, as anywhere else. The CSP made this explicit. DFID's 2000 White Paper developed the theme of how globalisation could be made to reduce poverty. That was taken up by emphasising Britain's support for Russia's integration with the international community and, especially, accession to the WTO.

---

<sup>14</sup> DFID (Nov 2003).

3.16 As in other DFID country programmes, the strategy used the language of “partnership” both in the “Britain-Russia Development Partnership” (the term used to replace the Know How Fund) and to describe the planned close relationship with two oblast governments. Moreover, the Russian Government’s social and economic development strategy became the foundation for the CSP in the same way that a Poverty Reduction Strategy Paper (PRSP) would be used to signify national ownership in a low income country. Other concepts current at the time in DFID and reproduced for Russia included the idea of working closely with reforming regional governments (e.g. India, Nigeria) and devolution of management to the field (e.g. most large DFID country programmes). Thus, the authors of the strategy made sure that Russia, exceptional country that it is, was clearly linked to DFID’s objectives and mainstream approaches.

3.17 DFID has identified a range of **cross-cutting themes** for attention by country programmes. In 2001 these included environmental sustainability, gender, economic growth, human rights and governance (see for example DFID’s Target Strategy Papers). Soon afterwards HIV/AIDS and conflict were added to the lengthening list of DFID priorities. The strategy dealt with them as follows. It included:

- a focus on economic growth, linked to trade and improving the livelihood opportunities of poor people
- a strong emphasis on the reform of state institutions
- a focus on social policy. This was expressed as targeted social protection and improved service delivery rather than as human rights, which would have meant more emphasis on participation and social inclusion of the poor. Human rights did receive a mention in the context of the justice sector but that remained one of the weaker strands of the CSP
- identification of HIV/AIDS as an important issue
- no significant coverage of gender issues in spite of, for example, the marked difference in life expectancy between men and women
- an expression of concern about the Government’s lack of attention to the principles of sustainable development. However, the CSP did not suggest practical steps to tackle this weakness, nor was this remedied during implementation
- a brief mention of the conflict in the North Caucasus but in terms of providing humanitarian assistance rather than helping to tackle the underlying causes. The reasons for this low-key treatment at the time were the Government’s extreme sensitivity concerning external interventions in that region, other than humanitarian relief, as well as the practical problems posed by the lack of security

3.18 It is clearly unrealistic and undesirable for the CSP of a small donor in a large country to engage with such a wide range of issues. Indeed a good strategy is one that sets priorities. In general, DFID’s CSP reflected the strengths and weaknesses of the Government’s own approach. The one exception was the emphasis on HIV/AIDS which became a major theme of DFID’s strategy although it was not recognised as a major issue by the Russian Government at the time. The failure to engage strategically with environmental issues is noteworthy, especially in the light of the high profile these issues now receive in UK-Russian relations. However, that is understandable since a strong

environmental focus would have required a major change of direction by DFID in 2000/01 without much likelihood of effective partnership with the Government. Gender issues, on the other hand, deserved greater analysis and explicit mention within appropriate areas of the strategy, such as the proposed work on understanding the causes of poverty and encouraging social policy reform.

### **Relevance to Russia and alignment with Russian priorities**

3.19 The international community saw the Putin administration in 2000/01 as a “window of opportunity” for reform after the chaos of the late 1990s. So it was right to take a fresh look at British development assistance in that light. However, the CSP’s emphasis on poverty reduction is noticeably different from the Russian Government’s own focus on reform and modernisation.

3.20 Poverty increased dramatically following the 1998 financial crash and so donor attention to the issue is not surprising. However, the subsequent economic rebound brought the prospect of rapid poverty reduction, which was already becoming evident by 2001 (see para. 2.9). Thus, the poverty-focus might have led DFID to concentrate on issues of less importance to Russia, particularly if approaches used in low income countries had been imported wholesale. However, the strong link between the CSP and the Government’s social and economic development strategy ensured that did not happen. The areas for cooperation were broad enough so that there was plenty of scope to support the development and implementation of ideas and policies that were important for Russia. For example, capacity-building of the state and public sector reform were major components and have been amongst the most successful. Many areas included in the CSP built on activities where DFID had something to offer because they were already part of DFID’s portfolio. Moreover, the CSP was implemented with a degree of opportunism so that parts of the menu that received strong local support (such as public administration reform) were taken forward and others were not. That flexibility and pragmatism was a strength.

3.21 Nor should the importance of tackling poverty be underplayed. In March 2004, the Russian Government set the objective of halving poverty between 2003 and 2007. DFID and the World Bank have informed the local debate with some detailed analysis<sup>15</sup> that offers approaches for dealing with the deep pockets of poverty that remain. This was a worthwhile output of the strategy.

3.22 At the same time, there are questions about DFID’s choices and whether they excluded promising options. For example, HIV/AIDS became a very important part of the strategy as implemented from 2001. This was largely driven by DFID on the (justifiable) basis that Russia was not paying enough attention to the dangers of the epidemic. However, other aspects of the social policy agenda did not receive the same attention and, as a result, opportunities may have been lost. Health sector reform is an example where DFID might have built on previous experience and combined further support with the work on HIV/AIDS.

### **DFID’s choice of aid instrument**

3.23 Britain’s assistance to Russia has mainly taken the form of technical assistance, ranging from study tours and training to the provision of foreign and local experts for Russian organisations. In some cases, technical assistance was supplemented by small grants for equipment and supplies e.g. the HIV/AIDS programme envisaged a significant financial allocation for a needle-exchange programme but this was cancelled during the cuts of 2003. Also, DFID technical assistance was used to complement World Bank loans in several instances as a way of improving the impact of both agencies.

---

<sup>15</sup> World Bank (2005).



Prior to the 2001 strategy there were several funds for small grants to NGOs. These were phased out early in the period under review as part of the process of focussing the programme and reducing management costs. Humanitarian assistance grants to UN agencies and NGOs continued to be a significant part of the programme throughout the period.

3.24 Given the size of the Russian economy it never made sense for DFID to think in terms of transferring financial resources. On the other hand, even after ten years of exposure to the west, Russians in 2001 remained very open to external ideas to help them think through and implement their reform agenda. Thus, technical assistance was the appropriate kind of support. During the period DFID made a conscious effort to involve more local expertise. This made sense, not just as a way of reducing costs, but as a way of expanding local capacity. The decision to cut small grants for NGOs, except in the context of the two Oblast partnerships and the Embassy small grants scheme, is more controversial and is addressed in the next section.

### **DFID's Choice of Partners**

3.25 The 2001 CSP identifies Government, both federal and regional, and other donors as DFID's primary partners in delivering the strategy. This is a contrast to the Know How Fund which, particularly in its early years, stressed the importance of working directly with the private sector and civil society. In 2001, the increased emphasis on government was appropriate, given the strategic importance of reforming the state and the opportunities opened by the Gref plan. The private sector was sufficiently dynamic by then not to need foreign assistance. However, things have changed as the government has become more authoritarian and its reforming zeal has waned. Some observers would question whether, in those conditions, a more effective state is really in the interests of Russia's citizens. We disagree with that view. The picture is complex and positive progress is continuing in the public services and administration. In our view, that is sufficiently in the long term interest of the population to off-set other concerns, or at least to justify playing down politically-sensitive issues.

3.26 Civil society hardly receives a mention in the CSP, in contrast to its importance in the British aid programme of the 1990s. It is debatable whether that is a serious shortcoming. Civil society has an important role to play in Russian society but it remains very weak. In particular, Russian democracy continues to suffer from the weak capacity of civil society to hold government to account. The Mokoro review found that some of the small grant programmes with NGOs had helped to produce new ideas and entry points that could be "strategic" if scaled up. However, DFID decided to close those programmes, apart from the Embassy small grants scheme. More widely there has been a general decline in donor funding for Russian civil society organisations, particularly those concerned with human rights and corruption. As a result they are finding it difficult to survive. Nevertheless, it is questionable whether more effort from DFID in that area could have achieved sustainable results. This is partly because externally-dependent NGOs are inherently unsustainable. It is also because the Government is increasingly suspicious of civil society and has strengthened controls on NGOs, particularly where foreign funding is concerned.

3.27 In practice, however, DFID's programme has worked with NGOs and the civil society sector in recent years in the area of service delivery in health, social assistance, enterprise development and HIV/AIDS. That was particularly the case in the two Oblast partnerships and some solid progress was made. Nonetheless, although the principle of collaboration between Government and NGOs seems to be accepted, their relationship in service delivery remains poorly developed. Greater focus here might have developed this into a real strength of DFID's programme.

3.28 The two Oblast partnerships are such an important feature of the strategy that they are considered in depth in chapter 4.

3.29 One of the themes underlying the preparation of the strategy was DFID's desire for greater influence on policy. That was the reason for trying to strengthen engagement with the Federal Government, for concentrating geographically in two oblasts, for reducing the number of sectors and trying to make common cause with other members of the international community. In practice, the regional partnerships have not given DFID much, if any, leverage on policy nor have they amounted to much more than the sum of their parts. Nor have donors, or DFID managed to exert much strategic influence at the federal level. However, the public finance and administration projects show how it is possible to gain influence at a more technocratic level by providing progressive Russians with access to ideas and other resources, when donor assistance is coordinated effectively.

### **Consultation**

3.30 DFID consulted the Federal Government on the CSP during 2000 in meetings between the British Secretary of State for International Development and the Russian Prime Minister and Minister of Economy. Some British officials were concerned about too much emphasis on poverty. However, it is not clear that the Russian Government shared that concern, nor is it clear whether they sought to influence DFID's strategy. It was, in any case, closely aligned with their own. One outcome of the process was increased emphasis on the use by DFID of Russian expertise. In addition, DFID has facilitated active participation by partners at project level. One of the features of DFID's management of the programme has been the growing involvement of partners in project design and the selection of consultants. This is welcome; although it has sometimes lengthened the time it takes to deliver project results.

3.31 The cutbacks to the programme in late 2003 involved a comprehensive and painful round of consultation with project partners. Consultation was not about whether project budgets should be cut but how that could be achieved while safeguarding as much of the project's value as possible. DFID staff were surprised at the way in which many Russian partners accepted the inevitable and worked cooperatively with DFID to salvage whatever they could. That is not to say that DFID's partners did not resent the cuts. In the case of Leningrad Oblast, for example, officials made it very clear that they felt DFID had welched on its agreement. Today, however, they are more philosophical and commented that it was good to know about the cuts before the project began so that they could tailor it to the reduced budget.

### **Working with other donors**

3.32 Mokoro questioned the strategy of trying to influence other donors because they had so little leverage on the Russian authorities. They argued that DFID would do better to focus its energies on building relationships with Russian agencies directly. It is certainly the case that Russia does not have anything like the "policy dialogue" with international donors that is found in low income countries. Discussions with bilaterals and the EU are dominated by strategic interests. Moreover, the IMF and World Bank have little leverage since Russia has ceased to borrow large sums from them. Nonetheless, there is a good argument for donors working more closely to avoid duplication and reduce transaction costs for Russia. In practice that has been the main focus of DFID's collaboration. Since DFID's objectives and those of the World Bank were close, and DFID could provide technical assistance on grant terms, it made sense for the two agencies to collaborate at project level. As Britain's representative, DFID is closely involved in the governance of the EU programme, TACIS. Thus, it made sense to try to improve its effectiveness. However, that activity absorbed large staff resources for a very limited return (see section 7).



## **Level and Allocation of Resources and the Transition Plan**

3.33 The 2001 CSP envisaged a bilateral programme continuing at around £24m, in addition to humanitarian assistance. This represents a sizeable commitment for DFID in view of the costs of managing a technical assistance programme at that level. When the CSP was approved in May 2001, DFID's planning budget for Russia (excluding humanitarian assistance) was set at £26.7m per year for three years. Actual spending on technical assistance and grants in 2000/01 and 2001/02 was significantly less than the budget at £20.4m and £22.4m respectively but reached £24m in 2002/03. In 2002 the budget was reduced to £22m for each of 2003/04 and 2004/05. Even so, that level of annual expenditure probably represents a technical assistance portfolio of around £70m, which is enough for DFID to achieve some important outcomes on the objectives identified in the CSP.

3.34 Information on the administration costs of DFID's Russia programme is not readily available for years before 2003/04. The Mokoro review questioned the adequacy of DFID's management resources because of the difficulty being experienced in spending the programme available in 2000/01. They also felt that more management resources were needed to make the cross-sectoral links between different DFID interventions that would improve impact. The CSP remarked that "the main lesson from past experience is that we should strengthen dialogue with Russian partners on policy and project issues". This led to an increase in staff at the Development Section in the Embassy from 7 to 10 or so in 2002. The new recruits were Russian nationals. It is questionable whether this modest increase was enough to spend strategically the level of programme resources envisaged in the CSP. The consistent underspending of the original budget provides some supporting evidence.

3.35 The Middle Income Country cuts reduced the budget to £13m in 2004/05 and £5m in 2005/06. The Transition Plan of January 2004 was a professional exercise at damage limitation. The Plan envisaged a budget of £4m for 2006/7 followed by closure of the technical assistance programme. The approach taken was to continue supporting those elements of the portfolio where it was most important for DFID to be involved while cutting the rest. Inevitably, ending the programme in March 2007 meant bringing some projects to a premature end. The Plan's strategic focus was on supporting administrative and social reform. This meant working at Federal level with the Ministries of Economic Development and Trade and Health and Social Development. It also meant continuing the Partnerships in Leningrad and Nizhny Novgorod Oblasts, albeit while cutting their budgets dramatically. The Plan makes much of the potential demonstration effect of the two Partnerships.

3.36 In effect the Plan dropped two of the five outputs of the CSP (livelihoods and justice) and stopped further work on another (global institutions). The most controversial cuts were of projects that had just started or were about to begin. The main ones were:

- the second Russia Trade Policy Project was stopped before contract signature because of signs that the process of WTO accession was likely to be delayed while Russia could call on support from other donors. The Russian Government protested but the decision was upheld. A small economic research project on the impact of WTO accession was allowed to continue.
- the second Judicial Support Project was stopped before the contract was awarded on the grounds that DFID could not now offer the length of commitment that would be required for success. Doubts were also expressed about the extent of local commitment.
- HIV demonstration sites. This project formed a large part of the £25m HIV/AIDS programme which was approved in principle by the Secretary of State in October 2001.

It was a central part of the strategy and was designed to demonstrate the effectiveness of HIV control through harm-reduction in two Oblasts. DFID management took some comfort from the availability of Global Fund money for HIV/AIDS work in Russia and the continuation of work with the Federal Government's National Advisory Council.

- National rural development strategy. This project was cancelled before a contract was awarded. It was designed to consolidate DFID's rural livelihoods work. The Plan observes that the lessons and experience gained might be taken forward in any case by Russian partners. In the event, that is what happened.

3.37 Another controversial cut was the Disability and Independent Living project which had just begun although its origins preceded the 2001 CSP. The project was not regarded as central to DFID's strategy. Nonetheless, there was strong resistance from the UK contractor which lobbied Ministers. However, the decision to cut was upheld.

3.38 The plan proposed to go ahead with three new activities that were considered strategic: social standards; the HIV advisory council; and public administration reform. Overall, we judge that the Plan chose to continue with the two areas (administrative and social reform) where the potential impact of further DFID support was greatest.

3.39 The Transition Plan also provided for cuts in staff from 24 full-time equivalent positions in 2003/04 to 12.8 in 2006/07. The newly-established staff of DFID Russia was cut by a third from 18 in 2003/04 to 12 in 2005/06 before closure in March 2007. As far as we can tell management capacity in DFID Russia has not been a constraint on handling the reduced programme. Management issues are considered in more depth in chapter 7.

