

S19. We welcome the report's recognition of our aid effectiveness work and note the connection with local ownership – the report helpfully highlights this. Improving the effectiveness of the overall donor effort is also an important contribution to sound graduation.

S20. The report's conclusions that our approach to partnerships was addressed well, and that strategic thinking has placed the team at the forefront of DFID's partnership work with the EC, are both welcome. The integration of the Europe programme teams into EDRD is an opportunity to look further at how to strengthen our influencing of EU policies and programmes across the pre-accession and Neighbourhood countries in Europe, not only in those few where we have bilateral programmes (there should also be lessons for influencing other EU programmes). We will want to improve the effectiveness of our work with the FCO and MOD in particular, and between Whitehall and UKRep Brussels. The report rightly notes that we have given the European Investment Bank (EIB)² less attention; this was a conscious prioritisation decision. Recent developments include the creation of a new policy post in Brussels, further learning and development work and refining country EU action plans.

S21. Regional analysis has, as the report notes, proved effective. We accept that greater alignment of staffing resources to regional objectives might have increased impact. However, one important reason for not taking a regional approach as far as the report suggests has been our ever-closer partnership with the FCO. Since FCO manage their work through country business plans, we too have chosen to prioritise joint country-based planning instead.

S22. We accept that the original RAP monitoring framework was not a success. Rather than pressing ahead with a revised regional framework, we have shifted to joint

FCO-DFID Country Business Plans as the basis for monitoring.

S23. The comments on management structure are helpful. We agree that outsourcing the management as well as implementation of key programmes is not advisable and will not be repeated. We also accept that longer-term advisers are preferable in key posts; the recent creation of a long-term post in Brussels to complement the fast-stream post on EU work in London is recognition of this. We will also aim to ensure that, during the remaining time before graduation, we avoid gaps between phases of TA support.

S24. We do not accept the report's criticism of DFID's support for banking and financial sector reform. DFID has drawn on regional experience extensively, and the transformation of the Serbian banking sector, for example, has been a major success. We have supported SME development through multilateral institutions – notably the World Bank.

S25. We accept that strategic planning for conflict prevention work could be improved. We have encouraged the integration of conflict prevention into the new DFID/FCO Country Business Plans, ensuring that strategic requirements are identified and resourced adequately. We have also supported more effective management and planning of the tri-Departmental Conflict Prevention Pool. For example, we have recently agreed new governance arrangements with FCO and MoD which should lead to more effective delivery. We have also provided DFID staffing support to the central FCO management team for the Balkans CPP, to help establish better project management systems.

² European Investment Bank

DFID STATEMENT OF PURPOSE

DFID, the Department for International Development: leading the British Government's fight against world poverty. One in six people in the world today, around 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 tackle the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made.

DFID's work forms part of a global promise to:

- halve the number of people living in extreme poverty and hunger
- ensure that all children receive primary education
- promote sexual equality and give women a stronger voice
- reduce child death rates
- improve the health of mothers
- combat HIV and AIDS, malaria and other diseases
- make sure the environment is protected
- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', with a 2015 deadline. Each of these Goals has its own, measurable, targets.

DFID works in partnership with governments, civil society, the private sector and others. 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 some £5.3 billion in 2006/07. 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 E75 8EA UK

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

Website: www.dfid.gov.uk

E-mail: enquiry@dfid.gov.uk

Public Enquiry Point: 0845 300 4100

If calling from abroad: +44 1355 84 3132

ISBN: 1 86192 971 4

**Evaluation of DFID's Regional Programmes:
Western Balkans 2003-2007**

Nick Chapman, Jon Bennett, Milford Bateman, Paul Thornton, Johanna Pennarz, Marsaili Fraser

“DFID has made a recognised contribution to the accession process through its active role as a Member State in EC processes, and through strong engagement with governments especially with regard to planning and financial management.”

Introduction

S1. This Regional Programme Evaluation (RPE) assesses the relevance, effectiveness, efficiency and impact of DFID's development activities in the Western Balkans over the period 2003-07.

Context

S2. Since the traumatic break up of Yugoslavia in 1991, the Western Balkans have endured a painful set of political, social, conflict-related, migration transitions. Since 2000, economic decline has halted as open conflict ended and, for some, there has been an upturn in economic fortunes, linked to a gradual opening up to the European Union (EU), combined with significant financial and military support. Nevertheless, the region remains fragile as state-building is affected by slow accession to Europe, ethnic tensions, crime and security concerns. Unresolved post-conflict tensions are of concern especially in Kosovo, despite its declaration of independence from Serbia in February 2008.

S3. The four Western Balkan states included in this evaluation: Albania, Serbia, Kosovo and Bosnia-Herzegovina (BiH) are middle income. Millennium Development Goal (MDG) progress is broadly on track except in Kosovo, where an estimated 37% of the population live below the poverty line and growth is stagnant. Key poverty gaps in all four States affect women, the elderly and certain minorities such as the Roma. Unemployment remains high (50% in Kosovo, 48% in BiH), while corruption and criminality affect progress.