## **Results focus**

3.40 The Department produced a logical framework for the 2001 CSP which linked the five outputs to the goal of reducing poverty in Russia through the purpose of economic and social modernisation. The logic was taken further in the 2002 CSP review which included change impact monitoring tables as required by DFID's guidance. These tables assigned DFID's interventions to desired policy changes in Russia. However, that makes little sense as a monitoring tool for a country such as Russia where DFID's influence is marginal at best. We agree with the Mokoro consultants that it would be unrealistic for DFID to expect to make a significant impact on Russia's reform programme with its limited resources. Consequently, the change impact exercise is best seen as reassurance that DFID is engaged in strategically important areas. Evidence for outcomes and impact should be sought at project level (see chapter 5). After 2002, when the budget cuts and Transition Plan took over from routine CSP monitoring, there was no further attempt to measure strategic impact.

## **Risk Management**

3.41 The CSP included a section on risks which considered options for reviewing DFID's programme in the event that Russian commitment weakened with respect to its own modernisation programme, to human rights or to engagement with the international community. The 2002 CSP review confirmed the upbeat view taken in the CSP, although a more sceptical tone emerged following the Permanent Secretary's visit, just a month later. Ironically, the key risk that DFID failed to take into account was the possibility that Britain's own priorities would change and undermine the strategy. The painful process of cutbacks and office closure was made immeasurably more difficult by the failure of the 2001 CSP even to consider the closure of DFID's programme at some future date.

The 2003 cuts were like expecting an accelerating express train to stop at a red signal within a couple of hundred metres.

## 4. PROGRAMME EFFECTIVENESS – REGIONAL PARTNERSHIPS

4.1 Regional partnerships were a major thrust of the 2001 CSP and, for that reason, the evaluation team has considered them in depth. This chapter reviews first the appropriateness of the strategy and the selection process before looking at the experience of implementation and the results achieved in specific interventions.

### **DFID's Strategy for Sub-national Engagement in the Russian Federation**

4.2 The CSP stated, "in order to increase the impact of our programme we will aim to develop two partnership oblasts". DFID's involvement would seek to enhance strategic planning capacity at oblast (region), raion (district) and settlement level and help with implementation too. The CSP indicated the possibility of working with the new federal districts to disseminate experience with other regions.

4.3 There were a number of assumptions behind this line of thinking. The Mokoro report (January 2001) had pointed out that DFID's resources were limited and therefore would have more impact at *oblast* level. They also felt that 'Russia's highly decentralised system means that the influence of the Federal government outside of Moscow is still relatively limited'. However, that view was already highly questionable by the time the report was published in January 2001. The Russian Government had announced a policy of centralisation (re-establishment of the 'state vertical') in 1999 and a series of measures were undertaken during the year 2000 to rein in regional power. This places a question mark over whether regional partnership was the most appropriate vehicle for DFID engagement with Russia in 2001.

4.4 Another factor in DFID's decision was the prevalence of similar approaches in other DFID country programmes. Two regional partnerships were introduced into the DFID Ukraine programme in the same period, despite Ukraine being a unitary state in which oblasts/regions are extensions of central government. Moreover, DFID was applying similar models of sub-national engagement in countries such as Pakistan, Brazil, Nigeria, South Africa and India, in some cases very successfully.

4.5 In the Russian case, few areas of policy are decided purely at the regional level so the best way to influence policy direction is to combine regional implementation with engagement at the federal level. This works best where both levels are addressed within the same project or programme. Had the regional partnership projects incorporated a link to the federal level there might have been more chance of their results being disseminated to other regions 'vertically' via federal policy recommendations, rather than attempting to share experience 'horizontally' between regions.

4.6 Moreover, a preoccupation with specific regional partnerships may have led DFID to miss some important opportunities to influence policy on federal – regional relations, and therefore the context and structure of decision-making in areas such as education, health, social policy and environment. It was curious that DFID was investing heavily in regional partnerships, whilst not engaging with the policy process affecting what those regions were required or allowed to do. This reflects over-estimation of the influence of regional governments in Russia and an under-estimation of the potential for donor participation at the federal level. (See for example the work of the Council of Europe on the evolution of the federal reforms.) These failings were subsequently addressed, in the context of support for Administrative Reform, following devolution of decision-making to the Moscow embassy and the response to the 2003 budget reductions, which saw a clearer emphasis on engagement with federal policy making.

## **Selection of the Partnership Oblasts**

4.7 During 2001, DFID launched a competition between the eight priority oblasts identified in its 1998 country strategy to decide on its two future partners. This had certain advantages: it appeared to provide Russian regions with experience of open tendering; it encouraged the idea of beneficiaries having shared responsibility for activities and outcomes; and it tested how far applicants had taken on board DFID's agenda. Nevertheless, it involved the bidders in considerable work and meant that for six out of the eight regions the culmination of their collaboration with DFID was to be publicly judged as unworthy.

4.8 According to the CSP, two oblasts "will be chosen on the basis of their willingness to develop and implement strategies for economic and social development which benefit the poor". DFID did not apply the approach it had used in countries such as Brazil and Pakistan of having a mix of progressive and less progressive regions, which helps build inter-regional dissemination and learning into the structure of the programme. There seems little doubt that the two winning oblasts submitted the best bids. Nonetheless the legitimacy of the competition suffered from rumours of UK consultants' involvement in writing the winning bids. Moreover, a subsequent dispute (in 2004, over the letting of the first main contract) around the balance of social and economic objectives did call into question the strength of Leningrad region's commitment to DFID's agenda.

4.9 Overall, an elaborate competition would not seem to have been justified in order to arrive at a choice that might have been predicted from first principles. DFID had invested more of its credibility and resources into Nizhny Novgorod than other regions and it would be expected that DFID would continue what was already a special partnership. Leningrad Oblast was perhaps a less obvious choice, particularly given its much smaller population, but with major advantages in terms of being situated around the country's second city and with a reputation for enterprise and innovation. It was argued that both regions were below average per capita income, but neither would figure high on any list of poor or underprivileged regions. Once the result of the tender was announced it proved necessary for DFID representatives to tour the six losing regions (where a number of DFID projects were in progress) to reassure them that they were not necessarily excluded from future programmes (in practice they were, once the budget cuts were effected from 2003). This was necessary because the competition made the failure of the losers more public. Focusing on these two regions – both easily accessed from Moscow and likely to be relatively easy to work in – could have been presented as a logical choice within a strategy of overall concentration. Whilst the competition may have added legitimacy to this decision within DFID, it is unlikely to have done so outside.

## **Organisation and Effectiveness of the Regional Partnerships**

### **Nizhny Novgorod**

4.10 In Nizhny the REAREF (Regional Administrative Reform) project (1997 to 2004) aimed to create strategic capacity and encourage community participation. This provided a solid basis for DFID's subsequent partnership with the oblast. During its final phase the emphasis in REAREF moved from overall strategy and organisation to performance improvements in specific sectors. Two major projects – Economic Regeneration and Job Creation, and Targeting Social Assistance – emerged from this phase of REAREF. They were to become the focus of the oblast partnership and ultimately to eclipse the parent project after the budget cuts of 2003. DFID's priorities had been to give preference to the existing AIDS activities and to REAREF. The oblast however decided that preference should be given to the two sectoral projects. DFID accepted this, and their subsequent success suggests this was the right decision. Given that the budget cuts represented the beginning of the end for DFID in Russia, there was little future for REAREF's broad programme of administrative

reform in one oblast. Instead achievable improvements to specific services could more easily be incorporated into legislation or dissemination activities.

4.11 The response to the budget cuts demonstrated not only DFID's flexibility and client-centred approach, but also the maturity of the partnership in terms of the clients' understanding of the logic of the development of projects and the respective contributions of donor and beneficiary. As one of the leading officials on Nizhny Novgorod commented, "the success of project outcomes depends on the beneficiary. Only if the beneficiary is prepared to take responsibility can any real changes take place". These characteristics were also evident at a later stage in the Targeted Social Assistance project when the beneficiary requested a shift in the balance of days from international to local experts, this being seen as necessary to support implementation (as opposed to policy design). This proposal was opposed by some of the contractors but upheld by the project director and by DFID, much to the approval of the beneficiary.

4.12 Part of the legacy of REAREF was a coordination unit that acted as the central point of communication between the Oblast administration, the projects and DFID. The unit's role suffered after a new Governor took over in 2005 and implemented some major restructuring of the region's economic functions. This left the coordination unit with a relatively limited, primarily logistical role. It is questionable whether the unit was really necessary in the regional partnership as it turned out. Had DFID not devolved to the Moscow office, and had the regional partnership's functions been broader, then such a unit would have been more fully justified.

4.13 In terms of sustainability, the Nizhny Novgorod partnership projects have generally performed well, with the exception of Economic Regeneration which was undermined by the Governor's restructuring activities (although at local level the project's work has left a legacy that should bring benefits over a longer period – see box 2 on Arzamas). The changes in Employment Creation (see box 1) have been institutionalised and will continue to be applied with similar success. The changes in Targeted Social Assistance have been codified in a regional law of Nizhny Novgorod Oblast and may be incorporated into federal legislation in the medium term. In this field Nizhny Novgorod has been a genuine pioneer. The Community Partnership has been successful in establishing what has been regarded as the first permanent independent social fundraising organisation which provides grants to social providers on the basis of open competition and clear criteria. Grants have supported innovative and empowering projects that would otherwise have been neglected or undervalued by the public authorities at each level. The grants provide innovative social projects with a higher profile and may assist in leveraging resources from other sources. The unwillingness of business to support genuinely independent fundraising may hinder sustainability, however, and the future of the partnership will require budget support, which it is likely to receive in the short term.

4.14 The city of Arzamas (box 2) provides a good example of the benefits from DFID assistance, albeit in a favourable context.

4.15 Overall, although the departure of DFID was regretted, Nizhny Novgorod partners appeared to accept the inevitability of this, and saw most activities as having achieved what could be hoped for. AIDS was one exception – DFID's role was seen as essential in helping to change public attitudes, and it was felt that this should continue. This is in contrast with the decision taken in 2004, when the Oblast partners preferred to cut this DFID priority rather than their own economic and social projects when savings had to be made.



**Box 1: Regional Partnership Projects in Arzamas, Nizhny Novgorod**

1. Arzamas (107,000 population) provides a good example of how DFID was able to assist innovative local managers to move far quicker in the desired direction, backed up by support from local authorities working in partnership with DFID Russia. Arzamas has been a centre for high technology research and development for the defence sector. The city has a reputation for innovation in public services, and this tradition is strongly supported by the current mayor. Arzamas participated in all of the regional partnership projects either as a designated pilot, or on a voluntary basis. The small scale of the city enables close collaboration between departments, regardless of whether the departments concerned are municipal or regional. It has therefore been able to adopt and develop new ideas relatively swiftly. The city has developed its own strategic plan, divided into four programme areas, around which the administration has reorganised itself. Each programme area is monitored according to performance indicators that are in turn linked to budgetary decision-making. The aim is to use performance against targets (which are more accessible than strategy documents) as a means of involving the population in spending decisions. For example public consultation (3,500 replies) has established that the public's priority for increased spending is education. Public complaint systems have led to improvements in waste management and conservation.
2. Under the auspices of the DFID Economic Regeneration project, the city designed and implemented programmes for small business development, tourism and inward investment. A small business centre has been set up, together with a business incubator for twelve firms. The centre provides SMEs with legal and counselling support and there is also a micro-credit scheme. More than one hundred new firms have been created in two years and more than one thousand more people entered employment during 2005. This is significant progress in a local economy traditionally dominated by large state enterprises. An ethical code of conduct for firms within the city has been approved. The approach to handling investors has improved as a result of the project, and inward investment has doubled in two years.
3. Arzamas played a major role in the Targeted Social Assistance project. The city has innovated in this field since the late 1990s, when it set up a social passport for all households, and brought together different benefits (school meals, child benefits and supplementary benefits) in fourteen local offices where decisions could be made instantly on the spot. These local one-stop shop arrangements saved 7.3% from the budget in their first year. Each stage of service development was accompanied by user opinion surveys. The project built on this promising foundation and helped the Social Assistance Department with new ways of working with clients to reduce dependency. The project developed the skills of managers so that they could diagnose and solve problems better and the training programme designed by the project is still being applied. The system was so well set up that, when the law on monetisation of benefits was introduced in 2005, no significant changes were needed, unlike most other authorities. The project changed the way the department worked with far more emphasis on analysis, and on open debate, so that staff were prepared to ask and reply to questions. This type of working relationship was learnt from the experience of dealing with the consultants and DFID and enabled the social assistance department to make faster progress.

## Box 2: Employment Creation in Nizhny Novgorod

From 2004 DFID worked with the regional branch of the Federal Employment Service. At their request, it focused on seeking to create self-employment and improve job placement for rural youth, which was the most serious challenge facing the service. Initially only three district branches out of 58 took part in the project but their success overcame the scepticism of the remainder. Within two years 50 branches had completed training and adopted the new approach. This involved each branch creating a business plan to support self-employment. Moreover, staff were encouraged to place young unemployed with employers in sustainable jobs rather than simply passing on low-skilled vacancies. A Youth Information Agency was set up which substantially increased the use of the service and youth centres were established. Whilst the ideology of the service was shared across all districts, each was able to adapt to its particular context. During the course of the project 176 new firms were created in the pilot districts and more than 3,000 jobs won in rural areas. Long-term unemployment fell to 0.6%, the same level as in the best performing regions. Rather than simply providing knowledge, the project helped the service to set up a new mechanism that will continue to be used and adapted across the region. The service had hosted projects from other donors but the beneficiary rated DFID very highly in terms of the content and support that they had provided. DFID's flexibility and close partnership with the service was also a strong feature.

## Leningrad Oblast

4.16 DFID had been working in Leningrad oblast since 1993, although on a more limited scale than Nizhny Novgorod. Projects had concentrated on economic development and job creation in single-company towns. The most successful project was "Sustainable Rural Livelihoods" (see para 5.42 et seq.) helping poor private farmers in remote areas to start cultivating their land shares and develop commercial skills and capacity to earn a living.

4.17 Unlike in Nizhny Novgorod, where a range of projects were linked by a coordinating unit, in Leningrad four components were combined into one project managed by one contractor: Support for Poverty Reduction in Leningrad Oblast (SPRILO). SPRILO's components were:

1. Poverty assessment (including a household survey), strategic planning and coordination.
2. Social budgeting: - improved budget planning and implementation, strengthened organisational and financial capacity of public sector social bodies.
3. Social exclusion: children and families at risk. Support for multi-agency policy documents, development of new standards for service delivery and criteria for assessment of social policy based on the inclusion principle and cooperation with local authorities and NGOs to provide alternative income-earning opportunities for young people of mixed abilities.
4. Enterprise development: including Small and Medium Enterprises (SME) financing.

4.18 DFID's assessment was that the single project approach in Leningrad Oblast partnership would lead to a greater degree of integration, but at the risk of a lengthier roll-out process. In the event it



was debatable whether an integrated approach really had developed during the relatively short active life of the Leningrad partnership, foreshortened by the time taken between project approval and implementation that lasted longer than the partnership itself (more than three years). The letting of the contract in 2004 was complicated by a disagreement due to the lead representative of the beneficiary having different priorities from DFID and consequently a disagreement over the appointment of the contractor. The identity of views between DFID and the oblast authorities was less than had been understood from the earlier partnership submission. However, with time, the two sides were able to find an agreed solution.

4.19 Partnership arrangements were to prove cumbersome. For each component, a special inter-ministerial working group was established. Lack of any central coordination led to variation in the degree of engagement shown by individual ministries, leading to marked inefficiency on the Russian side of the project management team. However, the project has fostered a growing notion within the oblast government that “partnership” was established not only between DFID and the oblast but also (and this was stressed as a very important result of the project) among the relevant ministries and committees of the government.

4.20 The selection of the project components reflected local demands. The design of these projects was elaborated in cooperation with the oblast government, although different ministries clearly expressed interest in different components and there was a lack of understanding of the integrity and complementarity of all the components.

4.21 Within SPRILO there is a Small Grants Programme administered by the UK Charities Aid Foundation (CAF-Russia). Its initial inclusion and shaping was done under pressure from DFID. More than 140 projects were submitted for financing.

4.22 The implementation of the 2003 budget cuts was less problematic than it might have been; bearing in mind that SPRILO’s budget was halved. This was helped by the fact that the cuts took place before implementation began. DFID suggested cuts for different components but was very flexible and responsive to oblast needs. As a result the decrease of funding of the two most sensitive components for the oblast (1<sup>st</sup> and 3<sup>rd</sup>) was minimal. Moreover communication between all the participants was very effective.

4.23 Turning to project implementation, all those interviewed pointed out the flexibility of DFID and in particular the role of DFID’s Saint Petersburg representatives in amending the project to meet the requests of the beneficiary. Almost all requests for assistance in response to new tasks were satisfied. The work programme was continuously developed through periodic meetings of the management bodies. In most cases new initiatives (e.g. assistance with performance based budgeting; assistance with the monetisation of social in-kind benefits) were included as a result of the Russian side wishing to follow federal government policy changes.

4.24 The first, strategic planning, component seems to be one of the most effective elements of the whole partnership programme. It achieved results that are very promising and well regarded by the regional and municipal administrations. In particular, the production of accurate and timely household data, and its geomapping to complement existing data, enabled an enhanced analysis of poverty and social exclusion. This led to significant changes in oblast and municipal poverty reduction policies, such as a greater concentration on children relative to the elderly. In addition, effective social partnerships developed between the public sector and civil society, especially at municipal level through the Small Grants Programme. Moreover, effective coordination of the work of different experts under all four components contributed to SPRILO’s outcome.

4.25 The second component was the least effective. None of its activities led to significant results by the end of 2006 after two years of implementation. The main reason is the low priority given by the regional administration to reforms in the social sphere (as had become clear at the contract letting stage in 2004), and a low level of cooperation between the project, NGOs and the regional finance ministry. The outcomes of that component declared by the beneficiary seem to be exaggerated.

4.26 The social exclusion component was highly effective in terms of realising specific projects at municipal level. Its cooperation with SPRILO's first component was productive and mutually beneficial. However, lack of coordination with financial bodies in general, especially the Ministry of Finance, and the weak results from the second component diminished its impact and compromised the sustainability of the results at the regional level.

4.27 The enterprise development component gave special emphasis to credit cooperatives and micro-finance institutions. Significant results were achieved at the municipal level through the provision of first-time support for SMEs including in the social sphere through the small grants programme. By the end of 2006 the activities initially financed through SPRILO have been backed up with municipal and regional budget financing.

4.28 Dissemination of the outcomes to other regions has not yet started although there could be promising results in the following spheres:

- small grants programme design and implementation
- social inclusion policy development
- SME policy development
- poverty assessment

4.29 SPRILO results are considered to be sustainable especially in regard to 1st, 3rd and 4th components. Most results were achieved at the municipal level and the results there seemed more sustainable, partly because of the long association of DFID with some municipalities. The selection of pilot municipalities seemed to be the right decision that enabled the project team to concentrate their effort and resources and achieve a critical level of involvement. Even if the Small Grants Scheme proves unsustainable as an institution its principles have been partially adopted by the state authorities.

4.30 Overall, the beneficiary stressed that SPRILO was the most successful project among those of other donors, even taking into account the budget cut and the relatively different success of its components. Local representatives and the Moscow office of DFID were praised for their involvement especially after the devolution of responsibilities from London to Moscow.

## **Conclusion**

4.31 Thus, some valuable results are evident in both DFID's partnership regions. For example, Box 3 gives a comparison of the social assistance projects in the two oblasts. However, DFID's rationale for focussing on fewer oblasts than before was to enable a larger mass of projects in a given region, which was expected to bring greater influence, together with improved coordination and cross-fertilisation between projects. It is doubtful whether that has been achieved. In practice, the regional partnerships have not given DFID much, if any, leverage on policy nor have they amounted to much more than the sum of their parts.

**Box 3: The Social Assistance Projects in Leningrad and Nizhny Novgorod oblasts**

1. The projects in the two partnership oblasts were aimed to improve the targeting of social assistance. The household survey implemented in Leningrad oblast demonstrated that the poorest group was families with more than two children, not the elderly as presumed. This influenced decisions by regional and municipal governments, for example to prioritise the provision of school meals. The Oblast adopted a poverty reduction system and social exclusion became a part of the definition of poverty.
2. The main outcome in Leningrad was the development of a person-centred approach to social service standards. The Oblast adopted a social standards law in 2006 based on a shift from service delivery norms to client needs. The programme of small grants was implemented to support the public sector and NGOs in mobilising people to tackle poverty and to develop small-scale entrepreneurship. Children at risk were a target group.
3. The Targeted Social Assistance (TSA) project in Nizhny Novgorod continued earlier collaboration with DFID, which provided a good foundation for success. The beneficiaries valued, especially, the opportunity to look at social services from another point of view which the project provided. TSA has started to introduce an individual approach to clients' needs and has changed the outlook of social workers. The impact of study tours was very effective in that respect.
4. With support from the project, the Oblast adopted the regional law on social assistance in 2004. As a result, the new principle of targeted social assistance has replaced passive benefits for eligible categories of people. Benefits are provided on condition that the beneficiary undertakes some activity (training, searching for a job, etc.) to change his own and his family's life. This approach was tested in three pilot municipalities and, as a result, 50% of the poor families covered by the programmes experienced positive changes in their social positions.
5. However, the regional social assistance service has failed to establish a sustainable and effective basis for cooperation with external service providers and with federal agencies such as the Pension Fund. For example, regional social assistance agencies are not able to check whether applicants earn money because the Pension Fund, the only collector of data on salaries and other incomes, does not share it.
6. The Oblast introduced a one stop approach for applicants for benefits and greatly appreciated DFID's help in developing a policy for dealing with the media. DFID provided not only technical assistance but also equipped one pilot social agency with computers to modernise its information system. This was so effective that the regional government allocated ten times as much money to replicate the activity. This shows the importance of demonstrating a new approach in practical ways to convince government to support social innovation.
7. The project has left behind its methods in the form of manuals and the practical skills of many specialists and dissemination has started inside the region. In 2006 fourteen rayons have followed the pilot municipalities and another nine will join the process in 2007. However, systematic dissemination outside the region was not included in the project plan.

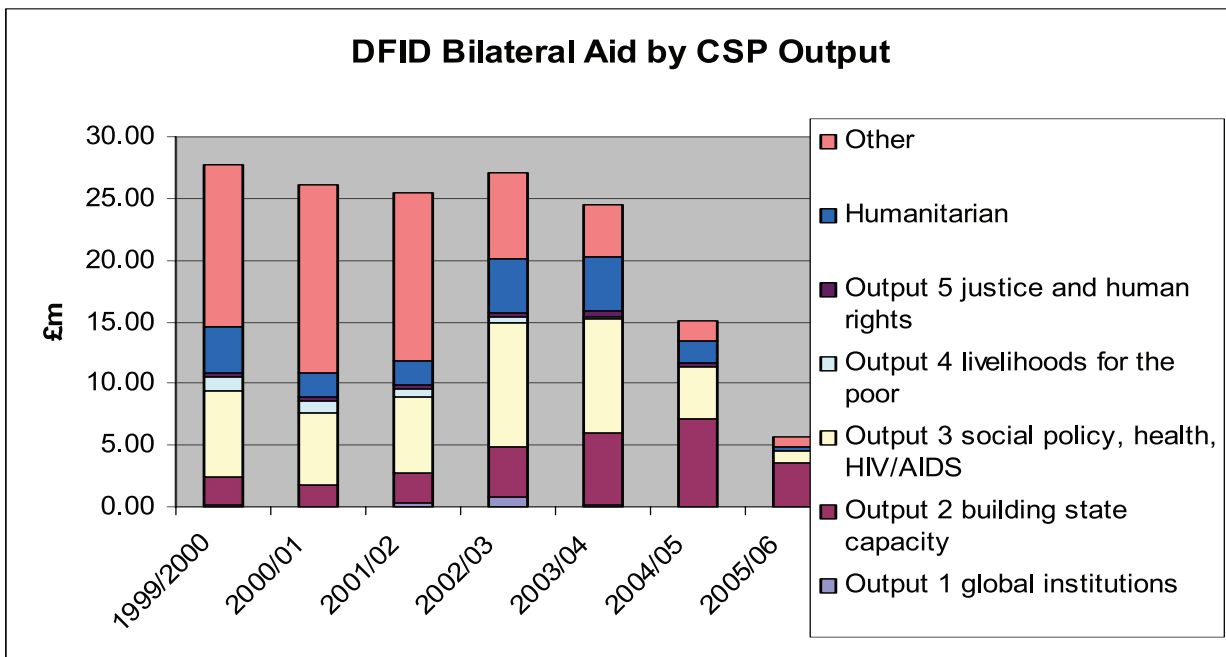
## 5. PROGRAMME EFFECTIVENESS – DFID’S PROJECT PORTFOLIO

### Overview of DFID’s portfolio

5.1 Figure 5 attempts to allocate DFID’s bilateral expenditure to the five outputs of the 2001 CSP. These were:

1. more effective Russian participation in global institutions
2. enhanced capacity of state institutions to implement reforms which benefit poor people transparently, effectively and accountably
3. effective coherent social policy in place
4. improved access of ordinary people to livelihood opportunities, and
5. more responsive and transparent political systems, wider access to justice and adherence to human rights

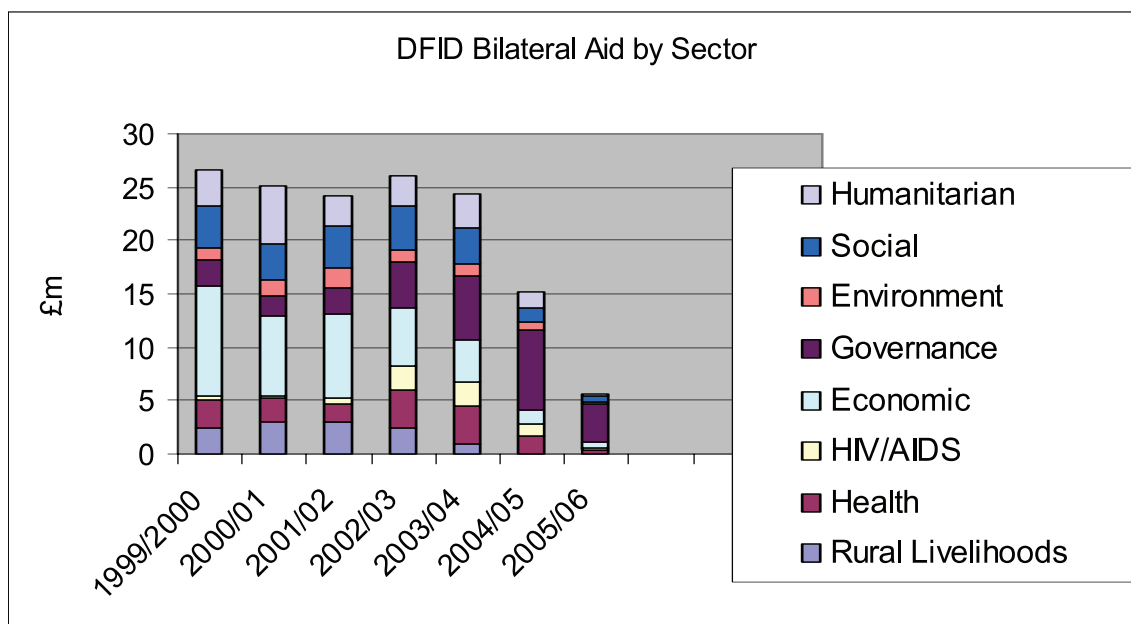
Figure 5: DFID Bilateral Aid by CSP Output



Source: DFID

5.2 At the beginning of the period there was a large share for projects not directly related to the CSP. These were mainly in economic areas such as financial and private sector development and became less important as the CSP priorities took over. The main areas of spending were outputs 2 and 3. Spending on the regional partnerships is included under outputs 2, 3 and 4. Figure 6 shows a more conventional breakdown by sector.

Figure 6. DFID Bilateral Aid by Sector



Source: DFID

5.3 **Humanitarian assistance** is not evaluated in this report. Nonetheless, it is worth noting that the programme to the North Caucasus was a significant one (£5.4m at its peak in 2000/01) and DFID played an important role in the donor group. Moreover, DFID staff were able to inject some innovative ideas by financing a Strategic Reconstruction and Development Assessment in 2005<sup>16</sup>. That exercise promoted the role of non-government agencies in the process of thinking through next steps. Dissemination of the ideas is incomplete but it was an interesting and useful contribution.

5.4 As a whole, DFID's portfolio in Russia performed at a similar level to its bilateral programme overall, at least if Project Completion Reports (PCRs) are a reliable indicator. Over the five years from 2001 to 2005 two-thirds of completed projects were regarded by DFID project teams as successful (i.e. PCR ratings 1 or 2). Table 1 below gives the details. This is very similar to the success rate across DFID's portfolio, 65% in 2000/01 rising to 71% in 2004/05<sup>17</sup>.

Table 1: Russia - Number of Projects by PCR Performance Ratings<sup>18</sup>

Year of PCR	1	2	3	4	5	X	TOTAL
2001	5	6	5				16
2002	1	6	1			1	8
2003	4	4	5	1			14
2004	1	5	2				8
2005			2				2
<b>TOTAL</b>	<b>11</b>	<b>21</b>	<b>15</b>	<b>1</b>		<b>1</b>	<b>48</b>

<sup>16</sup> Forum on Early Warning and Early Response (2005)

<sup>17</sup> DFID (2005).

<sup>18</sup> Records from PRISM of all PCRs carried out for Russian Federation projects from 1 January 2001. PCRs are written by project teams when projects (with commitments of over £1m) end. These ratings assess the extent to which the project's purpose is likely European Commission (2000).

## The Strategic Outputs

### 1. More effective Russian participation in global institutions

5.5 DFID's main activity under this heading was support for Russia's accession to the World Trade Organisation (WTO). The previous CSP had identified this as an important theme. It was also high on the agenda of other development agencies including the World Bank and the EC TACIS programme. DFID's rationale was that the accession process would stimulate further market-based reforms and promote growth. From the Russian perspective, WTO accession is still a central objective for the Ministry of Economy, even after tortuous and difficult negotiations with the EU and US. Moreover, for the Government more generally, accession is part of being a G8 country.

5.6 DFID undertook several activities to take this forward:

- Technical assistance to the Ministry of Economy to support their negotiating team (2001-03). A follow-up project was planned but cancelled during the 2003 cutbacks
- Lobbying within the British Government (2001-02) with the aim of achieving greater flexibility in the EU negotiating position. DFID funded studies of the Russian economy, completed in the first half of 2002, to illustrate the extent of structural reform needed for global integration. DFID argued that the reforms should be phased over a longer period and that the EU should not require Russia to implement them all before accession
- Co-financing a World Bank research project (2003-05). The project was designed to show the impact of WTO accession on poverty, and on specific sectors and regions

5.7 Overall, the accession negotiations proved a long affair. (They began in June 1993.) With hindsight, that is hardly surprising in view of the increasingly tricky bilateral relations between Russia and the two other main players, the EU and the USA. Nonetheless, bilateral deals were reached with the EU in May 2004 and with the USA in October 2006. Russia still must complete the multilateral phase of negotiations but there is some optimism that accession could be achieved in the next year or so. It is impossible to trace the impact of DFID's small engagement at this level. Other factors, such as the lobbying power of US service companies or European energy supplies, were more important.

5.8 DFID's PCR judged that its support for the Ministry of Economy was successful. The project had improved the Ministry's competence in trade policy, facilitated a stronger legal environment and increased public awareness. Donor coordination was largely effective and the donors seem to have dealt effectively with the sensitivity of being involved on both sides of the negotiations at once. However, the PCR raised questions about the Ministry's excessive dependence on donor-funded experts to review draft legislation. Moreover, the WTO information centre funded by the project proved unsustainable because the Ministry could not afford the salaries required to retain the staff.