S4. Aid volumes have fallen in Serbia and BiH but risen in Albania. Major donors are the European Commission (EC), the World Bank, and USAID. The United Kingdom (UK) provides less than 5% of official aid. DFID's programme reduced from £26m to £14m between 2001/02 and 2006/07, mainly as a result of corporate policy to focus on Lower Income Countries. Its multilateral contribution to the region is two-to-three times larger than its bilateral aid. The UK also provided £12.5m for conflict prevention through the Global Conflict Prevention Pool (GCPP) from 2001-05.

Relevance

S5. The Regional Assistance Plan (RAP) from 2004-5 to 2007-08 with its stronger focus on working with the EC and DFID's wider commitments to multi-lateral effectiveness and improving the leverage of small programmes, was more relevant than the earlier Country Strategy Papers (CSP). On the other hand, linkages between the broad objectives of helping key partners to be more effective and the more sector-based sub-objectives were not always clear. The revised sub-objectives introduced in 2006 addressed more critical themes, such as social exclusion and unemployment, but these did not always build on existing experiences and some were over ambitious given the funding available. The concentration on technical assistance as the main aid instrument was rational given the resources available, the desire to work on areas requiring technical expertise alongside other bigger partners, and given the UK's comparative expertise in the targeted sectors. The risks of working in the Western Balkans were recognised but mitigation was not always practical and political risks in particular could have been taken into account more effectively.

Effectiveness and Efficiency

S6. DFID has been most effective in the first priority area of EC engagement, especially in terms of modifications to EC texts and lobbying to link EC support to national priorities, and in strengthening government planning and financial systems to benefit from EC accession funding. The record on social inclusion is fair, and poor on unemployment reduction. But on trade agreements there is better performance. On aid effectiveness, improving government-led aid coordination has begun to show results, although donor coordination proved more problematic. DFID has made good progress in terms of its engagement with other arms of UK Government, led by the use of GCPP funds. While GCPP projects have performed well, their overall contribution to conflict prevention has not been evaluated. Transition to national leadership has been slow and the political situation continues to be fragile in BiH and Kosovo.

S7. Project scores are generally high, with 63% expected to achieve most or all of their objectives, although ratings tend to be based on output achievement rather than impact. While some reforms supported by DFID have been

codified or passed into legislation, there are concerns over sustainability due to political fragility and the challenge of embedding good Technical Assistance (TA) results into weakly-owned government systems.

S8. Within a poorly harmonised environment, DFID has striven to improve wider aid effectiveness though hindered by small spend and a limited use of aid instruments. There is good partnering with the Foreign and Commonwealth Office (FCO) in Embassies, and this in general improved DFID's delivery, though sometimes reduced its visibility as the joint UK brand came to the fore. Mainstreaming of gender equality in projects has been weak across the portfolio, though Gender Action Plans have been introduced since 2006. HIV&AIDs and the environment have received limited attention across projects, although a regional programme focussing on HIV&AIDS prevention was effective. Social exclusion has had more attention, starting with the early projects on social protection and continuing into statistical and conflict-related work within the evaluation period.

S9. Finally, while the programme objectives were relevant, the resources and staffing committed to achieving them could have been better linked and indicators were missing so making impact assessment difficult.

Impact

S10. Though pro-poor development strategies have emerged, **impact** on specific poverty gaps (women, refugees, minority ethnic groups and unemployed) remain hard to address while political institutions remain weak and the region undergoes transition towards European membership. MDG progress in overall terms is on track except in gender and environment and it is unfortunate that DFID did not address them directly in its strategy. The counterfactual case, that without DFID assistance these trends would have been more negative, is hard to assess given the small scale of DFID's programme and the volatility of political events in the region. Is it large enough to be worth the effort? While DFID was a small trader in a big market, its focused approach has achieved impacts in critical areas such as government capacity building and EC influence. DFID has had local impact on conflict prevention and in building a joint UK approach; but less success in 'harmonisation', which remains a major challenge in the region. These achievements are substantial and the programme was thus sufficient to be worth the effort¹.

Lessons and Recommendations

S11. Lessons for DFID are:

- **Influencing the EC** requires a more subtle and multi-level approach to DFID's usual engagement with partners. This includes consistent and persistent attention to the detail of EU documentation as well as closer working with the FCO, UK embassies and the UKREP in Brussels.

- **Small programmes** with focused objectives delivered by small in-country teams can make a strategic impact; but assessment of this impact is weakened if performance indicators at the objective level are missing and if the sub-objectives do not all link clearly to the **objectives**.
- **Working regionally** requires a regional perspective – this is more than regional objectives; a stronger regional programme and greater alignment of staffing to regional objectives would have increased impact.
- In politicised environments where fledgling state organs are weak, there is a danger that **technical assistance** becomes a substitute for domestic capacity and ownership. This is a particular hazard where local counterpart structures are set-up and paid for by donors.
- Better **risk analysis and mitigation** is needed in a politically uncertain and complex environment, and where inter-ethnic conflict may arise and even be stimulated by international interests and aid provision.
- State-building and pro-poor socially-inclusive programming involves more than government capacity building and requires engagement with **civil society** to build in accountability (in line with the 3rd White Paper).
- **Outsourcing programme management** can risk losing accumulated knowledge unless lesson learning and regular monitoring are incorporated.
- At **graduation**, the aim should be sustainability of strategic objectives not of specific projects, and this requires forging stronger relationships with UK embassies and other partners in order that they can take over delivery towards these objectives.
- **Public administration reform** is a major, long term process requiring cultural change. Bilateral support is inappropriate with limited resources or where imminent graduation reduces the timeframe.