5.9 When the successor project was cut in early 2004, the Russian Government protested but DFID made no concessions. The Department felt that the high-level political commitment required for progress in the negotiations was lacking and that the Ministry of Economy was not an efficient user of the slew of technical assistance available from some eight other donors. Consequently, DFID's decision not to go ahead was upheld.

5.10 We have not been able to track down evidence of the effectiveness of DFID's lobbying



activities either on the British Government line or on the EU negotiating position. DFID's own internal papers admit their limited influence on Whitehall's Russia policy. The Department of Trade was in the lead on WTO issues but only as one player amongst 15 EU member states in Brussels.

5.11 The World Bank research co-funded by DFID has produced a number of outputs<sup>19</sup>. The researchers quantified Russia's gains from WTO accession, found that the gains would be widely spread, including to the poor, and that the largest source of those gains was foreign direct investment in the service sector. They claim that these results encouraged the Russian Government to take a more forward position on liberalising services such as telecommunications and transport. This helped reach agreement with the USA. The researchers were also able to use the project to tackle the issue of pricing Russian gas exports, which became a high level concern of both Russia and the EU in 2003. They produced economic arguments justifying a higher price for gas exports than for domestic sales, contrary to the EU position. This line was accepted as the basis for Russia's bilateral agreement with the EU in early 2004. It is hard to verify the influence of this work but the claims seem plausible.

5.12 In sum, DFID was right to identify WTO accession as an area of major importance for Russian reform and its impact on poverty. The momentum achieved recently demonstrates continuing high level Russian interest which has promoted worthwhile reforms that would probably not have happened without the incentive of WTO accession. DFID provided some useful technical assistance and helped to fund some valuable economic research. However, there are questions about the sustainability of DFID's capacity-building and about DFID's added value when so many other donors were actively engaged on the issue. The World Bank considers that DFID played a catalytic role in encouraging other donors to co-fund their research. Overall, the incentives for donors to engage with Russia's WTO accession were very high. Consequently, DFID's decision to promote WTO accession made good strategic sense at the time but events may have turned out as they did with or without DFID involvement.

## **2. Enhanced capacity of state institutions to implement reforms which benefit poor people transparently, effectively and accountably**

5.13 In terms of reforming the state, the Russian Federation has faced two major challenges since the collapse of the Soviet Union in 1991: to re-build and reform the central institutions of the state, and to resolve the relationship between the federal centre and the regions. By 2001 it had become clear that tackling these challenges would be one of the priorities of the Presidency and that there would be the political will to systematically modernise and reform the state. Two streams of reform emerged: reform of federal relations (division of functions and resources between levels of government) and administrative reform (structure of federal state bodies, reform of terms and conditions of the federal civil service). Budgetary reform provided a common thread. By 2004 the division of powers and resources between centre and regions had largely been resolved through a major legislative programme. In the same year federal government institutions were being split into Ministries (policy), Agencies (service delivery) and Services (regulation). The same year saw the start of a new, more decisive, phase of civil service reform, including competitive appointments and salaries reform. In 2006 the Government's second Concept of Administrative Reform (for the years 2006-8) has brought the different strands together, with a focus on strengthening performance budgeting and management and on extending reform into regional administrations. Public Administration Reform in the Russian Federation has thus, since 2001 been progressing through a series of major inter-connected and broadly consistent reforms which are having a substantial effect in terms of increasing state capacity. This was an area where the UK was (and is) regarded by the Russian authorities as having

---

<sup>19</sup> See [www.worldbank.org/trade/russia-wto](http://www.worldbank.org/trade/russia-wto) e.g. Thomas Rutherford and David Tarr (2005) "Russia's WTO Accession: What are the Macroeconomic, Sector, Labor Market and Household Effects?".



comparative advantage compared to other bilaterals and UK support on this topic was requested at the highest level in 2000.

5.14 The CSP of 2001 set out four priorities regarding state reform: improvement of poverty definitions and statistics, improved public expenditure management, modernisation of state administration, public and civil society involvement in improved service delivery. These were complementary objectives, but their breadth also enabled DFID to respond flexibly as the needs of the beneficiary evolved. This section concentrates on the reform of public administration and finance. DFID's involvement with poverty measurement at the federal level is dealt with in para 5.34 and with service delivery through civil society in para 5.38 below.

5.15 DFID worked in close partnership with the key ministries that were leading state modernisation. The Ministry of Economy was the recipient of a project (2001-2) that instituted performance planning and monitoring systems throughout 52 departments and sections of the Ministry. A larger project (2001-6) on social budgeting improved the effectiveness of the Ministry of Labour and Social Development (also a key modernising ministry – see para 5.35).

5.16 DFID had been working with the third main progressive ministry, the Ministry of Finance since the mid 1990s, primarily on regional finance. From 1992 the World Bank had helped to develop a small network of key specialists in this field. By 2000, with the reform of federal-regional relations acquiring an ever higher political profile, attention in Russian policy circles became focused on the reform of fiscal federalism. DFID was active in supporting policy development, under the aegis of the World Bank, during this period, and in 2002 launched the major Russian Regional Finance Reform – Technical Assistance Facility (£7m over five years), complementing a World Bank technical assistance project and Fiscal Federalism and Regional Finance Reform Loan.

5.17 The **Regional Finance** project formed part of the Ministry of Finance's drive to clarify the division of functions and resources at all levels of the state, enabling large scale delegation or transfer of federal functions to regional authorities. The aim was to achieve a leaner federal state and to extend performance budgeting into regional decision-making and systems.

5.18 The Regional Finance Project focused on competences that the Ministry of Finance regarded as a comprehensive agenda for reform and modernisation: basic financial management, medium term planning, debt management, accounting and procurement, and later strategic planning and performance budgeting. The six pilot regions were volunteers – winners of two competitions (open to all regions) for grants from the regional reform programme. As well as technical assistance inputs, DFID supported both the competitions and the dissemination programme to other regions (through support to a Resource Centre based in the ministry). The project had a strong developmental logic. First the donors had provided the Ministry of Finance with methodology, methods of supervision, rigid rules for running inter-regional competitions, and resources to carry out the programme. In the early stages the Ministry of Finance was far ahead of the regions in capacity and understanding, so that the development was one hundred per cent led from the centre. However, during the course of the project, participating regions, and other regions to which the lessons were disseminated, reached a stage of a more even partnership in designing new initiatives. The programmes had an (intentional) spin-off in terms of developing regional markets for consultancy in public finance. Whereas at the outset there was little competition in this field, there is now a critical mass of expertise available to regions on a competitive basis. The project overall is sustainable in terms of both the capacity that has been created at all levels, and also because the funding that used to come from donors is now being provided by the federal and regional state budgets. There are still gaps where technical assistance is needed, but overall the project has created a sustainable mechanism. The work carried out in the

regions has in some respects gone further than analogous reforms at the federal level. It was said that most federal Ministries are now at the level that the pilot regions were five years ago regarding results-based budgeting. The project is a successful example of partnership between strong Russian policy leadership, World Bank finance and DFID-funded expertise.

5.19 The regional finance work has been at the cutting edge of a major overhaul of the state apparatus, an overhaul which has had a fundamentally progressive character, focused on the issue of accountability for results and effectiveness in public expenditure. In due course, this will change the character of Russian state institutions as experienced by citizens on a daily basis. These achievements (towards which the civil service reforms referred to below have contributed significantly) should be seen as a positive trend partly offsetting other concerns about the development of the Russian state in recent years, and without doubt improving the ability of the state to meet its obligations to citizens to a degree that is far beyond what could be envisaged at the end of the previous decade.

5.20 The **Public Administration Reform (PAR)** project is a highly practical contribution to the implementation stage of the civil service reforms. Somewhat ahead of its time when initially designed in 2004, it entered its most productive phase in 2006, as the beneficiaries' capacity reached the stage at which they could adapt and apply the techniques and concepts involved. The project is built around nine outputs, which have been designed in close collaboration with senior figures in the federal ministries involved. The mode of operation is sustainable, since most work is done by specialists led by the key beneficiaries themselves. As a result, DFID has been able to build up, support and influence a network of the key decision-makers in administrative and civil service reform at the federal level. It is somewhat ironic that the authors of the Mokoro report and the CSP of 2001 assumed that an influential partnership with the federal authorities was beyond the scope of a bilateral donor such as DFID.

5.21 The components of the PAR project, for the most part, coincided with the key elements in the government's PAR strategy. To a large extent the input is technical and the outputs include new internal procedures, regulations and administrative instruments. However as the specific reforms progress they are becoming increasingly inter-connected and mutually reinforcing. Components such as performance budgeting and performance management, standards for public services and technical support to the Chamber of Accounts form a critical mass of reforms around the central concept of accountability for performance (as a means of increasing efficiency and effectiveness, but also as an indirect means of squeezing corruption out of at least part of the state system). Although the outputs are primarily technical, the degree to which they intersect at the core of the Russian federal administrative system means that they should, over time, lead to substantial qualitative changes in the functioning of the state and its relationship to the public.

5.22 The sustainability of these reforms still faces challenges. It is clear that the different ministries involved, whilst sharing overall goals, will often have different views about the means of attaining them and there is still a lack of policy coordination at the centre, let alone between the centre and the regions. The component which provides Consultancy Support to the Government (Zhukov) Commission for the Implementation for Administrative Reform is important here, not merely for the content (regulatory impact assessment) but the form – coherent advice provided systematically at a level above individual ministries. Thus, DFID's activities have helped create capacity in the governmental system: first by supporting individual initiatives in progressive departments, then linking these into a network of reformers and cross-cutting initiatives, and then building capacity for the state to ultimately take over the policy coordination role.

5.23 The DFID-funded **Donor Secretariat**, based in the World Bank headquarters was set up in

2004, at a time when administrative and civil service reforms were being accelerated. It provided a means of implementing donor harmonisation on PAR, which had been agreed in 2002-3 with the Ministry of Economy. The aim was to meet the counterparts' request that donors should have one voice, but also that the same institution should deal with both process and substance. The secretariat thus carries out coordination, capacity building and policy analysis. This has made the Donor Secretariat influential as to some degree a coordinating centre for the reforms themselves. Coordination across the boundaries between departments and ministries is notoriously difficult in Russia, making it essential in the short to medium term that an external agency facilitate this function. The secretariat rapidly became a 'policy hub', a place where participants and key stakeholders in the reform process could meet in a neutral environment and reach agreement. In the longer run it is accepted that these roles and tasks will be carried out by the state – the Concept of Administrative Reform of October, 2005 seeks to establish project management capacity within government, but such a (politically neutral) capacity is not yet available. Even if coordination support for administrative reforms were sufficient in central government, the Secretariat would still have a role in supporting agencies in the regions.

5.24 The secretariat works not only with the policy community at federal level but also provides advice and information to officials in the regions on how to interpret and implement the reform programme. Analytical materials are prepared on a responsive basis. The DFID Trust Fund makes this possible by funding not only the Donor Secretariat's costs but also external experts as required. This flexibility enables the Secretariat to fulfil its ambition of becoming a strategic rather than project-based resource. For example, the Ministry of Economy Development and Trade requested the secretariat to provide guidelines on standards with a view to tackling corruption. The secretariat produced a draft and developed a training module which was delivered both in a region and in a federal agency. The methodology was corrected and a revised version was circulated to all regions; several of whom have now placed the guidelines on their web-sites. In addition, increased resources on the beneficiary side have led to co-funding in a way that was previously unimaginable. A recent project in Stavropol, for example, was funded one third by the Secretariat, one third by the region and one third by the federal government. Moreover, the secretariat also works directly for government agencies; for example by helping administer competitions between the regions for both the Ministry of Economy and Ministry of Finance, which have provided financial incentives for implementation of reforms. The growing importance of local funding suggests that the programmes, initiated by donors, will be sustainable in the medium term.

5.25 The secretariat has also made an impact on communication within government. The experience of co-operation facilitated through World Bank/DFID activities means that regional officials routinely contact each other, where in the past such 'horizontal' communication was rare or absent. The promotion of such linkages reaches right to the top. The secretariat is able to invite, for example, representatives of the Ministry of Regional Development (who are interested in reform of regional administrative structures), the Ministry of Finance (leading budgetary reform, including performance budgeting at federal and regional levels) and the Ministry of Economy (interested in developing indicators) to meet and 'brainstorm' so that the reforms planned by each ministry will work in synergy with the others.

5.26 In 2005 a regional replica of the Donor Secretariat was set up in Rostov, the capital of the Southern Federal District (SFD), supported by the European Union. The SFD, which includes the North Caucasus, contains many of the poorest regions in the Federation, with severe problems in the management of public finances. DFID played a key role in bringing donors to support governance reform in the region by initiating an unprecedented multi-donor governance survey of the North Caucasus in 2005, which showed the capacity of government to be far lower and more problematic

than elsewhere in the Federation.

5.27 The PAR Donor Secretariat is an example of successful collaboration between DFID and the World Bank regarding a genuine programme of reform, through which the Russian policy process has been streamlined and the inputs of the whole range of donors has been organised to avoid duplication and agree responsibility for supporting specialised tasks. The proposal to continue support for the secretariat even after the closure of the DFID office is popular among clients, although there could be doubts as to whether DFID would have the capacity to influence the content of policy.

### **3. Effective, coherent social policy in place**

5.28 The CSP identified reform of the social protection system, including benefits and social services, as a priority in order to reduce poverty. A large set of projects in social assistance and health were implemented during the period of examination, building on work started after the previous CSP. We endorse this strategic choice. During the 1990s the Russian Government was focussed on overcoming the economic crisis and failed to pay enough attention to social policy. Moreover, DFID's analysis concluded, correctly, that growth alone would not solve the growing social problem of poverty.

#### **Social assistance**

5.29 The Russian Government was spending large sums on social assistance but not much of that reached the poorest people. Consequently, the Government needed to understand better the nature of poverty, improve the targeting of its spending and strengthen the management of social services. DFID tried to address each of those issues. The international donors, notably the World Bank, contributed a lot to restructuring the social assistance system. DFID's focus on poverty reduction (shared with the Bank) gave this added momentum.

5.30 DFID combined *social assistance projects* in partnership oblasts with complementary projects at federal level. We feel that this overall design is appropriate for a federal state like Russia. Regional projects should facilitate new approaches to social policy and demonstrate their effectiveness. However, the participation of federal bodies is crucial to institutionalise the innovations and ensure effective dissemination around the country. This is in contrast with DFID's previous approach which involved local activities dealing with specific problems such as children at risk or people with disabilities.

5.31 The social assistance projects in Leningrad (2002-07) and Nizhny Novgorod (2003-07) oblasts were part of this more comprehensive approach. They were effective (see box 3) and attracted the attention of other regions and of the World Bank.

5.32 Three new projects were implemented at the federal level to implement the CSP approach on social policy. These dealt with poverty measurement, social budgeting, and modernising social services. They were considered sufficiently important, from a strategic viewpoint, to be largely spared from the cuts in 2003.

5.33 The poverty measurement work (2002-06) formed part of a larger programme implemented by the World Bank. It provided the federal statistical agency with new approaches and tools for poverty evaluation. It also produced an authoritative analysis of poverty and suggested policies<sup>20</sup>. The

---

<sup>20</sup> World Bank (2005).

project's outputs have been widely disseminated and have encouraged demand for further analysis of poverty. However, the Government has not accepted the proposed method for measuring the poverty line.

5.34 The social budget project (2002-07) aimed to target the Government's social protection expenditure according to need by strengthening the Ministry of Health and Social Development. The project developed methods for the Ministry to calculate some financial norms for planning social expenditures (e.g. unemployment benefits, etc.) and improved the Ministry's planning capacity. However, the DFID project has only contributed in a narrow area (elaborating the method for calculating some financial norms) to the new federal initiative of results-oriented budgeting that began in 2005 and which has become the mainstream in social budgeting reform. Moreover, the link between this project and work at the regional level was rather weak.

5.35 The modernising social services project (2005-07) aimed to develop federal quality standards together with systems for effective control, inspection and evaluation. The project established regional working groups which consisted of representatives of social and employment institutions as well as NGOs and clients. These groups drafted quality standards for a small range of social services (federal employment services and regional social services) provided by both state and non-state institutions. The draft standards have been tested but are not yet officially approved. Moreover, the impact of this work has been reduced by changes in Russian legislation in 2004 which shifted the responsibility for social assistance programmes to the regional level. As a result, the Ministry of Health and Social Development lost interest in developing federal quality standards. In our view, that is regrettable since a federal coordination and monitoring function is necessary. DFID might have been more persistent in promoting this function at federal level.

5.36 DFID's social assistance projects have not achieved broader impact because the foundations for replicating the results have not been established. There has certainly been some dissemination. However, that is not enough for other regions to introduce similar approaches without strong approval and recommendation by higher authority.

### **NGOs and Social Policy**

5.37 DFID's 2001 strategy shifted the focus for collaboration towards government and away from NGOs. However, there was an attempt to promote a dialogue between officials and NGOs on social policy and to encourage the participation of NGOs in implementation. Contracting NGOs for public service delivery was planned in several DFID projects.

5.38 There has been significant progress in developing a dialogue between government, both federal and regional, and the Third sector. However there is little progress in contracting NGOs by government. The main obstacle has been the absence of standards that might be used to control the quality of social services delivered. In spite of DFID's projects the government has made little progress in elaborating such standards. Nizhny Novgorod has adopted a code of practice for social service delivery but that cannot substitute for standards. The regional government has still not allocated funding to NGOs. There are some examples of contracting with NGOs in Leningrad and in some other regions, but not on a sustainable basis. However, the legislation and regulatory mechanism needs further development before it can be adopted at both federal and regional levels.

### **Health and HIV/AIDS**

5.39 The CSP set out an agenda of developing innovative approaches for preventing epidemics such as HIV/AIDS and TB and improving health systems, including for mental health. All these areas were



represented in ongoing DFID-funded activities in 2001. However, as time progressed the programme became increasingly concentrated on HIV/AIDS. This choice was not driven by the Russian government but reflected, in part, the global policy preoccupations of DFID.

5.40 However DFID's decision not to concentrate on the broader issues of **health sector reform** is controversial since improving the effectiveness of the health care system remains a fundamental issue. The top official of the Ministry of Health and Social Development especially stressed to the evaluation team that DFID was mistaken in not providing further support to reform of the health care system. We agree with this view. The earlier DFID contributions were much appreciated by federal and regional health care institutions. British experience with reforming the NHS is most relevant for Russia in comparison with other West European countries. However, DFID ignored this deep interest and lost opportunities to use the UK's comparative advantage.

5.41 Between the late 90s and 2003, DFID funded several **TB** projects. Indeed, DFID considered TB an important part of the programme strategically, because it was linked to growing concerns with HIV/AIDS and British domestic worries about the growth of multi-drug resistant TB. The largest of these projects were a treatment and training program in Tomsk (1995-2003) and development of the TB service in Samara oblast (2001-2004). The Tomsk project demonstrated that WHO recommendations could be effectively introduced into Russia, alongside complementary activities such as health education, social support and training. The Samara project has been evaluated as one of the most effective TB control programmes in Russia based on current evidence. DFID also funded a scientific study of drug resistance (2000-04) and supported a WHO initiative to coordinate work on TB nationally through the High Level Working Group on Tuberculosis (HLWG). (Both these elements were replicated in DFID's HIV/AIDS work.) The HLWG was established on WHO's initiative in 1999 and included the key people in the Russian Ministries of Health and Justice, the Russian Academy of Medical Science, the Sechenov Moscow Medical Academy, and donors. DFID's role in this group seems to have been modest. However, the HLWG's work was effective. The Group developed recommendations on many aspects of TB control that were included in the government strategy and federal and regional TB programs. These recommendations were based on the best Russian experience that was put in line with international standards. The common efforts of the Russian government and international donors have influenced the dynamics of TB morbidity. In 1999 there were over 90.4 new cases of TB per 100 000, and in 2005 the rate had fallen to 82.8.

5.42 There was another significant project that neither fits within the CSP strategy nor the focus on HIV/AIDS - Strengthening the Russian Red Cross service (2001-05). It had reasonable objectives but failed because the headquarters of the Red Cross turned out not to be committed to reform.

5.43 DFID's strategy for HIV/AIDS in Russia was elaborated as a £25m programme and approved by the Secretary of State in late 2001. The main priority was to replicate and develop the harm reduction approaches which had been the focus of DFID's earlier projects in Russia. A significant example of that was the project in Togliatti, Samara (1998-2004) which developed an effective programme of HIV prevention working with high risk groups but failed to convince the regional government to continue this controversial approach with its own funds. As part of the 2001 strategy, DFID aimed to demonstrate the effectiveness of harm reduction approaches through large scale implementation and to influence the Russian government to develop similar public programmes. The research component - Knowledge for Action (2003-06) - was intended to provide the data needed to implement the projects and monitor its efficacy. However the HIV/AIDS programme was severely cut in late 2003. As a result the large scale demonstration project in Tatarstan and Krasnoyarsk was dropped altogether and DFID's efforts were transformed into a set of modest projects: the national coordination project (see box 5) and three regional projects. The choice was intended to maintain the

strategic direction of DFID's work as far as possible with greatly reduced resources. However, there were poor links between the projects during implementation. Taking a broader view, DFID's interventions have covered some gaps in the range of activities of other donors. The Global Fund granted Russia \$88m in 2004 over 5 years for HIV/AIDS projects. This influenced DFID's decision to cut funding for harm reduction projects.

5.44 However, in spite of the cuts, some significant results were achieved. The most effective HIV/AIDS project seems to be the "Three Ones" (see box 4).

5.45 The Open Society Institute (OSI) Harm Reduction Project (2001-2004) aimed to maintain the OSI programme when Soros funding declined and the expected World Bank loan for HIV/AIDS was delayed. The project achieved positive demonstration results through testing a method for harm reduction in Russia.

5.46 Nonetheless, these results, as well as those of other harm reduction projects, are contested by some Russian experts whom we interviewed. One concern is with the project's approach of short-term contacts between project workers and the target group rather than sustained interaction. A second concern is the lack of strong evidence-based external assessments of harm reduction approaches in Russia. In particular, there are questions about the adherence to treatment by drug addicts and sex workers, and about the inadequate attention given to HIV/AIDS prevention among the clients of sex workers. Some of those concerns may be assuaged by the recently published results of the Knowledge for Action project (October 2006) carried out by Imperial College, London. This research was considerably delayed partly because it had been designed to complement the cancelled demonstration project in Tatarstan and Krasnoyarsk. This is the first in-depth analysis of HIV/AIDS issues in Russia. It will take time to disseminate the results but they should make an impact on policy in due course.

**Box 4: Coordination in Action: Implementing the "Three Ones" Principles in Combating HIV/AIDS in the Russian Federation (2005-2007)**

1. The goal of the project was to promote a major change in the national HIV/AIDS response towards a well-coordinated, multisectoral and expanded response using the "Three Ones" as guiding principles (one national HIV/AIDS policy, one high-level national coordination authority, one unified national M&E system). The design of the project and its outcomes were highly appreciated by the Ministry of Health and Social Development. It occurred at the right time, because a shift in public attitude towards HIV/AIDS took place in 2005/2006. That was influenced by the previous efforts of foreign donors including DFID as well as Russia's leadership role in the G8 as host for 2006. The national health care project, which started in 2006, included large scaled funding of HIV/AIDS treatment and prevention. In such circumstances, coordination of the different actors dealing with HIV/AIDS became extremely important.

2. DFID chose UNAIDS as its main partner for the Three Ones project, and this choice was justified. UNAIDS was able to encourage different Russian public bodies, as well as foreign donors, to collaborate with the Ministry. This is no mean feat in view of the uncoordinated nature of much of Russia's public sector. In October 2006 the Governmental Commission on HIV/AIDS was created. The new body is expected to be more effective than the previous eight coordination boards at federal level. It has real administrative power and presence among its members who represent the Government, the State Duma, civil society, and business. However the elaboration of the public strategy against HIV/AIDS remains to be achieved and will need continued technical assistance.



5.47 DFID funded the UN Fund for International Partnerships (UNFIP) project (2002-05) that was implemented in Altai Krai and Volgograd oblasts by a partnership of six UN agencies (UNDP, WHO, UNICEF, UNFPA, ILO, UNODC). The project aimed to reduce the incidence of HIV/AIDS among young people, especially girls and young women. It contributed to the establishment of youth-friendly clinics, social and counseling services and training of health care providers. The regions benefited from the cooperation between UN agencies and their collaboration with government and civil society organisations.

5.48 The last part of the HIV/AIDS portfolio was the project in Nizhny Novgorod (2005-07). The choice of pilot region owed more to DFID's partnership approach than to wider strategic considerations and the regional government lacked a strong interest in HIV/AIDS. Nonetheless, the project has helped change this attitude and to encourage collaboration between public bodies and NGOs. The creation of the coordination council is expected in the beginning of 2007. However, the elaboration of the regional HIV/AIDS strategy has not been completed. The outcomes of the project have been quite valuable for Nizhny but probably not for other regions. There have been other good examples of similar councils functioning in the regions already.

5.49 DFID has funded a country case study<sup>21</sup> of Russia as part of a global evaluation of the British Government's strategy for tackling HIV and AIDS. The evaluators come to similar conclusions about the effectiveness of the individual projects. They identify the biggest challenge as the stigma and discrimination associated with the HIV epidemic concentrated among vulnerable groups. They wonder whether the Russian Government's momentum on HIV/AIDS domestically will be sustained now that the G8 Presidency has ended and donors are phasing out. They regret that DFID failed to maintain its leading role in the controversial area of supporting NGOs to scale up harm reduction work and point to the need to reform the health system in order to provide effective treatment.

#### **4. Improved access of ordinary people to livelihood opportunities**

5.50 The CSP planned to achieve this objective by making markets work better and providing support to individuals so that they could participate in the economy. The wide-ranging agenda included: reduction of bureaucratic obstacles to business, better regulation of the economy, land and labour market reforms, stronger support services for enterprises and measures to enhance the access of poor people to financial services.

5.51 These were areas where DFID had developed a significant portfolio in the 1990s. However, from 2000 activity was modest. The main new initiatives were:

- development and replication of the agricultural reform work piloted by DFID in the late 1990s. This was remarkably successful and is discussed further below
- enterprise development work within the two partnership oblasts;
- a project to support business advisory services in Samara oblast which failed through weak management, and
- finance and technical assistance for Russia's largest not-for-profit microfinance organisation, FOR A. The project aimed to support FOR A's lending programme and

---

<sup>21</sup> DFID. Interim Evaluation of "Taking Action"; the UK Government's Strategy for Tackling HIV and AIDS in the developing world. Country Case Study: Russia. Karen Semkov, Gennady Roschupkin, Susan Duberstein. September 2006.

help FOR A improve the policy environment for microfinance institutions. The lending programme was very successful but there was little progress in reforming the policy environment. Moreover, FOR A remained some way from becoming sustainable through substituting loan finance for donor grants

5.52 DFID first became involved in **agricultural reform** through an initiative to privatise land started under the Know How Fund. However, experience soon showed that private ownership was far from sufficient to create economic growth in rural areas. In practice, many collective farms became joint stock companies that were poorly managed and, in most cases, ran up huge debts. Meanwhile, agricultural change went hand-in-hand with a crisis of rural poverty. In 2001, 61% of the rural population were below the official poverty line and 22% lived in extreme poverty.

5.53 DFID responded with three overlapping interventions:

- The Sustainable Rural Livelihoods project (1999–2003) worked with small farmers in four raions of two oblasts. The project took a comprehensive bottom-up approach by helping people make the best use of their resources, not just land. The project helped them realise their rights to land, improved services and infrastructure for producers and helped small farmers diversify their sources of income
- The Revitalisation of Insolvent Farms Project (2000–03) piloted solutions to the bankruptcy problem in five oblasts by devising practical ways to implement the 1998 bankruptcy law
- The Third Party Arbitration Courts Project (1998–03) tackled the issue of land disputes which became commonplace as people sought to exercise their individual land rights. The aim was to develop cheap and rapid means of dispute resolution as an alternative to the cumbersome formal system

5.54 All three of these projects were successful in demonstrating a viable way of tackling the complex problems of sustainable rural improvement and poverty reduction. A follow-on project was designed to consolidate progress but it was abandoned during the programme cuts in 2003 because contracts had not yet been let. Even so, the outcomes of the earlier projects are being replicated in other parts of Russia and the CIS (see box overleaf).

### Box 5: Replicating Agricultural Reform in Russia

The rural development work, funded by DFID, has influenced Russian agricultural policy and the way it is being implemented. One of the reasons for this was the prominent involvement of local specialists from the beginning in the demonstration projects. This built Russian capacity for policy development and implementation which has proved to be sustainable. According to these specialists the key to sustainability has been to take account of government concerns and make the links from practice to policy. The project process was deliberately inclusive. It involved policy-makers from an early stage as part of a "dialogue" between central/regional officials, local stakeholders and project specialists.

Another important factor was the length of time that DFID and Russian specialists spent working on these problems together with officials and other stakeholders. From initiation to completion took some eight years with remarkable continuity of personnel. The relationships built in that process were influential.

The project team was helped by the fact that the widespread rural crisis had created an appetite in official quarters for new ideas. To begin with, the pilot projects involved close collaboration with the relevant oblast authorities who then began replicating the approaches themselves. One of the project outputs was a manual which was widely disseminated. A conference, mounted by the project, attracted much more interest than expected from the federal authorities and other oblasts. As a result other regions adopted their own programmes, of which Perm was regarded as particularly successful.

The Russian project specialists worked as advisers to key Ministries and the Duma so they were able to offer ideas tested by the project when others were lacking. By the end of 2003, the Duma had adopted laws on farm revitalisation, land rights and third party arbitration and the Ministry of Agriculture had developed a concept of sustainable rural development. All of this was influenced by project ideas. For example, the Ministry's plans included, for the first time, state support for credit and marketing cooperatives working with poor farmers. Moreover, the Government has mainstreamed the results into the President's national project for rural development.

### 5. More responsive and transparent political systems, wider access to justice and adherence to human rights.

5.55 DFID's efforts under this output were focussed on the justice sector, although it was given less priority than under the Know How Fund pre-1998. Moreover, the pressure of the MIC budget cuts led DFID to drop the justice sector in 2003.

5.56 An important factor in that decision was the issue of what was possible in the climate of the time. One view was that the Yukos case had raised fundamental questions about the status and independence of the judicial system that went beyond what could reasonably be influenced by DFID, and therefore a DFID intervention would be ineffective. A second view, closely linked to this, was that such matters had become politically sensitive and therefore were best pursued by multilateral donors such as the EU or multilateral agencies such as the Council of Europe (which the Russian Federation had joined in 1996), rather than risk damaging bilateral relations.

5.57 There remains a lively debate among donors about the potential for effective work in the

justice sector. Some have become less optimistic in this respect during recent years. At the same time, donors such as the EU, and to some extent the UNDP, indicated that the law and order system was becoming more amenable to ideas from outside and that this was a potential growth area in the future that could bring benefits to the citizen in term of more efficient and accountable criminal justice agencies.

5.58 Because of the small scale of DFID's work in this sector and the lack of recent information we have not reviewed the effectiveness of their justice sector work in any depth.



## **6. COLLABORATION WITH OTHER DEVELOPMENT AGENCIES**

6.1 This chapter considers the effectiveness of DFID's work with other development agencies, with a particular focus on the World Bank and European Commission. This was an important theme of the 2001 CSP.

6.2 During 2001 to 2005 international development assistance to Russia was small in relation to the Russian economy and declining (see chapter 2). Moreover, as the Mokoro consultants found in 2000, none of the agencies had much influence on policy questions with the Russian authorities. Nonetheless, international agencies continued to play a significant role in encouraging the flow of ideas. The main players were a small number of bilaterals (US, Germany, UK, Sweden etc.) and the EC, World Bank and European Bank for Reconstruction and Development (EBRD). The last two were providing finance on near-commercial terms but the World Bank, especially, also provided access to a range of international thinking through its analytical services.