S12. Recommendations for DFID include:

- During the graduation process (i.e. from 2008 onwards), DFID should: (i) **focus on the relationship with Government and other key partners**, and less on the programme itself, (ii) task country teams to **work with the FCO** around sustaining the UK's development interests, and prepare **joint business / graduation plans**. This extends to DFID's interests in conflict prevention, where they should prepare joint country plan revisions, based on shared objectives.
- In the Western Balkans, generally **do not start new programmes**, but consider increasing **gender support and civil society**

engagement; further integrate the London and country teams more effectively based on the RAP objectives.

- Western Balkans country teams should **maintain the focus on the EC**, and sustain intensive engagement with partner Governments using strategic investments. The teams need to enhance their **influencing skills**, as well as those of the senior TA personnel working in key positions, so as to maximise the leverage on development partners. DFID should also **use more experienced advisory staff** on a longer term basis (3 years) and fewer fast track staff with limited periods of engagement (1 year), especially when working on complex influencing agendas and with senior government or donor partner officials.
- In order to support the graduation process, and at a time when aid is phasing out and future funding is unpredictable, DFID should map future donor commitments into critical sectors, such as **social protection and employment**, to sustain achievements from DFID's bilateral programme and seek ways to improve the effective use of these resources. DFID also needs to continue advocacy and learning on **gender equality** issues; this will require stronger gender champions and partnerships among civil society organisations and government partners.
- For DFID globally, **strategic planning for conflict prevention** should be anticipated well in advance of budgeting, so that countries can derive lessons from the previous round.
- DFID country offices should have more regular mechanisms for **feedback on lessons from TA**, and should pay closer attention to capacity building and ownership objectives, so that such support does not become a substitute for government bodies. International TA should be balanced with local TA, and TA should have strong networking and persuasion skills beside technical competence.
- DFID must go beyond sound risk assessment and analysis and **incorporate effective risk mitigation measures** into its programmes, especially in a fragile state-building environment characterised by low government capacity, political uncertainty and ethnic tensions.

Management Response

S13. We welcome the main findings of this evaluation. Together with the evaluation of the Central Asia South Caucasus and Moldova (CASC) RAP in March 2008, it has already informed our plans for the remaining period of DFID's bilateral work in the Western Balkans. We are particularly pleased with its endorsement of our work with the EC.

S14. More specifically, we welcome confirmation that the Western Balkans RAP has helped to focus DFID's bilateral work, that its objectives were relevant, and that the choice of aid instruments was rational. We accept that political risks could have been taken into account more effectively. However, we note the welcome recognition of a strong joint UK strategy and good joint working with the FCO and this is helping to improve the way political risks are assessed and managed. We have also included key risks in our annual departmental business plan and allocated "risk owners" to ensure they are closely monitored in future.

S15. We believe that portfolio management targets have been met better than the report suggests. Nevertheless we have over the last year taken action to improve performance further. The team has had refresher training on the use of logical frameworks, with follow-up coaching by senior staff. Quality assurance has also been reinforced at departmental and divisional levels.

S16. We accept that gender was poorly addressed in the original RAP. However, we believe that gender mainstreaming has improved markedly since 2005, and we welcome the recognition of country-level Gender Action Plans introduced in 2006. In addition, we have piloted a new gender training package jointly with other donors. We have also produced a practical guide to gender mainstreaming which is tailored to transition countries.

S17. The report provides helpful advice for graduation planning. We welcome its acknowledgement of good progress on UK cross-government working. We have developed a joint regional strategic framework with FCO, joint Country Business Plans, and cross-Whitehall teams to deliver the objectives identified in these Plans. The report points specifically to the need to ensure continued supervision of the Albania IPS¹ after DFID leaves; the British Embassy has agreed to take on this task. With FCO we have also started a series of staff interchanges and joint training events to deepen the relationship further. This has had the additional benefit of binding London-based and in-country teams more closely together around country objectives.

S18. The report recommends a blanket prohibition on new programmes in the run-up to graduation. We prefer to meet the underlying concern about sustainability of investments by developing even closer partnerships with other donors so that they carry forward what we begin together. This has included joint learning events with Swedish and Dutch colleagues, and inputs to internal EC training. These partnerships mean that continued DFID support for public administration reform may well remain appropriate in, for example, BiH, even as graduation approaches, if it contributes to longer-term donor efforts in this field.

¹ Integrated Planning System, Albania's system for drawing donor and national resources into a single coherent planning and monitoring mechanism