6.3 Given the small scale of aid flows, the arguments are less strong in Russia than elsewhere for formal harmonisation of aid as envisaged by the OECD Development Assistance Committee. Nonetheless, donors have made an effort to share information and coordinate their efforts informally. Coordination has been especially good in recent years with the increasing devolution of decision-making to Moscow. There are a number of cases of joint activities. The area of public administration reform is a good example. DFID funded the donor secretariat, housed with the World Bank, which has supported the Government by coordinating donor activities and providing analysis to guide the policy process. This model was copied by the EC in Russia's southern region.

6.4 DFID manages the British Government's relations with the multilateral agencies and has a long history of working closely with them at country level. Russia is no exception. In 2000, Eastern European and Central Asian Department (EECAD) set out a policy to strengthen its influence on the multilaterals working in the CIS countries. The Department aimed to ensure the UK's contributions were well spent (for Russia, the EC programme cost the DFID budget around the same as the bilateral programme – see chapter 3) and to improve the multilaterals' effectiveness in reducing poverty. EECAD's strategy was to focus on the EC, since the UK contribution was so large, and the World Bank, since it was generally the most influential development agency in the region. They also planned to work with the EBRD and encourage them to take more account of private sector governance issues. This approach was reflected in the CSP.

### **World Bank**

6.5 Although the World Bank was much less influential in Russia than is often the case in other countries, it proved a natural ally for DFID. The Bank's 2002 Country Assistance Strategy (CAS) includes similar analysis of poverty to the one that inspired DFID's thinking and also set out to support the Russian Government's modernisation strategy. Moreover, the three pillars of the CAS overlapped considerably with DFID's areas for cooperation. They were: – improving the business environment and enhancing competition; strengthening public sector management; and mitigating social and environmental risks. Given the rapidly improving nature of Russian Government finances, the demand for IBRD loans proved less than anticipated. During the Bank's financial years 2002 to 2005 it committed \$1,237m in new lending to Russia (i.e. \$309 p.a.) compared with the CAS projection of \$1,902m. However, there was no shortage of local demand for advice and technical cooperation. Consequently the Bank was keen to supplement its limited budget for analytical services by tapping grant funds from other donors. Examples of Bank-DFID co-financing include the

regional finance and municipal water projects. These collaborations worked well, although some DFID voices wondered about DFID's added value. There were other cases where it made sense for DFID to use the Bank's expertise by co-funding Bank activities. These included the poverty statistics and WTO work, both of which provided valuable outputs. The Bank also offered a natural home for the coordination of public administration work through the DFID-funded donor secretariat. The health sector proved more problematic. The Bank's proposed large HIV/AIDS and TB intervention took much longer than anticipated to launch. Consequently, the Bank was not an influential player and DFID went ahead with other partners, notably the UN. However, overall, the partnership between DFID and the World Bank has reinforced the effectiveness of both agencies.

### **European Commission**

6.6 The main channel for EC assistance to Russia during this period was the TACIS programme, whose planned spend for 2002 to 2006 was €576m or around £77m per annum at 2007 exchange rates. The political framework for TACIS was provided by the Partnership and Cooperation Agreement (PCA) signed between Russia and the EU in 1997. The PCA's objectives are to promote trade and investment, to strengthen political and economic freedoms and to support Russian efforts to consolidate democracy and complete its transition to a market economy. In 1999, the EU built on the PCA and adopted a Common Strategy on Russia with the aim of:

- consolidation of democracy, the rule of law and public institutions in Russia
- integration of Russia into a common European economic and social space
- cooperation to strengthen stability and security in Europe and beyond, and
- common challenges on the European continent

6.7 In 2000, the EU launched the Northern Dimension to enhance coordination and complementarity of EU and Member States' programmes in northern Europe, the Baltic Sea and Russia. There was a particular focus on the environment, nuclear safety and organised crime.

6.8 A further agreement between the EU and Russia was reached in May 2003 aimed at creating four "common spaces": - economic, with enhanced emphasis on energy and the environment; freedom, security and justice, especially border management and migration; cooperation in the field of external security and research and education including cultural aspects.

6.9 Given this political background with its emphasis on relations with Russia as a near neighbour to the EU, it is not surprising that EECAD concluded in 2000 that TACIS was hard to influence. Commission staff did not share DFID's focus on poverty and the UK was the only member state to be represented in EU discussions by an International Development Ministry. Other Member States were represented by Ministries of Foreign Affairs or Finance. However, the EU did decide in 2000 that one of the three areas of cooperation for TACIS should be "support in addressing the social consequences of transition". EECAD counted this as a success for DFID's consistent pressure.

6.10 DFID's Russia team recognised that it was not feasible to get the TACIS programme to focus more explicitly on poverty as an objective. Consequently, they concentrated on pressing for greater effectiveness and ensuring that TACIS addressed specific issues of importance to the UK such as the social sectors and HIV/AIDS.

6.11 TACIS has been subject to periodic criticism for its inflexible bureaucracy and its lack of



effectiveness. In 2000 the Commission carried out an evaluation of TACIS in Russia from 1991 to 1999<sup>22</sup> which provided some support to these concerns. Its findings included the following points:

- Most programmes were based on the transfer of know-how from western European consultants. That was highly relevant in the early stages but from 1994 a knowledge of western methods became less important than dealing with specific Russian constraints. Consequently programme relevance became limited
- Impact was particularly high in education and training, medium in governance and low in enterprise restructuring and building the framework of a market economy
- Russian participation and ownership was perceived to be higher in smaller projects where the identification of beneficiaries is more direct and project delivery is speedier. However, the EC increasingly concentrated TACIS on a few large centralised programmes which resulted in inefficiencies and loss of beneficiary ownership
- The evaluators concluded that TACIS should shift from its top-down methods to a partnership approach which helped Russia find its own solutions. They envisaged that TACIS should support more flexible interventions in the context of well-defined strategic frameworks at sectoral level

6.12 These comments came at a time when the EC was implementing a major re-organisation which was designed to improve the effectiveness of its overseas assistance programmes. This involved separating policy-making and implementation in Brussels with the creation of EuropeAid. More importantly, it meant devolution to European Delegations in the field. Devolution occurred in late 2001 in Russia and was a logistical success. This meant that the Delegation had responsibility for policy negotiations with the Russian Government, for taking decisions on projects and hiring contractors. In principle, this facilitated discussion with Russian partners and helped to make projects more relevant to policy concerns.

6.13 The EU agreed its own Country Strategy Paper for Russia in December 2001, covering the period 2002 to 2006. It set out the following priorities:

- support for the reform of public administration and the judicial system
- a focus on trade and investment promotion and institutions related to PCA implementation and WTO accession
- deregulation of the economy and corporate governance, with special attention to the energy sector
- development of civil society, with particular attention to the media, and
- reform of the social security, pension and health systems

6.14 This provided a very broad strategic framework for TACIS but one that was not so different from DFID's, in spite of the difference in the overarching objectives of the two organisations. In addition, there were separate EC programmes dealing with cross-border and regional cooperation, justice and home affairs and nuclear safety.

---

<sup>22</sup> European Commission (2000).

6.15 DFID used three main instruments to influence the Commission as it implemented this strategy: representation of the UK at TACIS management committees, informal interaction between DFID and Commission staff in Moscow and Brussels and secondment of DFID staff to the Commission.

6.16 Management committees generally consider Commission proposals at too late a stage to exert much influence. DFID records are so sparse that there is little specific evidence to go on. We do know, however, that DFID was unsuccessful in trying to block one blatant misuse of TACIS. The St Petersburg South West Water Treatment Plant absorbed about half of the €61m allocated to address the social consequences of transition in 2002 and 2003. Moreover, TACIS is a technical assistance programme and this was a capital investment. DFID raised high level objections but the project still went forward with strong support from neighbouring Member States who were concerned to clean up the Baltic Sea.

6.17 DFID and EC staff developed good working relations, especially in Moscow and especially in areas, such as WTO accession, where the two organisations were operating complementary projects. It is impossible to assess the effect of this exchange of ideas and information. However, the EC's ambitions were limited to avoiding duplication rather than developing synergy.

6.18 DFID arranged the secondment of two staff members in the early part of the period. One was directly concerned with Russia within EuropeAid and one worked in the TACIS policy unit covering the region as a whole. We interviewed the former who commented on the lack of direction from DFID and the limited liaison he had with DFID's Russia team. Specific direction to a DFID secondee would not have been acceptable to the Commission but greater contact would have been useful. He provided additional capacity to the Commission and, in the process, introduced DFID approaches to colleagues. There is no doubt that these secondments helped the Commission handle its mandate more effectively but it is impossible to be more precise. DFID might have made more use of the potential influence of its secondees to the Commission. This would have required considerable tact to ensure the Commission retained confidence in the loyalty of the secondees.

6.19 The Development Secretary in the Embassy provided a valuable commentary on TACIS in 2003, when there were concerns both within the Commission and Member States about the programme's poor performance. He identified ten projects considered by DFID to be particularly effective and commented that the Commission's devolution to Moscow had worked well. He also listed a range of areas in which the Commission could do better. These included: - building longer-term relationships and more in-depth expertise, managing more flexibly so that interventions are delivered more quickly and can adjust to changing conditions, working more closely with the real reformers, and developing synergy with other donors and between TACIS and other EC programmes.

6.20 The European institutions themselves provide the only systematic evidence of TACIS effectiveness and this is patchy. The European Court of Auditors reported in April 2006<sup>23</sup> on 29 projects, out of 275, which began from 2000 and finished by the end of 2003. This allowed them to look at the sustainability of project results. They stated: "Overall, the Court concluded that in the case of 12 audited projects their objectives were not achieved at all, and only five projects were sustainable. This shows that the effectiveness of the use of TACIS funds in the Russian Federation has been very low."

6.21 The Court felt that the main problem was insufficient communication between the

---

<sup>23</sup> European Court of Auditors (2006).

Commission and the Russian administration, between the EU and Russian experts and between Russian institutions themselves. As a result, in some cases beneficiaries accepted assistance that they did not really want. Other weaknesses included a lack of evaluation of projects and cases where objectives were imprecise and not measurable. On the other hand, project contractors fully met the requirements of their contracts.

6.22 The Commission published an evaluation of the whole TACIS programme in January 2006<sup>24</sup>. This covers all 12 TACIS partner countries and interventions from 2000 to 2004. As a result, the study's conclusions are general and, unfortunately, it is weak on effectiveness and impact. The evaluators' main points are:

- TACIS activities are relevant to the strategic priorities laid down by the EU
- However, the formulation of Country Strategy Papers (CSPs), and the National Indicative Programmes (NIPs) which set out lists of proposed projects, lacks real dialogue and partnership. As a result, projects are adapted during implementation to make them more relevant and this tends to reduce the link between projects and higher level EU objectives. NIPs are too detailed although the time lag between agreeing a NIP and implementation may be several years
- Limited dialogue means that projects are often not part of Ministry strategic plans or closely linked to local priorities. The project-based approach appears top-down and extraneous to the internal processes of the institutions involved
- Where TACIS actions were embedded in wider country-led initiatives, follow-up and sustainability was more likely e.g. interventions related to WTO accession
- There is no evidence to support the narrow concentration of sectors adopted by TACIS
- Environmental issues were not systematically integrated and gender was overlooked
- The focus on projects rather than broader programmes, limits dialogue, ownership and flexibility. The project-based approach has a number of well-known weaknesses – e.g. it is input-driven, too short-term, has high transaction costs, is poorly aligned and harmonised etc. The inherent gap in project delivery required for contracting and tendering leads to a loss of momentum
- TACIS suffers from poor institutional memory

6.23 The evaluators recommend that the Commission should move to a programme-based approach with greater dialogue so that assistance is firmly linked to the priorities of the countries concerned.

6.24 These reports suggest that TACIS remains very unsatisfactory and has made little progress since the previous evaluation in 2000. However, in relation to the Court of Auditors' report, it is important to take account of the fact that most of the projects reviewed were designed during the chaotic final period of the Yeltsin administration. Consequently, the communication problems identified are not surprising. Moreover, those projects were conceived and, in the main, implemented before the devolution of Commission responsibilities to Moscow. Turning to the evaluation study, its limitations

---

<sup>24</sup> European Commission (2006).

(wide scope and weak assessment of impact) mean that conclusions about TACIS in Russia must be indicative rather than firm. Based on the evidence we have received, we would expect the combination of the improved organisation of the Russian Government under Putin and devolution by the Commission to have improved the programme's effectiveness.

6.25 In sum, the EC was an important source of development assistance to Russia and the TACIS programme has achieved some successes. The EC's aim was to encourage Russia to be a good neighbour and partner, in contrast to DFID's focus on reducing poverty. However, there was a good deal of overlap between the two programmes and DFID can take some credit for the attention given by the Commission to issues in the social sectors. Beyond that it is hard to discern much DFID influence on the TACIS programme. DFID might have made more use of the potential influence of its secondees to the Commission but it is hard to know whether that would have had much impact. Nor is it clear that there was any improvement in the unsatisfactory overall level of TACIS' effectiveness. If there was some improvement, then the Commission policy of devolving responsibility to its Delegation in Moscow was a more important factor than the efforts of DFID staff.

## **7. IMPLEMENTATION – STAFFING AND MANAGEMENT**

7.1 In 2000 the Russia programme was managed from London by Eastern Europe and Central Asia Department (EECAD) with support from the Embassy Development Section of seven staff. During 2001, a number of Russian staff were recruited into the Development Section bringing their complement to ten. The evaluation team was not able to unearth statistics for the overall staff complement working on Russia or the overall administration cost of the programme in the early years. However, the Head of EECAD estimated the total operating costs were about £2m in 2002 (roughly 8% of the programme spend).

7.2 The early part of 2002 saw a lively debate within the Department about appropriate management arrangements. A head of steam developed behind devolving programme management to Moscow in a similar way to substantial DFID country programmes in Africa and Asia. The proposal envisaged that the head of office in Moscow would also be responsible for a small team in Ukraine and that capacity would be retained in London to work on policy issues with Whitehall counterparts. The Head of EECAD did not anticipate any increase in running costs for the new structure. The main concern expressed at the time was that the programme might not last long enough to make devolution worthwhile. The Head of Department hazarded the guess that four years operation would be enough to justify the investment. He counted on substantial programmes continuing for at least five years in the two partnership oblasts and on HIV/AIDS as recently approved by Ministers. Other DFID staff members whom we interviewed said that the common expectation was of a programme that would remain substantial until at least 2008 with a gradual decline thereafter.

7.3 In general, staff with management responsibility for the Russia programme supported devolution to Moscow on the grounds that experience elsewhere in DFID indicated that it would improve DFID's effectiveness. However, specialist advisers were strongly opposed. That division of opinion was still evident in our interviews. In the advisers' view, the existing structure worked well, particularly with the reinforcements provided to the Development Section during 2001. In addition, they worried that, under a devolved arrangement, locally recruited specialists would lack adequate professional support, that social development capacity was inadequate and that relations between London and Moscow staff in the new structure could be difficult.

7.4 After his visit in March 2002, the Permanent Secretary backed the principle of devolving management responsibility to Moscow on effectiveness grounds and urged an early decision. He pointed out that there was a sufficient pipeline of commitments beyond 2006 to make devolution worthwhile. The Secretary of State agreed the proposal on that basis in April 2002. Some staff positions were moved to Moscow later that year and the new Head of the Russia and Ukraine programmes arrived in Moscow for language training in February 2003. He took over full management responsibility in July, just before DFID changed its mind about Russia and announced the cuts.

7.5 When DFID Russia was fully staffed there were 18 positions in Moscow, supported by the equivalent of six full-time staff in London, working in a regional policy hub and providing some specialist advice, which was not available within the Moscow team. Table 2 gives further details and shows the way that the Transition Plan projected that staffing would decline up to the closure of DFID Russia in March 2007. Actual staffing has roughly matched these projections.

**Table 2: DFID Staffing of Russia Programme.**

	2003/04	2004/05	2005/06	2006/07
<b>DFID Russia</b>	18	16	12	11
<b>of which Russian staff</b>	13	11	9	9
<b>of which UK staff</b>	5	5	3	2
<b>London full-time equivalent</b>	6	2	2	2
<b>Total</b>	24	18	14	13

Source – Transition Plan

7.6 Unfortunately, we have been unable to find a time series of data for the management costs of the Russia programme before 2004/05. The actual costs for 2004/05 in table 3 suggest that, when DFID Russia was at full strength in 2003, management costs would have been less than £2m, as predicted by the Head of EECAD.

**Table 3: DFID Management Costs £'000s**

	2004/05 Actual	2005/06 Actual
<b>UK staff</b>	549	257
<b>Russian staff</b>	212	175
<b>Travel</b>	120	61
<b>FCO charges</b>	250	60
<b>Other</b>	59	59
<b>Total</b>	1,190	612
<b>Programme spend GBP</b>	13,759	5,385

Source DFID intranet

7.7 However, this does not take into account the substantial set-up costs for the office, some of which are intangible but nonetheless real. These included:

- recruiting ten new Russian staff
- training the newcomers in DFID systems and culture and existing staff in their new management responsibilities
- negotiating appropriate management and charging arrangements for an autonomous entity within the Embassy
- finding accommodation for UK-based staff
- installing a DFID IT system

- Handling the disruption caused by the change of staff and location. The biggest issue was the loss of corporate memory since most of the staff previously managing the programme and all the specialist advisers left. Moreover, in our experience, written records for the period before devolution suffered from the disruption too. They are patchy at best

7.8 In practice, DFID Russia dealt with these challenges remarkably well. An administrative health check in 2003 concluded that the new office had set up systems that were broadly sound and were being applied well. It fell to a small number of staff to provide some continuity with the past. It is hard to judge how much of a problem that was, since the cuts in the Transition Plan were implemented so soon afterwards. From the evaluation team's perspective it was notable that few of those engaged on the programme in 2006 had much understanding of the context of the 2001 strategy and that some significant elements of the programme in the past (e.g. the work on TB control) have little profile today. However, that situation is far from unique within DFID and, in the event, the lack of continuity was probably of limited significance. In our view, the concerns expressed by DFID's specialist advisers about a possible decline in the technical quality of the programme have not been borne out in practice. That is thanks to the high quality of Russian staff engaged in managing the programme and also the sharp contraction of the programme's focus, following the cuts. Had DFID continued to implement its original plans, with a more wide-ranging programme, then the staffing arrangements might have been more severely tested.

7.9 The Transition Plan drew the only conclusion possible, that with the sharp decline in the programme DFID could not justify continuing with a devolved office in Moscow beyond 2006/07. This was a huge blow to the Russian staff concerned who expected the option of working for DFID until 2010. Some of the Russian professionals had aspirations of careers in other parts of DFID but in practical terms that option proved illusory. Consequently, the personal costs involved were substantial. DFID's Transition and Graduation Plans have handled this difficult situation in a professional way. Management seems to have communicated well internally and has supported Russian staff in the process of developing their careers beyond DFID. That does not mean that the situation is satisfactory or easy.

7.10 The increased DFID presence in Russia meant a strengthening of local contacts and networks, which benefited the management of the programme. But, by the same token, closure of the office is an obvious sign that DFID has lost interest. The Embassy is trying its best to put across the message that Britain wants to remain engaged with Russia on development issues but that is proving hard to sell.

7.11 With hindsight there is no doubt that devolving management responsibility to Moscow was a big mistake. The small advantages in strengthening local contacts could not, in the short time available, outweigh the large set-up costs and disruption, the personal problems caused to staff and the blatant signal that DFID did not know its own mind on policy for Russia.

7.12 Of course, decisions are not made with hindsight. Our interviews revealed strong divisions of opinion, even now, amongst the staff who had been involved in the decision to devolve at the time. However, as one of our interviewees put it, DFID never made up its mind about Russia. The inconsistency in policy, and the failure to allow for that when planning for the future, was the real problem.





---

## **ANNEX 1: TERMS OF REFERENCE - TEAM LEADER**

### **1. INTRODUCTION**

1.1 The scope of this evaluation covers a period of divergent change in DFID's development assistance to Russia.

1.2 In May 2001, DFID published its Russia Country Strategy Paper (CSP) 2001-2005, at which time the Russia programme was controlled by DFID HQ. Mid-CSP cycle, DFID devolved its programme management responsibility and opened the Moscow office in July 2003.

1.3 Shortly after devolution, DFID announced the MIC resource reallocations in October 2003, which signified severe reduction in Russia's framework allocation (a £20m commitment reducing to £5m by 2005/6). It was clear that the portfolio needed urgent drastic remodelling.

1.4 DFID Russia responded by publishing a detailed Transition Plan in January 2004. The document set out how DFID would manage the financial cuts, reduce the project portfolio, restructure the office and develop a communication plan to inform partners and government. This was followed by a Graduation Plan, published in May 2006, ensuring that DFID Russia adopted a professional approach to the office closure

1.5 The evaluation study will examine DFID Russia's strategy and decisions over these periods of change. The findings will be disseminated externally and internally and the lessons and recommendations will inform DFID offices in a similar transition situation.

### **2. OVERARCHING OBJECTIVES**

2.1 The main objective of the evaluation will be to examine:

- DFID's strategy for the CSP period, assessing the programme in terms of the DAC criteria (relevance, effectiveness, efficiency and sustainability)
- the transition process in downsizing the programme
- DFID as a development partner
- and to produce clear recommendations

These will be addressed by responses to the questions set out in the evaluation framework (attached).

2.2 The framework may be refined to address any further country-specific issues following the Inception Visit.

### **3. METHODOLOGY, OUTPUTS & TIMING**

3.1 The consultancy team will comprise one UK consultant (Team Leader) and two locally engaged consultants.

3.2 The Team Leader will be responsible for compiling the study report and an evaluation summary (EvSum). The report will be approximately 30 pages long and the EvSum will contain 1500-2300 words.

3.3 Two visits to the Moscow office will be required: a three-day Inception Visit (Team Leader plus EvD) and a Field Visit of approximately two weeks duration (consultancy team).

3.4 EvD will carry out the initial data collection prior to and during the Inception Visit. The team leader will accompany EvD on the Inception Visit to produce an initial context summary of the programme, including staffing history.

3.5 The consultants will:

- familiarise themselves with the programme by reading up on the documentation submitted by EvD prior to the Field Visit
- identify key issues for the evaluation, including understanding the development environment and history of DFID's recent programme
- identify key stakeholders, internal and external to DFID, who they will interview during the Field Visit

3.6 The consultancy team will have responsibility for:

- maintaining ethical standards in implementing the evaluation
- timely production of evidence-based conclusions and recommendations to demanding quality standards
- planning the main field visit

3.7 Preparation work will commence in September 2006 and the report will be finalised by end January 2007. Total Team Leader input required will be up to 35 days.

3.8 The consultants will produce a first draft report within 6 weeks of completing the Field Visit. EvD will circulate this within DFID, giving internal stakeholders the opportunity to amend any factual errors, and the Team Leader will complete any redrafting within two weeks of receiving the proposed amendments.

The final report be produced to EvD's Style Guide (Annex B) and will include an Executive Summary.

#### **4. REPORTING AND DISSEMINATION**

4.1 The Lead Consultant (Team Leader) will report to the Programme Manager or Deputy Programme Manager in DFID Evaluation Department. The local consultants will report to the Team Leader and be engaged by DFID Russia.

4.2 The report and evaluation summary will be published and distributed, electronically and in hard copy, to a wide ranging internal and external audience.

**Evaluation Department September 2006**

## ANNEX 2: PROJECTS REVIEWED

The projects listed below were chosen for review based on the following criteria:

- all projects involved in the Oblast Partnerships were included
- projects starting before January 2001 were excluded (with three exceptions)
- all projects costing £2m and over were included
- the sample was picked to give coverage of all the CSP objectives, except access to justice, and
- humanitarian projects were excluded

The total sample is 30 projects with a total commitment value of £62.6m. This includes three projects, costing £4.9m that began before January 2001.

DFID's database lists 78 projects which began from January 2001 (excluding 24 humanitarian projects) with a total commitment value of £62.9m.

MIS CODE	TITLE	COMMITMENT £000s	SPEND £000s	START	REVIEW TYPE	RATING
<b>OBLAST PARTNERSHIPS</b>						
292542052	Leningrad partnership oblast	4,980	4,050	01/04/2002	Annual 2006	2
292543089	Regional administrative reform REAREF (Nizhny)	2,689	2,689	09/03/1998	PCR	1
292541103	Nizhny Novgorod economic regeneration	2,060	2,008	23/02/2004	Annual 2006	2
292542056	Nizhny partnership non-project costs	200	?	17/02/2004	None	
292542060	Partnership coordination initiatives	100	24	18/02/2005	None	
292542058	Nizhny partnership coordination unit	100	63	22/03/2004	None	
292500058	Nizhny change management	800	758	01/05/2001	Progress 2001	3
292542059	Nizhny addressing HIV/AIDS	500	340	18/05/2005	None	
292542057	Nizhny targeted social assistance	1,825	1,636	15/12/2003	Annual 2005	2

### CSP OBJECTIVE 1 – Russian participation in global institutions

292522003	Russia Trade Policy Project	1,230	1,218	01/12/2000	PCR	2
292522007	WTO sectoral studies	253	208	11/12/2001	None	
292522008	Russia WTO poverty study	110	110	15/03/2003	None	

MIS CODE	TITLE	COMMITMENT £000s	SPEND £000s	START	REVIEW TYPE	RATING
<b>CSP OBJECTIVE 2 – state capacity-building for poverty-reduction</b>						
292540245	Regional finance reform (World Bank)	7,000	5,747	22/05/2002	PCR	2
292542047	Public administration reform (World Bank)	3,500	2,482	19/01/2004	Annual 2006	2
292542044	Ministry of Labour and Social Development social budget	3,755	3,651	14/01/2002	Annual 2005	2
292542053	Poverty statistics	1,500	1,500	17/05/2002	Annual 2006	2
292542019	Ministry of Economy	960	959	01/08/2001	Annual 2001	2
292501062	Municipal water and waste water project (World Bank)	2,500	1,933	01/01/2003	PCR	3

### CSP OBJECTIVE 3 – social policy, health and HIV/AIDS

292542061	Social standards	1,000	543	18/03/2005	Annual 2006	2
292555064	TB in Samara	1,937	1,937	01/03/2001	PCR	2
292555085	Strengthening the Russian Red Cross	1,700	1,040	13/12/2001	PCR	3

### HIV/AIDS

292555043	Samara STI including Togliatti	1,000	1,000	01/09/1998	PCR	3
292555086	Open Society Institute - harm reduction	4,200	3,492	01/09/2001	PCR	2
292555093	Knowledge for action in HIV	1,500	1,489	01/09/2003	PCR	2

### HIV/AIDS

292555092	UN Fund for International Partnerships	1,125	1,107	01/12/2002	PCR	2
292555097	HIV/AIDS Three Ones facility	500	500	01/01/2005	Annual 2006	2

### CSP OBJECTIVE 4 – improved access to livelihoods

292540243	Maximising the outreach of microfinance in Russia	5,632	5,437	25/06/2001	PCR	2
292540244	Business Advisory Services – Samara	2,000	421	01/05/2001	PCR	4
292500053	Sustainable rural livelihoods pilot project	4,385	4,353	01/08/1999	PCR	1

MIS CODE	TITLE	COMMITMENT £000s	SPEND £000s	START	REVIEW TYPE	RATING
<b>CSP OBJECTIVE 4 – improved access to livelihoods</b>						
292500054	Revitalisation of insolvent Russian farms	3,539	3,531	01/04/2000	PCR	1

## **ANNEX 3 : LIST OF PEOPLE INTERVIEWED AND QUESTIONNAIRE**

### **LIST OF PEOPLE INTERVIEWED**

#### **BRITISH GOVERNMENT**

##### **Department For International Development**

Simon Bland  
Michael Borowitz  
Angelika Brustinow  
Jim Butler  
Martin Dinham  
Roland Fox  
Mark Fitzpatrick  
Mike Green  
Bill Kilby  
Brenda Killen  
Ksenia Koloshtivina  
Dawn Lindsay  
Tatiana Marchenko  
Richard Moberly  
Yana Pavlovskaya  
Lisa Phillips  
Svetlana Pkhidenko  
Roman Puchkov  
Lyudmila Stepnova

##### **DFID Contractors**

Pat Donlan (Leningrad)  
Steve Tupper (Leningrad)  
Robert Van Leeuwen (Arcadis)  
Lubov Ivanova (Nizhny Novgorod)  
Nadia Gittins (Nizhny Novgorod)  
Sergey Pastukhov (Nizhny Novgorod)

##### **Foreign and Commonwealth Office**

Duncan Allan  
Tony Brenton  
Teresa Dumasy  
Nigel Gould-Davies  
Martin Harris  
Andrew Levi  
Roderic Lyne  
Elizabeth Teague



---

## OTHER DEVELOPMENT AGENCIES

### CIDA

Kati Csaba

Peter Teslenko

### European Commission

Stefanie Harter

Pierre Reymondet

Hans Schoof

### UN

Anja Nitzche-Bell (M&E Advisor UNAIDS Office in the Russian Federation)

Stephen Tull, Head UNOCHA

Eden Bakhshish, (Deputy Head of Mission, UNDP Moscow)

### World Bank

Yelena Dobrolyubova

Maya Gusarova (Donor Secretariat for Civil Service Reform)

Natalia Ivanova (Donor Secretariat)

John Litwack

Andrei Markov

Neil Parison (DAI)

David Tarr

### Russian Federation

Said Batkibekov (Ministry of Economy)

Ruslan Halfin (Deputy Minister of Health)

Alexei Lavrov (Ministry of Finance)

Maxim Parshin (Ministry of Economy)

Tatiana Petrova (Ministry of Interior University, St Petersburg)

Olga Markova (Deputy Head, Agency for Special Economic Zones)

## LENINGRAD OBLAST

### Oblast Government

Vladimir Balashov

Olga Malinovskaya

Aleksey Sergeychuk

Larissa Rzheshhevskaya

Ivanova Irina

**Priozersk Rayon**

Tamara Kiseleva (Deputy Head, Municipality)  
Dudnikova Ekaterina (head of Social Services)  
Zinaida Kubatnik SME support centre  
Konstantin Silvanovich (Disabled Children's Home)  
Plodovoe initiative group

**NIZHNY NOVGOROD**

**Oblast Government**

Svetlana Budniak  
Artyom Galkin  
Irina Ivankovich  
Marina Ivantsova  
Natalia Kalishina  
Vladimir Marmyshev  
Natalia Potemina  
Olga Guseva (Department for International Relations, Nizhny Novgorod Regional Administration)

Arzamas City

Natalya Mumladze (Head of Administration)  
Galina Ptitsina (Director of Economic Department)  
Irina Nabatova (Head of Social Assistance)

**ACADEMIC AND NON-GOVERNMENT SECTOR**

Natalia Baranova (St Petersburg Early Intervention Institute)  
Anna Skortsova (Information and Analyses Centre for Social and Health NGOs, St Petersburg)  
Elena Belova (Development Dept., Leontief Centre, St Petersburg)  
Leonid Limonov (Director, Leontief Centre, St Petersburg),  
Lilia Ovcharova (Research Director, Independent Social Policy Institute)  
Natalia Shagayda (Institute for Agrarian Problems)  
Vasily Uzun (Institute for Agrarian Problems)  
Renata Yanbykh (Foundation for support of agrarian reforms)  
Alexei Bobrik (Deputy Head, Open Health Institute)  
Natalia Ladnaia (Federal AIDS Centre)  
Masha Chertok, CAF Russia  
Vladimir Chikishev (Director, Theatre Piano, Nizhny Novgorod)  
Victor Nefedov (Partnership Community Foundation, Nizhny Novgorod)  
Michail Teodorovich (Intelkom, Nizhny Novgorod)

---

## INTERVIEW QUESTIONNAIRE

### **Personal details**

Your position, involvement with DFID programme, dates.

### **Strategy**

How well did DFID communicate its strategic approach (i.e. 2001 strategy and 2004 transition)?

Was the 2001 strategy appropriate to Russia's needs and circumstances?

What were the risks and how were they managed?

How much consultation was there with local actors?

How did DFID approach the task of cutting back the programme in 2003/4?

Was this appropriate?

Did the 2004 transition plan make sense in the circumstances faced by the DFID team?

### **Influencing work**

What were DFID's influencing objectives?

What approach did DFID take to achieving them?

Was DFID's contribution valued?

Did it contribute to changes in policy and practice? If so, what were they?

### **Programmes and projects**

#### **Design**

How did project selection and design respond to a) the strategy and b) local demands?

#### **DFID's contribution**

Was the project/programme locally led?

Was consultation in the project process good/adequate/poor?

Was the assistance timely? Flexible?

Was the quality of the expertise provided good/adequate/poor?

#### **Effectiveness and impact**

Did the projects/programmes meet their objectives? Give details?

How were the achievements measured?

Were they sustainable?

Did they contribute significantly to pro-poor reform in Russia? If so, how?

#### **Working with other donors**

Which other donors were the key partners?

How effective was collaboration between them and DFID?

Give examples of effective collaboration e.g. co-financing, harmonisation of procedures, joint policy dialogue with Government.

**Exit**

Was exit from the programme/project well planned and executed?

How did partners and Russian authorities react to its end?

Should the programme/project have been phased out earlier or extended longer?

**Lessons**

What were the main strengths?

What could have been done better?

What specific lessons are there for a) Russian actors, b) DFID programmes in other countries, c) other donors.

## ANNEX 4: RUSSIA TIMELINE

### RUSSIA TIMELINE

	RUSSIAN FEDERATION	DFID	INTERNATIONAL
1991	Russia becomes independent		
June 1993			Working party established on Russian accession to WTO
1994	Russian troops in Chechnya		
1996	Yeltsin second term. Russia joins G7.		
August 1998	Financial crisis		
October 1998		Country Strategy Paper	
August 1999	Chechnyan militia invade Dagestan. Putin appointed Prime Minister. Russian forces launch new campaign in Chechnya (Sept).	Permanent Secretary John Vereker, visit 99	Oil Prices \$12
March 2000	Putin elected President		
April 2000		Secretary of State, Clare Short, visit 26-29 June	UK Prime Minister Blair visit
May 2001		Country Strategy Paper	Oil prices \$30
Dec 2001		2 Oblasts selected	EU TACIS CSP
Jan 2002			Afghanistan - International troops arrive.
Mar 2002		Permanent Secretary, Suma Chakrabarti, visit 24-28 Mar.	
May 2002		Management devolution to Moscow agreed	
Oct 2002	Moscow theatre siege		
June 2003	June. Last independent TV channel closed.		March 2003 Invasion of Iraq
			EU TACIS NIP May 2003
July 2003		Responsibility devolved to DFID Russia	

	RUSSIAN FEDERATION	DFID	INTERNATIONAL
Oct 2003	Yukos boss Khodorkovsky arrested	Middle Income Country financial cuts. Russia programme cut severely.	
Dec 2003	United Russia wins landslide victory		
March 2004	Putin second term	Jan. DFID Russia Transition Plan published.	
May 2004		Leningrad partnership implementation starts.	Bilateral WTO deal reached with EU
Aug 2004	Yukos assets seized		
Sept 2004	Beslan school siege.  Putin announces governors to be appointed not elected.		
Early 2005	Widespread protests against benefit reform		
June 2005	State gains control of Gazprom which takes over Sibneft oil in Sept.		Oil prices exceed \$50
Jan 2006	Russia renegotiates gas price with Ukraine. Gas supply cut briefly.  Putin signs new law giving power to monitor and suspend NGOs		Russia accuses UK of Russian NGOs as a cover for spying.
May 2006		DFID Russia Graduation Plan published.	
July 2006	Russia hosts G8		
Oct 2006			Bilateral WTO deal reached with USA
Nov 2006			Former Russian spy Litvinenko dies of radiation poisoning in London
March 2007		DFID Russia closure	

## ANNEX 5: BACKGROUND TO DFID'S 2001 COUNTRY STRATEGY FOR RUSSIA

### Antecedents: the Know How Fund

The British Government set up the Know How Fund (KHF) in 1989 to support the transition of Eastern Europe and the former Soviet Union to democracy and the market economy. The programme began operations in Poland and was spread rapidly to other countries of the region. Its work in Russia started in 1992. The KHF was a joint venture between the Foreign and Commonwealth Office and DFID's predecessor, the Overseas Development Administration, and it operated with a character and organisation separate from the main overseas aid programme. Its purpose was to help the transition countries gain access to British experience and expertise and to promote British investment in the region. The KHF emphasised private sector development including banking and finance and contracted external advisers to help manage these programmes. Some activities were funded jointly with the British private sector.

In Russia, the KHF built up a large portfolio of technical assistance projects in a range of sectors: financial services, privatisation, enterprise restructuring, health, energy, good government, media, agriculture and small and medium enterprise (SME).

In 1998 DFID assessed the programme as follows:

*“Our effectiveness seems generally to have been good. We provided early examples of the practice of a market economy, exposing key reformers to UK expertise, where under the Soviet system they had been isolated from Western ideas and processes. Feedback from Russians, including senior political figures, has generally been highly positive. Our assistance is often valued for providing alternatives to either US or continental European models. A common theme is appreciation of the speed and flexibility of KHF assistance, particularly compared to other larger donors. External reviews of the health and SME sectors have been largely positive; there have been favourable evaluations too of individual privatisation, SME and health projects.”<sup>25</sup>*

### DFID takes over

In May 1997 the incoming Labour administration established the Department for International Development to promote development and reduce poverty. The Millennium Development Goals became DFID's focus and the approach was one of partnership with governments committed to those goals. DFID took full responsibility for the assistance programmes to the transition countries of Central and Eastern Europe and introduced a stronger focus on poverty reduction. The management of the KHF was increasingly drawn within DFID systems. At the same time there was a sense in which the programmes for the transition countries did not fit easily within DFID's intellectual mainstream and there were questions about how long DFID should continue these activities.

In October 1998, DFID published a Country Strategy Paper (CSP) for Russia which identified five priority needs:

- extending the framework of the market economy and pluralist democracy
- reforming the public sector

<sup>25</sup> DFID (1998) p.6.



- ensuring the emerging benefits of the transition are spread more evenly, with particular attention to the needs of the poor and the vulnerable
- tackling the huge environmental problems facing the country, and
- gaining accession to the WTO

The CSP went on:

*“These needs mean that we should stay involved for the next few years, but should review our position as the political and economic implications of the 2000 elections become clear. After those elections, the right strategy for DFID could be a gradual exit: Russia might have both a reforming President and strong economic growth. Of course, the demands of the transition in Russia will go on for many years yet.”*<sup>26</sup>

DFID’s strategy was to build on the achievements of the KHF by adjusting its sectoral coverage, while attempting to influence the multilateral donors, particularly the European Commission. The CSP aimed to develop work in the area of social protection for the first time while increasing activities in governance, health and the environment. Assistance for financial services was to reduce and support for privatisation had already stopped. However, DFID expected to remain engaged in a wide range of sectors, including enterprise development, rural livelihoods and energy. The CSP anticipated a wide geographical spread too in the following priority oblasts: Kemerovo, Nizhny Novgorod, Rostov, Samara, Sverdlovsk, Oryol and Leningrad as well as St. Petersburg city.

In terms of resources, the CSP concluded, “we aim to maintain a technical assistance programme of just under £30m per annum to Russia over the next few years”. The programme was to be managed from London by Eastern Europe and Central Asia Department.

### **Taking stock in 2000**

The timing of the 1998 CSP was hardly ideal. Russia’s economic landscape changed dramatically with the financial crash of August that year. DFID had not been able to take its implications into account when drafting the strategy. However, the short-run consequences sharpened concerns about poverty and vulnerability in Russia. Moreover, the shift of political power to Prime Minister, then President Putin, from August 1999 to March 2000, offered the prospect of greater stability and a more fruitful partnership for reform with the West. The British Prime Minister, Tony Blair, met Mr. Putin in St Petersburg in April 2000. This was a high point in relations between Britain and Russia when Britain took an optimistic view of Russia’s prospects under new management.

DFID’s Secretary of State, Clare Short, visited Russia in June 2000 just as the Russian Government published its social and economic development strategy<sup>27</sup> (known as the Gref Plan, after the Minister of Economy). She noted that Britain’s past assistance was widely praised by Russian partners. Her main conclusions were:

- DFID should continue support for Russia’s transition to a market economy but do more to help the poor and vulnerable through assisting the reform of the benefit system and social services

---

<sup>26</sup> DFID (1998) p.7.

<sup>27</sup> Center for Strategic Research (May 2000).

- There should be a shift of emphasis from funding know-how to creating partnerships and more use of Russian inputs
- DFID should aim for larger impact by working with multilateral donors, scaling up and should not spread too thinly
- DFID should do all it can to ensure that the EU gives Russia generous terms for entry to the WTO

DFID initiated a Review, carried out by Mokoro consultants<sup>28</sup>, which was a seminal document for the 2001 CSP. Some of the conclusions (see box) remain relevant for the period of our review. The consultants made a series of recommendations designed to enhance the impact of DFID assistance.

The consultants felt that the prospects for the 2001 CSP were enhanced because, in the past, the lack of policy dialogue with Russia was a failing. However, there was a better chance that the strategy would be rooted in the Russian reform programme now that it had been published and a senior Russian interlocutor for DFID had been appointed. Moreover, DFID had a better understanding of poverty in Russia.

The consultants recommended that at the strategic level:

- DFID should establish benchmarks for CSP outcomes and systematically monitor progress against them
- Oblasts are the appropriate level for DFID's dialogue given the decentralised Russian context. Interventions should be based on a jointly agreed policy framework. Managing the partnership process will require more resources
- DFID should concentrate in fewer geographical areas
- DFID should make the most of synergies between its activities e.g. between sectors and between different levels of intervention (i.e. field level operations, institutional level and policy reforms), and
- Influencing work needs to be managed against clear objectives and resourced appropriately. Given the limited impact of other aid agencies on Russian policy it may be better to shift the balance of effort towards influencing the Russian Government directly rather than trying to influence the multilaterals

At the project level they recommended that:

- DFID should be more systematic about including Russian stakeholders at all stages
- DFID should employ a wider range of instruments, including complementary instruments (i.e. some capital funding and local expertise), small partnership schemes to facilitate networking, longer-term commitments and “design and build” (i.e. delegation of detailed design to project partners and contractors)

---

<sup>28</sup> Russia Country Strategy Paper: Partial Portfolio Review - Mokoro Ltd., 2001.

**Box 6: Summary of Conclusions from Partial Portfolio Review – Mokoro Ltd., January 2001**

The consultants found that “it would be difficult to argue that the Russia programme has had more than a marginal impact on the overall reform programme.... However, it would be unrealistic for DFID to expect to make a significant impact with its limited resources.” They pointed to similar assessments made by the World Bank, US and EC. The consultants instead made a “bottom-up assessment” to reach a view on the impact of the aid programme’s activities.

They found that DFID had made most progress in those sectors where it had worked longest. They drew the following general lessons from their field visits:

- DFID should be prepared to make long-term commitments and ensure continuity in funding
- However, DFID should not be afraid to cease funding where justified
- Russians most value UK partners with relevant and similar recent experience from which they can learn
- DFID’s interventions are most respected where the emphasis is on dialogue, facilitation and responsiveness to Russian partners
- However, the impact of the overall programme is diminished by narrow sectoral approaches, pre-occupation with the pipeline and maintaining the annual programme spend
- Weak information flows have hampered both dialogue with Russian officials and stakeholders and synergies across sectors and oblasts, consequently
- DFID projects should build in flexibility and involve stakeholders
- DFID should find out about existing networks that can be used to disseminate lessons. If necessary, dissemination activities should be financed directly

They considered DFID’s influence on multilateral agencies and concluded that it was marginal at best and ad hoc. They felt DFID might not be taking full advantage of its influencing power.

They felt that there was a mismatch between a programme of around £30m per annum and the management resources available, particularly given their recommendation of much more active management of the strategy. They recommended a feasibility study to investigate devolving responsibility to Moscow.

---

## ANNEX 6: REFERENCES

- Center for Strategic Research. (May 2000) *Strategy of Development of the Russian Federation through 2010: Social and Economic aspect*. Ministry of Economy, Development and Trade. Moscow.
- DFID. (1998) *Russia: Country Strategy Paper*. London.
- DFID (2001) *Russia Country Strategy Paper 2001-5*. London.
- DFID (January 2004). *CSP Review and Reallocation of MIC Budgets, Transition Plan*. DFID, Moscow.
- DFID. (06 November 2003). *Written Parliamentary Statement: Hilary Benn, Secretary of State. DFID funding for low income and middle income countries*. House of Commons. London.
- DFID (2005) *PCR Synthesis Report 2005*. London
- European Commission (1 Feb 2000) *Evaluation of the Tacis Country Programme in the Russian Federation – ref. 951500*. Brussels.
- European Commission (Jan 2006). *Evaluation of Council Regulation 99/2000 (TACIS) and its implementation*. Brussels.
- European Court of Auditors. (20 April 2006). *Special report no. 2/2006 concerning the performance of projects financed under TACIS in the Russian Federation*. Luxembourg.
- Forum on Early Warning and Early Response and Peace Mission of General Lebed (2005). *Strategic Reconstruction and Development Assessment in the North Caucasus 2005: Expert Report*. Moscow.
- Lyne R. et al. (2006) *Engaging with Russia: the Next Phase. A report to the Trilateral Commission*. The Trilateral Commission Washington, Paris, Tokyo 2006.
- Mokoro Ltd. (January 2001) *Russia Country Strategy Paper: Partial Portfolio Review*. DFID. London.
- Semkow, K et al. (September 2006) *Interim Evaluation of “Taking Action”: the UK Government’s Strategy for Tackling HIV and AIDS in the developing world. Country Case Study: Russia*. DFID, London.
- World Bank. (2002) *Russian Federation: Country Assistance Evaluation*. Operations Evaluations Dept., World Bank. Washington
- World Bank. (February 2005) Report No 28923-RU *Russian Federation: Reducing Poverty through Growth and Social Policy Reform*. World Bank. Washington.
- World Bank (2005) *Russia’s WTO Accession: What are the Macroeconomic, Sector, Labor Market and Household Effects?* Thomas Rutherford and David Tarr. World Bank, Washington.
- World Bank. (November 2006) Report No. 37901-RU *Country Partnership Strategy for the Russian Federation 2007-2009*. World Bank. Washington.



## **DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**

DFID, the Department for International Development: leading the British government's fight against world poverty.

One in five people in the world today, over 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution, and diseases such as HIV and AIDS – are caused or made worse by poverty.

DFID supports long-term programmes to help eliminate the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made. DFID's work aims to reduce poverty and disease and increase the number of children in school, as part of the internationally agreed UN 'Millennium Development Goals'.

DFID works in partnership with governments, civil society, the private sector and researchers. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID works directly in over 150 countries worldwide, with a budget of nearly £4 billion in 2004.

Its headquarters are in London and East Kilbride, near Glasgow.

### **LONDON**

1 Palace Street  
London  
SW1E 5HE  
UK

### **GLASGOW**

Abercrombie House  
Eaglesham Road  
East Kilbride  
Glasgow  
G75 8EA  
UK

Tel: +44 (0) 20 7023 0000 Fax: +44 (0) 20 7023 0016

Website: [www.dfid.gov.uk](http://www.dfid.gov.uk)

E-mail: [enquiry@dfid.gov.uk](mailto:enquiry@dfid.gov.uk)

Public Enquiry Point: 0845 300 4100

If calling from abroad: +44 1355 84 3132

ISBN: 1 86192 902 1